MARKING OF IMPORTED ARTICLES

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 2513

TO AMEND THE TARIFF ACT OF 1930 TO REQUIRE CERTAIN NEW PACKAGES OF IMPORTED ARTICLES TO BE MARKED TO INDICATE THE COUNTRY OF ORIGIN, AND FOR OTHER PURPOSES

AND

AMENDMENT PROPOSED THERETO, TO REQUIRE MARKING OF ALL IMPORTED LUMBER AND WOOD PRODUCTS TO INDICATE TO THE ULTIMATE PURCHASER IN UNITED STATES THE NAME OF COUNTRY OF ORIGIN

MARCH 21, 1963

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MARKING OF IMPORTED ARTICLES

THURSDAY, MARCH 21, 1963

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senators Byrd, Anderson, Douglas, Hartke, Ribicoff, Williams, Carlson, Curtis, Morton, and Dirksen.

Also present: Senator Magnuson.

Also present: Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The hearing today is on the bill H.R. 2513, to amend the Tariff Act of 1930 to require new packages of imported articles to be marked to indicate the country of origin and the amendment proposed thereto by Senator Jordan (identical with his bill S. 957 and Senator Magnuson's bill S. 924) to require marking of all imported lumber and wood products to indicate to the ultimate purchaser in the United States the name of the country of origin.

(The bill and amendment follow:)

(H.R. 2513, 88th Cong., 1st sess.)

AN ACT To amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the first sentence of subsection (a) of section 304 of the Tariff Act of 1930, as amended (19 U.S.C. 1304), is amended by striking out "subsection (b)" and inserting in lieu thereof "subsection (b) or (c)".

(b) Subsection (b) of such section 304 is amended by striking out the first sentence and inserting in lieu thereof the following: "Whenever an article is excepted under subdivision (3) of subsection (a) of this section from the requirements of marking, the immediate container (if any) of such article, or such other container or containers of such article as may be prescribed by the Secretary of the Treasury, shall be marked in such manner as to indicate—

"(1) to an ultimate purchaser in the United States the English name of the country of origin of such article, and

"(2) to any person who repackages such article, that subject to penalties of law the new package must be marked as described in subdivision (1), subject to all provisions of this section, including the same exceptions as are applicable to articles under subdivision (3) of subsection (a) of this section. The Secretary of the Treasury may by regulations authorize the exception of any article from the requirements of subdivision (2) of the preceding sentence if such article is not usually repackaged before delivery to an ultimate purchaser."

(c) Such section 304 is further amended by relettering subsection (e) as subsection (f), and by inserting after subsection (d) the following new subsection:

"(e) MARKING OF NEW PACKAGES, ETC.—When any imported article the container of which is required to be marked under the provisions of subsection (b)

is removed from such container by the importer, or by a jobber, distributor, dealer, retailer, or other person, and offered for sale for use as (or used as) the container for other goods offered for sale, or repackaged and offered for sale in the new package, such container or new package shall be marked in such manner as to indicate to the ultimate purchaser in the United States the English name of the country of origin of such article. This subsection shall not apply in cases where the Secretary of the Treasury finds that compliance with the marking requirements of this subsection would necessitate such substantial changes in customary trade practices as to cause undue hardship and, when the article is repackaged, that the repackaging is otherwise than for the purpose of concealing the origin of such article. Subsection (d) of this section shall not apply in respect of the marking requirements of this subsection unless the articles are repackaged before release from customs custody."

(d) Subsection (f) (as relettered by subsection (c) of this section) of such section 304 is amended by adding at the end thereof the following new sentences: "Any person who, with intent to conceal the country of origin of any article, violates any provision of subsection (e) with respect to such article shall, upon conviction, be fined not more than $5,000 or imprisoned not more than one year, or both. Where any container or package which is required to be marked in accordance with subsection (e) is not so marked, such container or package and the contents of such container or package shall be subject to seizure and forfeiture under the customs laws except that the duties with respect to seizures and forfeitures under this subsection shall be performed by such officers, agents, or other persons as may be authorized or designated for that purpose by the Secretary of the Treasury."

SEC. 2. The amendments made by the first section of this Act shall apply only with respect to articles entered for consumption or withdrawn from warehouse for consumption on or after the sixtieth day following the date of the enactment of this Act.

Passed the House of Representatives February 26, 1963.

Attest:

RALPH R. ROBERTS, *Clerk.*

[H.R. 2513, 88th Cong., 1st sess.]

AMENDMENT Intended to be proposed by Mr. JORDAN of Idaho to the bill (H.R. 2513) to amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, and for other purposes, viz: At the end of the bill, insert the following new section:

SEC. 3. Subdivision (J) of section 304(a)(3) of the Tariff Act of 1930, as amended (19 U.S.C. 1304 (a)(3)(J)), is amended to read as follows:

"(J)(1) Such article is of a class or kind with respect to which the Secretary of the Treasury has given notice by publication in the weekly Treasury decisions within two years after July 1, 1937, that articles of such class or kind were imported in substantial quantities during the five-year period immediately preceding January 1, 1937, and were not required during such period to be marked to indicate their origin: *Provided*, That this subdivision shall not apply after June 1, 1963, to sawed lumber and wood products.

"(2) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

The CHAIRMAN. The Chair places in the record the following department reports: Department of State on both the bill, H.R. 2513, and the Jordan amendment proposed thereto; Department of Treasury on the bill, H.R. 2513; U.S. Tariff Commission on the Jordan amendment, and the Bureau of the Budget on the bill, H.R. 2513.

(The reports referred to follow:)

DEPARTMENT OF STATE,
March 20, 1963.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance, U.S. Senate.

DEAR MR. CHAIRMAN: This report on H.R. 2513, a bill to amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, and for other purposes, is submitted in response to your letter of March 1, 1963.

This bill affects all imported articles which the Secretary of the Treasury does not require to be individually marked as to the country of origin. The bill provides that if such articles are removed from the original containers [if any] for repackaging, the new package must be marked with the name of the country of origin of such article. This obligation is placed upon whoever does the repackaging, whether it be the importer, jobber, distributor, dealer, retailer, or other handler of the merchandise. Any articles offered for sale in violation of this marketing requirement would be subject to seizure and forfeiture. In addition, any person who violated the provisions of this proposed legislation would be subject to a fine of not more than $5,000 or imprisonment for not more than 1 year or both. The marketing requirement would not apply in cases where the Secretary of the Treasury finds it would cause "undue hardship" due to the necessity to change customary trade practices.

We believe that the principal effect of this legislation would be to restrict imports. Additional requirements, even when not specifically designed to discourage imports, are likely to have that effect.

The reduction of barriers and hindrances to trade is a major foreign economic policy objective of the United States. Attainment of this objective is especially important in view of our present vigorous effort to expand our commercial exports. Action on our part that has a restrictive effect on exports of other countries to the United States is inconsistent with our stated objective and could readily constitute the basis for similarly restrictive action on the part of other countries.

Furthermore, countries—both industrialized and less developed—which export commodities to the United States regard our actions in trade matters as concrete evidence of the sincerity of our professions of belief in the benefits inherent in a liberal trade policy. The less developed countries, some of which may very well be affected by this bill, are also likely to view our actions in trade matters as concrete evidence of the sincerity of our professions of friendship and desire to assist them.

The United States has pursued its objective of reducing barriers and hindrances to trade through bilateral consultations and in the multilateral forum of the General Agreement on Tariffs and Trade (GATT), in which the United States has taken a leading part. The countries which adhere to the GATT, among them the principal trading nations of the world, have recognized that burdensome marking requirements should be reduced to a minimum.

In addition, it is our understanding that the bill would unnecessarily extend the Treasury Department, in carrying out the customs function, into new areas by requiring it to follow goods after they have entered the stream of domestic commerce and to act against handlers of merchandise who are not importers. That Department would be required to determine the nature of customary trade practices and the possibility of undue hardship in a field outside its normal competence. Aside from the unnecessary additional expense, the new responsibilities would be most difficult for the Treasury Department to administer.

Furthermore, compliance with the provisions of the bill would be burdensome for dealers and handlers of imported articles. Its enactment would result in additional harassment for small business, since foreign goods are extensively handled by small retail and distributing firms.

The burdens which the bill would impose are unnecessary since procedures now exist that offer relief in justifiable cases. Repackaging with the intent to conceal the origin of goods would be subject to penalty under paragraph (e) of section 304 of the Tariff Act of 1930, which provides that any person who defaces, destroys, removes, alters, covers, obscures, or obliterates any mark of origin with the intent to conceal the country of origin shall be fined not more than $5,000 or imprisoned for not more than 1 year, or both. In addition, the Federal Trade Commission now has authority to proceed against deceptive or unfair practices in commerce, including failure to disclose the origin of imported goods.

If the objective of H.R. 2513 is to protect domestic programs or producers from import competition, procedures now exist that offer relief or assistance in justifiable cases. These include action under section 22 of the Agricultral Adjustment Act, and the escape-clause provisions of the Trade Expansion Act of 1962.

The Department is, therefore, opposed to the enactment of H.R. 2513 because it would impede the attainment of the foreign economic policy objective cited above, is inconsistent with that objective, and could well have unfortunate political ramifications.

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

Sincerely yours,

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

DEPARTMENT OF STATE,
March 20, 1963.

HON. HARRY F. BYRD,
U.S. Senate.

DEAR MR. CHAIRMAN: Reference is made to your communication of March 5, 1963, inviting the views and recommendations of the Department of State on an amendment to H.R. 2518, to amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, and for other purposes.

The effect of the proposed amendment would be to remove the authority to except certain lumber articles from marking under section 304(a)(3)(J) of the Tariff Act of 1930, as amended.

For many years prior to September 1, 1938, it was not the practice of the U.S. Government to require that the country of origin be marked on individual pieces of lumber, the Treasury Department having considered that the Tariff Act of 1930 watranted the making of an exception, in the case of lumber, to the general rule of marking of origin. In the customs administrative of 1938 the Congress authorized the Secretary of the Treasury to exempt from marking requirements any article which for the previous 5 years has been imported in substantial volume without marking. The act specifically provided, however, that the exemption should not apply after September 1, 1938, to "sawed lumber and timbers, telephone, trolley, electric-light, and telegraph poles of wood and bundles of shingles" unless the President suspended the effectiveness of this proviso in order to carry out a trade agreement entered into under the Trade Agreements Act of 1934.

In providing the President with such authority, the Congress took into account the negotiations which resulted in the trade agreement with Canada signed on November 17, 1938, by means of which the United States sought to bring about an expansion of American trade with that country. In article IX of the 1938 trade agreement, the United States exempted imports of sawed lumber and other specified lumber products from any requirement as to marks of origin in return for concessions granted by Canada of substantial benefit to U.S. exports. The exemption was subsequently specifically continued in schedule XX (United States) of the General Agreement on Tariffs and Trade.

The exemption which the legislation proposes to terminate represents a longstanding international commitment of the United States and a commitment entered into under authority expressly granted to the President by the Congress for the purpose of obtaining tariff concessions of benefit to the United States. The exemption, moreover, continued a practice that had been in existence for many years prior to 1938. Any impairment of that undertaking in GATT would be likely to necessitate an adjustment to restore reciprocity in the exchange of trade agreement concessions with the affected country in one of two ways: (1) The payment by the United States of compensation in the form of tariff decreases on other products, thereby consuming tariff bargaining authority which could otherwise be used to open up new export opportunities for American products; or (2) the imposition by the affected country of retaliatory tariff increases thereby diminishing existing American export sales in that market.

It has been noted that the Tariff Commission recently held that the withdrawal of the country-of-origin marking requirement could not be regarded as a trade agreement concession within the meaning of section 301(b) of the Trade Expansion Act. As noted in the foregoing, however, the United States concession to Canada is a legal commitment entered into in 1938 under the authority of the Customs Administrative Act of 1938 and included in a trade agreement under the authority of the Trade Agreements Act of 1934. Accordingly the United States is not entitled to withdraw the concession from the trade agreement unilaterally.

The amount of lumber trade with Canada for which marking would be required by the proposed legislation is substantial, having been valued at approximately $285 million in 1961. This was roughly 8 percent of total Canadian exports to the United States, which were valued at $3.3 billion. Total United States exports to Canada in 1961 on the other hand amounted to $3.6 billion, indicating that the United States has benefited significantly from the tariff concessions exchanged with Canada beginning in 1936.

For the foregoing reasons the Department of State is opposed to the proposed changes in our historic practice as regards marking requirements for lumber imports. It therefore recommends against the foregoing proposed amendment to H.R. 2513. The Department in a separate report has recommended against the enactment of H.R. 2513.

The Bureau of the Budget advises us that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the Congress.

Sincerely yours,

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

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., March 2, 1963.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 2513, to amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, and for other purposes.

The proposed legislation would amend section 304 of the Tariff Act of 1930, as amended (19 U.S.C. 1304), to provide in substance that when articles, imported in containers required to be marked with the country of origin, are repackaged for sale in the United States, the new container shall be marked with the country of origin of the contents. This new requirement would apply whether the repackaging is done by the importer or other person who acquires the goods through sale or other transaction after importation or release from customs custody. The bill would also require that the imported containers be marked with wording to the effect that any persons who repackage the article must mark the new package with the country of origin, subject to penalties of law.

The effective administration and enforcement of the provisions of this bill by the customs service would be extremely difficult, and, therefore, the Department is opposed to the enactment of the bill. The activity which the bill seeks to control would not take place until after the imported article has been released by the customs service in the normal course of business and all physical control by customs has ceased. The identification of a repackaged article as an imported article, bearing in mind that it would probably have no characteristics to distinguish it from a similar domestic article, would involve an extremely difficult investigative problem in cases where alleged violations were reported to customs. Such investigations would considerably increase the duties and responsibilities of the customs service beyond the present field of activities which it is equipped to handle.

The bill would also provide an exception from its marking requirement in cases where the Secretary of the Treasury finds that compliance with the act would necessitate such substantial changes in customary trade practices as to cause undue hardship and that repackaging of the article in question is otherwise than for the purpose of concealing the origin of such article. The function of making such findings, which relate to matters of domestic trade, is outside the normal functions and competence of the Bureau of Customs and the Treasury Department.

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

Sincerely yours,

G. D'ANDELOT BELIN, *General Counsel.*

U.S. TARIFF COMMISSION, WASHINGTON

MARCH 20, 1963.

MEMORANDUM ON S. 957, 88TH CONGRESS, A BILL TO AMEND THE TARIFF ACT OF 1930 TO REQUIRE THE MARKING OF LUMBER AND WOOD PRODUCTS TO INDICATE TO THE ULTIMATE PURCHASER IN THE UNITED STATES THE NAME OF THE COUNTRY OF ORIGIN

Section 304(a) of the Tariff Act of 1930 provides generally for the marking of imported articles in such manner as to indicate to an ultimate purchaser in the United States the English name of the country of origin of the article. Paragraph (3) of section 304(a) is a list of exceptions from marking which the Secretary of the Treasury is authorized to make by regulation. Subdivision (J) describes one of these exceptions.

The bill would amend subdivision (J). This subdivision, as it reads at the present time and as it would read as proposed to be amended (language that would be deleted enclosed in black brackets; new language italicized) is as follows:

"(J) (*1*) Such article is of a class or kind with respect to which the Secretary of the Treasury has given notice by publication in the weekly Treasury Decisions within two years after July 1, 1937, that articles of such class or kind were imported in substantial quantities during the five-year period immediately preceding January 1, 1937, and were not required during such period to be marked to indicate their origin: *Provided*, That this subdivision [(J)] shall not apply after [September 1, 1938] *June 1, 1963*, to sawed lumber and [timbers, telephone, trolley, electric-light, and telegraph poles of wood, and bundles of shingles] *wood products*. [; but the President is authorized to suspend the effectiveness of this proviso if he finds such action required to carry out any trade agreement entered into under the authority of the act of June 12, 1934 (U.S.C., 1934 edition, title 19, secs. 1351–1354), as extended; or]

"(2) *No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section.*"

Subdivision (J) first appeared in section 304 of the Tariff Act of 1930 as a result of a revision of the section by section 3 of the Customs Administrative Act of 1938 (Public 721, 75th Cong., approved June 25, 1938).

In the bill (H.R. 8099, 75th Cong.) as passed by the House, subdivision (J) consisted of the above-quoted provisions up to the proviso. The Senate Finance Committee reported the bill out with amendments, one of which was the addition to the House version of subdivision (J) of a proviso reading: "*Provided*, That this, subdivision (J) shall not apply to sawed lumber and timbers, telephone, trolley, electric-light, and telegraph poles of wood, and bundles of shingles." (S. Rept. 1465, 75th Cong., 3d sess., p. 2.) This amendment was added presumably as a result of the testimony before a subcommittee of the Senate Finance Committee by the Honorable John M. Coffee, Representative from the State of Washington, who objected to the perpetuation of the Treasury's "failure" to enforce the marking statute with respect to lumber imports from Canada. He strongly urged that an exception to the proviso with respect to lumber be added to the bill.[1]

The Senate passed the bill with the committee amendments, and the bill went to conference. The only amendment on which the conferees failed to agree was the above-mentioned Senate amendment to subdivision (J). In the debate in the House on agreement to the conference report, Representative McCormack of Massachusetts moved that the House recede and concur in the Senate amendment with an amendment that would add to the proviso the matter that follows the semicolon (see above-quoted provisions of subdivision (J)).

At the time of the consideration of the legislation, trade-agreement negotiations with Canada were in progress. Representative Mott, of Oregon, after referring to Representative McCormack's amendment, stated:

"[The amendment] provides, as I understand it, that in the event a foreign trade agreement should be in process of negotiation that it would be possible to waive this provision if that should become necessary. So far as I can see,

[1] Hearings before a subcommittee of the Committee on Finance, U.S. Senate, 75th Cong., 3d sess., on H.R. 8099, an act to amend certain administrative provisions of the Tariff Act of 1930, and for other purposes, pp. 74–77.

there is no probability of any foreign trade agreement being entered into which would specifically provide that imported articles should not be marked with the name of the country of origin." (83d Congressional Record, p. 9087.)

Representative Mott's prophecy that such a commitment would not be included in a trade agreement proved erroneous. In the trade agreement with Canada signed November 17, 1938, article IX read as follows:

"Sawed lumber and timbers, telephone, trolley, electric-light, and telegraph poles of wood, and bundles of shingles, the growth, produce, or manufacture of Canada, imported into the United States of America, shall not be required to be marked to indicate their origin in any case where the imported article is of the same class or kind as articles which were imported into the United States of America in substantial quantities during the five-year period immediately preceding January 1, 1937, and were not required during such period to be marked to indicate their origin."

The subject bill would, in effect, change the proviso to subdivision (J) to read: "*Provided*, That this subdivision shall not apply after June 1, 1963, to sawed lumber and wood products."

Accordingly, after June 1, 1963, sawed lumber and wood products would be required to be marked to indicate the country of origin. The 1938 trade agreement with Canada was suspended when Canada became a contracting party to the General Agreement on Tariffs and Trade (GATT) on January 1, 1948. However, the U.S. schedule of concessions annexed to that agreement (schedule XX, Geneva, 1947) included a note to item 401 reading: "Sawed lumber and sawed timbers however provided for in the Tariff Act of 1930, shall not be required to be marked to indicate the country of origin." Similarly, item 1760 of schedule XX included a note reading: "Bundles of shingles, other than red-cedar shingles, shall not be required to be marked to indicate the country of origin," and item 1804 of schedule XX included a note reading: "Telephone, trolley, electric-light, and telegraph poles of wood shall not be required to be marked to indicate the country of origin." There was no renewal of the tariff concession on red-cedar shingles and thus no provision in the GATT regarding marking of such shingles was included.

In accordance with the foregoing GATT notes, the President, in his proclamation to carry out the GATT, included the following recital:

"* * * Whereas (11) I find that the suspension of the effectiveness of the proviso to subdivision (J) of section 304(a)(3) of the Tariff Act of 1930, as amended, is required, except with respect to bundles of red-cedar shingles, to carry out said trade agreement;"

and the following proclaiming language:

"And I do further proclaim that, on and after January 1, 1948, the effectiveness of said proviso to subdivision (J) of section 304(a)(3) of the Tariff Act of 1930, as amended, shall be suspended, except with respect to bundles of red-cedar shingles." (Proclamation No. 2761A of Dec. 16, 1947; 61 Stat. 1103).

It is accordingly apparent that the application of the proposed new proviso to section 304(a)(3)(J) of the Tariff Act of 1930 would be inconsistent with international obligations of the United States. The proposed new paragraph (2) of subdivision (J), which reads: "No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section," recognizes this.

Exception from marking authorized by section 304(a)(3)(J) was adopted in order to permit the continued exception from marking which under customs administrative practice had been established over a relatively long period. Under this authority, the Secretary of the Treasury listed over 80 articles or classes of articles which were historically excepted from marking and which had been imported in substantial quantities during the 5-year period immediately preceding January 1, 1937. In addition to sawed lumber and sawed timbers and other wood products specified in the proviso to subdivision (J) (excluding bundles of red-cedar shingles), the list includes a number of other wood products such as laths, pulpwood, Christmas trees, wood pickets, wood fence posts, barrel staves of wood, wood railroad ties, wooden dowels, and barrel hoops of wood. The list also includes a number of general categories such as "articles entered in good faith as antiques and rejected as unauthentic" which no doubt include many articles made of wood, such as furniture. It is thus apparent that the proposed amendment will operate to reduce substantially the number of articles that now fall within the exception of subdivision (J).

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 20, 1963.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This will acknowledge your letter of March 1, 1963, requesting the views of the Bureau of the Budget regarding H.R. 2513, to amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, and for other purposes.

We concur with the Departments of State, the Treasury, and Commerce in opposing enactment of H.R. 2513. The bill would impose an undesirable burden on American distributors of goods of foreign origin and its enactment would result in a considerable increase in the cost of customs administration.

New authority to protect consumers from deception as to the origin of goods does not appear necessary since the Federal Trade Commission is already authorized to act in cases where the absence of marking constitutes such a deception.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

The CHAIRMAN. I also place in the record a letter from Representative George F. Senner, Jr., of the Third District of Arizona, in support of the amendment proposed by Senator Len B. Jordan.

(The letter referred to follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 20, 1963.

Senator Harry Flood Byrd,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN BYRD: A large number of my constituents interested in current legislation regarding the important lumber industry have asked that I appear before your committee. Because of a previous commitment I am unable to appear in person and I am therefore taking this means of adding my voice in support of the amendment being offered by Senator Len B. Jordan requiring that lumber imports be marked by country of origin. Such an amendment would permit buyers to readily recognize the product they are buying and I feel such amendment would work no hardship on the foreign producers. Hence, I would be most grateful if the record would show my support of this amendment.

Sincerely,

GEORGE F. SENNER, Jr.

The CHAIRMAN. I also place in the record a letter from Frederick G. Dutton, Assistant Secretary of State, transmitting an aide memoire of the Canadian Embassy.

(The letter referred to follows:)

DEPARTMENT OF STATE,
Washington, March 21, 1963.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: The Department of State received from the Embassy of Canada on March 19 an aide memoire commenting upon the proposed legislation (H.R. 2513) now under consideration by the Committee on Finance regarding marks of origin on certain imported goods or their containers.

Two copies of the aide memoire are enclosed for the information of the committee.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary.

AIDE MEMOIRE

Reference is made to the various marking bills which have been introduced into the current Congress including H.R. 2513 which has been passed by the House. These bills would amend the Tariff Act of 1930 with respect to the marking of certain imported goods or their containers.

It is understood that the purpose of H.R. 2513 is to require that where imported articles are excepted from the requirements of marking,

(a) the immediate container must be marked not only with the country of origin, but also with a further warning of some length concerning marking requirements should the contents be repackaged, and

(b) any person who repackages the goods must mark the new packages to show the country of origin, subject to penalties of fines, prison sentence or forfeiture of the goods for noncompliance.

(c) When such articles are used as containers for other goods offered for sale, such containers must be marked to show the country of origin of the containers.

Any legislation along these lines would seriously endanger many Canadian exports to the United States, specifically trade in goods which are normally shipped in bulk for repackaging in the United States. Shipment of such goods in bulk is normal commercial practice and is motivated by a desire to minimize transportation and other costs, rather than any attempt to evade United States marking requirements. It is difficult to enumerate individual products in which trade would be jeopardized by the proposed legislation. With total exports from Canada to the United States of approximately $3.6 billion in 1962, however, it is apparent that many industries could be affected in which it is common practice for United States importers, distributors, and retailers to comingle both domestic and imported merchandise.

For example, there is an important seasonal trade between Canada and the United States in agricultural products which would be adversely affected. Such products include eggs, meat, and meat products, forage and grass seeds, feedstuffs, fresh fruits and vegetables.

It is also pointed out that the marking burden which these bills would impose on trade with the United States would be in conflict with obligations assumed by the United States under paragraph 2, article IX of the General Agreement on Tariffs and Trade. Adoption of such regulations would set dangerous precedents in international trade, with possible serious repercussions for United States exports to other countries.

In addition, an amendment has been added to H.R. 2513 which would require the marking of country of origin on imported lumber. Such a requirement would not only run counter to Article IX of the GATT but would conflict with long-standing contractual undertakings of the United States to Canada whereby lumber is exempted from marks of origin requirements. Exports of lumber are a major factor of Canada's traditional trade with the United States and the Canadian authorities would consider such marking requirements as having serious restrictive implications for this trade.

It is urged that United States authorities ensure these or similar marking measures will not be adopted.

CANADIAN EMBASSY,
Washington, D.C., March 19, 1963.

The CHAIRMAN. The first witness is the Assistant Secretary of the Treasury, the Honorable James A. Reed.

Mr. Reed, will you have a seat, please, sir.

STATEMENT OF JAMES A. REED, ASSISTANT SECRETARY OF THE TREASURY

Mr. REED. Mr. Chairman and members of the committee, I am happy to have this opportunity of expressing the views of the Treasury Department on H.R. 2513.

H.R. 2513—except for a proposed amendment which is identical with S. 924—would provide that when articles are imported in containers which are required by present law to be marked with the name of the country of origin and such articles are repacked in other con-

tainers, those containers must be marked with the name of the same country. The obligation to mark the new container would fall on the repackager regardless of whether he is the importer, distributor, retailer, or any other handler of the merchandise. Repackaged articles in containers not so marked would be subject to seizure and forfeiture. This requirement could be waived only where it was found that failure to grant a waiver would involve such substantial changes in customary trade practices as to cause undue hardship.

These provisions of H.R. 2513 are substantially similar to the provisions of H.R. 5054 of the 86th Congress which was vetoed by President Eisenhower on September 5, 1960. In his veto message, President Eisenhower stated in part that:

> H.R. 5054 runs counter to one of our major foreign policy objectives—the reduction of unnecessary barriers and hindrances to trade. The burdens the bill would impose are unnecessary because the Federal Trade Commission requires the disclosure of the foreign origin of repackaged imported articles when it is in the public interest to do so.
>
> The United States and other principal trading nations of the world have recognized that burdensome marking requirements can be a hindrance to trade and have agreed to the principle that such hindrances should be reduced to a minimum. H.R. 5054 might well result in successive domestic handlers requiring written assurances of proper marking in order to avoid the severe penalty of seizure and forfeiture. The cost and the complications involved in such cumbersome paperwork would tend to discourage such imports. Moreover, this measure could prove ultimately damaging to our export-expansion efforts, for needlessly restrictive action on our part could readily lead to similarly restrictive action by other countries against American goods.

The Treasury Department fully endorses the views which were stated in the veto message written in 1960. As President Kennedy said at the time of the signing of the Trade Expansion Act on October 11, 1962, the best protection possible for our economy is a mutual lowering of tariff barriers among friendly nations so that all may benefit from a free flow of goods.

This purpose would be compromised if the United States were to resort to indirect methods—such as unnecessary marking requirements—for restrictions of imports.

In addition to the objections to the bill which are based on policy considerations it should be noted that enactment of this bill would present very serious, perhaps insuperable, administrative difficulties.

The pattern of tariff administration is that the Bureau of Customs performs its services and fulfills its basic functions at the ports of entry. Under the present customs marking laws the issue of proper marking can be controlled at the ports of entry at the time when the imported merchandise enters the United States.

Under H.R. 2513, however, the administering agency would be required to police the operations of jobbers, distributors, dealers, retailers, and other persons scattered throughout the 50 States of the United States to insure that they do not engage in activities which are prohibited by the bill.

The Bureau of Customs, which is the agency within the Treasury Department charged with the enforcement of tariff laws, is particularly ill equipped to perform a function which would require surveillance of operations throughout the interior of the United States, possibly in every city and town.

The Bureau of Customs does not have the type of organization which would lend itself to the job which H.R. 2513 contemplates nor

does it have personnel or funds to assign to the establishment or administrative machinery of the type the bill would appear to call for.

It should be noted that the bill recognizes that compliance with the marking requirements which it would impose might necessitate substantial changes in customary trade practices such as to cause undue hardship.

In order to avoid this, the bill, as drafted, would impose upon the Secretary of the Treasury the function of granting waivers in the presence of undue hardship. The function of determining what are or are not customary business practices among all of the jobbers, distributors, dealers, and retailers of the multitude of imported products which are brought into the United States annually is something entirely outside the competence of the Treasury Department and well beyond the scope of any of its existing functions.

Presumably, the determination of hardship in individual cases would depend upon the taking of testimony, the hearing of evidence, the ascertainment of customary business practices, and the determination of what degree of hardship constitutes undue hardship. The bill establishes no guidelines whatsoever which would help on this last and most important point.

The Treasury Department must advise you that it has no background or experience which would aid it in performing the task of making these hardship determinations.

In commenting on a similar bill to the last Congress, the Treasury Department suggested that this aspect of the task might better be performed by the Federal Trade Commission. While we cannot, of course, state that the Federal Trade Commission could do the job which the bill imposes, we must state that it is not an appropriate function for the Treasury Department.

An amendment has also been offered to H.R. 2513 which would incorporate therein the provisions of S. 924. This amendment would eliminate present exemptions which exist in the marking law with respect to the marking of imported lumber and wood products.

So far as we are aware, there is no reason to believe that the basic purpose of section 304; namely, to prevent deception to American consumers, is in any sense being frustrated by the presently existing marking exemptions which apply to lumber and wood products. The establishment of marking requirements as an indirect barrier to importations into the United States is, in our opinion, not justified and would run contrary to the policy both of the present administration and its predecessor.

In addition, it is my understanding that the Department of State has submitted a written report to this committee which indicates that enactment of the amendment would cause the United States to violate an outstanding international commitment.

The State Department has pointed out that any impairment of our present commitment would be likely to necessitate an adjustment to restore reciprocity in the exchange of trade agreement concessions with the affected country in one of two ways, either by—

the payment by the United States of compensation in the form of tariff decreases on other products, thereby consuming tariff bargaining authority which could otherwise be used to open up new export opportunities for American products—

or by—

the imposition by the affected country of retaliatory tariff increases, thereby diminishing existing American export sales in that market.

For all of the foregoing reasons, the Treasury Department is opposed to H.R. 2518, including the proposed amendment to that bill which would incorporate S. 924 therein.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Any questions?

Senator ANDERSON. Well, there was a saying about the guard dies but never surrenders. The same people are still in the State Department who suggested to President Eisenhower the veto message of 1960, I would assume.

Wouldn't you conclude, if this bill finally did struggle its way through Congress, that the President, in view of what he has asked for in the way of treaties with other countries, would have to veto it almost? I am not asking you to commit him but wouldn't the same reasons apply?

Mr. REED. I would think the same reasons would apply, Senator, but I am not sure exactly what he would do.

Senator ANDERSON. Do you know of anything that has improved the picture from the time the President vetoed the other bill in 1960?

Mr. REED. No; I would say not.

Senator ANDERSON. Do you know of any police force that the customs department has to run around to try to put stamps on packages and matches and everything else made in foreign countries?

Mr. REED. I know we don't have the personnel, sir.

Senator ANDERSON. All I am trying to get at is we sort of would be wasting our time in worrying about this bill under the circumstances because of the impression I had. I will ask you the question: This bill was vetoed by President Eisenhower in 1960 for reasons which appear to me to be quite convincing.

Mr. REED. Yes, sir.

Senator ANDERSON. Since that time have we passed the Trade Agreements Act that gave us an even more liberal policy, which would be still more contravened by this bill than the former bill?

Mr. REED. I think so now.

Senator ANDERSON. In other words, this is a worse bill than it was before passage of the trade bill?

Mr. REED. It is the same bill, but it has less reason for enactment.

Senator ANDERSON. That is a better way of putting it.

That is all.

The CHAIRMAN. Any further questions?

Senator CURTIS. At the present time, the law provides you can send a gift package of less value than $10 without duty; isn't that true?

Mr. REED. That is right, sir.

Senator CURTIS. Now, you have no police force in that connection to determine if the value was $11 or $12 or $35?

Mr. REED. That is correct. We have it in this sense, it comes in through the post office, of course.

Senator CURTIS. If this bill were enacted, instead of having inspectors in 50 States, it would be enforced by competitors who felt they were hurt by it making a complaint, wouldn't it?

Mr. REED. I think that would certainly be one way.

Senator CURTIS. And that would give it the reasonable enforcement it might need, and I have not completed my study on this proposal, I am openminded about it, but certainly I do not accept the conclusion to require packages to show where the article came from is going to require the gestapo in 50 States.

That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Reed.

Mr. REED. Thank you very much, Mr. Chairman.

The CHAIRMAN. The next witness is the Assistant Director of the Bureau of International Commerce, the Commerce Department, Clarence I. Blau.

Mr. Blau, will you take a seat, sir, and proceed.

STATEMENT OF CLARENCE I. BLAU, ASSISTANT DIRECTOR, BUREAU OF INTERNATIONAL COMMERCE, U.S. DEPARTMENT OF COMMERCE

Mr. BLAU. Mr. Chairman, I appreciate this opportunity to appear before your committee to discuss H.R. 2513, which would amend the Tariff Act of 1930 so as to require certain new packages of imported articles to be marked to indicate the country of origin.

The Department of Commerce fully 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 articles. The Department supports equally the principle embodied in the several exceptions to the marking requirements authorized or required by that section that the requirement should not be so applied as to impose a real burden on foreign commerce.

Section 304 represents a careful legislative balance on the part of Congress. It gives due weight both to the desirability or affording the ultimate purchaser information as to the origin of the goods he is considering for purchase, and to the desirability of avoiding impractical, expensive, onerous, or useless requirements which would interfere with trade. Thus the Congress not only set forth the basic requirement for marking in that section, but it also gave recognition to the fact that some imported articles do not readily lend themselves to the requirement.

For that reason, section 304 authorized the Secretary of the Treasury to except from the general marking requirements articles which for one reason or another should not bear country of origin marks. Even in cases of exception, the Congress emphasized the basic policy by requiring that the containers in which such articles are imported must show the country of origin of the contents.

The bill before your committee would extend this last requirement to cases where the goods are repackaged after importation and to further use of the imported articles as containers. This result would be accomplished by requiring that the original containers in which articles are imported should be marked in such a way as not only to indicate the country of origin, but also to indicate to any person who repackages the articles that upon repackaging the new container must

be marked in such a way as to indicate to an ultimate purchaser the country of origin of the contents. Finally, the proposed legislation would impose a direct obligation on the repackager so to mark the new container. Intentional violations of these new requirements would result in the imposition of criminal penalties, and goods not complying with the terms of the bill would be subject to seizure and forfeiture under the customs laws.

It is contended that this legislation is needed to end practices which are intended to avoid the marking requirements as to country of origin. It is alleged that such avoidance derives from the repackaging and sale of excepted articles without any notation on the new package as to the country of origin. In addition, it has been charged that articles excepted from the general marking requirement are sold for use or used as containers for other goods offered for sale without marking such containers to show their country of origin.

The Department of Commerce recommends that H.R. 2513 not be enacted. The Department is not aware that there has been any substantial demonstration of the need for extending marking requirements to the repackaging of articles.

The marking requirements and the exceptions thereto were established sometime ago when trade practices and the merchandising and distribution of goods were far different than they are today. The processing and distribution of articles and their merchandising constitute an increasingly significant portion of the cost of the articles. These costs are incident to the benefits which we derive from our economy based on mass production and mass distribution techniques. The requirements which H.R. 2513 would establish are imposed on articles which have already been excepted from the general marking requirement due to their nature or peculiar characteristics. H.R. 2513 appears to place an onerous burden on importers and processors who handle both domestic and imported articles. By requiring that the packages be so marked as to warn future purchasers that repackaging is also subject to marking requirements, it would impose an additional marking burden on foreign exporters. Under the proposed legislation they would be required to apprise the purchaser of the requirement of U.S. legislation respecting repackaging of the contents of the article. The proposed legislation would be a further burden in that it would make necessary the tracing of the use of imported articles in case they are to be used as containers or packages for other articles. The Department feels that these new requirements would be restrictive of imports in a way that is inconsistent with the spirit of section 304.

The additional restraints to be imposed by the bill are not consistent with the policy of the U.S. Government in striving to reduce unnecessary impediments to international trade. In section 252 of the Trade Expansion Act of 1962 Congress, and I might add this committee, has emphasized its concern with nontariff trade barriers and in particular with the effects such barriers have in negating the benefits to be derived from reductions in tariff duties. The concern expressed by the Congress in adding section 252 to the Trade Expansion Act has resulted in a greater effort on the part of the administration in evaluating nontariff trade barriers to U.S. exports and in seeking their removal by negotiating with other countries. The enactment of H.R. 2513 would not only make it more difficult to seek the removal of

other countries' nontariff barriers, but could well result in the erection of similar marking requirements with respect to U.S. exports.

Finally, the bill would subject to customs jurisdiction and penalties transactions which may be far removed both in time and space from importation and customs clearance. The desirability of such an extension is questionable, particularly in view of the fact that the Federal Trade Commission is already empowered to act in cases where the absence of marks constitutes a deceptive trade practice. If there is a real problem resulting from practices taking place after importation, it should be dealt with by governmental bodies concerned with domestic trade practices authorized to utilize remedies appropriate to domestic activities. It would, therefore, appear desirable that the adequacy of these remedies be tested rather than to institute additional marking requirements as proposed by the bill.

In summary, the Department of Commerce opposes the enactment of H.R. 2513 as unnecessary, contrary to the spirit of section 304 of the Tariff Act of 1930, and of possible harmful consequence to the efforts of the Government to expand U.S. exports through the reduction of artificial and unnecessary impediments to trade.

I now turn to the amendment proposed by Senator Jordan.

The proposed amendment to H.R. 2513 would provide that sawed lumber and wood products should not, after June 1, be exempted from marking requirements by virtue of subdivision J of section 304(a)(3) regardless of the existence of any trade agreement or other international agreement. It may be of some help to the committee briefly to review some of the factors which should be taken into account in determining the desirability of the amendment.

At the present time, subdivision J provides that sawed lumber and the specific wood products there mentioned should not benefit from the exemption provided for in the subdivision, but goes on to provide that the President might suspend the effectiveness of this provision if he finds such action required to carry out any trade agreement entered into under the authority of the Trade Agreements Act. Pursuant to this authority the President determined that our 1938 trade agreement with Canada required suspension of the effectiveness of the provision. The exemption from the marking requirement contained in this 1938 bilateral trade agreement with Canada was incorporated into the 1948 General Agreement on Tariffs and Trade with respect to sawed lumber and sawed timbers, and thus its benefits extended to all contracting parties of the GATT under the most-favored-nation provision of the GATT.

It is true that the proposed amendment would merely remove the products in question from the protection of the legislatively approved exemption from the marking requirements contained in subdivision J. Nevertheless, unless the Secretary of the Treasury should thereafter use his restored discretionary exemption authority under some other subdivision of the section, it might be claimed by affected contracting parties to the general agreement that this country has violated a commitment under that agreement.

Since this committee is aware of the consequences under the general agreement of action by a contracting party in conflict with its commitments, it is unnecessary to go into detail on that matter. It should be pointed out, however, that the question of compensation might raise

some difficulties of negotiation, considering the unusual type of commitment here involved.

It may also be appropriate to recall to the committee that a country withdrawing a concession or altering its trade commitment has an obligation to consult with countries which consider themselves to be adversely affected by the action. In such consultations the country taking such action must justify the need for such action in the light of its general obligations under the trade agreement.

As the committee is aware, the problems of the lumber industry have been under extensive study in the executive branch for some months. The Tariff Commission recently undertook an investigation of lumber imports under section 301(b) of the Trade Expansion Act of 1962 to facilitate Executive consideration of the problems of the industry. While the negative report of the Commission precludes Presidential action under sections 351 and 352 of that act, other avenues of relief for the industry are still being actively pursued.

The administration is also actively seeking the cooperation of the Government of Canada in an attempt to reach a mutually satisfactory solution of the import problems of the softwood lumber industry.

The Department of Commerce continues to be sympathetic to the problems of the lumber industry and will continue to explore with other Government agencies and the industry all appropriate measures to assist it in its search for expanded markets at home and abroad.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Blau.

Any questions?

Senator ANDERSON. Are you authorized to speak for the Department of Commerce? In other words, you are not just speaking for your division, are you?

Mr. BLAU. I am speaking under the authority of the Secretary, sir.

Senator ANDERSON. I had assumed that.

The question wasn't impertinent, I just wanted to be sure for the record this was a position of the Secretary, just as the position previously expressed of the Department of the Treasury.

Page 3:

> The requirements which H.R. 2513 would establish are imposed on articles which have already been excepted from the general marking requirement due to their nature of peculiar characteristics.

Do I understand from that that this would attempt to reach out and hit materials which are now exempted?

Mr. BLAU. Senator, if I may expand a bit on this. The situation is that the Secretary of the Treasury has determined with respect to certain articles by authority of section 304 that for one of the several reasons stated therein it is undesirable that the articles be subject to the marking requirement.

Section 304, however, goes on to state that in those cases the container in which the articles so exempted are packed must contain the marking.

What H.R. 2513 would do would be to provide that if these articles are taken out of the container, and either repackaged or used as a container for other articles, the new container or the articles used as a container for other articles must bear a notation of country of origin. It would enforce this as I indicated in my principal statement

by imposing obligations on people in other countries as well as on processors, repackagers, retailers, and so on in this country.

Senator ANDERSON. Yes, but what I am trying to get at is: I am using a term that has no relevance to this committee, perhaps, but say somebody imported storm doors or screen doors, and they came in in a package, and the package had to be marked because the doors don't have to be, and they were repackaged in smaller quantities, dozens instead of gross, and this bill would require then that the dozens be marked even though the gross had not been marked.

Mr. BLAU. That is right, sir.

Senator ANDERSON. What benefit do you see in that?

Mr. BLAU. We do not see any benefit.

Senator ANDERSON. I don't either. Thus far, at least.

The CHAIRMAN. Any further questions?

Senator CARLSON. Just a moment, if the Senator is through.

Senator ANDERSON. Yes; I did want to return to page 4 where it says the "Congress itself has emphasized its concern," it is the middle paragraph, "in section 252 of the Trade Expansion Act of 1962 Congress itself has emphasized its concern with nontariff trade barriers." This committee reported out a bill that dealt with that subject of nontariff trade barriers, did it not, in the Trade Expansion Act of 1962?"

Mr. BLAU. Yes, sir; and my principal, the Secretary of Commerce, as you know, spent many hours before this committee, and in another body, and both members of this committee and members of the other committee expressed on the record very strong views that the administration should actively seek the removal of nontariff barriers throughout the world.

Senator ANDERSON. Would this bill be consistent with that policy or would it be diametrically opposed to it?

Mr. BLAU. In the opinion of our Department it would be diametrically opposed to it, sir.

Senator ANDERSON. Thank you.

The CHAIRMAN. Any further questions, Senator Carlson?

Senator CARLSON. Mr. Blau, I was interested in this section 304 and for personally—and probably for the record—it would be helpful in regard to these excepted articles, is this generally used by the Secretary, and mention some of the articles he has excepted. It would help me if you would.

Mr. BLAU. Senator, it is a very long list. It doesn't quite go from A to Z, it does go from A to W. It includes works of art, bamboo poles, pulpwood, rags, various kinds of paper, flooring, sawed timbers, and so on.

Senator CARLSON. Stop right there; does that apply to lumber?

Mr. BLAU. I am not a technical expert in lumber, sir, but I would think that flooring is a further stage of processing and would not be taken account of by the so-called Jordan amendment.

Senator CARLSON. Well, Mr. Chairman, I don't care to delay the committee, but I think it would be interesting for the record to have some of these items and I would like very much then to ask this question: If you will submit those for the record, Mr. Chairman, I would be very happy, and then I would like to ask this question

Would the Secretary under this section be permitted to exempt lumber products or other lumber products?

Mr. BLAU. As I understand it, sir, if the legislation, including the amendment, should be enacted, the effect of the amendment would be to remove the lumber products concerned from the legislative exception. It would, therefore, restore the discretionary authority of the Secretary of the Treasury to determine whether it should be administratively excepted under one of the other subdivisions of the act.

But as you understand, the Secretary of the Treasury rather than the Secretary of Commerce would, under the bill, be the administering authority, and his interpretation would be much more authoritative than mine.

Senator CARLSON. What I really wanted to know, Mr. Blau, is how much authority does the Secretary have now, just forgetting the legislation that is proposed?

Mr. BLAU. Under the present law, he has the authority to authorize an exception under the following conditions: If an article is incapable of being marked; if the article cannot be marked prior to shipment to the United States without injury; if the article cannot be marked prior to shipment to the United States except at an expense economically prohibitive of its importation; if the marking of a container of such article will reasonably indicate the origin of such article; if the article is a crude substance; if the article is imported for use by the importer, and not intended for sale in its imported or any other form; if the article is to be processed in the United States by the importer or for his account otherwise than for the purpose of concealing the origin of the article, and in such manner that any mark contemplated by section 304 would necessarily be obliterated, destroyed, or permanently concealed; if the ultimate purchaser by reason of the character of the article or by reason of the circumstances of its importation must necessarily know the country of origin of the article, even though it is not marked to indicate its origin; if the article was produced more than 20 years prior to its importation into the United States; if the article cannot be marked after importation except at an expense which is economically prohibitive, and the failure to mark the article before importation was not due to any purpose of the importer, producer, seller, or shipper to avoid compliance with section 304.

I have read, Senator, from the section itself without interpretation.

Senator CARLSON. I appreciate that very much, and thank you, Mr. Chairman.

(The information requested follows:)

ARTICLES NOT REQUIRED TO BE MARKED TO INDICATE COUNTRY OF ORIGIN BUT IMPORTED IN MARKED CONTAINERS AS LISTED BY THE TREASURY DEPARTMENT IN "EXPORTING TO THE UNITED STATES," PAGES 29–30

Art, works of.
Articles described in paragraphs 1773 and 1774, Tariff Act of 1930, when not imported for sale in the United States.
Articles entered in good faith as antiques and rejected as unauthentic.
Bagging, waste.
Bags, jute.
Bands, steel.
Beads, unstrung.
Bearings, ball, ⅝ inch or less in diameter.

Blanks, metal, to be plated.
Bodies, harvest hat.
Bolts, nuts, and washers.
Briarwood in blocks.
Briquettes, coal or coke.
Buckles, 1 inch or less in greatest dimension.
Burlap.
Buttons.
Cards, playing.
Cellophane and celluloid in sheets, bands, or strips.
Chemicals, drugs, medicinal, and similar substances, when imported in capsules, pills, tablets, lozenges, or troches.
Cigars and cigarettes.
Covers, straw bottle.
Dies, diamond wire, unmounted.
Dowels, wooden.
Effects, theatrical.
Eggs.
Feathers.
Firewood.
Flooring.
Flowers, artificial, except bunches.
Flowers, cut.
Glass, cut to shape and size for use in clocks, hand, pocket, and purse mirrors, and other glass of similar shapes and sizes, not including lenses or watch crystals.
Glides, furniture, except glides with prongs.
Hairnets.
Hides, raw.
Hooks, fish.
Hoops (wood), barrel.
Laths.
Leather, except finished.
Livestock.
Lumber, sawed.
Metal bars, except concrete reinforcement bars; billets; blocks; blooms; ingots; pigs; plates, sheets; except galvanized sheets shafting; slabs; and metal in similar forms.
Mica not further manufactured than cut or stamped to dimensions, shape, or form.
Monuments.
Nails, spikes, and staples.
Natural products, such as vegetables, fruits, nuts, berries, live or dead animals, fish, and birds, all the foregoing which are in their natural state or not advanced in any manner further than is necessary for their safe transportation.
Nets, bottle wire.
Paper, newsprint.
Paper, stencil.
Paper, stock.
Parchment and vellum.
Parts for machines imported from same country as parts.
Pickets, wooden.
Pins, tuning.
Pipes, iron or steel, and pipe fittings of cast or malleable iron.
Plants, shrubs, and other nursery stock.
Plugs, tie.
Poles, bamboo.
Poles, electric light, telegraph, telephone, and trolley (wood).
Pulpwood.
Rags (including wiping rags).
Railway materials described in paragraph 822, Tariff Act of 1930.
Ribbon.
Rivets.
Rope, including wire rope, cordage, and cords, twines, threads, and yarns.
Scrap and waste.
Screws.

Shims, track.
Shingles (wood), bundles of, except bundles of red cedar shingles.
Skins, fur, dressed or dyed.
Skins, raw fur.
Sponges.
Springs, watch.
Stamps, postage or revenue, and other articles described in paragraph 1771, Tariff Act, 1930.
Staves (wood), barrel.
Steel, hoop.
Sugar, maple.
Ties (wood), railroad.
Tiles, not over 1 inch in greatest dimension.
Timbers, sawed.
Tips, penholder.
Trees, Christmas.
Weights, analytical and precision, in sets.
Wicking, candle.
Wire, except barbed.

The CHAIRMAN. Any further questions?

Senate Hartke?

Senator HARTKE. Have you made the studies concerning the effect of the lumber importation regarding Canada and the United States? Are you familiar with these figures?

Mr. BLAU. I am not personally familiar with them, sir. The Department has been considering the problems for a number of months, and for example, only this week several of our senior officials were in the Pacific Northwest meeting with the lumber industry to discuss with them the problems of nontariff barriers to their exports to other countries.

We are considering with the industry the sending of a special lumber trade mission abroad. So the Department as a whole, but not myself, is quite familiar with the details of the industry's problems.

Senator HARTKE. Have you kept this committee and the Commerce Committee advised as to the procedures which are being followed in these cases?

Mr. BLAU. I am not aware of the answer to that, sir.

Senator HARTKE. Well, what I am trying to find out is whether or not the importation of Canadian lumber has affected adversely the production of domestic timber in the United States?

Mr. BLAU. As you may know, Senator, the Tariff Commission recently conducted an investigation of this question under the authority of section 301(b) of the Trade Expansion Act of 1962, and unanimously reached the conclusion that within the standards of the Trade Expansion Act the imports have not been the major cause of the difficulties being encountered by the industry. Therefore, under the act, the President had no authority to take direct action to limit imports of Canadian lumber.

Senator HARTKE. Do you know whether or not it has had any effect on the domestic production of lumber here? I am not talking about the troubles of the industry generally but in the field of production itself.

Mr. BLAU. I would have to look at the production figures in this report, sir. I am not prepared to answer that without——

Senator HARTKE. Could you supply that information?

Mr. BLAU. Yes, sir, we could.

(The information requested follows:)

Over the last several years production has shown a downward trend despite a substantial increase in 1959 and a slight increase in 1962. Imports have increased substantially over the same period. The Department is of the opinion that expanding imports have been one of the factors in the decline in production.

Senator HARTKE. Are you at all familiar with the problem of black walnut lumber?

Mr. BLAU. The only problem on black walnut lumber with which I am familiar is an export problem rather than an import problem. The purchasers of black walnut lumber who process it into veneer have been appealing to the Department to take action under the authority of the Export Control Act to limit the exports of black walnut logs.

The Department has that problem under very active consideration. It is a complicated problem and the industries in the United States are not at all unanimous as to what should be the outcome.

Senator HARTKE. In the question of black walnut lumber do you know whether or not the production of black walnut in the United States is increasing or decreasing at the present time?

Mr. BLAU. I think it is increasing, sir.

Senator HARTKE. Indiana black walnut is something which is very dear to our hearts out there. The point about it is that it takes a long time to grow a good walnut tree, longer than it does some of the other lumber and what I was trying to find out was whether in the long run the importation of Canadian lumber of any kind is having any effect upon the production of black walnut lumber.

Mr. BLAU. Well, the types of lumber that are being imported in such large quantities from Canada, as I understand it, sir, are softwood lumbers, used for building purposes, rather than high quality lumber such as black walnut which is used for veneers on furniture.

Senator HARTKE. Do you know whether or not we import any black walnut or any type of hard woods which are in direct competition with the domestic black walnut.

Mr. BLAU. We import, of course, large quantities of mahogany which is a competitive hardwood lumber. As you know, furniture, not to the same extent as ladies' dresses, but to some large extent is subject to the whims of fashion, and currently the use of black walnut veneers rather than mahogany veneers is favored both in this country and in Europe. This as I understand it is what creates the problem because we have a large demand for black walnut logs for processing both at home and abroad.

Senator HARTKE. Do you know whether or not we import any black walnut from Canada at all?

Mr. BLAU. I don't know, but I can supply that.

Senator HARTKE. Will you find out for me and give me the dollar volume, if any?

Mr. BLAU. Yes, sir.

Senator HARTKE. And also find out whether or not we are exporting any black walnut to Canada.

Mr. BLAU. Yes, sir.

Senator HARTKE. Give me the dollar volume of that.

(The information requested follows:)

The United States does not import black walnut logs from Canada or any other source. In 1961 it exported 700,000 board feet of such logs valued at $483,000 to Canada; in 1962 our exports to Canada were 950,000 board feet with a value of $787,000.

Senator HARTKE. As I understand what you are saying here is you feel that the amendment which is proposed, this amendment S. 957, this would be in the form of a trade barrier; is that right?

Mr. BLAU. The Jordan amendment?

Senator HARTKE. Yes.

Mr. BLAU. What I did was to call the attention of the committee to the fact that there is an outstanding commitment of the United States not to subject lumber, sawed lumber, and sawed timber, to the marking requirements. The enactment of the amendment would be a violation of this commitment, and would make it necessary for us, under the General Agreement on Tariffs and Trade, either to pay compensation to the affected countries, probably only Canada, or make us subject to some kind of retaliatory action.

We call this to the attention of the committee as one of the relevant factors.

We also call to the attention of the committee the fact that we are trying to negotiate with Canada on the question of lumber imports. As the committee must be aware it is somewhat difficult to negotiate even with a very friendly country in a preelection period, so these negotiations are not very active at the moment.

We also call the attention of the committee to the fact that the administration is using every method available to it to try to cope with the problems of the industry.

I mentioned earlier, in answer to a question, some of the things we were doing in our own Department.

I am advised also that the Agency for International Development has stepped up its purchases of lumber for shipment to Korea, and is considering whether it can step up purchases of lumber for shipments to other destinations. The Department of Defense is actively considering the question of whether it can step up its purchases of lumber. So that the administration is not at all ignoring the problems of the lumber industry.

Senator HARTKE. Do you consider S. 957 to be in the form of a barrier to trade?

Mr. BLAU. Well, presumably, the Canadian negotiators who obtained from us an agreement not to impose these marking requirements considered it as such.

The Tariff Commission considered this question specifically in its report, and reached the conclusion that to impose marking requirements would not slow down imports and might even increase imports.

I understand that the industry disagrees with the finding of the Tariff Commission. I am not citing the Tariff Commisson view as an indication that the Department has reached a position on this question, but just to indicate to the committee that this is a fairly complex question.

When a bipartisan expert Commission like the Tariff Commission can unanimously find that certain relief asked for by the industry would not help it, and in fact might harm it and at the same time the

men of great practical experience in the industry feel that that relief would help them, it is very hard to reach a considered judgment in the few days that the committee was able to allow the Department.

Senator HARTKE. I have heard what you said. Now, I will ask you for a third time the question; Does the Department consider this as a barrier—that is S. 957—a barrier to trade or does it not have any opinion or does it consider that it will not be a barrier to trade?

I have asked it now, and this is the third time I am trying to get an answer, and if you don't have an answer that is all right.

Mr. BLAU. I am sorry, Senator. The addition of any additional requirement such as contemplated by the amendment would be a trade barrier.

What I was trying to do was to indicate that I could not assess how effective it would be as a trade barrier.

Senator HARTKE. The second time you answered the question you said, however, that there are some people who contend if it was marked that it might increase the importation of Canadian lumber; is that what you said?

Mr. BLAU. I said the Tariff Commission unanimously stated that that was its view.

Senator HARTKE. And you disagree with that?

Mr. BLAU. I said the Department has no view on that question at the present time.

Senator HARTKE. Is the objection to S. 957 the fact that it is in effect a trade barrier or is it the fact that it just doesn't do any good or what is the objection to it, then?

Mr. BLAU. Senator, I am not authorized to state a departmental position as to whether the Department is in favor or opposed to S. 957, which is embodied in the amendment.

Senator DOUGLAS. I thought you delcared yourself opposed to S. 957.

Mr. BLAU. Senator Douglas, as I understood my statement on the amendment it was that the Department wished to bring to the attention of the committee some of the factors which should be taken into account in determining the desirability of this legislation.

Senator DOUGLAS. In other words, you are neutral on S. 957 but you are opposed to H.R. 2513; is that right?

Mr. BLAU. We have not yet reached a view on the amendment. We learned of this appearance only late last week. The problems of the industry, as I have tried to indicate, are very complex. The problems of our relations with Canada, both in trade and other fields are very complex. In order for us to reach a view, it would be necessary for us to consult at some length with other agencies and with the White House. We have not had the opportunity to do this as yet.

Senator DOUGLAS. You reccommend against H.R. 2513, though, don't you?

Mr. BLAU. Yes; we are opposed to it.

Senator DOUGLAS. If you oppose H.R. 2513 how can you favor an amendment to H.R. 2513?

Mr. BLAU. As Senator——

Senator DOUGLAS. I mean you don't have anything to carry the amendment if the bill dies.

Mr. BLAU. That is no doubt true, Senator, under the constitutional provision. However, of course, the policy of the amendment could

be embodied in another bill appropriately introduced in the proper body.

Senator HARTKE. Let me get this straight now: Is it true that the amendment introduced by Senator Jordan, H.R. 2513—which is the amendment now——

Senator DOUGLAS. S. 957.

Senator HARTKE. S. 957. Isn't it true that S. 957 which is the amendment, is that right, now?

Mr. BLAU. The form I have it in is amendment No. 9 to H.R. 2513.

Senator HARTKE. Could that amendment be enacted into law separate and distinct from H.R. 2513?

Mr. BLAU. It could as a logical matter. I am not an expert in the prerogatives of the two Houses. I am not aware, therefore, whether it could originate in the Senate or whether it would have to originate in the House as a revenue measure.

Senator HARTKE. Avoiding the constitutional question, as a practical matter, the subject matter involved in a question of labeling of lumber which is the subject of the Jordan amendment, does not really need anything other than something to ride along to get it through the constitutional barriers, but it could really amend the Tariff Act of 1930 without reference to H.R. 2513; isn't that correct?

Mr. BLAU. That is right, Senator Hartke.

Senator HARTKE. And your position then on S. 957 is that you have not reached a position; is that right?

Mr. BLAU. That is right, sir.

Senator HARTKE. You say you only learned about this last week?

Mr. BLAU. That is right, sir.

Senator HARTKE. Yet it was introduced on February 28.

Mr. BLAU. I said that we only learned that we were to appear before this committee last week, sir.

Senator HARTKE. When did you learn you were going to appear before the committe on H.R. 2513?

Mr. BLAU. Well, H.R. 2513 is, as Assistant Secretary Reed indicated, the last of a long line of similar measures on which the Department of Commerce has commented during every administration, during every Congress, for that matter. So we are quite familiar with the subject matter.

The Jordan amendment deals with a somewhat new complex situation in the lumber industry which has been intensified by the large blowdown of lumber in the Pacific Northwest, and all of the considerations are of much more recent origin so far as we are concerned.

Senator HARTKE. Then if S. 957 were either enacted as added on to H.R. 2513 or separately, is it your position that there would be more damage done as far as the United States is concerned to have a violation of the agreements, of the trade agreements, than would be occasioned by the failure to enact this legislation?

Mr. BLAU. Well, I do not know, sir, nor does the Department, whether the failure to enact this legislation would adversely affect the industry or not. The Tariff Commission has, as I have stated, unanimously opined that a marking requirement imposed on lumber would not slow down imports from Canada and might, on the contrary, increase imports.

As the committee is aware, the marking requirements are somewhat neutral in their effect in the sense that for some purchasers of some commodities at some times, the indication of foreign origin increases the acceptability of the item, whereas the contrary is true for other articles at other times and with respect to other purchasers. It would be a brave man who would off the top of his head express an opinion as to whether marking requirements in this case would slow down imports or would increase imports or would be neutral, in view of what the Tariff Commission said after a fairly thorough investigation of the problems of this industry.

Senator HARTKE. Is the Commerce Department unable to make a determination as to their position of the desirability or undesirability of this amendment?

Mr. BLAU. Well, given enough time, I am sure that the Department of Commerce could reach a conclusion.

Senator HARTKE. How much time do you think it would require?

Mr. BLAU. I am unable to say, sir.

Senator HARTKE. Has any attention been given to this matter whatsoever as to attempting to, before the notice of hearing, was any effort made by the Commerce Department to make a determination as to the desirability or their position upon the amendment?

Mr. BLAU. No, sir.

Senator HARTKE. And in other words, the request from the chairman of this committee on March 9 that the Commerce Department which was forwarded a copy of this amendment and requested for its opinion just ignored it; is that right?

Mr. BLAU. No, sir. We got this request. We have, as the committee is aware, many requests, not only from this committee but also from other committees, and we are in the unfortunate position of having to take these matters in their turn. We hadn't quite reached this case when we were in effect asked to expedite consideration by being notified of the hearing.

Senator HARTKE. You don't even know when they started working on this—they didn't start working on it until you had a notice of a hearing; is that right?

Mr. BLAU. I know that it reached my desk from the Secretary's Office 2 or 3 days before we got the notice of the hearing.

I mean, after all, the time between March 9 and March 21 or 22 is only 12 or 13 days.

Senator HARTKE. But you don't have any idea how long it would take you to formulate an opinion upon it?

Mr. BLAU. I should think we could in the matter of a week or two, sir.

Senator MORTON. Will the Senator yield?

Senator HARTKE. Yes.

Senator MORTON. Wouldn't your opinion since it would be an administration opinion have to be cleared with the Bureau of the Budget and wouldn't it have to be cleared with the departments of Government involved?

Mr. BLAU. Yes, sir.

Senator MORTON. And it seems to me you would have to get some expression of opinion as to possible complications that would exist in the GATT, if Canada saw fit to carry this to the GATT Secretary at Geneva.

Mr. BLAU. Yes, that is one of the many questions we would have to consider. Another question is the effect on the current negotiations with Canada. On these questions we would necessarily be considerably influenced by the views of the Department of State.

Senator MORTON. I have here, I don't know how official it is, a memorandum from my office which gives me a couple of mimeographed or duplicated sheets, four or five of them here, which, perhaps they are unofficial, but profess to be the position of the Department of State in this matter of the so-called Jordan amendment as well as in the matter of H.R. 2513. I suppose it doesn't come as any surprise to the committee or to those assembled here in the room that they are somewhat negative in both instances, and I don't think, therefore, that 1 week or 2 weeks would be an oportunity to hammer out an administration position in something that has as many ramifications that this has.

I say that just as a former bureaucrat to keep down the optimistic hopes of my friend and colleague from Indiana that he might get an answer in 2 weeks.

Senator HARTKE. I don't think I put any time limit on him, did I?

Senator MORTON. No, I just didn't want you to get excited. The witness has but a week.

Senator HARTKE. I wanted to get an answer to my problem. I understood my question had been answered here. I think the Senator from Illinois thought this was a position. I understand there is no position. I am just trying to find out how long it will take to get one.

Senator MORTON. I was trying to be a little realistic and not too optimistic.

The CHAIRMAN. The Chair would like to have your verification of this statement: The Commerce Department takes no position with respect to this amendment; it is neither for it, nor against it.

Mr. BLAU. At the present time that is right, sir.

The CHAIRMAN. Well now, when you are summoned or requested to come before a committee, it is usually customary, and I think always has been to my recollection, that the Department is requested to make a statement with respect to certain legislation either saying it is for or against it, or has no comment to make.

You have quite a long explanation here, and I assume you have come to state your position on the bill and merely explain the provisions of the amendment, if you are here in a neutral position on the latter.

Am I correct in that?

Mr. BLAU. We tried our best, sir, to reach a departmental position, and failing to do that, we thought it would be of some help to the committee if we provided the committee with information as to some of the questions which we think ought to be investigated in reaching an opinion.

Senator ANDERSON. Mr. Chairman, can I just come in there and say as a former bureaucrat along with my friend from Kentucky, I think the Senator from Kentucky has stated it correctly. You are not allowed to testify in a matter until it is cleared by the Bureau of the Budget, are you?

Mr. BLAU. I am not, sir.

Senator ANDERSON. I mean the Department is not. You might have a fine idea yourself as to what you do but until that has gone

to the Bureau of the Budget and then the report has come back from it and having cleared the other agencies you are powerless to testify.

If you do testify as to your opinion on it you are in violation of departmental policy, are you not?

Mr. BLAU. That is right, Senator Anderson. In fact, the statement I have given this morning was cleared by the Bureau of the Budget.

Senator ANDERSON. And that is as far as they let you go?

Mr. BLAU. That is as far as we asked them to let us go. That is all they had before them.

Senator ANDERSON. But as the Senator from Kentucky pointed out, the Treasury Department says it is opposed to both the bill and the amendment, the State Department itself indicated it is opposed to both the bill and the amendment, and the probabilities are that you will come to the same conclusion, the Bureau of the Budget will let you state that. But until you present it to them and let it be cleared by the Bureau of the Budget there is not much you can do about it.

Mr. BLAU. That's right, sir.

Senator DOUGLAS. The Senator from New Mexico raises a very interesting point. He raises the point whether the Bureau of the Budget cleared the Treasury Department's statement.

The CHAIRMAN. Let's ask Mr. Reed; is he still in the audience. He doesn't indicate a clearance on his statement by the Bureau of the Budget.

Senator ANDERSON. Isn't Mr. Reed here?

The CHAIRMAN. I would ask the clerk of the committee to call Mr. Reed and ask him whether his statement was approved by the Bureau of the Budget.

(The clerk was subsequently advised by phone that inasmuch as the Bureau of the Budget had cleared the report submitted by the Department of State in which views were expressed similar to those of the Treasury Department, it had been assumed that the Bureau of the Budget would have no objection to the testimony presented by Assistant Secretary Reed.)

Senator DIRKSEN. Mr. Chairman, has Mr. Reed disappeared? He was here before.

Senator DOUGLAS. Mr. Chairman, might I ask a question on a related matter to this?

Senator HARTKE. I want to ask one question before I get through but I am not in any hurry.

Senator DOUGLAS. Go ahead.

Senator HARTKE. What I would like to do then some place along the line I would like to find from this agency which I feel is entirely competent, the Commerce Department, and I want it clearly understood I have not imposed any unreasonable request that I know of upon the Commerce Department; I merely asked some questions so as to try to find out how they have operated in this fashion and permitted the witness to give his own statement as to when he thought he could give us some kind of a definitive departmental policy.

Senator MORTON. If you will yield, I certainly didn't mean to imply that at all. I was just continuing on the answer that the witness gave.

Senator HARTKE. All right.

What I am really trying to get back to ultimately and the question in which I would be very interested in having an answer to is the question which the Tariff Commission has already passed upon and that is whether the Commerce Department really feels that the importation of Canadian lumber is adversely affecting our own domestic lumber industry.

I think this is a problem and I think that this amendment at least is intended to direct itself toward that point, and I would feel probably that, and I am not speaking for them, but my understanding of the amendment in its first instance was that it might tend to have somewhat of an effect of curtailing the importation of Canadian lumber and I think that the industry, the building industry feels that way.

The second thing I would be very interested in finding out from the Commerce Department is whether or not this, if this would be in effect a barrier upon trade, which is an assumption you have not made, but if that is the case, would it in any way effect the cost to the consumer of the homes which are being built in the United States?

Since the Department has not reached a position upon this amendment, I would feel both those questions ought to probably be left for whatever determination the Commerce Department can make as to supplying that information.

Mr. BLAU. Senator, we will try to supply the Department's position on the amendment as rapidly as possible. Perhaps I was overoptimistic in suggesting 2 weeks and I would not set my opinion against that of a former Secretary of Agriculture or a former Assistant Secretary of State. They may be more experienced bureaucrats than I am.

Senator HARTKE. Maybe you are a more efficient bureaucrat than they were. [Laughter.]

Mr. BLAU. I certainly would not like to suggest that, sir.

Senator HARTKE. That is all I have, Senator.

(The following was later received for the record:)

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., March 26, 1963.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This will supplement the testimony of Clarence I. Blau, Assistant Director of this Department's Bureau of International Commerce, before the committee on March 21 with respect to the Department's position on H.R. 2513 and the amendment proposed by Senator Jordan.

The Department does not favor the enactment of the Jordan amendment at this time. The principal grounds for the Department's view may be summarized as follows:

As Mr. Blau advised the committee in his statement, we are continuing our attempts to negotiate with Canada on the problems of the lumber industry. Canada does not require marks of origin on imported lumber. Moreover, a requirement on our part that Canadian lumber, when imported into the United States, should bear a mark of origin would provide Canada with a basis under the GATT for a claim for compensation or for retaliation. Under these circumstances, it is the Department's view that a change in legislation with respect to the marking of lumber would modify the terms of reference of any such negotiations with Canada and possibly endanger their chance of success.

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

Sincerely yours,

ROBERT E. GILES.

The CHAIRMAN. The Budget Bureau has cleared the official report made by the Treasury Department and was placed in the record by me at the beginning of the hearing.

Any further questions?

Senator DOUGLAS. I would like to ask the witness whether the Canadian lumber which is coming into the United States comes primarily from the forests of New Brunswick, Quebec, and Ontario or from the Selkirks and the Rockies?

Mr. BLAU. As I understand it is comes from the Canadian West.

Senator DOUGLAS. That is from the Selkirks and the Rockies.

Mr. BLAU. I believe so.

Senator DOUGLAS. How does it come into the United States, by ship or by rail?

Mr. BLAU. I am advised that it comes mainly from British Columbia.

Senator MAGNUSON. It comes about 90 percent by rail to the East and 10 percent by ship and they run about 60–40, I think, generally speaking. Is that correct, about 60–40?

STATEMENT OF A. D. McKELLAR, DEPARTMENT OF COMMERCE

Mr. McKELLAR. Yes. In the case of Canadian lumber, waterborne shipments represent about what percent?

Senator DOUGLAS. I can't hear you.

Mr. McKELLAR. Waterborne shipments represent approximately 10 percent of the imports.

Senator DOUGLAS. Of Canadian lumber?

Mr. McKELLAR. Yes; of total lumber imported into the United States from Canada.

Senator DOUGLAS. And now on American lumber from the west coast going to the east coast, what are the proportions?

Senator MAGNUSON. Ten percent by ship and 90 percent by rail.

Senator DOUGLAS. Then in each case it is 10 percent by ship and 90 percent by rail.

Let me ask if that is true of the American lumber as well as the Canadian lumber?

Mr. McKELLAR. Well, our—I am not sure exactly what the percentage of waterborne shipments is with respect to U.S. lumber moving from the Northwest to the east coast. It would be relatively small. I don't know whether it is 10 percent. I have forgotten the figure.

Senator MAGNUSON. It is exactly 10 percent.

Mr. McKELLAR. It would be in that neighborhood.

Senator DOUGLAS. It has sometimes been suggested that a modification of the Jones law would help the west coast lumber industry because then the west coast lumber could be shipped in other than American vessels to the East, and that the freight rates would, therefore, be less and that this would enable northwest lumber to go into eastern ports more cheaply.

Now, has the Department reached any opinion on that point?

Mr. BLAU. I know this is a matter that has been actively considered. I am sorry I did not come prepared to discuss that so I am not aware of what position the Department took on that. But I can supply it for the record if you want, Senator Douglas.

Senator DOUGLAS. If you will.

(The information referred to follows:)

On July 17, 1962, Maritime Administrator Donald S. Alexander testified for the Department before the Senate Commerce Committee on S. 3105, a bill modifying the Jones Act for commodities shipped between the Atlantic and Pacific coasts and S. 2737, a bill to extend subsidy to American-flag carriers in the coastwise trade transporting merchandise of an industry determined to be losing a substantial portion of its business by virtue of the requirements of the Jones Act. Mr. Alexander's statement reviewed the importance of the Jones Act, particularly to the American merchant marine and noted that the problems of the lumber industry were then under study. He recommended that the bills not be enacted at that time and indicated that the proposals would be included in the studies then underway.

On July 26, 1962, the President announced a program to assist the lumber industry and improve its competitive position. Step 3 of the program provided:

"The amendment of the intercoastal shipping laws to permit use of foreign vessels when those conditions exist which indicate severe hardship to American shippers. This amendment will reduce the handicaps suffered by American producers in the intercoastal shipment of lumber."

Subsequently Public Law 87-877 (Oct. 24, 1962) was enacted which authorized suspension of the Jones Act with respect to lumber shipments to Puerto Rico when American-flag shipping was not available on reasonable terms.

The CHAIRMAN. Any further questions?

Thank you very much.

Senator DIRKSEN. Mr. Chairman. I have one question.

The CHAIRMAN. Senator Dirksen.

Senator DIRKSEN. Mr. Blau, see if I can complicate it a little more.

What are the marking and labeling requirements on other countries with whom we do a rather substantial business insofar as it relates to repackaging?

Mr. BLAU. Senator Dirksen, I am sorry I cannot answer that question.

I know that some other countries have rather extensive marking regulations and others have few, if any, but what their regulations are in the case of repackaging, I do not know. But I would be glad to have that question researched and supply it for the record, within a day or two.

Senator DIRKSEN. You think you could do it in a day or two?

Mr. BLAU. I am always certain how fast we can determine facts. Determining policy is a somewhat more complicated matter, as Senator Morton has indicated.

Senator DIRKSEN. Well, Mr. Chairman, I think it would be useful for the record, if we did know what other countries are doing and particularly with respect to the importations of goods made in this country.

The CHAIRMAN. The committee will ask the witness to furnish that information, for the record.

Mr. BLAU. I will be glad to, sir.

(The information referred to follows:)

We have looked at the marking regulations of 14 of the largest importers of U.S. merchandise. In general, the regulations do not specifically deal with the question of repackaging. On the basis of our examination, we would divide these countries into the following categories:

1. Argentina and the United Kingdom probably require marks of origin on repackaged merchandise.

2. Australia, Belgium, France, and the Netherlands would probably require marks of origin on repackaged goods when the failure to put such a mark on would lead to the assumption that the goods are of national origin.

3. Brazil in effect requires marks on repackaged foods and drugs, as well as on other repackaged merchandise labeled in Portuguese.
4. The regulations of Canada, the Federal Republic of Germany, Japan, and the Philippines are such that we can make no judgment as to the requirements.
5. Italy, Mexico, and Venezuela have no general marking requirements but probably require marks of origin on repackaged goods for those few commodities (generally foods and drugs) where marks of origin are required on the original packages.

The CHAIRMAN. The committee is honored today by having the distinguished Senator from Washington, Senator Magnuson, with us and the Chair recognizes Senator Magnuson.

STATEMENT OF HON. WARREN G. MAGNUSON, U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator MAGNUSON. Mr. Chairman, I appreciate your allowing me to be here today.

I didn't mean to interrupt but I do know these figures so well, having spent most of last year as chairman of the Senate Commerce Committee on hearing on this matter in Washington, Oregon, Idaho and Alaska, and we are proceeding with further hearings in the South, in the southern pine area within the next 2 weeks.

Senator Jordan and I, I am sure, don't want to complicate the matter any further, but we did introduce legislation to require the marking of imported lumber. Both of us have—it is a separate bill, but finding out that H.R. 2513 was before this committee, it would be a proper place to submit it as an amendment, because the bill deals with lumber products. It could be considered as a separate bill or as an amendment.

The lumber problem, of course, has many facets. I could answer what the witness from the Department of Commerce said, in many phases of this, substantially what he says is true, they have given a great deal of consideration to the lumber problem but when he said that, to require the marking of lumber from Canada might be considered a retaliatory measure that is like a fellow who has been beat on the head all day and he takes a short swing at the end of the day and somebody calls it retaliatory.

This whole lumber problem is not all tariff, it is not all belonging to transportation, but it has been highlighted and put in focus by the almost doubling of the Canadian imports to our own eastern markets.

The marking of imported lumber, we think is helpful for our domestic lumber in that this is two types of lumber, namely in the field of green lumber. Some is air dried, some is kiln dried, and if the builder knows where the lumber comes from he is given a pretty good indication whether it is wholly green and air-dried lumber or kiln-dried lumber or air-dried lumber, too.

Many times when you build a house and you find if you make a mistake in this matter the beams and things in the house will warp and the house is not as good as you expected. People who deal in lumber know pretty well the type of green lumber and what its condition is when he knows the country from where it comes. We thought marking would be a fair thing to do.

The Canadians have adopted tariffs on our lumber, they do it without consultation with us and they have moved their currency up and

down to take care of their import problems. It is difficult enough for the American producer to deal with a 92½ cent dollar alone, along with this other problem.

We are making some progress on transportation. The repeal of the Jones Act, of course, for lumber would allow foreign ships to move between two American ports and, as we all know, it is very vigorously opposed by the maritime interests.

So we do have these problems. But there is one facet that Senator Jordan and I feel that we could be helpful without involving the question of tariffs or quotas.

The lumber people asked for a hearing before the Tariff Commission in hopes that the Tariff Commission would indicate to the President that the situation was such that the President might impose a tariff or a quota. We were hoping that if a temporary quota could be imposed that we could solve some of these basic problems. But what Senator Hartke is talking about, is a great importation of hardwoods into the United States that is not marked. I think the consumer is entitled to know whether this is walnut or whether it is simulated walnut or what is the type of wood. This is one of the things they were talking about as to hardwoods.

I have a letter that I want to submit to the committee, joining with Senator Jordan, we both have the same legislation before the Congress, and on this amendment and I am hopeful if the committee: (1) if they consider H.R. 2513, they consider the amendment; (2) if they should reject H.R. 2513 that this committee might consider this as a separate bill for which it is introduced.

There are several questions that came up from the Commerce Department, I wouldn't want to clutter the record with them, but when you talk about violating the GATT agreement, the GATT agreement runs for only a certain period of time. There are many escape clauses in the GATT agreement.

Canada has used it on many occasions, and this is a peculiar situation where the Canadians have taken our own market. If we would attempt to do the same thing to their eastern market on softwoods, which is quite substantial, I have no doubt they would act within 24 hours.

This is a little different from the whole import-export matter. This is something very peculiar, it is a very peculiar situation. There are many facets to it, that is true. We are hopeful that there may be a voluntary agreement with Canada. I can't conceive intelligent lumber producers in British Columbia thinking that this is going to go on without us doing something about it. The honeymoon is continuing, and it is getting worse instead of better and the President has suggested to the Department, they use American lumber where possible, and in the foreign aid program where possible, and we are hopeful that the FHA will do something for us, to use American lumber in our building and our housing program where it is available.

The southern pine people are being hurt substantially, and we are going to have hearings within the next 2 weeks in four cities of the South, four places, rather, and they join with us generally in this particular matter.

I thank the committee for this opportunity.

The CHAIRMAN. Senator Magnuson, your letter to the chairman will be inserted in the record.

You desire your letter to be inserted?

Senator MAGNUSON. Yes, I do.

The CHAIRMAN. Without objection.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON COMMERCE,
March 20, 1963.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: I am writing you with relation to H.R. 2513, the so-called marking bill and the amendment proposed by Senator Len Jordan and others to require the marking of all imported lumber and wood products to indicate the country of origin to the ultimate purchaser.

As you are aware, the American lumber industry is facing stiff competition from foreign producers who are able to saturate the domestic softwood market. This situation was created by a variety of interrelated events, most of which were beyond the control of the American lumber industry. It is a known fact that the Canadians, for example, enjoy a marked advantage over their counterparts in the domestic lumber industry. Lower stumpage rates, the currency differential, transportation advantages, and positive Government assistance in trade mission and export development activities pave the way for lower Canadian prices.

Last fall the Senate Commerce Committee held a series of hearings in Washington, Oregon, Idaho, and Alaska in regard to the lumber problem as it directly relates to the imports of lumber from Canada and their effect on the U.S. market and the U.S. lumber producers. These hearings prompted the President to take action but it was the principal objective of the lumber interests to have the Tariff Commission establish a temporary quota. The Tariff Commission subsequently ruled that neither the President nor certain governmental groups had a right to take action in connection with the tariff.

In lieu of the desired ruling from the Tariff Commission, I introduced a number of bills which were designed to cover many of the facets of this very serious problem. My proposal, S. 924, introduced on February 28, 1963, is substantially identical to Senator Jordan's amendment to H.R. 2513, which is now before your committee. At this time I wish to join with the Senator from Idaho in support of his amendment to H.R. 2513.

The Tariff Commission has ruled that with regard to the 1938 agreement with Canada which exempted Canadian lumber from marking requirement:

"The withdrawal of the country-of-origin marking requirement cannot be regarded as a trade agreement concession within the meaning of section 301(b) of the Trade Expansion Act."

It is my feeling that domestic consumers should be given the opportunity to select lumber on the basis of its country of origin. Builders, for example know that there is a vast difference between kiln dried lumber and that which is partially air dried. A marking indicating the country of origin would be helpful in this connection insofar as a selection of quality processed lumber is concerned.

It is important to note that the proposed amendment requires the marking of imported lumber and not domestically manufactured lumber. To the best of my knowledge lumber is the only item coming into this country in significant quantities that is not marked with the country of origin. This is not preferential treatment but is such treatment as places the lumber industry on an equal footing with other industries which must face up to the competition of imports.

It is my sincere wish that in view of the foregoing reasons, the committee give Senator Jordan's amendment to H.R. 2513 every possible consideration.

My best wishes,

Sincerely,

WARREN G. MAGNUSON, *U.S. Senator.*

The CHAIRMAN. Any questions of Senator Magnuson?

Senator MAGNUSON. If I might say, just for the record, lumber was singled out peculiarly again in 1938, where sawed lumber and timbers which you, Mr. Blau, read, poles, telephone poles, and shingles. That

was due to the fact that British Columbia produced a great amount of shingles, and we were trying to work out agreements with Canada, and we exempted shingles from being marked, and there is a difference in shingles. There are cedar shingles, and softwood shingles and all kinds of shingles.

Finally, later on the then President of the United States had a put a quota on shingles to take care of that situation because our shingle people went completely out of the market.

And later on we put a quota on shingles and we are hopeful that lumber can—there is a great psychological effect on marketing lumber.

When Senator Dirksen asked about other countries, what they require, the truth of the matter is that when you go into all these export-import matters which our committee does, you will find that even a country that doesn't require a marking of our imports, the fellow who is selling it will put on there "Made in USA" because of the quality of American products. He gets more for it. He will voluntarily put it on many products.

Thank you.

The CHAIRMAN. Thank you very much, Senator Magnuson.

We are honored today to have the Senator from Idaho, Senator Jordan who is the author, with other Senators, of S. 957, which is to be offered as an amendment to the pending bill.

Proceed, sir.

STATEMENT OF HON. LEN B. JORDAN, U.S. SENATOR FROM THE STATE OF IDAHO

Senator JORDAN. Mr. Chairman and members of the committee, I appreciate very greatly the opportunity to appear before this committee regarding my proposed amendment, amendment No. 9 to the bill under consideration, H.R. 2513.

First, I should like to associate myself with the remarks of my distinguished colleague, Senator Magnuson. I concur with him 100 percent in the statement he has made. The softwood industry in the Northwest is in distress through circumstances, many of which are beyond its control.

Senator Magnuson enumerated part of it. The fact that the rate of exchange operates to the benefit of the Canadian producers. In addition to that they have an advantage in buying negotiated stumpage over our bid procedure in the United States.

In addition to that they have the ability to ship in foreign bottoms at a cheaper rate than can our domestic producers into the eastern markets. But those only have to do generally with the industry.

I am here principally because the softwood operators in my State are in real distress. I am informed that in the past year in the nine northern counties in Idaho over 40 percent of the mills have ceased operation for one reason or another, either gone out of business or shut down.

We are faced with a situation, too, out west of having to assimilate a great volume of timber blown down in the Columbus Day storm of last year.

This timber must be assimilated in the domestic market now because it will deteriorate very rapidly, and in order to market this blowdown

timber, lumber producers outside of the damaged area will have to adjust to a smaller share of the domestic market.

Now, to address myself to this particular amendment, I would say, Mr. Chairman, that for many months, the Members of Congress have been concerned over the many problems facing the depressed American lumber industry. But, until the Tariff Commission handed down its adverse decision on offering relief to the American lumber industry from foreign imports of lumber under the Trade Expansion Act of 1962, most of us had preferred to see what could be done for the industry through existing laws and various Government agency regulations.

We, in other words, were saving the legislative avenue for a last resort.

However, the Tariff Commission's published report clearly—in my opinion—challenged the Congress to help the lumber industry through legislation. The Commission stated in its report of last February, and I quote:

> The Commission observes further that while international commitments may deter Congress from legislating in conflict therewith, these commitments do not prevent Congress from so legislating. Congress may, if it so elects legislate in conflict with any international commitments.

Immediately Members of Congress of both parties took up this challenge by the Tariff Commission, and many of us—both in the House of Representatives and in the Senate—introduced various bills to give some relief to our depressed lumber industry.

On February 21 of this year most of these bills were introduced into the House and, 1 week later, on February 28, the various Senate bills were introduced. Senator Warren Magnuson, Democrat, of Washington, introduced a package of some six bills and one Senate joint resolution on that day.

Also on February 28, I, together with Senators Allott, McClellan, Mundt, Simpson, Tower, and Young of North Dakota, introduced three bills and one Senate joint resolution, to which Senators Dominick and Ervin added their names.

Several of the House bills—Senator Magnuson's S. 924—and my S. 957, cosponsored by the previously mentioned Senators, are practically identical bills, amending the Tariff Act of 1930 to require the marking of lumber and wood products to indicate to the ultimate purchaser in the United States the name of the country of origin. The two Senate bills, S. 924 and S. 957, are now pending before this Senate Finance Committee.

Mr. Chairman, when I learned that the present bill under consideration, H.R. 2518, amending the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate the country of origin, had passed the House and had been referred to the Senate Finance Committee, I immediately introduced my amendment No. 9 to this bill. This amendment does exactly what S. 924 and S. 957 would accomplish. I felt that this might be a much more expeditious handling of legislation requiring the marking of imported lumber and wood products with the country of origin.

In favor of amending H.R. 2518 to require the marking of imported lumber and wood products with the country of origin, I suggest the following:

(1) As far as I know, lumber is the only major product imported into the United States which does not have to be so stamped.

(2) The lumber industry has asked—in fact, has urged—that the Congress enact a law requiring that imported lumber be so marked. The industry feels that the American consumer public should have an opportunity to select lumber based upon whether or not it is produced domestically.

(3) This amendment deals only—and I cannot emphasize "only" too strong—with the marking of imported lumber with the country of origin. It in no way requires the marking of domestic American lumber.

(4) The withdrawal of the present exemption not requiring the marking of imported lumber and wood products with the country of origin would not, according to my information, constitute a violation of a trade agreement concession. In the previously mentioned Tariff Commission report of last February, the Commission states, and I quote:

> The withdrawal of the country-of-origin marking requirement cannot be regarded as a trade-agreement concession within the meaning of section 301(b) of the Trade Expansion Act.

(5) Also, I believe that there will be very little cost involved for foreign producers of lumber to so mark their products. The Tariff Commission also remarks on this cost-increase factor, and I quote:

> Currently, country-of-origin marking would involve little expense in addition to that already incurred in complying with the grade-marking requirements instituted in 1960 by the Federal Housing Administration.

(6) Finally, I would point out that the principle involved in my amendment to H.R. 2513 has strong bipartisan support. This is clearly evidenced by the fact that identical bills have been introduced and cosponsored by both Republicans and Democrats in both Houses of the Congress.

In conclusion, I really see no legitimate reason for objection to this amendment and I hope that the Finance Committee will give it favorable consideration.

Thank you.

The CHAIRMAN. Thank you very much, Senator Jordan.

Any questions?

Senator ANDERSON. Senator, I don't see why you don't either try to get your bill off by itself or I suggest that H.R. 2513 have everything stricken out after the enacting clause and insert your amendment, because this bill faces a veto and while it is nice to go home and show people that the bill was passed by the Congress; if it is vetoed by the President, it doesn't do any good. And Senator Magnuson and yourself would make a very good case by doing it the way I suggest.

Senator JORDAN. That is what I might try to do. Frankly, we didn't know there was so much opposition to the bill to which we attached our amendment.

Senator ANDERSON. The statement was made by the Treasury Department which was probably based on the experience of the State Department in finding out the Bureau of the Budget would approve a recommendation for an adverse report on the bill and possibly on the amendment.

It would be tough enough to get a bill signed, just the amendment under those circumstances, and if you add to it a bill which had already been vetoed, I think the road is very difficult and long and I know, as practical as you are and as I know the Senator from Washington, Mr. Magnuson, is, I should try the other route.

Senator JORDAN. I should be happy to consult with Senator Magnuson. If we have chosen the wrong vehicle here we want to take steps to correct it.

Senator ANDERSON. I have no further questions.

The CHAIRMAN. I would like to suggest to the Senator that such a bill must originate in the House.

Senator ANDERSON. Well, H.R. 2513 does originate in the House.

The CHAIRMAN. I understood you to say that you would prefer to have the amendment offered as a bill and acted on separately.

Senator ANDERSON. I didn't state a preference; I simply said to the Senator from Idaho it would appear to me an easier course if he tried to amend H.R. 2513 by striking out everything after the enacting clause and limiting the applicability of it just to timber. It then falls within the House rule. I have gone before the Ways and Means Committee of the House and I know how jealously they guard their prerogative and this does not violate the prerogative.

The CHAIRMAN. You would regard a bill that had everything stricken out and the text of an entirely different Senate bill substituted in lieu thereof, as originating in the House then?

Senator ANDERSON. Well, the specific rule very clearly in the House is the Senate could amend.

The CHAIRMAN. I am not objecting to your plan at all. I just wanted to be certain of your proposal.

Senator ANDERSON. I am not trying to outline any course of action to the Senator. I merely point out that all of us have had enough legislative experience to know that once a bill has been vetoed by one administration, with strong statements, that the same people generally still stay in the State Department and other departments; down below the surface they are still there, and they will originate the veto message. It doesn't start with the Secretary. It starts down below.

All of us know how these departments work and, therefore, the same person who probably recommended the veto message for President Eisenhower in 1960 would use the same pen to provide the veto message to President Kennedy in 1963, if it got there.

It might be a little easier since H.R. 2513 is an amendment to the Tariff Act to require marking of imported articles and since the Senator's bill is a bill to amend the Tariff Act to require marking certain things, I think the House committee would look with some interest on it.

I am not expressing my opinion whether I am for or against it. I just hate to see him labor and lose his labor.

Senator JORDAN. I thank the Senator.

The CHAIRMAN. Any further questions?

Thank you very much.

Senator JORDAN. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is O. R. Strackbein of Nationwide Committee on Import-Export Policy.

We are glad to welcome you again before the committee.

STATEMENT OF O. R. STRACKBEIN, NATIONWIDE COMMITTEE ON IMPORT-EXPORT POLICY

Mr. STRACKBEIN. Mr. Chairman, and members of the committee, I have no prepared statement, but would like to reserve the right to supplement for the record anything I might say here.

The CHAIRMAN. Without objection.

Mr. STRACKBEIN. I am appearing in support of H.R. 2513. This legislation, in my view, represents an attempt to make section 304 more effective than it is.

If we ask ourselves what is the purpose of marking goods that are imported I think we would have to come to the conclusion that the marking system should be made as effective as possible.

If goods come in packaged in bulk so that they, when the outer package is marked but the inner packages are not, or if on putting them on sale the bulk packages are broken down, and the goods are repackaged without being marked, naturally the ultimate consumer does not know that the goods are imported.

The purpose of the law is within practical limits to make it possible for the consumer to know that the goods that he is purchasing are or are not imported.

There are certain objections made to this bill on the ground that its administration would be too complicated. We cannot agree with that. Section 304 is now administered by the Treasury Department, by the Customs Bureau and even now, of course, the Customs Bureau does not catch all the items that come through that are not marked or that are improperly marked. Later on as these goods enter into the stream of commerce, a competitor or someone who might be adversely affected by their sale in the guise that they were domestic goods will bring a complaint to the Customs Bureau, and we conceive that this law, this bill, would be administered in the same manner.

We would not expect any more than is now the case, that the Customs Bureau would detect every instance of violation. But in any event, the purpose of the law would be much better carried out if subsequently after the goods had been repackaged there were recourse on the part of those who would feel that they were injured by the failure to comply with the law.

Then again objections are made that the cost of this marking of new packages would be prohibitive or burdensome but the bill provides that exceptions can be made. Even under the present law the previous witness—I think it was Assistant Secretary Blau—read a number of exemptions that are already recognized.

I recall when the law provided that imported pocket knives must have at the base of the blade inscribed the name of the country of origin. This was considered as being a quite burdensome requirement. Yet, here I have a pocketknife made in the United States which without any requirement of law, gives the name of the manufacturer, and the number, some number here indicating undoubtedly the particular serial number of the item.

So, if that were such a burdensome requirement, certainly a domestic manufacturer would not bother to do this.

Then again, the consumer is entitled to know whether the goods that he is purchasing come from a foreign country. This is particu-

larly true when consumers feel rather strongly about purchasing goods made abroad or in particular countries or whether they are made in this country.

Today with imports coming from behind the Iron Curtain, there are many consumers who object to purchasing goods of such origin. Yet, if the goods come before the consumer in a manner that does not display the country of origin in a manner that makes this mark fairly legible and also readily seen, then he might very easily be deceived.

So we believe, Mr. Chairman, that this bill represents a justifiable amendment to section 304, and that its acceptance or nonacceptance by the Executive should have no bearing on the case.

I should think that the President, after noting that a bill had again been passed by the Congress after a previous veto, would be much less likely to veto the bill again. You may recall that in England at the beginning of this century, I believe it was, in the House of Commons in England, when they passed a bill and found that it was vetoed by the House of Lords, they finally adopted a law with the support of the King that if the House of Commons passed a law three times even though it had been vetoed by the House of Lords or turned down by the House of Lords it would nevertheless become law.

In other words, if the Congress again passes this bill rather than assuming that the President automatically would veto it, I think the President would be more than likely to sign the bill.

What I am trying to say is that the consideration as to the disposition of the Executive of this bill should not be a consideration in its passage by the Congress.

I think that is about the extent of my testimony, Mr. Chairman. I want to thank you for the opportunity to appear.

The CHAIRMAN. Thank you very much.

Any questions?

Senator ANDERSON. How great is this problem? How much is involved in it?

Mr. STRACKBEIN. Of course, that is a most difficult question to answer, Senator.

Senator ANDERSON. If you don't know how badly you are being hurt——

Mr. STRACKBEIN. I beg your pardon?

Senator ANDERSON. If you don't know how badly you are being hurt, why are you complaining.

Mr. STRACKBEIN. Well, there are organizations, there are industries that feel strongly enough about it that they are taking the trouble to obtain or try to obtain legislation on the subject.

I don't believe they would be coming up here trying to do this if they did not feel that something of substance were at stake.

Senator ANDERSON. Outside of this lumber situation in the Northwest to which the Senators have referred and we all recognize, is there any other group that is coming up, that you know of that is going to come up, and testify?

Mr. STRACKBEIN. Yes, there are other witnesses.

Senator ANDERSON. You are from the national committee. Do you know of any problem other than lumber?

Mr. STRACKBEIN. I beg your pardon?

Senator ANDERSON. Do you know of any problem other than lumber?

Mr. STRACKBEIN. Yes, there are others.

Senator ANDERSON. What are they?

Mr. STRACKBEIN. As I say the witness list will, I think, reveal that, Senator.

Senator ANDERSON. Chamber of Commerce for Trade with Italy. I don't know what they are going to testify to.

Mr. STRACKBEIN. I suppose they will be against it.

Senator ANDERSON. You felt that since the President had vetoed one time that he would be more likely to sign the rest. Did you ever hear of a Natural Gas Act?

[Laughter.]

Would it be within the competence of your memory to recall whether or not a man named Truman vetoed it?

Mr. STRACKBEIN. Yes.

Senator ANDERSON. Did that restrain President Eisenhower?

Mr. STRACKBEIN. No, apparently not. I think there might have been other considerations there quite different from this one, however.

Senator ANDERSON. Well, the other considerations always seem to arise somehow.

Now, we used to have, I tried to establish, a rule in the Department of Agriculture that after 10 Department chiefs had initialed it, it became official whether I signed it or not. I didn't quite live up to that but are you suggesting now if we pass it three times like the House of Lords it becomes effective whether the President signs it or not?

Mr. STRACKBEIN. I was merely citing that as an historical precedent for indicating that the Congress must be fairly serious about this if it passed the same bill twice.

Senator ANDERSON. That is what I am hoping, that it gets fairly serious this time and just doesn't let the bill walk through. All right.

The CHAIRMAN. Thank you very much.

Senator WILLIAMS. May I ask one question?

I am not sure; how would you mark this lumber as it comes into the country?

Mr. STRACKBEIN. I am not talking about the lumber amendment, I am talking about H.R. 2513. I am not familiar with the lumber situation.

In other words, I don't know whether they would mark each piece of lumber or what they would do. This I don't know; you will have to ask someone who testified on that particular subject.

Senator WILLIAMS. All right.

The CHAIRMAN. Thank you very much.

Senator Douglas.

Senator DOUGLAS. Mr. Strackbein, do I understand you are in favor of the Jordan amendment as well as the bill which came over from the House?

Mr. STRACKBEIN. I have no authority to speak for the Jordan amendment so if I said anything about it it would be as a private citizen. I don't have a representation for that industry so I take no position on it; I am not adverse to it, not in support of it. I can't speak on it.

The CHAIRMAN. Thank you, sir.

The next witness is Mr. Donald Baldwin of the National Lumber Manufacturers Association. Take a seat, sir, and proceed.

Mr. BALDWIN. Mr. Chairman, I am Donald Baldwin, director of legislative relations for the National Lumber Manufacturers Association, and I have with me today Mr. Joseph MacLaren, who is with Potlatch Forests in Idaho and Mr. William Jobe, the general counsel at National Lumber. Mr. Jobe is here to help answer any questions that the committee may have, and Mr. MacLaren will be presenting our statement for us. I would like to say that we are particularly pleased to have the opportunity to be here to testify in favor of this amendment.

We feel it is a very helpful amendment not only to the industry but to the country. It is important to know, as we do with other imported items, from which country our lumber and wood products derive. I would merely say we hope the committee will adopt the amendment. Mr. MacLaren will present a statement for us.

STATEMENT OF JOSEPH R. MacLAREN, ASSISTANT TO THE PRESIDENT OF POTLATCH FORESTS, INC., ON BEHALF OF NATIONAL LUMBER MANUFACTURERS ASSOCIATION; ACCOMPANIED BY WILLIAM T. JOBE, JR., GENERAL COUNSEL, NATIONAL LUMBER MANUFACTURERS ASSOCIATION; AND DONALD BALDWIN, DIRECTOR OF LEGISLATIVE RELATIONS, NATIONAL LUMBER MANUFACTURERS ASSOCIATION

Mr. MACLAREN. It is a great privilege for me to be here this morning and appear before you. My name is Joseph R. MacLaren, and I am the assistant to the president of Potlatch Forests, Inc., which is headquartered in Lewiston, Idaho, with plant and facilities in Warren, Ark.; Pomona, Calif.; Jacksonville, Fla.; Mundelein, Ill.; Sikeston, Mo.; and Baltimore, Md.

I am appearing today on behalf of my company and for the National Lumber Manufacturers Association, with its offices in Washington. NLMA is a federation of 16 regional and species organizations operating throughout the United States on behalf of the entire American lumber producing industry.

We appreciate very much this opportunity to appear before your committee in support of an amendment to a House-passed bill, H.R. 2513, proposed by Senator Jordan of Idaho, which would require the marking of imported lumber and wood products to indicate the country of origin to the ultimate consumer in the United States.

Senator Jordan's amendment would, in our opinion, correct a serious inequity imposed against the U.S. lumber industry by its own Government.

Although the Tariff Act of 1930 requires that all imported articles, with certain specific exemptions, must be marked to indicate the country of origin, a review of our records indicates that lumbermen in the 1930's vigorously tried to have our country enforce its marking requirements with respect to lumber and wood products. It was during that period that domestic producers first discovered that the Treasury Department was not enforcing this requirement of law with respect to lumber.

The industry sought to secure enforcement of this statutory requirement through every channel available to it. Though a great mass of evidence was produced, we were unable at that time to convince the Treasury Department that a large percentage of domestic lumber customarily was marked to indicate grade and species, and that marking was practical and inexpensive in all cases.

In 1938 the Treasury Department, unwilling to concede the rightness of the domestic industry's position, asked Congress to add a new provision to the marking statute which would give the Secretary of the Treasury authority to exempt from the marking requirement any article which had been imported in substantial volume in the previous several years without marking. This, of course, included lumber.

Needless to say, the industry was quite aggravated at this maneuver and made a strong case before the Congress for a mandate to require that imported lumber be marked to show the country of origin.

The industry was partially successful in these efforts, for, while Congress did enact a provision such as the Treasury requested, it was specifically provided that such provision should not apply to lumber.

However, because the Department of State protested that imposing a marking requirement on lumber by statute would be a violation of our Nation's trade agreement obligations, Congress also provided, in effect, that the requirement that lumber be marked should not be enforced so long as such requirement was in conflict with any trade agreement.

So what we actually have in the statute has been referred to by many as an exception to an exception to an exception.

Following enactment of this provision, there was inserted as item 6 of the lumber declaration contained in the trade agreement between the United States and Canada signed November 17, 1938, the following provision:

> Lumber and timber imported from Canada will not be required to be marked to indicate the country of origin.

Schedule XX of the General Agreement on Tariffs and Trade signed by the contracting parties to the general agreement on October 30, 1947, bound this exemption from marking in the same way it was bound in the United States-Canadian bilateral agreement of 1938.

Apparently, the executive branch of our Government, acting through the Department of State, considered the provisions of the Customs Administration Act of 1938 as authority to incorporate in the 1938 trade agreement with Canada a concession exempting lumber and timber from the marking law of our Nation.

Although lumbermen, as previously noted, strongly opposed this action by their Government, they, of course, accepted this decision and did not at that time seriously question the legality of such an exemption for Canadian lumber.

As matters now stand, there is presently no mandatory marking of the country of origin on imported lumber. Recent actions, however, have changed considerably the factors to be considered in this area.

We would respectfully draw the committee's attention to a report submitted on February 14 of this year by the U.S. Tariff Commission to the President of the United States relative to the Commission's investigation of the softwood lumber industry under section 301(b)

of the Trade Expansion Act of 1962 wherein the Commission at page 15 states:

> The withdrawal of the country-of-origin requirement cannot be regarded as a trade agreement concession within the meaning of section 301(b) of the Trade Expansion Act.

As we interpret the Commission's finding, item 6 of the Lumber Declaration of the United States-Canadian Bilateral Trade Agreement of 1938, which subsequently was incorporated into schedule XX of the General Agreement on Tariffs and Trade in 1947, is not a concession under the provisions of Public Law No. 87-794, the Trade Expansion Act of 1962, and, therefore, the exemption of lumber from the marking law of our country cannot be considered a concession under the General Agreement on Tariffs and Trade.

We have already brought this fact to the attention of both the Secretary of State and the Secretary of Commerce requesting that they move immediately to withdraw this exemption for Canadian lumber, unless it can be justified under existing law, and we believe it cannot. We feel, however, that our request would be more effective if it were bolstered by congressional reaffirmation of the 1938 law requiring the marking of lumber, and we appear here today in support of Senator Jordan's amendment which would effectively accomplish this purpose.

Mr. Chairman, the American lumber industry does not appear befor this committee seeking special consideration nor special advantage. We feel that American consumers should have an opportunity to select lumber based upon whether or not it is produced domestically.

Let us for a moment look further at the Tariff Commission's report and the conclusions contained therein with respect to markings of lumber to show the country of origin.

In its February 14 report, the Commission also noted:

> Currently, country-of-origin marking would involve little expense in addition to that already incurred in complying with grade-marking requirements instituted in 1960 by the Federal Housing Administration.

In fact, in this same report, the Commission concluded that enforcement of such requirement might even benefit the Canadians when it stated:

> It is clear that its restoration (that is, the restoration of the requirement of country-of-origin marking) in recent years would not likely have contributed to a reduction in the level of imports of softwood lumber. On the basis of evidence obtained by the Commission, its restoration might well have had a contrary effect.

We join the Commission in believing that withdrawal of the present exemption for lumber would not constitute a violation of a trade agreement concession.

We also concur in the Commission's conclusion that there would be very little cost involved for the Canadians to do this. We do believe, however, contrary to the Commission's conclusion, that restoration of this requirement would be beneficial both to the American consumer, and that it would be an important factor that would tend to equalize for the U.S. lumber industry the numerous advantages, many of them granted by the Canadian Government, which the Canadians enjoy in the pursuit of our domestic lumber markets.

Additionally, we believe—since imported lumber is generally of exactly the same species as domestic lumber, particularly softwoods; is manufactured to the same size-and-grade standards; and generally enters the marketplace without reference to its foreign origin—that, in the absence of country-of-origin marking, the application of the Buy American Act cannot be fully effective for lumber.

In the absence of identification of imported lumber, the Buy American Act—which is the law of our land specifically enacted by Congress to give preference to domestic goods in Government procurement—cannot be fully enforced. This nullification of the Buy American Act helps imports and does grievous injury to the domestic industry.

Gentlemen, we do not advocate any action by this committee, or the Congress, or our Government, that will deny consumers all the lumber they want, and at a fair competitive price. Fair competition in a free market is traditional to our industry.

The heavy burden carried by the U.S. lumber industry, which is the fourth largest employer of manufacturing labor in the United States, is not one of its own making. Because of direct action of the Canadian Government, Canadian producers of lumber are able to ship their product into U.S. markets to be sold at a price which is often below the cost of manufacture of lumber in this country.

It is true that the domestic lumber industry is supporting proposals that would limit the quantity of Canadian lumber moving into this country. However, the proposed amendment to H.R. 2513 that would require the marking as to the country of origin will not exclude any lumber from U.S. markets.

Our industry and the American communities dependent upon it for their prosperity are currently faced with difficult economic problems which have been seriously compounded by constantly mounting imports of foreign lumber. Softwood imports from Canada alone now supply approximately 14.6 percent of the domestic U.S. softwood lumber market, compared to approximately 8.9 percent 5 years ago.

We have been encouraged that so far this year the Legislatures of the States of New Mexico, Idaho, Colorado, Texas, Washington, and South Dakota have already submitted memorials to Congress and the concerned executive agencies urging that imported lumber be required to indicate the country of origin. It is our understanding that other State legislatures are preparing to do likewise.

It therefore seems to us that a simple reaffirmation by our Congress of the intent expressed in the Customs Administration Act of 1938 that imported lumber should be marked to indicate the country of origin is one area where our Government can assist the U.S. lumber industry in keeping with the treatment afforded other imported articles. Quite frankly, gentlemen, we do not enjoy being one of the few American industries whose products are exempt from the country-of-origin marking statute.

In requesting such reaffirmation by the Congress, it is not intended that the price of lumber to the American consumer be increased. Since the Federal Housing Administration currently requires that lumber used in construction insured by the FHA be grade-marked, there would be very little if any additional cost involved in the requirement that lumber also be marked to show the country of origin. We would contend that there are many U.S. lumber consumers who have

an innate preference for lumber products manufactured by their fellow workers. Without the marking requirement, however, they cannot pursue this preference.

Mr. Chairman and gentlemen of the committee, we strongly recommend that Senator Jordan's amendment to H.R. 2513, which would require the marking of imported lumber and wood products to indicate to the ultimate purchaser in the United States the name of the country of origin, be accepted by this committee, and we hope that you will act favorably on it.

Thank you very much.

The CHAIRMAN. Thank you, Mr. MacLaren.

Any questions?

Senator ANDERSON. I would just like to ask this. You say something about the lumber industry being one of the few American industries whose products are exempt.

How do you feel about the other industries that don't get into it? For example, how do you feel about the importation of beef?

Mr. MACLAREN. Well, I am having all of the trouble I can have with lumber, I can't get too concerned with beef. The beef boys will have to look after themselves.

Senator ANDERSON. Then people who live in beef countries should they be interested in your problem?

Mr. MACLAREN. I think they should, legislativewise, certainly. I thought you were asking me a personal question. If I were a legislator I certainly would be interested in beef just as much as lumber.

Senator ANDERSON. Yes. I was just down in San Antonio yesterday to talk to the Texas & Southwest Cattle Growers Association and they are little concerned because the price of beef has dropped and they blame imports for it.

One man had 1,000 steers to feed and they have gone off $8 a hundred and that runs into real money.

Do you think we should require that this beef be stamped, "Produced in Australia" when it comes in, or "Produced in the Argentine"?

Mr. MACLAREN. I would think that it should. I don't see any reason why anyone shipping anything into the United States should not be at least cognizant of their own markings so they can take some pride in their own production.

Senator ANDERSON. How about wheat that might come in in bags in the form of flour made from that wheat?

Mr. MACLAREN. I wouldn't think we would have much wheat imported into this country.

Senator ANDERSON. You don't. From Canadian sources?

How about metals?

Mr. MACLAREN. That would be rather difficult, I imagine unless it comes in in large plaques.

Senator ANDERSON. They run the copper ores through the processing plant, it comes out with sort of fire refined copper in bars. Should those bars be labeled?

Mr. MACLAREN. I don't think what we are talking about, Senator, is compatible. I don't think they are the same thing. You are talking about something that is coming in which is going to be converted into entirely different products or wholly unrecognizable from the average, from the normal or original piece.

Senator ANDERSON. Doesn't lumber get converted into houses that look quite different from the original stack of lumber?

Mr. MACLAREN. It may look a little different when it finally gets up and gets painted but a 2 by 4 is always a 2 by 4.

Senator ANDERSON. Well, lead and zinc looks different when made into a product but it is still lead and zinc. All of the lead and zinc mines are closed because of foreign importation.

Mr. MACLAREN. We have that problem in Idaho also, we have some lead and zinc mines there.

Senator ANDERSON. Do you think we should put on a requirement that imported lead and zinc should be labeled?

Mr. MACLAREN. I think they should be given consideration and protection.

Senator ANDERSON. How do you think that would coincide if we did all of those things with the Trade Expansion Act of 1962?

Mr. MACLAREN. Well, possibly it would raise a little havoc with it.

Senator ANDERSON. I think so.

The CHAIRMAN. Any further questions?

Senator DOUGLAS. Mr. MacLaren, what is the fundamental purpose of your support of the Jordan amendment? Is it to reduce the importation of lumber?

Mr. MACLAREN. Our fundamental backing of this, from a corporate entity, we have had a great many of our small producers in Idaho who have had to go out of business because of Canadian competition. We have lying just to the north of the Pacific Northwest this tremendous source of British Columbia lumber, there is probably 15 times as much lumber there in British Columbia alone as there is in all of the Pacific Northwest.

Now, the Canadian Government does not operate their forest the way we are required under our forest provisions or under the way we want to. We are continually striving for the preservation of our forests for the generations yet unborn.

In Canada it is pretty easy to buy lumber and it is pretty cheap.

Senator DOUGLAS. They have more lumber, as you say, than we have.

Mr. MACLAREN. They have a great deal of it and they don't particularly care how they take care of it and they just go in and cut it down as a swathe, they don't burn out the brush, or clean it up. It is cheaper to let it lie there.

Senator DOUGLAS. Just about the way we were 60 years ago.

Mr. MACLAREN. They are not required to build the roads we are required to build. They are not required to pay the wages or the fringe benefits. They have currency that gives them a big boost. Until just recently they had, of course, additional help in regard to assistance from the railroads and the provisions of shipment they could make by water.

With all of these things they have caused small operators in the inland empire to go out of business. They cannot compete with this.

Senator DOUGLAS. Then I take it your answer is that you do support the Jordan bill because you believe it will restrict the importation of Canadian lumber?

Mr. MACLAREN. Well, I personally—we are certainly in favor of that. We would like a quota. We would like a tariff. But I don't think that that is possible.

Senator DOUGLAS. So that the purpose is to restrict the importation of Canadian lumber?

Mr. MACLAREN. It is not to restrict it. It is to bring it into competitive levels.

Senator DOUGLAS. Restrict purchase and, therefore, restrict the importation. I can draw in other conclusions from what you are saying. You want to reduce the amount of Canadian lumber imported into the United States so a larger proportion can be supplied by domestic forests.

Mr. MACLAREN. We would like to have the import of Canadian lumber go back to the historical basis that they had over the years.

Senator DOUGLAS. Let me ask this question: Is Canadian lumber required by FHA to be graded in the same way that American lumber is?

Mr. MACLAREN. Yes.

Senator DOUGLAS. So that if it is not kiln dried that will have to be stated in the sale? Is that stamped?

Mr. MACLAREN. All of the provisions of the FHA would have to be lived up to.

Senator DOUGLAS. Are you claiming that Canadian lumber is inferior to American lumber within a given grade?

Mr. MACLAREN. No, sir.

Senator DOUGLAS. You are not?

Mr. MACLAREN. No, sir.

Senator DOUGLAS. So that the question of quality does not enter here?

Mr. MACLAREN. No.

Senator DOUGLAS. Quality grading is already provided for Canadian lumber as well as American?

Mr. MACLAREN. And Idaho white pine is Idaho white pine whether it grows just off the Canadian border in British Columbia or whether it grows just south in the State of Idaho. God gave us the trees and he didn't make the boundary line.

Senator DOUGLAS. And the lumber has to be marked as to whether it is kiln dried or atmospherically dried; isn't that true?

Mr. MACLAREN. You mean for FHA?

Senator DOUGLAS. Yes.

Mr. MACLAREN. For FHA some of the restrictions are, I am not postive as to that.

Senator DOUGLAS. May I ask this: Does Canada require any marking on American commodities going into Canada?

Mr. MACLAREN. We are not allowed to export into Canada without a high tariff. There are restrictions placed on lumber.

Senator DOUGLAS. If commodities do go into Canada is—does Canada require that they be marked with the country of origin?

Mr. MACLAREN. Not lumber.

Senator DOUGLAS. Not lumber?

Mr. MACLAREN. Not on lumber.

Senator DOUGLAS. So this would be imposing a requirement on Canadian lumber which Canada does not now impose on American lumber?

Mr. MACLAREN. Canada does not allow us to export lumber in there. They have so much of their own it would be kind of senseless to do it anyway.

Senator DOUGLAS. You say it doesn't allow, in what way does it limit the importation?

Mr. MACLAREN. A high tariff.

Senator DOUGLAS. What is the tariff?

Mr. MACLAREN. I can't answer that.

Senator DOUGLAS. What is our tariff?

Mr. MACLAREN. Maybe Mr. Jobe.

Mr. JOBE. If I may, Senator, the tariff on the same species we are discussing here is 10 percent going north into Canada, coming south from Canada into the United States its averages is about 1.3 percent. We are talking now about a $60 item.

Senator DOUGLAS. Now, if we tried to negotiate a reciprocal agreement with Canada under which Canada would reduce the tariff on American lumber, wouldn't that be a better proposal for us than to lead off placing a requirement on Canada lumber which they do not impose on ours?

Mr. MACLAREN. I think what we are up against really, sir, is the question of the treatment of their industry in Canada as compared to the treatment in this country.

The advantages specifically granted to that industry by the Government in Canada——

Senator DOUGLAS. Such as?

Mr. MACLAREN. Such as the treatment of the raw material cost.

Senator DOUGLAS. Stumpage.

Mr. MACLAREN. Ninety percent of the raw material in British Columbia is Government-owned, which is not true in this country, and their handling of that raw material is such that it prices at about $7 where our comparable species would price at about $25, just one item, and across the board you find this type of treatment being given to this industry.

Senator DOUGLAS. Isn't that because of the superabundance of Canadian lumber as compared with comparative scarcity of American lumber?

Mr. MACLAREN. Well, it is—the reasons are apparent to us. It gets beyond the scope of this particular measure. I think probably it is due to the fact that they must export their lumber. Their domestic consumption will not satisfy their production potential. They were forced out of the United Kingdom market by the entrance of Russian lumber of 2 years ago. They turned that—that production naturally turned south in order to take over our market, they took——

Senator DOUGLAS. They have lower stumpage rates.

Mr. MACLAREN. They took whatever steps were necessary, probably the most dramatic was their dollar devaluation.

Senator DOUGLAS. That was last year?

Mr. MACLAREN. Yes.

Senator DOUGLAS. Previously the Canadian dollar had been at a 5-percent premium; isn't that true?

Mr. MACLAREN. During——

Senator DOUGLAS. $1.05 and then $1.03.

Mr. MACLAREN. During the fifties, that hovered over 1957, 1958, 1959 over the dollar. It fluctuated up.

It is very interesting to note, sir, that on the lumber that Canada exports to the United Kingdom is marked "Made in Canada." They must have some stamping devices.

Senator DOUGLAS. I didn't hear that.

Mr. MACLAREN. In other words, the lumber that Canada now exports to the United Kingdom, which is in competition with Russian lumber or lumber coming down from Finland, and so forth, is stamped "Made in Canada."

Senator DOUGLAS. That is supposed to further the sale in England because of the attachment which the mother country has to the self-governing dominions; isn't that true?

Mr. MACLAREN. Yes.

Senator DOUGLAS. It is your belief, however, that a stamp "Cut in Canada" or "Made in Canada" would diminish the market for Canadian lumber here; isn't that true?

Mr. MACLAREN. It might possibly but it would at least give us a preference to buy American, if we so desired.

Senator DOUGLAS. Yes.

Mr. MACLAREN. What we actually get down——

Senator DOUGLAS. How would you feel if Canada were to take the commodities which we sell to it, and were to stamp them "Made in the United States"?

Mr. MACLAREN. Don't we stamp all of them "Made in United States"?

Senator DOUGLAS. We export more to Canada than we import. Suppose they were to stamp our textiles "Made in the United States" stamp our, all our products "Made in the United States"?

Mr. MACLAREN. We would agree to have it stamped "Made in the United States."

Senator DOUGLAS. What?

Mr. MACLAREN. Stamped "Made in the United States."

Senator DOUGLAS. You would agree; how about the textile interest?

Mr. MACLAREN. I think they do already, do they not?

Senator DOUGLAS. The point is this is a game at which two can play, and you follow the Canadian papers and you know what is happening up in Canada. There is a very great tide of anti-Americanism which is sweeping through Canada. It is unsafe for any Canadian statesman to protest warm devotion to the United States. Some get votes if they attack the United States. Some of the more conscientious politicians try to restrain this and not say it openly, but do distinctly hint at it.

Now, if we require Canadian lumber to be stamped and the obvious purpose that you are advocating in this is to diminish the sale of Canadian lumber here, there would be no other purpose, isn't it inevitable that Canada will adopt retaliatory measures?

Mr. MACLAREN. Well, it is an alternative, I suppose, that they would have.

Senator DOUGLAS. Yes. Well, it is an alternative that they would inevitably take, isn't that true?

Mr. MACLAREN. Well, suspect they would.

Senator DOUGLAS. Yes.

Mr. MACLAREN. But when you and I discuss this on a personal basis, I am thinking of these people whose livelihoods is in the United States, American citizens who are no longer gainfully employed. I am thinking of an industry that sits by that sees itself sacrificed on an altar of concessions made to other industries.

Senator DOUGLAS. We have to consider the general trade.

Mr. MACLAREN. That is what we are up against and we hope something can be done so it can be balanced off.

Senator DOUGLAS. Don't you think that almost inevitably if we were to pass the Jordan amendment that whichever government is in power in Canada would be compelled to put a retaliatory measure upon American goods?

Mr. MACLAREN. I don't think so, Senator.

Senator DOUGLAS. How can you explain it?

Mr. MACLAREN. The reason I think was best explained by Senator Magnuson. These people are not crazy enough to think we are going to let them choke this down our throats over a period of years without our getting mad and doing something about it. We have been in the lumber industry, one of the great industries in the United States of America; we have been one of the forerunners, we have probably developed more land, made more production, we have been one of the finest Americanizing and settling agents that this country has ever had. The Canadians know this.

The Canadians, if they see that there is a little bit of spine in our reaffirmation of a congressional policy here, where we say, "Stop beating our boys on the head with their own club," and they will then be perfectly willing to come back in on a basis of their historical background of, let us say, 5 percent of the consumption of the U.S. lumber.

Senator DOUGLAS. Then——

Mr. MACLAREN. I, for one, would defend to the death not sitting quietly by and seeing an American go without food while some Canadian eats, and I don't care how much trouble this will cause for some other segment of the industry and I know it would cause trouble and will undoubtedly cause trouble for you folks in trying to juggle one thing against the other.

But I figure this is why we have you fine gentlemen in office.

Senator DOUGLAS. I am not reproving you for testifying the way you are testifying, not at all. But we have to consider the interests of the Nation, not merely the interests of a specific industry.

Mr. MACLAREN. There is one thing, sir, that you take unfair advantage of me.

Senator DOUGLAS. No; I don't.

Mr. MACLAREN. Yes; you do.

Senator DOUGLAS. I don't mean to.

Mr. MACLAREN. I say this in all sincerity. You ask me a question and I am only little me, but I have watched and admired the astuteness with which you approach problems for a good many years, and the other gentlemen that I saw here today.

In fact, I never thought that a country boy from Idaho would be here today and I appreciate it very much.

Senator DOUGLAS. You are very disarming the way you approach these matters.

You say that Canada does not stamp American goods with the country-of-origin label but you want us to do that to Canada, and this is imposing a requirement on Canada which she does not impose on us. Your statement of the alleged unfair advantages which Canada has seem to be confined, (*a*) to lower stumpage costs——

Mr. MacLaren. To——

Senator Douglas. Just let me finish, please—which may be due to a greater quantity of timber rather than to intentional discrimination, and secondly, a higher tariff rate; and the suggestion I make is wouldn't it be better to try to get them to lower their tariffs than for us to try to impose a marking requirement?

Mr. MacLaren. There isn't enough volume. I mean we would not ship lumber up there. They have got lumber of their own. I want to make this point clear to you: From the day that my employer Potlatch Forests asked of the Congress, of the Members of the Congress, of the trade associations that we belong to, of our fellow competitors in American lumber, to mark lumber or to at least be in favor of marking and to require America to mark, every stick of Potlatch lumber, and there are millions and millions of board feet have been marked "Made by Potlatch Forests, Inc., in the United States of America," every board.

So we—this isn't some idle thing that we are talking about. We are not trying to get anybody else to do anything that we are not equipped and willing to do ourselves.

Senator Douglas. Well, you are marking, of course, and I suppose that doesn't hurt your sales, does it, but isn't the fear of Canada that a marking of products coming from outside the country will arouse a sentiment against the products of that particular country, and if they are in the free world should we impose this psychological impediment on their products?

I take it there is no question of the importation of lumber from outside the free world.

Mr. MacLaren. Else that comes into the United States from Canada is marked "Made in Canada."

Senator Douglas. Pardon?

Mr. MacLaren. We are the exception that is unmarked coming in from Canada. This is one reason why I don't think the retaliatory measures so far as the Canadians are concerned would be very strong and I don't see why they should.

Senator Douglas. May I ask, do you know of any American builders who, or consumers who, support the Jordan amendment? What effect would this have on the price of lumber, and, therefore, on the cost of building?

Mr. MacLaren. None.

Senator Douglas. None.

Wouldn't it permit high cost American lumber to replace lower cost Canadian lumber and, therefore——

Mr. MacLaren. They can buy any lumber they want. They can buy the lumber stamped "Made in Canada."

Senator Douglas. Yes; but isn't it your hope that the feelings of nationalism would so operate as to diminish the market for Canadian lumber and lead to the substitution of higher cost American lumber for lower priced Canadian lumber?

Isn't that really the basic purpose of the resolution? I am not saying whether it is good or bad.

Mr. MacLaren. Only if the builder prefers it, Senator.

Senator Douglas. What?

Mr. MacLaren. Only if the builder prefers it.

Senator Douglas. Does the builder prefer, other things being equal, to pay a higher price?

Mr. MacLaren. There would be his own personal determination. I can't answer for him. I personally buy things made in the United States of America that would cost me more than buying something made in Japan. I take great pride in doing that. In fact, I eat Senator Anderson's beef in preference to Argentine beef.

Senator Douglas. That is, what you would say is that all products coming into the United States should be so stamped so that the ultimate consumer can identify them?

Mr. MacLaren. I would say so; yes.

Senator Douglas. What effect do you think this would have in international trade? Would it permit the organization of boycotts.

Mr. MacLaren. I am not——

Senator Douglas. I am not going into the question of boycotting goods from outside the free world. But do you think it would be a good thing to have boycotts organized for products inside the free world?

Mr. MacLaren. I don't think I am enough of a student of international trade relations to answer that.

Senator Douglas. Well, thank you very much.

Mr. MacLaren. Thank you.

Senator Douglas. We will recess until 2:30.

(Whereupon, at 12:25 p.m., the committee recessed, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The Chairman. The committee will come to order.

The next witness is Mr. Eugene Stewart of the Glass Container Manufacturers Institute.

Mr. Stewart, take a seat, sir.

STATEMENT OF EUGENE STEWART, ATTORNEY, REPRESENTING THE GLASS CONTAINER MANUFACTURERS INSTITUTE

Mr. Stewart. Mr. Chairman and members of the committee, I have a prepared statement which I would like to have inserted in the record.

The Chairman. Without objection, it will appear in the record following your oral testimony.

Mr. Stewart. I propose very briefly to summarize that statement as I would like to reserve the major part of my time to respond directly to the principal questions that were raised this morning by the Senator from Illinois and other Senators.

It occurs to me that the information I may offer on those questions may be of interest to the Senators and, I hope, even informative.

If it pleases the chairman and the committee, my name is Eugene Stewart, an attorney representing the Glass Container Manufacturers Institute. This is the trade association that represents the domestic producers of glass containers accounting for more than 90 percent of domestic shipments.

This association fully supports the enactment of H.R. 2513 for three principal reasons:

First, it would provide the American consumer with basic information which he needs in order to exercise his preference for or against products of domestic origin.

No. 2, it would provide the basis for fair play between domestic and foreign products in the American market, because without marking of origin foreign goods are often assumed to be of domestic manufacture.

Thirdly, and with particular reference to this industry, marking of origin on foreign produced containers would tend to protect the goodwill which this industry has secured from the American consumer, and the integrity of its products.

As you may be aware with any article made of glass, and certainly with glass containers, there is a product liability aspect to the business, that is to say, that glass breaks. Carbonated beverages and beer and the like can, if the bottle is not adequately made, lead to breakage when the bottle is in the hands of the consumer and, therefore, damage.

At the present time, and for the past 2 years, glass containers for beverages and for food have been imported in substantial quantities under a customs ruling that exempts those articles from the necessity of carrying the mark of foreign origin.

We, therefore, find that there is being injected into the U.S. market glass containers of unidentified origin that may result in unsatisfactory experiences with consumers which will affect the integrity of the products of domestic manufacture, and the good will which we now enjoy from the American consumer.

The committee needs to know that more than 97 percent of all glass containers of American origin have embossed on the bottle the trade mark of the manufacturer, an indication of source.

In the end use category of bottles and jars for food, beverage, drugs, household and industrial, 100 percent of the containers made in this country bear this identifying symbol.

So far as product liability is concerned, therefore, it is possible at all times when breakage occurs for the consumer and everyone concerned to know exactly who made the article.

But with the influx of foreign articles with no mark of origin, and no distinguishing mark as to source, the consumer often assumes that these are of domestic origin.

The customs regulations themselves have clearly provided the bottles, drums, and other containers that are imported to be filled in the United States must be marked in some indelible manner to state that bottle "made in" foreign country or "container made in" foreign country, with the name.

In January of 1960, however, the Bureau of Customs made a ruling that beverage bottles could be imported from Japan by bottlers in this country without the necessity of the individual bottles bearing the mark of origin.

In 1960, 50,000 gross, we estimate, of such bottles were imported from Japan alone.

In the past 3 years 200,000 gross of glass containers of the size customarily used for beer and soft drinks have been imported without marks of origin.

Now, statistics of our industry show that on the average a soft drink bottle is used over 26 times; they are returnable containers.

If you take just the imported bottles from Japan, 50,000 gross in 1 year, 26 usages represent 150 million consumer contacts with these bottles with no identification of origin.

H.R. 2513 would require that when articles of this sort are imported and then filled with a beverage and then shipped in commerce, at the time they are put into commerce there must be a marking of origin to show the origin of the bottle.

Since this is customarily placed on the bottom of the bottle, when manufactured, it causes no confusion as to the origin of the contents of the bottle, which is most often covered by the label on the side or the bottle top.

It would not be costly for the foreign industry to comply with such a requirement.

In order to engrave the name of the country of origin on the bottom plate of the mold used in the automatic bottle-forming machine, at American wages the cost would be $25 per set of molds.

If the bottom plate were to be replaced entirely, the cost would be merely $400 per set of molds. The useful life of a set of molds is 10,000 gross of bottles.

Therefore, the per bottle cost to the foreign producer, even if he paid American wages and if he incurred the higher cost of replacing the bottom plate, would not exceed three one-hundredths of 1 cent per bottle.

Glass containers compete in the United States vigorously with cans, plastic containers, and paper containers. In order that we may compete and hold our position, it is particularly important for our industry to give special attention to quality and this aspect of product liability. This we have done.

The standards of product manufacture and inspection followed by the domestic industry in the United States for glass containers are so high that notwithstanding the possibility of breakage with glass, our products compete vigorously with the other forms of containers.

Now, however, we are very much concerned that the continued importation of foreign articles without an indication of origin could undermine this position and, in the end, be detrimental to the business interests not only of the domestic industry but also of foreign produced glass containers.

For this reason, we advocate the enactment of H.R. 2513. Without handicapping foreign producers in any way or without handicapping importers of glass containers, it would reinstate the minimum ground rules of fair play that existed up to 1960 and serve to inform the American consumers of the origin of articles so that if they have a preference for foreign versus domestic goods or vice versa, they have a factual basis on which to exercise that preference.

At this point I would like to take up the principal questions which seem to have been posed this morning, and very briefly state an opinion in regard to them.

First, the ground for President Eisenhower's veto of the marking bill that was passed in 1960. His grounds were twofold: First, this would be contrary to our foreign economic policy and, secondly, we have the Federal Trade Commission to look after matters of this sort.

First, in regard to our foreign economic policy: At the time the President signed his veto message, the General Agreement on Tariffs and Trade had article IX which clearly provided for marks of origin to be used by all members of GATT on articles imported into their countries.

It is significant that during the Eisenhower administration, with the consent of the United States, article IX, dealing with marks of origin, was amended to add the following statement:

> The contracting parties recognize that in adopting and enforcing laws and 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.

Now, the bill which is before you, H.R. 2513, includes an amendment which this committee fashioned when it passed upon the bill that went to the President in 1960.

You were concerned in 1960 that the bill, the marking bill, not operate so as to impose hardships on exporters of foreign countries or importers in this country, and so you provided that the Secretary of the Treasury could exempt any article where he found that marking it—

> would necessitate such substantial changes in customary trade practices as to cause undue hardship.

In this manner you brought your bill in 1960 into perfect alinement with our foreign economic policy as expressed in article IX of GATT as it was amended by the very same Eisenhower administration.

The provision which I have just quoted is present in H.R. 2513, so that should it occur that any article to be marked would involve a change in trade practices that would impose hardship, the Secretary of the Treasury could waive that requirement.

I submit that when it was stated to you this morning that the enactment of H.R. 2513 would violate our trade agreements, particularly GATT, the spokesman was overlooking the fact that article IX of GATT clearly contemplates the use by every contracting country of marks of origin.

Secondly, in regard to the point that the Federal Trade Commission can enforce the Federal Trade Commission Act so as to prevent deception in domestic commerce, let me remind the members of this committee of the situation:

The marking provision of the Tariff Act has coexisted with section 5 of the Federal Trade Commission Act, and the Bureau of Customs and the Federal Trade Commission have cooperated in preventing articles from moving in commerce which do not bear marks of origin.

If you would consider the situation similar to one in which an animal would be imported in a diseased condition, you would recognize that there must be vigilance at the border as well as vigilance within the domestic market.

If the tremendous influx of foreign goods is allowed to come into the United States unmarked as to origin and, thereafter, the Federal Trade Commission must find each article that lacks a marking of foreign origin, the task would be truly monumental.

When the Congress enacted the Textile Fiber Products Identification Act, the Wool Products Labeling Act, and the Fur Products Labeling Act, where the Congress imposed marking requirements on imported goods which exceeded simply the marking of origin, in each instance the Congress, in its wisdom, provided a twofold administration. First, the basic administration of those statutes was given to the Federal Trade Commission, but also each act has a section which requires the Secretary of the Treasury to see that all imported articles are marked and labeled and tagged with all of the information required by these acts.

The Textile Fiber Products Identification Act was enacted in 1958 during the last Eisenhower administration. The State Department opposed the provision of that bill that required marking of foreign origin. Nevertheless, the Congress enacted that bill, and the President signed it into law.

The situation today, therefore, is that certain industries, notably textiles and fur products, have the benefit of statutes which require not only marks of origin but detailed marks as to content, while many other industries do not even enjoy the minimum ground rules of fairplay afforded by the requirement that simply the mark of origin be provided.

Now, H.R. 2513 addresses itself only to one class of imported article, which is imported without marks of origin on the article itself. These are articles which, due to the nature, the smallness of the individual article or something about its structure or the grandfather clause of the Tariff Act of 1930, and the amendment in 1938, which, for a variety of reasons do not require the marking of origin on the article, but do require a marking of origin on the container in which the article is imported. Because articles imported in bulk quantities are customarily repackaged and put into the channels of commerce, H.R. 2513 is simply directed toward having the imported container of the bulk quantities carry a legend that states, in effect: "Anyone who repacks this article is on notice that under penalty of law the repackaged commodity should indicate the country of origin."

The reason why this job must be given to the Bureau of Customs is that it will be necessary for them to see that the imported bulk quantity container contains that legend.

Then the wholesaler or distributor in commerce in the United States who has purchased this large quantity will be reminded by the warning on the big container that when he repackages, he should put marks of origin on the smaller package.

There is a second reason why this job should be given to the Bureau of Customs. The Bureau keeps on file the import entries identifying each importation. The Bureau knows who the importer of the article in large quantities is at all times.

ow, the type of administration called for here is not one in which, was represented this morning, the Bureau must follow every shipment throughout its history in commerce. The Bureau of Customs has offices throughout the length and breadth of the United States. Senators know that articles are imported in bond and transported inland, and that we have a great port in such cities as Cleveland, Chicago, and Kansas City, and other inland points, where the bond is broken, and the customs authorities at that point levy the duties.

Sampling followup is all that will be required. The Bureau has Treasury agents, access to Treasury agents, who on a selective sampling basis can take the import entries pertaining to those articles imported in bulk quantities, where the articles themselves were not marked as to origin, and selectively from time to time the Treasury agent can call at the business establishment of the importer and just inquire into the practices by which that importer is repackaging and marking as to country of origin.

As was pointed out by a witness this morning, the freedom of domestic producers and retailers to complain when goods of foreign origin are not marked will call these to the attention of the Bureau of Customs just as the Anti-Dumping Act today is enforced logically on the basis of complaints rather than the Bureau investigating each and every importation.

Now, it seems to me that a decent regard for the realities of the situation requires the committee to take cognizance of the fact, No. 1, that requiring marks of origin does not violate our foreign economic policy as evidenced by article IX of GATT.

Point No. 2, the Federal Trade Commission and the Bureau of Customs have always worked hand in hand, one policing imports at the port, the other following up in domestic commerce when laws of the Congress require marking of origin.

It is notable that the Textile Fiber Products Identification Act was sponsored largely by the Federal Trade Commission. The Federal Trade Commission very much desired this legislation.

The Federal Trade Commission itself saw to it that the legislation included duties on the part of the Secretary of the Treasury to police the marking requirements at the port as well as giving the Federal Trade Commission the customary investigative powers within domestic commerce.

In conclusion, therefore, I submit to you that it would be unrealistic for you to conclude that your favorable reporting of H.R. 2513 would contravene any foreign obligation, international obligation, of the United States or result in an unadministrable situation so far as the Bureau is concerned.

I would like to make one final observation: Three times the Ways and Means Committee, fully informed of the objections of the State Department, has unanimously reported this legislation.

Three times the House of Representatives, fully aware of the objections of the State Department, has passed this legislation; once on a prior occasion this committee, aware of the objections of the State Department, took care of those objections by an amendment which it fashioned itself, and reported the bill.

It seems to us that due regard for the checks and balances system of our Government, and the integrity of the legislative branch, warrants your reporting this bill favorably in order to correct inequities to some industries in the United States, notwithstanding the opposition of the State Department.

Thank you, Mr. Chairman, and members of the committee.

The CHAIRMAN. Thank you very much, Mr. Stewart.

Are there any questions?

Senator CURTIS. Mr. Stewart, I had to leave the room, and I did not hear everything you said.

It is your opinion that this will not be burdensome in enforcing it upon the Government of the United States?

Mr. STEWART. It is my opinion that it will not be a burden; yes, sir.

Senator CURTIS. Because, like most other laws, the people who are injured by its violation would have a perfect right to report that information to the Government, wouldn't they?

Mr. STEWART. Correct, Senator.

Senator CURTIS. Is it your position that while the State Department objects to it that those objections are not based, cannot be based, upon any substantiation of the fact that we would violate any agreement?

Mr. STEWART. Correct; it cannot properly be based upon such a basis.

Senator CURTIS. Did the State Department have other reasons, as you interpret their written document?

Mr. STEWART. No, sir. I have not read the written document. I listened this morning to the testimony of the Commerce and Treasury representatives who, at times, alluded to the position of the State Department. I have read the position of the Department on the Textile Fiber Products Identification Act, which is substantially along the same lines.

Senator CURTIS. Would you regard the right of the consumer to know where his purchase came from as a barrier to trade?

Mr. STEWART. It is a great right.

In the case of *Heller and Son* v. *The Federal Trade Commission*, reported at 191 Federal Reporter (2d) at page 954, the Court of Appeals for the Seventh Circuit stated:

> A substantial portion of the purchasing public has a general preference for products produced in the United States by American labor and containing domestic materials, where other considerations such as style and quality are equal, and has a prejudice against imported products.

The Federal Trade Commission itself has made similar findings. We know both from judicial and administrative determinations that the American consumer desires to know the origin of the goods which he considers purchasing, so that he may exercise his preference whether for domestic or for foreign goods.

Senator CURTIS. Well, I appreciate that.

Now the exercise of that right or that preference does not, by any stretch of the imagination, constitute a barrier to trade.

Mr. STEWART. No, indeed. As a matter of fact, Senator, the State Department fear that the labeling requirements on imports of textile fiber products would constitute a barrier to imports of textile products proved to be groundless. Anyone familiar with the subject will know that since 1958 there has been an extraordinary and sustained increase in textile fiber products of all kinds.

If the marking requirements were a barrier, it certainly was not felt in any measured way on the import history since 1958.

Senator CURTIS. I am not prepared to say that this falls within the purview of the matter before us, but I hold in my hand a tool made by the Peterson Manufacturing Co., of De Witt, Nebr. It is called the Vise-Grip Wrench. Incidentally, it is made in a small city, not a county seat; it employs several hundred people.

It is a great industry built by a blacksmith, an immigrant from Denmark. His daughter believed in his invention. She was a schoolteacher in a country school, and she bought a used typewriter and wrote to people and asked them if they would not like to buy her father's wrench.

From those efforts this industry was started. You will notice that this container is orange and black. The name of the wrench is the Vise-Grip Wrench.

Now I hold in my hand another container which has a picture of a wrench. The name of this other wrench is Vise-Grip, they are both packaged the same way, they are both vise-grip. This one is made in Japan in competition with the domestic wrench.

They have not only copied the color and the design, the name of the wrench, but I call attention to the fact that on the side of the box, of the one made at De Witt, Nebr., it says:

Hooks on to work with ton grip. Won't slip.

That is carried on both sides. On the end is the word "Vise-Grip," the name of the wrench. This identical container in color and shape and design carrying the Japanese product says on the side:

Locks on to work with ton grip. Won't slip.

On the end it says, "Vise-Grip."

Now, as I say, there are some factors here which I shall not take the committee's time to go into. You do not have to be a mechanic to realize that the imitation is far inferior to the American product that is imitated. Yet because of designing the box, the container, as to color scheme, dimension, name of the wrench, claims about it, everything, it tends to deceive the purchaser who may pass through a store and rather hurriedly pick up an article.

Now it is my contention that to insist upon fair competition is not to oppose competition, and to stand for requirements of law that make full disclosure to the public is not a barrier to trade. I am certainly pleased at your testimony here.

Coming back to this matter of enforcement, if this act were passed, the mere passage of the act might stop as much as 90 percent of the practices now; isn't that true?

Mr. STEWART. That is correct, Senator. That is quite correct.

Senator CURTIS. It will be the minority that would have to be sought out and maybe prosecuted or, at least, warned.

Mr. STEWART. That is correct.

Senator CURTIS. I thank the witness. I am sorry I had not been here all day, and I will have to leave in a little bit. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Stewart.

Mr. STEWART. Thank you, Mr. Chairman.

(The prepared statement of Mr. Stewart follows:)

STATEMENT OF EUGENE L. STEWART IN BEHALF OF THE GLASS CONTAINER MANUFACTURERS INSTITUTE, INC.

Mr. Chairman and members of the committee, this appearance is in behalf of the Glass Container Manufacturers Institute, Inc., the trade association representing U.S. manufacturers of glass containers. The 30 domestic producers who are members of GCMI account for over 90 percent of the U.S. production of bottles and jars.

The industry supports the enactment of H.R. 2513. The reasons for the industry's support of the legislation include:

(1) The American consumer's right to know the origin of goods moving in commerce so that he has a factual basis for exercising his preference for goods of domestic origin;

(2) The American industry's right to fairplay in the marketplace so that goods of foreign origin lacking marking as to that origin are not assumed to be of domestic origin; and

(3) The American industry's right to have the goodwill of the American consumer and his confidence in the integrity and quality of U.S. products protected from dilution by experiences with foreign goods of unidentified origin.

Glass containers may be grouped into five broad end use categories: food, beverage, drug, toiletries and cosmetics, and household and industrial. In the beverage category, milk bottles, soft drink bottles, and beer bottles are of the returnable type. In addition, single trip (nonreturnable) containers have gained popularity in recent years for both soft drink and beer usage.

Glass containers compete vigorously with cans and plastic and paper containers. The importation of significant volumes of foreign-produced glass containers bearing no marking of origin is damaging to the domestic industry in two principal ways. First, in direct competition between containers of foreign and domestic origin, the absence of marking of origin on imported containers violates the elemental principles of fairplay and deprives the American consumer of essential information which he desires in order to exercise his preference for domestic goods. Indirectly, but with an ultimate significance at least as great as that just described, imported glass containers lacking marking of foreign origin undermine the confidence which the domestic industry has carefully established on the part of the American consumer in the quality and integrity of U.S.-produced glass containers, and so harm glass containers' competitive status with other types of containers.

As the members of the committee can appreciate, there is a product liability aspect of the glass container business which deserves and receives constant attention. It is important for the American consumer to have confidence in the durability and safety for use of glass containers. It is important for the domestic producers to keep product liability closely under control as a matter of sound business practice. In order to be and remain vigorously competitive with cans and plastic and paper containers, it is doubly important that the glass container industry maintain the highest possible standard of excellence in its products.

This it has done. By virtue of close attention by the members of the domestic industry to product, manufacturing, and inspection standards, the confidence of the American consumer in glass containers has been carefully developed and assured.

In the past few years, however, an unsettling factor potentially of major significance has been injected into these relationships by the importation of glass containers in large quantities under a customs ruling which has eliminated the necessity for the individual container to bear a marking of foreign origin. The result of this recent development is that there is being injected into the American market sizable quantities of glass containers produced abroad, totally lacking in marking to show the country of origin. These containers are being used for some of America's most popular beverages.

There is, therefore, an increasing probability of occurrences where U.S. consumers can have unsatisfactory experiences with bottles of foreign origin. Since the bottles are not marked as to origin, the foreign producers will not be identified as the source of these containers; since they are unmarked, the U.S. consumer's assumption may well be that the bottles are of domestic origin. Frequent occurrences of this sort can directly undermine the confidence which the U.S. consumer now holds in U.S. glass containers. The consequence of this can be that both domestic and foreign glass containers will suffer competitively in relation to consumers' preferences for can and plastic or paper containers.

It is important for the committee to know that virtually all—97 percent or more—of the glass containers produced in the United States bear an indelible identifying symbol, usually an embossed representation of the trademark of the producer, on the bottom or shoulder of the container. In the food, beverage, drug, and household and industrial sectors, these identifying symbols appear on virtually 100 percent of the production. In the smaller volume, toiletry and cosmetic containers, roughly 90 percent of the containers bear an indelible symbol identifying the domestic producer.

At the present time, therefore, it is possible by virtue of the indelible marking on the container to recognize not only the fact that these glass containers are of domestic origin, but also the identity of the particular manufacturer who produced the article. Within the past 2 years, however, there have been brought in quantities of imported glass containers estimated at several hundred thousand gross, which bear no identifying symbol and no marking of foreign origin. These imported containers are used in the same product categories as domestic containers, mingle with domestic containers in the trade and commerce of the United States, and are coming to the attention of consumers in increasing degree.

H.R. 2513 would require that containers imported in bulk quantities under circumstances where such containers, following importation, are to be used as the containers for other merchandise or to be sold for such use, shall be individually marked so as to indicate to the consumer the country of origin of the container.

If H.R. 2513 is enacted, it will be necessary, as a practical matter, for foreign producers exporting glass containers to the United States to have the marking of origin included in the mold which forms the bottles. When that is done, imported bottles will contain the necessary information in the form of the name of the country of origin embossed on the bottom of the bottle so that U.S. consumers of the merchandise sold in the containers will know not only the origin of that merchandise, but also the origin of the container itself. Should the consumer in the future have a bad experience with the imported glass container, the marking of origin on the bottom will serve to identify that experience truthfully with the foreign industry rather than with the U.S. industry.

The reputation of the domestic industry's products and the good will which the domestic industry enjoys with the U.S. consumer will, therefore, be protected from unfair dilution by unidentified foreign glass containers. The consumer will be able to exercise his preference for containers of U.S. origin and for products which are merchandized in such containers. Since the marking of origin may be placed on the bottom of the bottle, there will be no confusion as to the origin of the contents. Labeling laws and practices require that a sufficient identification of the origin of the merchandise within the container be placed there on the container by means of labels, bottle caps, and the like.

The force of H.R. 2513 when enacted into law will be consistent with the customs regulations which presently provide at section 11.8(g) that "bottles, drums, or other containers imported empty, to be filled in the United States, shall be marked with such words as 'bottle (or drum or container) made in (name of country).'"

Unfortunately, this regulation was nullified to all intents and purposes by a customs ruling issued on January 4, 1960, concerning soft drink beverage bottles imported from Japan. The Bureau held in that ruling that bottles purchased from Japan for various soft drink bottlers in the Pacific Coast States and in Hawaii, imported in sealed shipping containers marked to indicate Japan as the country of origin, did not require a marking of origin on the bottles themselves.

Following this customs ruling, which was published by the Customs Information Exchange, bottlers of beverages were in the position of being able to import glass containers, and to fill those containers with beverage and ship them in commerce in the United States with no indication whatsoever of the foreign origin of the container. Following this ruling in 1960, imports of bottles from Japan of the size customarily used for soft drinks increased from about 2,000 gross to more than 50,000 gross in the space of a year. These were returnable-type beverage bottles which, on the average, are used 26 times during their life. When, therefore, you multiply 50,000 gross returnable containers by the average usage of 26 per bottle, it is evident that a potential consumer usage of more than 150 million is involved. These data illustrate the far-reaching effect which the level of imports already experienced could have on the welfare of the domestic industry and the confidence which its products enjoy in the American market simply as a result of the absence of marking of origin on the imported containers.

There should be no difficulty in the administration of H.R. 2513, so far as glass containers are concerned. First, the 60-day period which will elapse following enactment before the law becomes effective will enable foreign producers to ship their current production or inventory of containers destined for the American market.

Second, the fact that virtually all domestically produced glass containers bear an identifying symbol establishing the fact of domestic manufacture and the identity of the domestic producer will facilitate the identification of bottles of foreign origin.

Third, the cost involved for modifying existing molds so as to emboss marking of origin on future production is so slight that it could not conceivably constitute a deterrent to foreign producers. All that is required is for the producer to cut the name of the country of origin in the bottom plate of the mold, or, at worse, to replace the bottom plate. Cutting the name in the mold at American wage rates would cost no more than $25 per set of molds for a six-position automatic machine; replacing the bottom plates entirely would cost no more than $400. The life of a mold is measured by the production of 10,000 gross of containers. When the cost of modifying or replacing the bottom plate, therefore, is projected against the production which can be expected on the average form of mold, we find that the cost per bottle at worse of complying with the law would not exceed three-hundredths of 1 cent.

CONCLUSION

The domestic industry producing glass containers urges the enactment of H.R. 2513. It would, without hardship to foreign producers or importers of glass containers, reinstate the minimum ground rules for fair play between imported and domestic containers by informing U.S. consumers of the source of containers used by them. It would prevent the good will of the domestic producers and the confidence of U.S. consumers in the integrity of domestic glass containers from being undermined by the confusion which potentially can exist through widespread unfortunate occurrences by U.S. consumers with imported glass containers lacking marking of foreign origin. The bill is vital to the future stability and welfare of the domestic industry and its employees.

The CHAIRMAN. Our next witness is Mr. Becher A. Hungerford. Please proceed, Mr. Hungerford.

STATEMENT OF BECHER A. HUNGERFORD, REPRESENTING GEORGE P. BYRNE, SECRETARY, SERVICE TOOLS INSTITUTE, SOCKET SCREW PRODUCTS BUREAU, TAPPING SCREW SERVICE BUREAU, UNITED STATES CAP SCREW SERVICE BUREAU, UNITED STATES MACHINE SCREW SERVICE BUREAU, UNITED STATES WOOD SCREW SERVICE BUREAU, TUBULAR AND SPLIT RIVET COUNCIL

Mr. HUNGERFORD. Mr. Chairman and members of the committee, I am happy to have the opportunity to testify on H.R. 2513.

My name is Becher A. Hungerford. I am an associate and represent George P. Byrne, Jr., who is secretary of the Service Tools Institute, the United States Wood Machine, Tapping and Cap Screw Service Bureau, the Machine Screw Service Bureau, the Socket Screw Products Bureau, and the Tubular and Split Rivet Council and the Alumina Ceramics Manufacturers Association, which includes the Coors Porcelain Co.

These are trade associations representing approximately 150 manufacturers, such as the one exhibited up there, hand tools.

These manufacturers strongly urge the enactment by Congress of H.R. 2513, a noncontroversial bill—the principal purpose of which is to protect American consumers from unfair deception and misrepresentation.

The people we represent ask speedy and favorable action on this legislation because, when enacted into law, H.R. 2513 will be a powerful aid in stopping the growing practice in the trade of repackaging low-wage cost imported products and palming them off on the unsuspecting public in new packages with no marking thereon to indicate that the contents are imported or their country of origin.

The true value of H.R. 2513, we feel, can be seen by an examination of the objectives, which are mainly to: (1) Remove the unfair advantage which imported goods have over domestic products when such packages containing low-wage cost imported items are not marked with the country of origin and are offered for sale as apparent domestic products at prices far below those for which the domestic product can be sold; (2) to properly identify to the American public, packages made up in the United States containing imported items originating in countries located behind the Iron Curtain; and (3) to eliminate the growing practice of commingling domestic products in new packages with imported products, and marking the packages "Made in U.S.A."

NEED FOR THIS LEGISLATION

There is a great need for this legislation. Import statistics show that large quantities of low-wage cost imports, many of which are not customarily individually marked with country of origin are entering the United States. I have submitted a statistical report indicating

the growing trend of imports of one of those products, that is, wood screws. As will be noted from these statistics the American wood screw market has been usurped to the extent of about 75 percent by foreign wood screws.

Imported products, including screws, nuts, rivets, washers, small tools, electrical parts and other items, are coming in from a number of foreign countries in large bulk quantities. The large containers of these imports reach the importer's warehouse or place of business and then are often removed from their large shipping containers and put in small American-type packages, which packages are offered for sale in the United States with no marking to indicate the origin of the contents.

Thus, the American purchasers are misled into believing that they are purchasing products made in the United States. I have submitted three samples, of new packages of imported products made up in the United States, marked "A," "B," and "C," and there are some other exhibits which we previously submitted, all of them being imports, and in new packages with no indication on the package that they are imports.

PRACTICABILITY OF ENFORCEMENT

Regarding the practicability of enforcement, we concur in the statement made by the previous witness that this is quite unnecessary to have any concern about that.

The Customs Bureau is already taking action on violations of marking requirements under section 304 of the U.S. Tariff Act as they apply to (*a*) imported items required to be marked and (*b*) to containers in which imports into the United States reach the ultimate consumer.

It is important to note that in a large number of such cases the violations are discovered after the imports leave U.S. ports of entry, and evidence of the violations in many such cases is supplied to Customs by representatives of domestic industry in all parts of the country.

Industry representatives frequently visit manufacturers, jobbers, wholesalers, and dealers and are already reporting to their principals numeous cases of imported items repackaged and sold by the importers and distributors with no marking on the new packages to indicate country of origin.

We believe that the U.S. Customs Bureau is the best agency to administer H.R. 2513 because of its administrative functions in connection with imports. Also, experience has shown that evidence of marking violations relating to imported products required to be marked and containers of imports originating abroad which reach ultimate consumers as supplied to Customs Bureau by representatives of domestic industry has resulted in prompt and effective action by the Customs authorities.

COMPLIANCE NO PROBLEM

Regarding the compliance with H.R. 2513, we believe that once H.R. 2513 becomes law all repackagers of imported items need do to comply will be to mark the name of the country of origin plainly in English on the new package—a very simple requirement for the protection of customers. This requirement should have no effect on the demand for domestic and imported products, and due to the keen competitive conditions today between domestic and imported products, wholesalers, jobbers, and retailers will be obliged to continue to stock both domestic and imported products.

Also it should be borne in mind that the marking of packages of imports with country of origin is already required in a number of foreign countries.

Furthermore, instead of interfering with trade, the clear rules for identifying the source of the contents of packages of imports made up in this country, will promote trade by insuring the buyer what he is getting.

Today lack of confidence by buyers is manifested in many cases where they have no quick reliable way of ascertaining whether goods are imported or not, particularly where domestic products made according to U.S. standards of quality and design are preferred.

Under the circumstances outlined above, we again urge favorable consideration and speedy enactment of H.R. 2513.

To this statement, which we are turning in for the record, we have appended a list of our manufacturing member companies.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Any questions?

Thank you.

(The addenda to the statement presented by Mr. Hungerford follows:)

MANUFACTURERS OF SERVICE TOOLS

Advertising Metal Display Co., 4620 West 19th Street, Chicago, Ill.
Apco Mossberg Co., 25 Lamb Street, Attleboro, Mass.
Apex Machine & Tool Co., 1025 South Patterson Boulevard, Dayton 2, Ohio.
Armstrong Bros. Tool Co., 5200 West Armstrong Avenue, Chicago 30, Ill.
Baltimore Tool Works, 1110 Race Street, Baltimore 30, Md.
Barcalo Manufacturing Co., Tool Division (Crescent Niagara Corp.), 225 Louisiana Street, Buffalo 4, N.Y.
Bergman Tool Manufacturing Co., Inc., 1573 Niagara Street, Buffalo 13, N.Y.
The Billings & Spencer Co. (Crescent Niagara Corp.), 1 Laurel Street, Hartford 1, Conn.
H. Boker & Co., Inc., 101 Duane Street, New York 8, N.Y.
The Bridgeport Hardware Manufacturing Corp., Scofield Avenue, Bridgeport 5, Conn.
C & G Wheel Puller Co., Inc., Scio, N.Y.
Champion DeArment Tool Co., 1306-16 South Main Street, Meadville, Pa.
Crescent Tool Co. (Crescent Niagara Corp.), Jamestown, N.Y.
Diamond Tool & Horseshoe Co., 4602-04 Grand Avenue West, Duluth 7, Minn.
Duro Metal Products Co., 2649-59 North Kildare Avenue, Chicago 39, Ill.

Fairmount Tool & Forging, Inc., 10611 Quincy Avenue, Cleveland 6, Ohio.
Forsberg Manufacturing Co., 125 Seaview Avenue, Bridgeport 1, Conn.
Kennedy Manufacturing Co., Van Wert, Ohio.
Mathias Klein & Sons, 7200 McCormick Road, Skokie, Chicago 45, Ill.
Kraeuter & Co., Inc., 585 18th Avenue, Newark 3, N.J.
Lectrolite Corp., Box 157, Defiance, Ohio.
McKaig-Hatch, Inc., 125 Skillen Street, Buffalo 7, N.Y.
Metal Box & Cabinet Corp., 4716 West Lake Street, Chicago 44, Ill.
Midwest Tool & Cutlery Co., Inc., Sturgis, Mich.
Moore Drop Forging Co., 35 Walter Street, Springfield 7, Mass.
New Britain Machine Co., Post Office Box 1320, New Britain, Conn.
Nupla Manufacturing Co., 1026 North Sycamore Street, Los Angeles 38, Calif.
Owatonna Tool Co., Oatoona, Minn.
P. & C. Tool Co., Box 5926, Milwaukee P.O., Portland 22, Oreg.
The Peck, Stow & Wilcox Co., Mill Street, Southington, Conn.
Penens Corp., 3900 Wesley Terrace, Schiller Park, Ill.
Proto Tool Co., Box 3519, Terminal Annex, Los Angeles 54, Calif.
Petersen Manufacturing Co., Inc., DeWitt, Nebr.
H. K. Porter, Inc., 74 Foley Street, Somerville 43, Mass.
The Quality Tools Corp., New Wilmington, Pa.
Reed & Prince Manufacturing Co., 1 Duncan Avenue, Worcester 1, Mass.
Ryan Tool Co., Southington, Conn.
The Sherman-Klove Co., 3535 West 47th Street, Chicago 32, Ill.
Snap-On Tools Corp., Kenosha, Wis.
Stanley Tools Division, The Stanley Works, 111 Elm Avenue, New Britain, Conn.
Stevens Walden, Inc., 475 Shrewsbury St., Worceseter 4, Mass.
Stream Line Tools, Inc., Conover, N.C.
P. A. Sturtevant Co., Addison, Ill.
Union Steel Chest Corp., 54 Church Street, LeRoy, N.Y.
Upson Bros., Inc., 65 Broad Street, Rochester 14, N.Y.
Utica Drop Forge & Tool Division of Kelsey-Hayes Wheel Co., Cameron Road, Orangeburg, S.C.
Vaco Products Co., 317 East Ontario Street, Chicago 11, Ill.
Vaughan & Bushnell Manufacturing Co., 135 South LaSalle Street, Chicago, Ill.
The Vichek Tool Co., 3001 East 87th Street, Cleveland 4, Ohio.
Waterloo Valve Spring Compressor Co., Waterloo, Iowa.
Wilde Tool Co., Inc., 13th and Pottawatomie Streets, Hiawatha, Kans.
J. H. Williams & Co., 400 Vulcan Street, Buffalo 7, N.Y.
J. Wiss & Sons Co., 11–45 Littleton Avenue, Newark 7, N.J.
The Wright Tool & Forge Co., 42 East State Street, Barberton, Ohio.
Xcelite, Inc., Orchard Park, N.Y.

Manufacturers of Wood Screws

American Screw Co., Wytheville, Va.
Atlantic Screw Works, Inc., 85 Charter Oak Avenue, Hartford 1, Conn.
Continental Screw Co., 459 Mt. Pleasant Street, New Bedford, Mass.
Elco Tool & Screw Corp., 1111 Samuelson Road, Rockford, Ill.
National Lock Co., 1902 7th Street, Rockford, Ill.
The National Screw & Manufacturing Co., 2240 East 75th Street, Cleveland 4, Ohio.
Reed & Prince Manufacturing Co., 1 Duncan Avenue, Worcester 1, Mass.
Southern Screw Co., Box 68, Statesville, N.C.
Whitney Screw Corp., Nashua, N.H.

MANUFACTURERS OF MACHINE SCREWS

American Screw Co., Wytheville, Va.
Anchor Fasteners, Inc., Post Office Box 2029, Waterbury 20, Conn.
The Blake & Johnson Co., 459 Thomaston Avenue, Waterville 14, Conn.
Camcar Division, Textron Industries, Inc., 660 18th Avenue, Rockford, Ill.
Central Screw Co., 600 South Michigan Avenue, Chicago 5, Ill.
Continental Screw Co., 459 Mount Pleasant Street, New Bedford, Mass.
Elco Tool & Screw Corp., 1111 Samuelson Road, Rockford, Ill.
Great Lakes Screw Corp., 13631–13651 South Halsted Street, Chicago 27, Ill.,
Machine Screw Department, Harvey Hubbell, Inc., Box H, Barnum Station, Bridgeport, Conn.
Illinois Tool Works, Inc., 2501 North Keeler Avenue, Chicago 39, Ill.
International Screw Co., 9444 Roselawn Avenue, Detroit 4, Mich.
Mid-America Fasteners, Inc., 10112 Pacific Avenue, Franklin Park, Ill.
Midland Screw Corp., 3129 West 36th Street, Chicago 32, Ill.
National Lock Co., 1902 Seventh Street, Rockford, Ill.
The National Screw & Manufacturing Co., 2440 East 75th Street, Cleveland 4. Ohio.
Pawtucket Screw Co., 133–143 Hughes Avenue, Pawtucket, R.I.
Pheoll Manufacturing Co., 5700 Roosevelt Road, Chicago 50, Ill.
Reed & Prince Manufacturing Co., 1 Duncan Avenue, Worcester 1, Mass.
Screw & Bolt Corp. of America, Southington Hardware Division, Drawer 271, Southington, Conn.
Southern Screw Co., Statesville, N.C.
United Screw & Bolt Corp., 2513 West Cullerton Street, Chicago 8, Ill.

MANUFACTURERS OF SELF-TAPPING SCREWS

American Screw Co., Wytheville, Va.
Anchor Fasteners, Inc., Post Office Box 2029, Waterbury 20, Conn.
Atlantic Screw Works, Inc., 85 Charter Oak Avenue, Hartford 1, Conn.
Camcar Division, Textron Industries, Inc., 600 18th Avenue, Rockford, Ill.
Central Screw Co., 600 South Michigan Avenue, Chicago 5, Ill.
Continental Screw Co., 459 Mount Pleasant Street, New Bedford, Mass.
Elco Tool & Screw Corp., 1111Samuelson Road, Rockford, Ill.
Great Lakes Screw Corp., 13631–13651 South Halsted Street, Chicago 27, Ill.
Harvey Hubbell, Inc., Box H, Barnum Station, Bridgeport, Conn.
Illinois Tool Works, 2501 North Keeler Avenue, Chicago 39, Ill.
Midland Screw Corp., 3129 West 36th Street, Chicago 32, Ill.
Mid-America Fasteners, Inc., 10112 Pacific Avenue, Franklin Park, Ill.
National Lock Co., 1902 Seventh Street, Rockford, Ill.
The National Screw & Manufacturing Co., 2440 East 75th Street, Cleveland 4, Ohio.
Parker-Kalon, a division of General American Transportation Corp., Clifton, N.J.
Pheoll Manufacturing Co., 5700 Roosevelt Road, Chicago 50, Ill.
Reed & Prince Manufacturing Co., 1 Duncan Avenue, Worcester 1, Mass.
Southern Screw Co., Box 68, Statesville, N.C.
Screw & Bolt Corp. of America, Southington Hardware Division, Drawer 271, Southington, Conn.
United Screw & Bolt Corp., 2513 West Cullerton Street, Chicago 8, Ill.

Manufacturers of Cap Screws

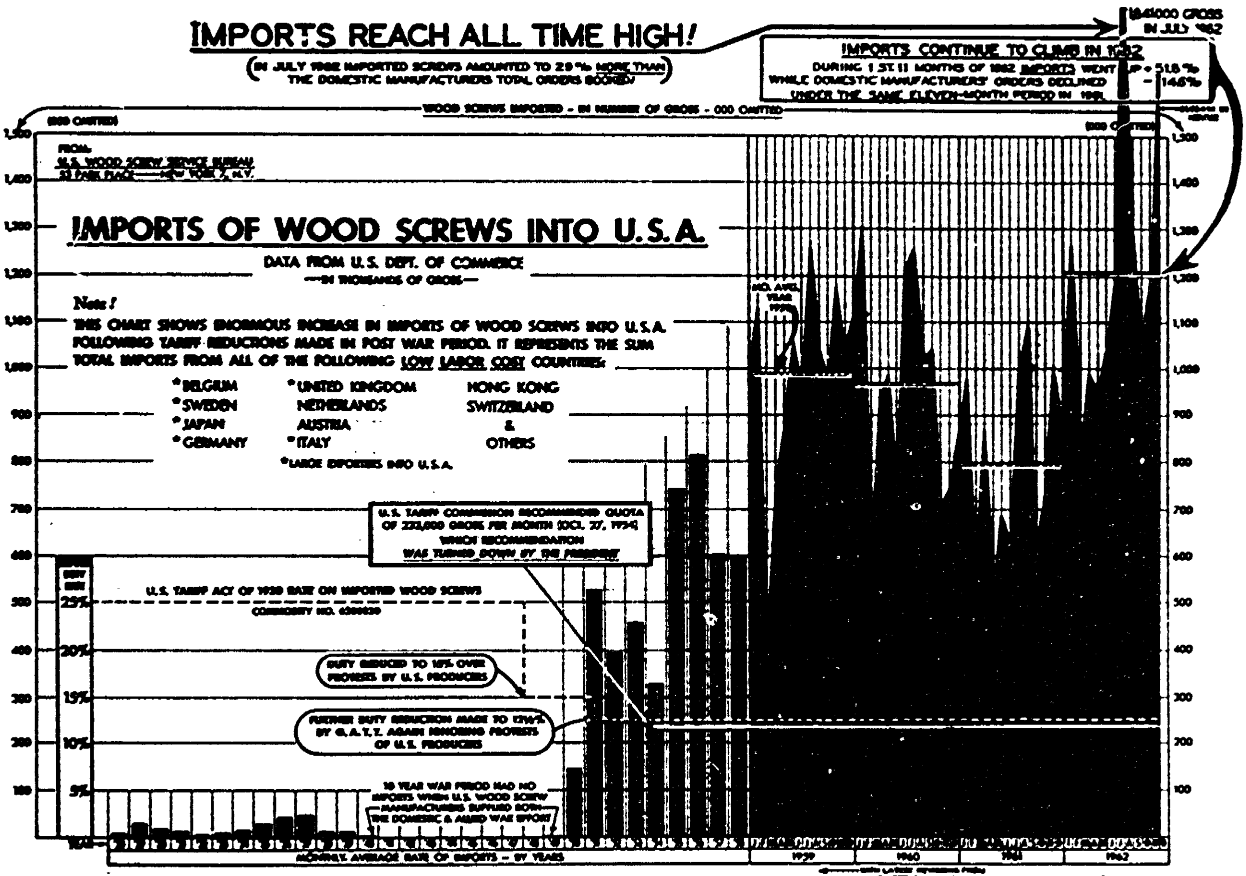
Allied Products Corp., 12077 Burt Avenue, Detroit 23, Mich.
Chandler Products Corp., 1491 Chardon Road, Cleveland 17, Ohio.
The Cleveland Cap Screw Co., 4444 Lee Road, Cleveland 28, Ohio.
E. W. Ferry Screw Products Co., Inc., 5240 Smith Road, Cleveland 30, Ohio.
Ferry Cap & Set Screw Co., 2151 Scranton Road, Cleveland 13, Ohio
Kerr-Lakeside Industries, Inc., 21850 St. Clair Avenue, Cleveland 17, Ohio.
Lake Erie Screw Corp., 13001 Athens Avenue, Cleveland 7, Ohio.
National Lock Co., 1902 Seventh Street, Rockford, Ill.
The Wm. H. Ottemiller Co., Patterson St. & M. & P.R.R., York, Pa.
Pheoll Manufacturing Co., 5700 Roosevelt Road, Chicago 50, Ill.
Reed & Prince Manufacturing Co., 1 Duncan Avenue, Worcester 1, Mass.
Rockford Screw Products Co., Rockford, Ill.
Standard Screw Co., 2701 Washington Boulevard, Bellwood, Ill.
Chicago Screw Division, 2701 Washington Boulevard, Bellwood, Ill.
Hartford Machine Screw Division, Box 1440, Hartford 2, Conn.
Western Automatic Machine Screw Division, Post Office Box 280, Elyria, Ohio.
Towne-Robinson Fastener Co., 4401 Wyoming Avenue, Dearborn 2, Mich.
United Screw & Bolt Corp., 5800 Denison Avenue, Cleveland 2, Ohio.

Manufacturers of Socket Screw Products

Allen Manufacturing Co., Post Office Drawer 570, Hartford 2, Conn.
Brighton Screw & Manufacturing Co., 1819–1843 Reading Road, Cincinnati 2, Ohio.
The Bristol Co., Post Office Box 1700, Waterbury 20, Conn.
The Cleveland Cap Screw Co., 4444 Lee Road, Cleveland 28, Ohio.
Holo-Krome Co., Post Office Box 98, Elmwood Branch, Hartford 10, Conn.
Mac-it Parts Co., Lancaster, Pa.
George W. Moore, Inc., 100 Beaver St., Waltham 54, Mass.
Parker-Kalon, a division of General American Transportation Corp., Clifton, N.J.
Safety Socket Screw Corp., 6501 North Avondale Avenue, Chicago 31, Ill.
Set Screw & Manufacturing Co., Bartlett, Ill.
Standard Pressed Steel Co., Jenkintown, Pa.
The Standard Screw Co., 2701 Washington Boulevard, Bellwood, Ill.

Manufacturers of Tubular and Split Rivets

Aluminum Co. of America, Fruitville Pike, Lancaster, Pa.
American Rivet Co., 849 North Kedzie Avenue, Chicago 51, Ill.
Chicago Rivet & Machine Co., 950 South 25th Avenue, Bellwood, Ill. (plants at Bellwood, Ill., and Tyrone, Pa.)
Miami Rivet Co., 5667 Northwest 35th Court, Miami, Fla.
Milford Rivet & Machine Co., 857 Bridgeport Avenue, Milford, Conn. (plants at Milford, Conn., Elyria, Ohio, Hatboro, Pa., and Aurora, Ill.)
Judson L. Thomson Manufacturing Co., Post Office Drawer 149, Waltham 54, Mass.
Townsend Co., Box 370, Beaver Falls, Pa.
Tubular Rivet & Stud Co., Quincy 70, Mass.


IMPORTS REACH ALL TIME HIGH!
1,841,000 GROSS IN JULY 1962
IMPORTS CONTINUE TO CLIMB IN 1962
IMPORTS OF WOOD SCREWS INTO U.S.A.
DATA FROM U.S. DEPT. OF COMMERCE
Note!
THIS CHART SHOWS ENORMOUS INCREASE IN IMPORTS OF WOOD SCREWS INTO U.S.A. FOLLOWING TARIFF REDUCTIONS MADE IN POST WAR PERIOD. IT REPRESENTS THE SUM TOTAL IMPORTS FROM ALL OF THE FOLLOWING LOW LABOR COST COUNTRIES:
*BELGIUM
*SWEDEN
*JAPAN
*GERMANY
*UNITED KINGDOM
NETHERLANDS
AUSTRIA
*ITALY
HONG KONG
SWITZERLAND
&
OTHERS
*LARGE EXPORTERS INTO U.S.A.
1959
1960
1961
1962

U. S. WOOD SCREW SERVICE BUREAU
53 Park Place, New York 7, N.Y.

IMPORTS OF WOOD SCREWS INTO U.S.A.

- Data from U.S. Dept. of Commerce -

WOOD SCREWS OF IRON AND STEEL

Comm. No. 6200820 - Current Wood Screw Tariff Rate - 12-1/2% Torquay - Benelux

Includes imports for immediate consumption & withdrawals from warehouse for immediate U.S.A. consumption

"OTHER" COUNTRIES
YEAR 1962 — Gross — Value
[illegible] ---- 1,433,017 $199,500
[illegible] ---- 404,642 $[illegible]
[illegible] ---- 73,[illegible] 6,[illegible]

Total Year	Total Imports from All Countries Combined Gross	Value	Belgium Gross	Value	Sweden Gross	Value	Japan Gross	Value	Germany Gross	Value
1945	55	$ 88	-	$ -	-	$ -	-	$ -	-	$ -
1946	494	1,119	-	-	-	-	-	-	-	-
1947	1,848	1,040	-	-	-	-	-	-	-	-
1948	686	341	-	-	-	-	-	-	-	-
1949	9,316	1,922	-	-	330	91	5,560	871	-	-
1950	1,760,267	242,534	687,815	91,143	392,025	62,516	390,860	50,804	40,572	6,863
1951	6,338,567	1,174,426	1,421,727	282,192	654,780	151,438	1,222,588	158,226	761,366	127,653
1952	4,733,380	877,570	1,084,562	230,068	398,770	101,364	1,437,159	164,460	369,780	73,862
1953	5,521,695	939,010	1,088,908	219,808	228,605	46,093	1,903,526	197,522	370,360	63,315
1954	4,047,757	637,236	1,168,034	225,876	155,718	36,992	1,380,998	157,020	817,710	128,906
1955	8,928,310	1,240,882	1,421,369	258,503	235,491	37,048	4,709,725	517,741	2,116,759	340,024
1956	9,798,692	1,452,218	1,072,678	206,254	498,843	143,341	6,128,588	636,268	1,349,426	253,460
1957	7,289,073	1,173,129	607,436	162,625	569,037	149,571	4,801,329	518,120	769,928	162,787
1958	7,246,026	1,126,760	564,061	127,659	486,927	122,949	4,895,205	607,166	668,448	136,363
* 1959	11,826,448	1,888,818	986,480	239,890	604,665	136,787	7,040,425	895,686	1,267,946	242,745
Annual 1960	11,449,103	1,901,106	898,096	232,154	614,939	133,229	6,226,317	832,124	1,237,677	271,908
Progress 1961	9,657,910	1,547,906	619,176	155,202	543,572	126,906	6,061,653	850,091	657,580	128,678
→ 1962	14,575,839	2,369,176	924,738	167,879	561,364	125,609	9,747,126	1,484,66[illegible]	370,484	89,097
1958 Jan	530,360	90,892	36,423	9,600	26,990	8,198	412,210	59,152	32,133	7,587
Feb	427,192	48,667	31,826	10,707	48,867	12,371	285,640	32,310	52,784	11,212
Mar	658,682	106,201	18,419	3,642	90,372	14,261	442,362	70,104	65,684	11,540
Apr	329,823	52,290	27,715	5,569	21,951	9,138	203,111	22,864	41,704	8,905
May	610,463	89,070	9,150	2,073	56,390	13,311	485,493	57,335	16,930	5,516
Jun	573,742	90,739	30,901	7,492	54,639	13,911	376,632	41,052	68,525	12,678
Jul	472,749	74,865	34,201	6,513	41,121	9,433	316,119	39,983	50,359	11,926
Aug	737,607	97,782	14,376	3,891	33,555	8,645	393,411	56,985	42,059	10,823
Sep	362,139	87,937	47,236	14,277	10,870	3,423	219,710	52,713	20,077	4,459
Oct	801,681	114,840	115,038	23,515	10,740	9,410	480,077	52,091	58,298	11,204
Nov	914,017	129,366	105,297	22,659	60,724	13,097	542,117	57,480	100,905	18,710
Dec	827,571	124,131	93,479	17,722	30,708	7,751	538,123	66,897	118,990	21,301

Total Year	United Kingdom Gross	Value	Netherlands Gross	Value	Austria Gross	Value	Italy Gross	Value	Canada Gross	Value	From "Other" Countries Gross	Value
1945	-	$ -	-	$ -	-	$ -	-	$ -	55	$ 88	-	$ -
1946	214	502	-	-	-	-	-	-	280	617	-	-
1947	251	464	-	-	-	-	-	-	1,617	576	-	-
1948	-	-	-	-	-	-	-	-	310	166	174	175
1949	6	6	-	-	-	-	-	-	1,068	516	350	638
1950	205,720	26,293	15,051	2,186	27,256	2,250	-	-	724	298	246	181
1951	1,073,336	228,828	548,035	97,328	204,708	30,582	432,436	93,419	1,838	1,499	17,253	3,261
1952	763,208	163,365	147,049	32,039	265,703	50,268	252,245	37,162	12,673	3,145	2,231	1,337
1953	1,320,511	319,324	200,663	41,082	395,402	46,042	4,916	1,449	5,452	908	3,352	1,267
1954	225,595	53,131	49,333	10,846	211,597	22,477	25,302	2,736	-	-	8,250	1,300
1955	182,027	39,962	2,234	2,249	172,381	25,072	19,359	6,361	-	-	68,965	13,926
1956	348,416	73,930	44,464	17,641	265,228	63,068	63,730	36,196	8,350	1,707	18,969	20,353
1957	190,708	42,586	3,654	3,256	278,493	80,666	48,944	35,357	2,769	1,333	16,775	18,828
1958	178,847	38,407	-	-	81,198	18,760	141,341	40,954	42,406	8,566	187,593	25,936
* 1959	744,225	154,186	15,761	2,986	248,857	53,915	279,494	90,222	13,290	3,211	625,825	69,190
Annual 1960	785,502	166,675	22,208	4,658	99,009	21,991	200,472	48,330	8,792	5,995	1,578,091	183,740
Progress 1961	489,990	95,686	-	-	61,158	15,383	161,075	43,319	19,804	4,198	1,044,102	128,441
→ 1962	921,446	177,[illegible]	—	—	150,123	34,857	142,960	31,440	27,835	9,577	1,942,154	267,984
1958 Jan	18,391	3,801	-	-	3,324	825	889	1,729	-	-	-	-
Feb	8,075	2,065	-	-	-	-	-	-	-	-	-	-
Mar	11,251	2,881	-	-	-	-	5,594	3,087	25,000	686	-	-
Apr	4,862	866	-	-	1,750	376	2,498	409	2,727	555	23,505	3,608
May	28,364	5,486	-	-	-	-	11,160	1,907	-	-	2,776	3,442
Jun	8,387	2,185	-	-	15,296	3,103	10,921	3,029	6,322	4,970	2,119	2,319
Jul	2,070	528	-	-	19,339	3,569	9,540	2,893	-	-	-	-
Aug	3,387	891	-	-	7,526	4,100	36,731	12,279	2,917	1,790	3,645	378
Sep	17,436	3,396	-	-	17,167	3,732	5,560	1,377	-	-	24,083	4,560
Oct	35,959	8,091	-	-	3,991	777	24,865	4,994	880	385	71,833	4,373
Nov	29,374	5,221	-	-	465	514	25,852	6,585	4,560	180	44,723	4,720
Dec	11,291	2,996	-	-	12,340	1,764	7,731	2,665	-	-	14,909	2,536

1959	Jan	1,129,139	180,647	130,398	24,342	61,841	13,608	800,963	113,185	26,864	8,093	28,657	4,918	-	-	33,269	5,370	27,705	8,948	5,553	1,382	13,889	801
	Feb	414,929	75,774	35,304	10,706	17,107	3,709	216,719	27,347	56,871	13,545	30,105	6,801	495	971	15,928	2,915	23,927	7,776	447	323	18,026	1,681
	Mar	756,321	143,081	87,820	18,288	82,447	20,461	425,197	68,793	85,533	12,832	55,096	10,864	-	-	2,900	3,053	17,328	8,790	-	-	-	-
	Apr	869,175	148,057	88,618	20,008	23,528	6,374	452,162	69,313	60,222	11,788	91,463	18,291	-	-	5,913	3,626	65,395	11,330	-	-	81,894	7,327
	May	1,062,871	163,361	53,728	13,300	78,096	19,996	581,739	69,543	195,156	34,871	23,885	4,646	7,986	593	5,654	2,573	7,312	4,685	-	-	109,865	13,156
	Jun	955,803	172,300	76,760	29,656	49,143	14,096	475,868	56,825	130,643	18,278	91,217	18,243	-	-	2,729	5,758	61,753	21,465	246	433	65,464	7,566
	Jul	1,275,158	183,742	107,697	19,439	77,411	14,752	783,353	94,683	74,494	19,843	53,369	14,670	-	-	53,304	11,116	22,731	8,539	-	-	102,769	10,700
	Aug	1,066,255	162,105	53,443	16,731	62,447	10,934	529,825	68,206	182,026	30,915	78,343	14,653	3,400	715	64,611	7,381	13,704	6,718	-	-	53,456	5,852
	Sep	978,908	155,059	133,184	32,873	10,097	2,068	539,568	60,031	163,736	27,341	90,917	20,386	-	-	30,343	6,173	8,659	1,314	-	-	22,404	4,873
	Oct	1,175,968	185,426	26,041	6,567	47,772	10,880	785,181	107,211	123,646	30,941	73,056	16,036	3,360	707	15,796	2,707	5,351	934	240	323	95,725	9,118
	Nov	1,047,358	146,236	62,260	16,066	33,026	5,012	749,294	82,586	114,450	21,449	57,220	11,829	-	-	-	-	10,714	4,296	414	212	20,012	4,786
	Dec	1,116,563	173,032	131,227	31,914	61,752	14,897	700,536	37,963	74,505	12,349	70,917	12,849	-	-	19,010	3,243	9,865	5,427	6,390	538	42,361	3,352
1960	Jan	1,303,974	193,883	156,027	33,174	73,461	16,776	663,570	78,120	179,087	33,771	42,795	9,421	3,580	736	18,210	4,293	76,973	7,195	-	-	90,271	10,397
	Feb	667,421	125,812	72,729	18,971	53,712	11,963	272,661	31,[illegible]	95,405	23,458	79,589	17,188	-	-	6,361	1,124	12,292	6,597	1,027	1,900	56,265	13,262
	Mar	955,793	156,389	84,456	18,069	59,777	13,394	486,907	61,245	117,626	22,369	89,652	20,198	-	-	2[illegible],219	7,942	10,107	3,661	48	133	86,103	7,411
	Apr	997,896	143,795	97,296	24,089	9,930	2,035	513,068	64,392	59,283	11,468	47,783	6,984	7,320	1,678	9,770	1,731	35,552	5,893	472	362	217,426	25,163
	May	761,665	134,119	33,850	9,301	23,449	6,794	375,035	67,120	95,256	26,998	49,553	11,550	-	-	4,208	713	937	937	-	-	159,909	12,506
	Jun	1,335,661	228,779	119,839	32,118	70,399	14,016	689,779	92,832	141,583	38,068	131,619	26,540	3,000	293	8,100	855	34,552	9,360	320	194	136,450	14,523
	Jul	1,242,926	165,555	127,716	25,201	111,352	24,605	830,010	30,068	95,251	14,349	70,411	14,611	1,388	678	-	-	8,361	1,326	1,400	549	37,037	4,368
	Aug	1,024,832	175,310	25,750	7,080	4,095	995	490,160	87,624	41,220	16,376	48,829	9,915	-	-	11,351	2,377	7,212	1,938	999	557	395,216	50,448
	Sep	1,044,526	161,270	16,986	8,677	20,264	4,936	619,947	67,460	146,410	32,767	123,038	27,566	6,920	1,473	480	144	5,853	6,768	2,077	503	102,551	10,970
	Oct	712,703	151,272	106,233	36,811	47,705	12,260	368,727	68,484	90,712	14,908	24,282	5,910	-	-	6,533	1,609	7,330	3,031	1,469	1,161	59,712	9,099
	Nov	741,004	120,598	31,917	6,944	110,927	20,067	393,096	53,916	97,143	21,465	42,605	10,382	-	-	7,777	1,206	210	600	249	315	57,080	5,725
	Dec	880,742	145,322	23,501	13,548	29,868	5,708	524,007	79,516	83,703	19,925	35,346	6,412	-	-	-	-	1,093	1,024	731	321	182,693	19,868
1961	Jan	978,203	153,052	33,130	8,623	16,285	6,429	714,230	103,339	74,766	11,116	36,450	7,933	-	-	7,239	2,511	4,062	2,689	35	104	92,026	12,308
	Feb	598,498	89,550	42,856	6,287	30,469	7,084	212,002	30,285	84,491	17,028	74,679	15,521	-	-	-	-	2,464	1,426	15,530	1,151	136,027	10,570
	Mar	876,635	139,828	31,499	8,265	76,374	15,255	488,027	69,355	67,435	11,223	28,992	5,323	-	-	13,766	3,263	52,235	10,766	-	-	118,309	16,418
	Apr	535,736	90,882	21,043	5,862	39,527	9,277	311,167	46,921	57,338	12,650	50,163	9,577	-	-	-	-	24,891	4,311	355	193	31,250	2,091
	May	686,575	127,835	70,965	16,246	46,926	12,212	435,135	78,306	30,473	6,929	18,375	4,217	-	-	16,757	3,677	11,980	2,256	-	-	57,986	3,992
	Jun	633,659	100,331	101,350	19,306	29,720	11,187	389,663	46,535	43,197	8,768	63,291	11,467	-	-	-	-	906	2,576	-	-	5,532	516
	Jul	1,000,062	150,000	31,499	8,807	41,796	10,536	762,621	99,252	77,307	13,823	33,937	6,196	-	-	-	-	11,963	3,818	483	555	40,278	7,015
	Aug	1,096,896	170,313	32,920	9,676	19,367	5,279	901,525	126,960	43,130	9,392	11,131	2,538	-	-	-	-	-	-	837	706	88,006	15,786
	Sep	623,417	128,153	36,875	8,800	22,466	5,033	377,667	74,036	28,247	7,719	16,149	3,479	-	-	23,326	5,846	40,116	12,464	-	-	78,577	10,776
	Oct	740,702	111,242	30,712	23,205	39,474	6,583	415,046	45,963	37,410	7,482	46,576	8,328	-	-	-	-	-	-	2,105	667	169,379	19,016
	Nov	992,502	155,909	152,258	30,818	127,261	28,364	535,801	64,105	62,971	13,372	38,644	7,412	-	-	-	-	-	-	106	429	75,483	11,409
	Dec	893,029	130,809	33,489	9,329	53,753	11,469	516,769	67,056	50,835	9,176	73,603	13,715	-	-	74	106	12,500	817	355	395	151,251	18,548
1962	Jan	1,268,063	202,699	33,639	6,640	139,449	31,010	813,615	121,787	46,747	10,755	35,639	6,788	-	-	-	-	2,245	2,259	319	116	196,390	23,535
	Feb	829,327	158,470	14,648	3,973	14,284	3,442	566,269	104,403	56,930	11,790	26,882	6,282	-	-	15,000	704	8,360	3,695	1,085	483	127,889	23,698
	Mar	994,482	187,967	75,816	16,461	29,757	9,256	674,236	120,032	16,092	4,056	55,764	10,816	-	-	-	-	19,272	8,946	991	407	122,576	17,995
	Apr	953,540	142,629	8,616	2,916	21,469	5,285	666,367	83,973	9,197	3,164	49,608	12,816	-	-	-	-	24,706	10,131	4,463	977	169,336	18,367
	May	1,036,515	189,275	30,847	8,762	52,856	11,853	677,772	113,977	39,387	8,691	55,271	13,566	-	-	-	-	14,790	8,527	1,615	670	164,179	23,249
	Jun	1,186,437	191,656	26,517	5,841	28,725	9,244	849,666	136,112	49,749	9,615	71,773	15,572	-	-	-	-	-	-	7,766	1,863	156,265	15,609
	Jul	1,641,179	271,123	129,443	33,687	40,733	9,365	1,356,773	168,315	40,997	10,445	83,321	16,166	-	-	27,978	4,424	16,498	10,569	1,175	658	166,261	19,516
	Aug	1,302,519	215,869	84,992	6,912	36,166	6,261	832,122	128,798	47,700	10,314	94,925	23,646	-	-	10,833	2,636	30,942	12,832	1,365	661	165,496	23,787
	Sep	1,063,252	171,716	47,148	10,861	14,365	4,679	748,480	110,125	25,838	6,161	66,828	10,656	-	-	10,368	2,021	6,058	3,810	1,912	946	166,275	23,057
	Oct	1,195,866	177,266	227,771	22,056	40,265	11,705	596,597	86,149	2,969	1,110	126,476	27,615	-	-	29,186	4,907	6,520	1,703	3,836	1,632	166,228	20,391
	Nov	1,636,771	257,625	79,856	21,266	66,475	13,669	1,152,971	163,185	8,588	2,567	113,675	21,333	-	-	25,914	5,351	3,219	2,740	659	183	205,616	27,281
* ESTIMATED	Dec	1,209,628	196,931	68,845	12,651	41,864	10,470	812,160	131,845	31,190	7,151	62,640	14,824	—	—	10,844	1,822	11,872	6,918	3,367	781	161,844	21,487

*- based on average of 1st 11 months 1962.

Comparison of wood screw orders received and shipments made by U.S. manufacturers to domestic consumers compared with importations of wood screws

[Reports from 14 U.S. manufacturers]

Year	Domestic monthly average		Imports of wood screws into United States (monthly average gross)	Percent imports of domestic	
	Orders (gross)	Shipments (gross)		Orders	Shipments
1928	4,658,837	4,900,829	7,879	0.17	0.16
1929	4,651,367	4,740,092	29,204	.63	.62
1930	3,126,982	3,038,209	17,596	.56	.58
1931	2,293,745	2,339,854	12,923	.56	.55
1932	1,570,658	1,627,570	5,342	.34	.33
1933	2,397,476	2,303,708	10,671	.44	.46
1934	2,254,589	2,277,835	14,491	.64	.64
1935	3,140,866	2,891,017	27,155	.86	.94
1936	3,049,753	3,031,882	43,852	1.44	1.45
1937	2,344,171	2,654,333	48,782	2.08	1.84
1938	1,925,929	1,936,490	13,918	.72	.72
1939	2,749,412	2,621,773	12,042	.44	.46
1940	2,803,477	2,668,931	2,229	.08	.08
1941	4,540,936	4,351,851	11		
1942	3,810,778	3,812,698	None		
1943	3,744,580	3,791,818	None		
1944	3,153,931	3,247,862	None		
1945	3,337,249	3,119,669	5		
1946	5,253,600	3,936,848	41		
1947	3,874,916	4,210,695	156		
1948	3,029,845	3,637,110	57		
1949	2,674,422	2,628,030	776	.03	.03
1950	4,992,249	4,239,436	146,689	2.94	3.46
1951	4,053,356	4,365,027	528,214	13.03	12.10
1952	3,238,101	3,301,706	394,448	12.18	11.95
1953	3,530,049	3,578,088	460,141	13.03	12.86
1954	3,405,458	3,362,306	336,896	9.89	10.02
1955	3,255,423	3,147,195	744,026	22.86	23.64
1956	2,829,452	2,807,322	816,558	28.86	29.09
1957	2,393,595	2,408,141	605,489	25.30	25.14
1958	2,290,339	2,201,109	603,836	26.36	27.43
1959	2,453,429	2,454,731	985,537	40.17	40.15
1960	1,914,835	1,922,138	972,422	50.78	50.59
1961	1,902,043	1,930,188	804,826	42.31	41.70
1961—January	1,648,226	1,801,281	978,203	59.35	54.31
February	1,640,005	1,874,114	598,498	36.49	31.93
March	2,085,539	2,207,809	876,635	42.03	39.71
April	1,990,873	1,912,424	535,734	26.91	28.01
May	1,962,430	1,961,664	688,575	35.09	35.10
June	1,915,593	1,992,837	633,659	33.08	31.80
July	1,730,847	1,627,549	1,000,062	57.78	61.45
August	2,007,193	1,915,170	1,096,894	54.65	57.27
September	2,452,521	2,148,182	623,417	25.42	29.02
October	1,890,050	2,177,863	740,702	39.19	34.01
November	1,882,978	1,867,410	992,502	52.71	53.15
December	1,602,523	1,618,258	893,029	52.76	55.18
1962—January	1,869,431	1,706,619	1,268,043	67.83	74.21
February	1,907,720	1,723,553	829,327	43.47	48.11
March	2,030,880	1,866,167	994,482	48.97	53.29
April	1,779,919	1,801,915	953,540	53.57	52.92
May	1,549,715	1,725,179	1,036,515	66.88	60.08
June	1,361,002	1,652,605	1,186,437	87.17	71.79
July	1,432,479	1,461,473	1,841,179	128.53	125.98
August	1,623,656	1,575,812	1,302,519	80.22	82.68
September	1,325,942	1,322,483	1,063,252	80.19	69.84
October	1,646,514	1,677,076	1,195,846	72.63	71.31
November	1,589,072	1,628,790	1,634,771	102.88	100.37

Source: U.S. Wood Screw Service Bureau, New York, N.Y.

The CHAIRMAN. The next witness is Mr. Charles P. Taft.

Mr. Taft, we welcome you to the committee again. We are glad to see you, sir.

STATEMENT OF CHARLES P. TAFT, GENERAL COUNSEL, COMMITTEE FOR A NATIONAL TRADE POLICY

Mr. TAFT. Thank you, Mr. Chairman.

Mr. Chairman and gentleman, my name is Charles P. Taft. I am general counsel of the Committee for a National Trade Policy, Inc., in Washington, D.C.

I cannot resist, Mr. Chairman, if you will permit me, just two comments on the earlier witnesses. They are both old friends of mine, so I am sure they won't mind if I make this suggestion.

I was not quite clear as to whether Mr. Strackbine was suggesting that the Kennedys were the House of Lords when, if you remember, he suggested as a precedent the old British practice that when a bill had passed the Commons three times, it should go into effect.

As to Mr. Blau, apparently the Department of Commerce concurs in the reasoning but not in the result.

The question was asked as to where this bill came from. I think Senator Douglas asked that. I think it might, with some fairness, be described as the wood-screw bill.

Our committee is in its 10th year of operation. Since September 1953 when the committee was established, we have dedicated ourselves to the cause of freer international trade, the trade policy we regard as best calculated to advance the national interest. That is the reason for the name of our committee.

As your committee knows, we strongly supported the Trade Expansion Act of 1962. That legislation is the cornerstone of U.S. trade policy in the 1960's. The Committee for a National Trade Policy is today working to insure that U.S. trade policies across the board serve the national interest in vigorous trade expansion, in minimizing the many restrictions which still impede world commerce, and in rejecting the many proposals that have been made and will be made to restrict trade either directly or indirectly.

This seems to me even more important at this particular moment because of the doubts caused by the increase in "Buy American" activity in this country and by the carpet and glass and oil restrictions. Such doubts interfere seriously with our very critical negotiations with the European Economic Community.

Such restrictions are objectionable anyway, and anything further at this stage on items as important as lumber and some of the others involved, would certainly be taken as serious interference with the success of Mr. Herter's operations.

It is this that explains our appearance today in opposition to H.R. 2513 and to S. 957 and, I take it, 924, which is an identical bill, I believe, sir, which is now suggested as a proposed amendment regarding the marking of imported lumber.

I may say that I am certainly no expert in all the details of many of these things. But I will try to answer any questions that may be raised.

We believe that these bills are protectionist in design, that their purpose is to restrict trade—by adding discriminatory costs to imported products (particularly in the case of lumber), and discriminatory processing requirements with respect to the marking of products covered by H.R. 2513. Even then, this bill does not touch situations in which goods are not repackaged but, as sometimes in the case of nails and screws, are sold loose to the ultimate consumer from bins or other store equipment which do not and should not have to be marked by country of origin.

H.R. 2513 may on its surface look like a reasonable and logical extension of the basic marking requirement in existing law. But careful study of the facts of economic life will, I believe, show that it is not reasonable, not logical, not the protector of the consumer as some of its supporters contend. It is rather a deterrent to sound trade expansion.

This is so, not only in view of its effects on business operations, but also in view of the administrative litigation it is bound to foment and the attitude it may well foster, certainly among small businesses in our national distribution system, that the use of imported products may in some cases not be worth the administrative tangles which certain U.S. manufacturers may set in motion.

I might cite to the committee an instance which I experienced myself when I spoke in Des Moines at the National Farm Forum several years ago, when one of the principal department store operators in Des Moines said to me that he had quite trying to import goods himself directly. They had to be delivered to him at the store. He was unwilling to undertake the kind of difficult, detailed technical arrangements that had to be made by an importer. Administration of the marking law under the proposed bill would come under the same Customs Bureau.

H.R. 2513 would cause considerable difficulty for American firms that blend foreign with domestically produced products. How far must they go in showing the country, or in some cases, the countries, of origin?

Moreover, what purpose does it serve? What does it really tell the ultimate consumer—whose real interest presumably lies in quality and price—except to provide the more chauvinistic consumers with a checklist against which they may apply their particular political prejudices?

Such catering to political prejudice is certainly not a Government responsibility. If it is, then why provide for exemptions? Why not give the purchaser of tobacco (a product I would assume would be exempt from the marking requirement) an opportunity to apply whatever prejudice he may have against Turkey or Southern Rhodesia or Egypt?

Now these proposed marking requirements are not confined to our own domestic distribution system. H.R. 2513 also requires that the containers in which the particular products are shipped to the United States be marked by the exporting country to indicate to anyone who repackages the articles that penalties will be applied by the United States for failure to indicate to the ultimate consumer the country of origin of the contents. That means added cost to the foreign exporter—which will undoubtedly be passed on the the American consumer.

The report of the Ways and Means Committee on this bill indicates that the purpose of the bill is to eliminate "confusion in the minds of certain purchasers" as to the country of origin.

In some cases, says the report—

> the absence of any indication of foreign origin has caused purchasers to assume that the package or container and the contents were of American origin.

Thus, the report states—

> one of the purposes of our marking laws; namely, to give the purchaser information as to the country of origin is thwarted.

It seems to me that if there is any confusion, these bills would only compound it. This would certainly be so in the distribution system itself. And as far as the ultimate consumer is concerned, H.R. 2513, as I noted before, may not reach him at all with respect to certain products, because the products may be exempted or they may be sold loose by the retailer. Moreover, he may be buying something in a container where the container is foreign made and the contents are American made or a blend. The origin of the container would have to be marked, plus the partially foreign origin of the contents if that were the case. This sounds like a frightfully narrow view of international business relationships at a time when vigorous, unfettered trade expansion is our aim.

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

In the case of the lumber bill, which would directly contravene a trade agreement with Canada (an agreement that, incidentally, was incorporated into the GATT in 1948, as was stated, I believe), we would have to offer compensation in the form of concessions on other products.

It is true that the Tariff Commission indicated that marking, labeling, was not within the concessions covered by the Trade Expansion Act, but the fact is that GATT does recognize it as one of the items which may be negotiated, and it is, in fact, included in the Canadian agreement and in the GATT as it covers our relationship to Canada.

I might say also that so far as compensation is concerned, it might also be demanded by other suppliers; in this case of lumber that is not quite so important, because most of the lumber coming in does come from Canada. But the other suppliers who are not the major suppliers may also claim compensation because under the GATT the concessions extend under the most-favored-nation treatment secured additional concessions from the other countries.

I would not call such compensation a very productive use of rather precious negotiating authority. If the Canadians were not satisfied with these negotiations, they could retaliate by increasing their import restrictions on products at least as important to us as lumber is to them. That could hardly be called a productive contribution to our export expansion drive.

H.R. 2513 on its surface appears to have a saving feature which some might regard as making the bill palatable. The bill recognizes that such marking requirements may cause undue hardship by substantially changing customary trade practices. It therefore provides that its marking requirements shall not apply in cases in which the Secretary of the Treasury finds that compliance "would necessitate such substantial changes in customary trade practices as to cause undue hardship" and that "repackaging is otherwise than for the purpose of concealing the origin of such article."

However, such judgments by the Treasury require careful consideration which must surely mean time-consuming testimony and deliberation. such procedures amount to added costs and uncertainties in the country's distribution mechanism, opportunities for harassment of importers or of processors of imported products, and in general to a Pandora's box of deterrents to imports.

If misrepresentations have occurred, those businessmen who make such allegations have recourse through existing provisions of the Tariff Act of 1930 and through the Federal Trade Commission if legal action is desired.

In the case of H.R. 2513, I want to emphasize my conviction that fraudulent marking and concealing of any kind ought to be vigorously prosecuted. The way to bring the law down on such practices, once the shipments have cleared customs properly marked in accordance with law as presently written and have entered the distribution system, is through the Federal Trade Commission, which certainly cannot be described as generally inactive where there is any serious claim of fraud.

Among other things, we want to make sure that there is no double standard in the regulations affecting the marking of foreign and domestic merchandise. In the case of certain products, identification with a foreign country could be a mark of prestige, and misleading or false merchandising of a domestic product suggesting that it is foreign should be prosecuted—for example, a domestic product sold in a container which was made abroad and bears a country-of-origin marking suggesting that the contents themselves were made there.

The same problem exists in the case of foreign products marketed in containers made in the United States where the "Made in U.S.A." marking on the containers gives the false impression that the contents of the package were produced in this country. The answers to both problems are through statutes now on the books covering all sorts of deceptive markings.

If U.S. producers want the American consumer to prefer an American-made product, those producers should take steps to have their own products marked "Made in U.S.A." They are also free—if that is the way they want to do their merchandising—to urge consumers to buy American goods. Such markings are the usual practice anyway. In the case of lumber, the junior Senator from Idaho told the Senate that a lumber company in his State felt so strongly about the marking of country of origin that he has "voluntarily taken the lead in this practice and at this time is so marking [his] lumber" (Congressional Record, Feb. 28, 1963, p. 3047).

But such voluntary practices are a totally different matter from burdening the import distribution system with new country-of-origin

markings required by law. These days—and I am glad to say this—our foreign trade has expanded to a point where imported goods are more common in our everyday purchases than ever before.

A product that carries no identification of country of origin should not be assumed by the consumer to be American made. A manufacturer who wants his product to be so identified should take steps to do so on his own.

I have said that these bills are protectionist in design. I want to complete this testimony with an observation on the lumber-marking bill in this connection. The Committee for a National Trade Policy last year prepared a paper on the charges by associations of U.S. lumber producers that imports from Canada were hurting the U.S. industry. We tried to set the record straight on what was actually happening. Our conclusion was that imports were not the cause or even a major cause of the industry's difficulties.

I would like, Mr. Chairman, if I may, to submit to the committee a copy of that memorandum because the question as to whether there actually has been damage to the industry is one that is obviously involved in connection with its particular effort to secure enactment of the marking bill before you.

The CHAIRMAN. Without objection.

Mr. TAFT. I am not sure as to the date of it. I will try to supply the date. It was some time last year, and I will get the exact date for you.

(The date of August 24, 1962.)

(The document referred to follows:)

THE LUMBER INDUSTRY AND U.S. TRADE POLICY

Background information from the Committee for a National Trade Policy, Washington, D.C.

INTRODUCTION

Organizations representing the lumber industry look upon imports of softwood lumber from Canada as a major cause of the industry's depressed condition and are seeking restrictions on these shipments as a remedy. They also seek changes in various sectors of government domestic policy in an effort to strengthen the industry's competitive position at home and abroad.

The foreign competition against which they seek remedial measures comes mostly from western Canada, particularly British Columbia. Most of the increase of over 1 billion board feet of softwood lumber production in Canada in the past decade has gone into exports to the United States. Canada produces much more softwood lumber than it consumes—2.7 times as much in 1960, compared with 1.8 times as much in 1951. Production of softwood lumber in the United States, on the other hand, is clearly oriented for the most part to the home market (table 1). The area of the United States most concerned with Canadian competition is the Northwest—mainly Oregon, Washington, northern California, and Idaho. This area accounts for over 60 percent of the softwood lumber produced in the United States. The lumber industry is a major source of income in these States—in Oregon the major source—as well as in the country as a whole.

Associations speaking for the lumber producers contend that imports of softwood lumber from Canada are "excessive." They contend that the import expansion in recent years and the domestic industry's decline are due to higher costs for the U.S. industry in labor, water freight rates, and timber supply, in addition to the import inducing effects of the recent devaluation of Canadian currency. Data showing high rates of unemployment and mill closings are used in an attempt to document the claimed impact of imports.

The associations are requesting an emergency quota on softwood imports from Canada, to be followed by a negotiated tariff quota arrangement under which both the United States and Canada would allow, each from the other, the importation of softwood lumber duty-free up to 10 percent of domestic consumption in each case, the duty beyond that point to be 10 percent ad valorem. Some also advocate changing the provisions of the Jones Act regarding intercoastal trade so as to remove the freight rate disadvantage to Northwest lumber producers who ship by water. Most want the practices of the U.S. Forest Service changed so as to make more national forest timber available at lower prices. Some had also sought parity for U.S. shippers vis-a-vis those in Canada in the scheduling of railroad shipments. This parity has now been negotiated by the United States and Canadian railroads. There is also support for a special schedule of tariff rates designed to "offset" the degree of depreciation in the Canadian dollar. Sectors of the industry have also requested that "Buy American" practices be required in the purchase of lumber for construction financed by FHA, and that imported lumber be marked with the country of origin.

A number of lumber manufacturers do not agree with those proposals that would restrict or handicap imports. The dissenters also include the great majority of the far more numerous companies that process or use lumber. These companies are interested in many and economical sources of supply.

The purpose of this background paper is to place the request for import restrictions in the perspective of the total situation of the lumber industry and the total national interest of the United States. This is done with the conviction that the development of a strong wood products industry and a strong U.S. position in timber resources are of great importance to the national interest.

This paper represents an attempt to determine the effect of domestic developments on the lumber industry, the extent to which these may have rendered the industry more susceptible to import competition, and the extent to which the Canadian lumber producers have advantages in competition with U.S. lumber manufacturers. Industry spokesmen have contended that they face a combination of both absolute and comparative disadvantages. However the full range of major domestic factors, and the pattern of comparative advantges and disadvantages, have not been adequately explained.

The conclusion drawn in this paper is that import restrictions on lumber would hurt (*a*) the national interest, (*b*) users of lumber who depend upon it as an essential raw material, and (*c*) the lumber industry itself.

The conclusion stems from an analysis of the facts. These include:

(1) We have many local timber supply problems which contribute to the rising raw material costs of an industry that cannot economically bring its raw materials a long distance for conversion.

(2) The productive capacity of the sawmill industry generally is greater than the timber available, and part of that supply is sought by efficient manufacturers of plywood and plup who can convert it into more profitable products than lumber.

(3) Private timber supplies are being reduced at much faster than replacement rates, taking into account the quality, the species sought, and the size of timber. Industrial holdings are the major private source of better timber, and these are closely held. Public timber demand is on the rise, but supply is limited by conservation policies.

(4) Coastal mills of the Pacific Northwest which do not own their own boats encounter serious water transportation problems in competition with Canadian coastal mills. Small mills, generally the problem sectors of the U.S. lumber industry, and generally shipping by rail, are now on a par with rail users in Canada with respect to railroad scheduling. However, through this parity, these small rail users of both countries have lost an important privilege each had in competition with their respective domestic competitors using water transportation or shipping by rail to well-established distribution facilities. The smaller mills, which usually are less efficient, will be at a further disadvantage here and in Canada.

(5) Mill efficiency has increased markedly since 1947 with an almost constant decline in the work force for that reason alone.

(6) Lumber is being displaced both by other wood products and competitive nonwood materials. The lumber industry has thus encountered serious pressures of competition not only on the side of timber supply but also in the end-use market for its product.

(7) The industry has been experiencing problems of inevitable readjustment, correcting a serious condition of overexpansion.

This enumeration is by no means a complete summary of the factors affecting this industry and which are discussed more fully in this paper. It rather provides some idea of the array of problems besetting lumber producers and of the many things that should be taken into account in determining the extent to which growing imports from Canada pose a problem calling for trade restrictions.

There are many things the industry has done and can do to regain its health. There are many things Government should do to help. Import restriction is not one of them.

BASIC CHANGES IN THE SOFTWOOD LUMBER INDUSTRY

The recent recession

The softwood lumber industry, very sensitive to changes in supply and demand, today faces serious problems. There are many causes. These include the depressed condition of the construction industry, primarily in home construction, during the past 2 years. Lumber production, a cyclical business, moves in phase with construction, especially with residential construction.

There have been recessions in the past, but U.S. consumption of softwood lumber fell more in 1960 than in any previous annual decline during the past decade, and 1960 and 1961 were the first time in a decade that production dropped by sizable amounts in 2 consecutive years (see table 1). Changes in softwood lumber consumption compared with changes in competing materials are shown in tables 2 and 4. A new factor to be considered in connection with the situation of recent years is the expansion of imports from Canada. The production indexes in table 3, relating to the Western States alone, show that while softwood lumber production dropped significantly in 1960 and 1961, record production was reached in wood pulp, and plywood production in 1961 was back to the record level it had reached in 1959.

The industry has encountered considerable competition from plywood and from nonwood substitutes.[1] It has also been adversely affected by the increased emphasis on apartment rather than single-family housing construction. There is much less lumber used per family unit in apartment construction than in single-family housing. Total consumption of lumber in the past decade has averaged only about 10 percent more than the levels of the late 1920's.

As a result of depressed market conditions, the forest products industry cut considerably less national forest timber during the last few years (prior to 1962) than it bought, and in some areas(though, for the most part, not in the Pacific Northwest) it bought considerably less than what the Government had offered for sale. These shortfalls are particularly true of the lumber producers, and particularly the smaller producers faced with problems of physical access to available timber resources and with other difficulties. In fiscal year 1961 the average shortfall of actual sales below offered sales for the Nation as a whole was in the area of 20 percent.

The cut the buyer decides to make is conditioned by the condition of the market. The amount of timber the Government puts up for sale—the allowable cut—is based on the conservation principle of a sustained yield. The annual amount of national forest timber sold and the amount cut have risen about 100 percent in the past decade. This reflects not only the increased demand of the market but also the fact that the rapidly diminishing supply of private timber has put increasing pressure on public timber to meet the growing demand.

Although the quantities of Government timber offered for sale and the quantities sold are very close in the Pacific Northwest, at the end of fiscal year 1961 there was much more sold but uncut Government timber there than at any time at least since 1957. This uncut balance had been growing by 400–500 million board feet each year for the previous 3 fiscal years. It was due not only to market conditions but to the fact that the Forest Service was offering increasing amounts for sale.

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[1] The construction cycle has not been kind to the softwood plywood industry either. The industry's capacity has increased substantially in recent years. In 1959 and 1960 it increased to about 50 percent above its level at the end of 1958—the new capacity becoming operative at a time when the market dropped. Douglas-fir plywood production, which had been rising impressively for many years, dropped in 1960. In 1961 it was back to its 1959 level, but capacity had in the meantime grown substantially. About 30 percent of the log production of the Douglas-fir region goes into plywood, compared with 6 percent in 1940 and 10 percent in 1950.

The depressed market is also reflected in the prices for national forest timber, both appraised and bid (table 5).

Basic readjustments underway

Some companies, particularly the less efficient, many of them newcomers, who did well during the huge pent-up demand for housing, have had difficult times in the face of basic market changes since the mid-1950's and the depressed condition of the economy during the past 2 years. Others—the more efficient and more diversified ones—have had problems but not as serious. Many well-established lumber companies are doing well. While some sawmills have closed, others have expanded. Some, always dependent upon logs from private purchases, were disadvantageously located in relation to public timber or were unable to survive the severe competition of the 1950's for public timber.

These adjustments in the industry are reflected in changes in the number of lumber establishments between 1939 and 1958, and in the sizes of those establishments. It was the entry of new small mills into the industry under the unusual impetus of wartime and early postwar market opportunities that accounted for most of the expansion in the number of mills, and by the same token most of the decline when more normal economic patterns were restored. The accompanying text table below shows the overall course of these changes, ending up with more mills in 1958, even after the sharp decline since 1947, than there were before the proliferation of the 1940's began.

Number of lumber establishments in Western States, 1939–58

	1939	1947	1954	1958
Washington	418	808	552	469
Oregon	523	1,466	1,201	645
California-Nevada	220	894	604	501
Montana	168	407	214	195
Idaho	193	388	206	184
Colorado	204	403	171	(1)

[1] Not available.

Source: U.S. Department of Commerce, and J. A. Guthrie and G. R. Armstrong, Western Forest Industry (John Hopkins University Press), p. 84.

This postwar readjustment in the industry is linked closely to the fact that the lumber industry is a highly competitive one. By 1959, following a spate of mergers during the previous 5 years, the 20 largest producers accounted for only 17 percent of total U.S. lumber production. The comparable figure for Washington-Oregon was 39 percent. (The degree of concentration is higher in timberland ownership.) These mergers accounted for part of the decline in the number of sawmill establishments.

In terms of sawmill capacity, there has been in the past decade an overall expansion in the 11 Western States—the decline in Washington and Oregon having been offset by an expansion in California and other States in the region (1961 Annual Report of the Pacific Northwest Forest and Range Experiment Station of the U.S. Forest Service, p. 40). This suggests a further "migration" of capacity, following a shift that took place some years back from Washington to Oregon. The more recent shift—from coastal mills to interior mills—brings the newer sawmills closer to Midwest and Eastern markets, creating a new element in the competitive position of the older producing areas.

The drop in lumber production in the past decade is reflected in a drop in employment. The employment decline is also caused in some measure by increased automation. However, while lumber jobs declined, there were employment increases in other sectors of the forest products industry; for example, in plywood and in logging connected with the plywood industry. National employment of production workers in sawmills and planing mills in 1959 was 15 percent lower than its level 5 years before (National Lumber Manufacturers Association, "Lumber Industry Facts 1960-61," p. 49, table 83). In veneer and plywood, on the other hand, employment of production workers was 26 percent higher in 1959

than in 1954 (U.S. Department of Labor, "The Relationship Between Imports and Employment," 1962, p. 38). Total employment in the forest products industrial complex of the Northwest has risen. These shifts are reflected in the indexes of lumber, woodpulp, and Douglas-fir plywood production of the 12th Federal Reserve District, which includes Washington, Oregon, California, Idaho, Utah, Alaska, Nevada, most of Arizona, and Hawaii (table 3).[2]

Many of the plywood companies also produce lumber. According to the 1961 Annual Report of the Pacific Northwest Forest and Range Experiment Station of the U.S. Forest Service (p. 49), in 1960 43 percent of the region's plywood capacity was integrated with lumber under the same ownership compared with 40 percent in 1955 and 31 percent in 1950. Integrated operations involving lumber, plywood, and pulp and paper permit optimum efficiencies in timber utilization and in overall productivity. The more profitable use that plywood and paper producers can make of the labor they employ compared with lumber producers is suggested by comparative data on the number of manhours it takes these industries to raise the value of their outputs a thousand dollars. It requires 302 manhours of production workers in the case of lumber, 278 for plywood, and 104 for paper. All three industries, as noted, compete more or less for both timber and labor.

Smaller lumber companies feel the effect of market recessions much more than do the larger integrated companies. In most instances the small companies lack both a diversified production pattern on the manufacturing side and their own timber resources on the raw material side. They also lack a well-developed sales organization. These deficiencies deny them the flexibility so essential to an ability to stand firm under difficult market conditions. When Canadian softwood comes onto the market at that time, the larger U.S. lumber companies have the flexibility permitting them to cut prices, with little difficulty, to lower levels than the "peril points" to which the smaller companies can lower their prices. The small companies are thus competing not only against Canadian lumber but also against the larger companies in their own industry. In some cases Canadian lumber is brought in by the larger companies. Some have Canadian operations.

The fact that these small companies for the most part do not have their own timber resources has much to do with their difficult competitive position. This fact denies them a tax advantage enjoyed by those of the larger, well-established operators who own timber resources. It also denies them a cost advantage: Since in most cases they do not have privately held timber or have very little of it, they depend more heavily if not entirely on timber from the public domain. The Federal Government's allowable cut, however, is strictly limited. There is considerable bidding for this timber, raising its sale prices much above the minimum appraisal prices set by the Forest Service. Bid prices in the Western States have averaged 35 percent over appraisal prices, according to testimony of the Chief of the Forest Service before the Senate Commerce Committee in 1962 (see also table 5). There is much less competitive bidding in Canada, in some areas none at all because of the management licensing system.

Competitive bidding in British Columbia is confined primarily to limited Douglas-fir areas on the coast (the Vancouver Forest District) and has been moderate even there. There is a substantially higher ratio of allowable cut to cutting capacity in British Columbia than in our Northwest. The overall result is that Canadian timber prices are lower than those in our Northwest.

As shown in the table below, there is far more privately owned timber in relation to Government timber in the United States than in British Columbia. Some owners of private timber in our Northwest are therefore in a much better position to work out a favorable cost mix for the timber they use than are their competitors on either side of the border.

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[2] Loggers as such are not displaced by shifts from lumber to plywood, for the logs are just used for other purposes. Total employment in the U.S. lumber industry is over 300,000 (table 24 of the National Lumber Manufacturers Association "Lumber Industry Facts 1960–61"). This is not to be confused with the total of over 8 million in the forest products industry as a whole.

Volume of saw timber by ownership

[Billion board feet]

Region	Government	Private	Total
Douglas-fir	323.5	270.9	594.4
Western pine	455.0	164.9	619.9
British Columbia:			
Coast	482.5	54.5	537.0
Interior	[1] 1,213.1	33.8	1,246.9

[1] Part of this is probably not accessible.

Source: Testimony of West Coast Lumbermen's Association before Senate Commerce Committee, Apr. 16, 1962, table 3.

The day is gone when purchasers of timber in the United States could cut rather freely, moving from one State to another, from areas whose resources were being depleted to those where they were more plentiful. Privately owned timber has been rapidly cut down. In the public domain, conservation has rightly curtailed the freedom to cut, and in so doing has greatly reduced the elasticity of the timber supply for which the various interests must bid. It has thus led to higher stumpage prices. It has also increased our dependence on softwood lumber from Canada. It is virtually impossible to find cheap, economically accessible timber anywhere in North America.

As for the appraisal prices in British Columbia compared with those in the Northwest, the Forest Service (in a 1962 study entitled, "Stumpage Prices and Pricing Policies in British Columbia") found that these prices were "either at closely comparable levels or where the levels have differed they are readily explainable by quality or other discernible value differentials." It found that appraisal systems used in the two areas are "highly similar in general methods," with stumpage considered to be "the residual value which remains when costs of operation plus a profit margin are subtracted from sales realizations at the manufacturer's shipping point."

Under present market conditions, after allowing for quality and accessibility differences, national forest timber in the United States is being advertised at prices very near those for comparable timber in British Columbia. In the relatively favorable market period of 1959–60, after allowing for differences in quality and accessibility, U.S. stumpage prices, because of bidding differences, were higher than those in British Columbia.

One feature of the intense competitive bidding that militates against the small sawmill operator who produces only lumber is that he is bidding against plywood producers and the pulp and paper industry.[3] These not only command larger financial resources; they also bid for timber for use in an end-product of higher unit value than that of the simple sawmill operation.

Thus, in the case of plywood, one sector of the forest products industry, which has expanded considerably in the last decade, competes with lumber not only for markets but also for timber supplies to make its competing end-product. (It has been charged that the dominant firms in an area may bid up the prices for Government stumpage to push it out of the reach of smaller, financially weaker competitors, whose bargaining power is seriously weakened by depressed market conditions. Allowing more Government timber for commercial use would not necessarily result in more timber for the financially weaker mills. The Small Business Act, however, offers a mechanism—the timber set-aside—to provide firms with less than 250 employees (325 in distress areas) an area of competition free from the bidding of larger firms).[4]

In shipping their lumber, the smaller producers are wholly dependent on outside transportation facilities—hence subject to open-market factors of transportation cost. These are discussed in later sections of this paper. Many of the larger producers own their own boats.

[3] Only part of the wood used by the pulp and paper mills is timber for which the lumber mills compete. According to Guthrie and Armstrong (op. cit., p. 281), about two-fifths of the wood used in pulp and paper production is residue from sawmill and plywood plants. In the competition for timber, lumber competes with pulp and paper for the poorer quality logs, and with plywood for logs of better quality (ibid., p. 299).

[4] A recent factor of some significance in the bidding pattern is the purchase of logs for export to Japan.

The lack of diversification in the smaller companies, mentioned earlier, is more than quantitative. It is also qualitative—in the sense that the smaller companies, already limited in the quality of log available to them, generally have not advanced into refinements of lumber. This has made them particularly vulnerable to the substitution of other materials for lumber in many uses: a problem of great moment to the lumber industry as a whole. This vulnerability was summarized by Charles A. Sprague, Oregon publisher, in a recent article in the Salem (Oreg.) Statesman:[5]

"Smaller mills have been doomed for years as they consumed the raw material at hand. Competition of substitutes has shrunk the market for lumber. The future for timber products lies more and more in specialty lines, plywood, hardboard, pulp, paper, cellulose derivatives. This gives the advantage to the big integrated operation, and makes it difficult for the small operator with a single product, boards."

The diversion of high quality timber into these other products has left much of the lumber industry with lower quality timber. Lumber produced from it does not bring more than a nominal profit in good times, and often not even that in a depressed market.

Labor costs

Industry spokesmen argue that higher labor costs in logging U.S. timber and shipping U.S. lumber place the U.S. industry at a disadvantage. Labor rates in British Columbia (at least C$2 an hour on the coast and C$1.85 in the interior),[6] while on the average possibly lower than those in the Northwest, are close to U.S. wages in that region and higher than those in our southern pine lumber industry. (The labor unions in this industry on both sides of the border are part of the International Woodworkers of America, with headquarters in Portland, Oreg.).

It is understood that the Candians enjoy more paid holidays and longer vacations (requiring shorter periods of qualifying time) than U.S. lumber employees. Other benefits in Canada also surpass those in the United States.

In comparing British Columbia costs with Northwest costs, account should be taken not only of wage rates but also of the cost of moving logs to sawmills (costs are higher in British Columbia and man-hour productivity lower because of steeper terrain), and of the ratio of such logging costs to the price of the logs. Douglas-fir is the most valuable species in that whole complex which Northwest lumbermen call "one forest under two flags." However, there is a larger proportion of it in the timber cut of the Northwest than in British Columbia. The British Columbia forests generally have timber of lower quality and of a less desirable species composition than in the Northwest. Logging costs are the same regardless of species and quality. Thus total logging cost tends to be higher in British Columbia in relation to timber price than it is in the Northwest. The British Columbia cost is also made higher by the smaller size of the logs (more true in the interior than on the coast), necessitating more handling. These factors to some extent offset the fact that U.S. stevedoring wage rates are about $4 to $6 higher per thousand board feet than those in British Columbia, and the higher cost of loading U.S. lumber on inefficient U.S. bottoms. There are also more special taxes to be paid in British Columbia than in the Northwest. These taxes include an 8-percent Federal sales tax, a 5-percent Provincial sales tax, and a logging profits tax by the Province.

Access roads

On the British Columbia cost-advantage side, mills there do not have to follow strict Government standards in building access roads. Hence these costs may be lower than in the United States. However, "savings" in road costs due to lower road standards may be illusory, for studies of truck transport show that poor roads are more costly to use. Whatever British Columbia advantage exists in this respect may be offset in some degree on our side by the fact that the Forest Service takes into account the cost of building access roads in its setting of appraisal prices on stumpage.

The administration has asked for $50 million in fiscal 1963, $70 million in fiscal 1964, and $85 million in fiscal 1965 to build access roads. This will help alleviate the problems of some small mills. Those who contract to buy national

[5] Reproduced in the Congressional Record of June 15, 1962, p. A4486.
[6] These are rates that were scheduled to go into effect July and September 1962, respectively.

forest timber often have had to build the access roads and to do so according to Government standards. The road becomes the property of the Government and is open to use for subsequent sales. The lack of access roads was identified by the Forest Service as the main factor explaining the fact that in 1961–62 its sales of timber in Idaho were much less than the allowable cut. It was also a factor in Washington and Oregon.

THE TRANSPORTATION FACTOR IN UNITED STATES-CANADIAN COMPETITION

Although most of the difficulties encountered by those sectors of the lumber industry that find themselves at a serious disadvantage are the result of the changing patterns of lumber economics rather than the result of Government policies, legislation, and administrative decisions affecting the lumber industry should be carefully reexamined to make sure that no unreasonable or unnecessary handicaps exist. One area of public policy that has attracted considerable attention in this connection is transportation, both water and rail. These policies affect the competitive position of the lumber industry, including its ability to compete with imports from Canada. Competition from Canadian softwood lumber has increased considerably in recent years, and transportation policies are to some extent responsible.

Five years ago 77 percent of the waterborne shipments of softwood lumber to the east coast came from our Pacific Northwest; the other 23 percent came from British Columbia. In April 1962, the proportions were 28 percent from the Northwest and 72 percent from British Columbia. The shifts in the positions of British Columbia and the Pacific Northwest in the lumber markets of the Atlantic coast and California (the two markets for waterborne shipments most affected) are indicated in table 6.

Basic to this shift against Northwest lumber is the statutory requirement (under the Merchant Marine Act of 1920—the "Jones Act") that shipments from one U.S. port to another have to move in American bottoms (i.e., in ships registered in the United States), and thus are burdened with higher freight costs—greater by $7 to $11 per thousand board feet—than those charged by foreign-registered ships to move Canadian lumber from British Columbia to U.S. markets. The advantage amounts to perhaps near 10 percent of the wholesale price. There is an additional cost disadvantage generated by the reported fact that the U.S. ships, most of them Liberty ships, are less efficient in their loading facilities than the more modern, larger foreign ships.

The inequity of burdening waterborne lumber shipments from the Northwest with what seems an unreasonable share of the cost of supporting the Nation's maritime strength calls for correction.[7] Just as the cost of the price-support program in cotton should not fall more heavily on the U.S. textile industry than on the rest of the economy (through a differential between the price it pays for American cotton and the world price at which we export cotton), so the American lumber industry should not have to assume a unique share of the cost of maintaining a healthy merchant marine. If subsidies to the American cottongrower and the American merchant marine are in the national interest, they should be borne by the Nation.[8]

The sharp decline in the competitive position of Northwest softwood lumber in east coast markets in the last 2 years has not been caused by the Jones Act alone, although it may have accelerated the shift. That legislation has been in operation for a long time. The question suggests itself: Why is the market shift so decidedly against the Northwest producers now? An important part of the answer may be that the recession in home construction in 1960–62 has been particularly serious, causing a profit squeeze in that industry which makes the Jones Act and other factors particularly operative in their impact on the competitive position of the Northwest lumber industry. Moreover, these developments came at a time when an expanding Canadian lumber industry, spurred by promotional efforts in this major sector of Canada's

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[7] Waterborne shipments account for such a small part of total lumber consumption in the United States that, unreasonable as the Jones Act is, its inequities do not justify restrictions on all imports of lumber. Waterborne shipments of western softwoods to the eastcoast are about 3 percent of all western softwood shipments (testimony of International Woodworkers of America before Senate Commerce Committee June 4, 1962).

[8] There is evidence suggesting that the Jones Act, like other attempts to provide protection against foreign competition, has not provided protection. Since World War II, according to testimony of Senator Neuberger before the Senate Commerce Committee in June 1962, the number of lumber ships in intercoastal trade dropped from 65 to 13, employing 455 men.

economy, was losing markets in the United Kingdom to competitors in the Scandinavian countries and the Soviet Union. The rise in Canadian lumber shipments to the United States compared with shipments elsewhere is shown in table 7. In addition to the Canadian competition, some loss of business for west coast lumber in east coast markets may have been due to increased shipments of southern pine.

Whatever solution is found, however, should take account of the contention made in some quarters that to change the Jones Act would enhance the competitive advantage of the larger sawmills over the smaller ones. It is thus important that our rail transportation policies also be sound. According to the Western Lumber Marketing Association (in its testimony before the Senate Commerce Committee on April 16, 1962), more than 90 percent of all west coast forest products move east by rail. According to the testimony of the West Coast Lumbermen's Association in the same hearing, about 65 percent of British Columbia lumber shipments to the U.S. market came by rail, 35 percent by water. A very small percentage moves east by truck. By "east" is meant east of the Mississippi. About half the western lumber shipped to Eastern States goes to the Great Lakes and Central States area.

If inequities exist in our railroad policies, these inequities should be removed. The need to do so is made greater by changes made in policies affecting water transportation, and benefiting those who use the water route.

The action the Canadian railroads have taken (effective July 1962) in removing their own 15-day hold and free diversion policy appears to remove an advantage the Canadian rail shippers of lumber had over Americans who shipped lumber east by rail.* The Canadian free-hold policy had been adopted to improve the position of Canadian railroads in the face of the comparable privilege and the circuitous routings allowed by U.S. railroads. In 1960 the Interstate Commerce Commission discontinued the free-hold privilege in the United States following a proceeding in which the larger lumber companies with warehouse facilities in the east complained about the mobile warehouse facilities which free-hold privileges provided for those who moved their lumber by rail. The Western Lumber Marketing Association (above hearings before the Senate Commerce Committee) regards this privilege as "vital to the efficient marketing of western lumber by the small operator." Because circuitous routings were still permitted in the United States, the Canadian railroads continued their free-hold privileges, reducing them in step with the reduction of circuitous routings by the U.S. railroads. A reciprocal elimination of both practices has now been worked out.

The question of "fair competition" with Canada seems to have been answered in this respect. The question of competition between the rail shippers and those who use the water route remains, and that between U.S. water shippers in competition with Canadian is still to be dealt with. Removal of the Jones Act factor would remove the shipping disadvantage of U.S. water shippers competing with both Canadian water shippers and with U.S. rail shippers. However, the disadvantage they would lose in competing with those U.S. firms which ship by rail would be regarded by the rail shippers as a disadvantage unloaded on them.

Several alternatives on changing the Jones Act have been suggested. These include (1) repealing the provisions affecting intercoastal shipments, (2) exempting only lumber, and (3) authorizing the Secretary of Commerce to waive the Jones Act if he decides that its application is causing a U.S. industry to lose a substantial portion of its business to foreign competitors. Where applied specifically to an industry situation such as lumber, such changes would amount to a form of adjustment assistance. The effect of such changes on the competitive position of lumber shippers who use the railroads was noted in the testimony of the chairman of the Interstate Commerce Commission before the Senate Commerce Committee on June 14, 1962:

"* * * any of these proposals could very well, and most likely would, militate against the in-transit lumber interests and the rail carriers, unless the advantage gained by waterborne lumber were in some manner counterbalanced" (mimeograph, p. 4–5).

* Some U.S. wholesalers, seeking to exploit market opportunities, took advantage of the free-hold privilege in Canada, buying Canadian lumber and then proceeding to find markets in the United States.

Thus when industry spokesmen ask for an opportunity to compete on an equal basis with the Canadians in the U.S. market—an appeal whose logic and ethics invite universal support—the equality sought is not an easily quantifiable goal. Even without the water transportation rate problem, differences in wage rates, in stumpage prices, and other cost items cannot be added up to a meaningful conclusion leading to a decision to restrict or not to restrict imports. There is much more to United States-Canadian lumber competition than that, even confining the scope of the inquiry to the lumber industry as such without attention to broader issues of the national interest. And one of these other considerations, as explained above, is the economic dynamics—the changing forces of supply and demand—within the American lumber industry itself and within the broader forest products industry of which it is a part.

The sought-after opportunity to compete on an equal basis is properly definable as an opportunity to compete without the hindrance of Government policies that impede sound growth and healthy competition, and with the help of Government policies that not only serve these objectives but also promote market expansion through the kinds of research and trade promotion at home and abroad which are properly within the Government's responsibility in a free enterprise system.

Lumber industry spokesmen have contended that the Canadian Government has a determined policy to help its lumber industry by expanding lumber production, jobs, and exports, while the U.S. Government not only has no such policy but, through its administration of the national forests, unfairly restricts lumber production. If there is any merit to these claims, the deficiencies in U.S. policy should be corrected.

TIMBER SUPPLY: A MAJOR POLICY ISSUE

Although we have no comment to offer at this time on the administration of the national forests, the Government's responsibility in this area is a responsibility to develop and preserve our timber potential in step with national needs. This requires adequate account both of long-term goals and the short-term needs of business, workers, and communities that depend on the availability of timber from the public domain.

We take serious note of the following summary of our timber outlook by the Forest Service in 1958 ("A Summary of the Timber Resource Review," Forest Resource Report, No. 14, January 1958, p. 102) (emphasis added):

"From the preceding summary of the outlook for timber supply certain generalized deductions can be drawn. First, however, it is necessary to recall the assumptions on which most of the discussions were based; namely (a) timber removal would climb steadily and timber demands would be met each year, and (b) forestry would continue to intensify and accelerate as indicated by recent trends. The deductions which appear justified are:

"1. There is sufficient standing timber, plus what will be grown, to supply either medium or lower timber demands each year until 2000. *This cannot be done, however, without serious adverse impacts on timber inventories and growth.*

"2. There is no timber famine in the offing but *some shortages may be expected, especially of softwood sawtimber of the preferred species and grades, and especially after 1975.* There is no danger of timber becoming a surplus crop.

"3. Prompt and very substantial expansion and intensification of forestry in the United States is necessary if timber shortages are to be avoided by 2000. This is due to increases in future timber demands over present consumption largely because of expected expansion of the population rather than increases in per capita demand. The necessary intensification in forestry will have to be in addition to what could be expected by extending the trends in forestry improvements of recent years. This acceleration in forestry will have to come soon, and very largely within the next two decades, because otherwise it will be too late for the effects to be felt by 2000. The degree of forestry intensification needed is much larger and far greater than the general public or most experts are believed to have visualized.

"4. If there is a 15-percent reduction in sawtimber consumption per capita and if there could be a drastic switch in the consumption pattern from softwoods to hardwoods, timber removal and growth could be kept in balance after 1975 even if there is no intensification of forestry beyond recent trends.

"5. The American people may find themselves getting along with somewhat less timber than would be needed to meet medium projected timber demand, and there may be a rise in the price of timber products in relation to competing materials.

"6. The effects, if they occur, of not meeting timber demand, of growth deficiencies, of shortages in some softwood species, sizes, and grades, and rises in relative price probably will not be felt very much until after 1975.

"7. Much progress has been made in forestry in recent years. The undesirable effects of not meeting timber demand and of rising prices need not occur if the American people achieve within the next few years a degree of forestry on all commercial forest land roughly equivalent to that which is practiced today on the better managed lands.

"Forestry is not a short-time proposition. Where this Nations stands in timber supply in the year 2000 will depend largely on actions taken during the next two decades. Recent encouraging forestry trends must continue. But this is not enough. Acceleration of these trends is vital, and to a degree that will startle many of us. There are no grounds for complacency. If the timber resources of the Nation are to be reasonably abundant at the end of the century and if our children and their children are to enjoy the same timber abundance that we ourselves know, standards and sights must be raised. The potential of the land is adequate. The opportunity is there."

In the foreword to its "Lumber Industry Facts, 1960–61," the National Lumber Manufacturers Association states a position contrary to the above conclusions of the Forest Service:

"The annual growth of timber in the United States now exceeds removal by 25 percent. In other words, growth is one-fourth greater than the total withdrawal for commodities plus drain due to destructive agencies, such as fire, insects, and disease."

This, however, is not true of sawtimber, and particularly not true of softwood sawtimber. In general, there is a net growth of hardwoods, but the quality that is replacing the cut is not good. Even in quantity terms, our position could well be a deficit one by the year 2000. The National Lumber Manufacturers Association report estimates the stand of softwood sawtimber at 1,569,218 million board feet, and the 1952 removal from it at 46,162 million board feet. Aside from annual growth, removal at this rate would deplete these resources by the year 2000.

The annual growth and cut of live softwood sawtimber as of 1952 (the latest year for which such data are available) was as follows:

Species group	Growth	Cut	Ratio of growth to cut
	Billion board feet	*Billion board feet*	
Eastern softwoods	17.0	14.1	1.20
Western softwoods	10.9	22.4	.49

Source: Timber Resource Review, op. cit., p. 58, table 37.

This shows a sizable net drain of 30 percent in our softwood timber resources, caused by the substantial drain of the Northwest. It is understood that these patterns are substantially the same today.

Taking the medium projection of growth (so-called projected growth) and of cut (so-called needed growth), we find that in the western softwoods the ratio of cut to growth would be 1.4 to 1 in 1975 and 2.5 to 1 by 2000. The total national softwood position would then show a ratio of cut to growth of 6 to 1 (ibid., p. 93, table 56). While some degree of overcut may on occasion be wise—reflecting an effort to clear out undesirable timber—the U.S. position in softwood sawtimber resources is cause for concern. The problem in the Western States has been made particularly serious by the heavy net drain to date on private timber resources. This overcutting accounted for the serious proportions of the total overcutting of western softwoods shown for 1952.

Summing up the projections of timber supply and demand, the Forest Service observed in its 1958 study (op. cit., pp. 96–7):

"The interpretations given to these projections of future growth are perhaps the most important in the entire Timber Resource Review. The projections indicate that if medium levels of timber demand are met each year, sawtimber growth by 1975 would show a 14-percent deficit in relation to needed growth and a 76-percent deficit by the year 2000. * * * Eastern hardwood sawtimber would show a surplus of growth in 1975 but a deficit by 2000. Both eastern softwoods and western species would show very substantial deficits in both years.

"If the lower instead of the medium level of timber demand was met each year there would appear to be a slight surplus of sawtimber growth, considering all species together, in relation to needed growth in 1975 but a 16-percent deficit by 2000. Projected growth of eastern hardwood sawtimber would be in excess of growth needed in both years. But both eastern softwoods and western species would show about a 15-percent deficit of projected growth in relation to growth needed in 1975. This discrepancy would about double by 2000 * * *."

Our conservation interest is not only quantitative but also qualitative. We have rapidly been cutting our old growth, high quality forests. New growth timber is in smaller trees, which are of inferior quality. Scientific improvements in both forestry and utilization do not lessen the need for concern. It is said that most of what is left of our privately owned old growth timber, rapidly being used up, will be gone in about 20 years and new growth will not mature until after the turn of the next century (e.g., Fortune, May 1962, p. 232). See also pages 250–1 of "Western Forest Industry" by J. A. Guthrie and G. R. Armstrong (Johns Hopkins Press, 1961).

THE EXCHANGE RATE ISSUE

Canadian exports of lumber rose during the 9 years when the Canadian dollar was at a premium. Although the recent devaluation tends to make Canadian lumber sales to the United States more profitable to the Canadian producer, it also raises the price of U.S. equipment to the Canadian lumber industry, and Canada buys a large percentage of its machinery and other supplies from the United States. Moreover, it is understood that in recent labor negotiations in the Canadian lumber industry, the new value of the Canadian dollar was used by the union as a basis for requesting higher wages.

Established with the approval of the International Monetary Fund, the devaluation was designed as part of an overall effort to adjust the Canadian economy to the changing facts of international economic life. If the Canadians are successful in achieving a new equilibrium, both countries will benefit. Import restrictions by the United States in isolated efforts to offset the short-term effect of the Canadian devaluation could well impair such prospects.

What the Canadians have done should not be labeled as "manipulation." It is rather a conventional, sound monetary adjustment designed to correct a very serious balance-of-payments situation. It should be given a chance to work itself out. Flexible tariffs to offset the premium of the U.S. dollar—fluctuating with changes in currency values—would be an isolated, gimmicky response to a highly complex situation. The present situation of a U.S. dollar premium over the Canadian currency places a premium on responsible public policy in the face of new competitive pressures.

THE IMPLICATIONS OF IMPORT RESTRICTIONS

The proposed tariff quota would not keep out Canadian lumber that exceeded 10 percent of the U.S. market. It would rather tend to keep prices higher than they might otherwise be—offering the U.S. lumber industry a temporary advantage that, by stimulating substitution of other materials, would become a longer-run disadvantage. Higher prices for some lumber species also stimulate market opportunities for other lumber species. One region in the United States may then benefit at the expense of another. Imports help to keep lumber competitive with alternative materials. With fewer smaller mills and less small-mill lumber available to meet market needs—a decline caused primarily by basic economic forces of domestic origin—the Canadian lumber seems to fill a gap. It also helps us conserve our scarce timber resources for the most economic uses.

The proposal would stimulate a concentration of imports into the early months of the year in an attempt to come under the wire of duty-free treatment. This concentration would tend to depress domestic prices in that period. The proposed tariff-quota might stimulate action later in the year by a concert of

Canadians who would come close to "dumping" to break the market price and would thus prevent the tariff-quota from having its intended effect.

The proposal's "reciprocity" feature has a surface appearance of equity. In fact, however, this is not equity at all. The apparent equality of treatment is not equal treatment in fact. Canadian lumber exports to the United States are much more important to Canada than U.S. lumber exports to Canada are to the United States. Moreover, U.S. exports of softwood to Canada have not come close to 10 percent of Canadian consumption in any year, whereas Canadian exports of softwood to the United States have exceeded 10 percent of U.S. consumption in 5 years since the war, including each year from 1958 to 1961. Canadian import duties on lumber are higher than U.S. duties. Under the proposed tariff quota, Canada would reduce its tariff much more than the cut made in the U.S. duties (which are actually an import duty plus an excise tax) in exchange for duty-free entry of less lumber than it now ships to this country and higher levies on any lumber it ships here above the duty-free quota. On the basis of 1961 trade, the latter volume of dutiable lumber in excess of the quota would amount to over 20 percent of total Canadian shipments of softwood lumber to the United States last year. To the extent that reductions in Canadian duties would result in more U.S. lumber exported to Canada (such increases would most likely be very small at most), Canada would be making concessions in both its home market and in its major export market as well. Such restrictions would pose a problem for a growing Canadian lumber industry and for total U.S. trade with Canada—a problem that exceeds in scope and magnitude whatever short-run advantages may accrue to a U.S. lumber industry whose difficulties are much more from other causes than from Canadian competition.

Curtailment of Canadian lumber shipments to the United States—exceeding $250 million in 1961 and an important source of foreign exchange—would probably have an adverse effect on U.S. exports of manufactures to Canada, which are of considerable importance to our economy. Our fruit exports to Canada, many coming from the Northwest, might also be affected. Total U.S. exports of fruits and fruit preparations to Canada in 1961 totaled over $100 million. They have been rising steadily at least since 1957. U.S. exports of softwood lumber to Canada might also be affected. In 1961 they amounted to a fourth of the 618 million board feet we exported. Total U.S. exports of all kinds of goods to Canada in the last 3 years have totaled approximately $3.7 billion annually. U.S. imports from Canada have totaled about $3 billion. Our export surplus with Canada has ranged between $600 million and $800 million.

These views in opposition to import restrictions apply with equal validity to the advocacy of "voluntary export control" agreements. Cutting U.S.-Canadian lumber trade with either edge of the control knife would be a mistake—serving neither the national interest nor the basic interest of the lumber industry.

It is essential that the lumber industry make a vigorous effort to adjust to the new competitive situation. There is evidence that the rapid advance of competing products has been a function, not only of the imagination of those who developed them, but to some extent of the neglect of parts of the lumber itself in both research and promotion. One of its leading associations began a trade promotion program only 3 years ago. There is much more to be done by both Government and industry. Greater efficiencies in both timber utilization and labor productivity deserve attention. The course of responsible action is in the direction of building strength for the industry and for the national economy of which it is inextricably a part. Import restrictions do not fit those policy standards. They do not even protect.

The industry's proposals of import restriction come at a time when the lumber industry has to some extent settled down after an inevitable readjustment period, and when the initiative the Canadians and the rest of the free world expect from us is in the direction of trade expansion. They also come at a time when the construction industry, to whose ups and downs lumber sales are so closely tied, is showing clear signs of recovery (table 8). So do lumber sales themselves (table 9). Housing indicators point to 1962 becoming one of the best years on record (see also "Business Week, June 30, 1962, p. 23).

West coast lumber production has since the war tended to lag behind changes in housing starts (Federal Reserve Bank of San Francisco, "Monthly Review," February 1959, p. 24). But the data on U.S. lumber sales already show the upswing. Mill shipments in May 1962—total and in softwoods alone—were the highest they had been in at least 14 months, and the January–May average was

higher than the monthly averages of 1960 and 1961 (table 9). The volume of new lumber orders received in May was 7.4 percent higher than the corresponding averages of the two previous years. Mill stocks at the end of May were 2 percent lower than the end of May 1961 (National Lumber Manufacturers Association, "The Lumber Letter," July 6, 1962, p. 2). These trends are reflected in an improvement in the employment situation in the lumber and wood products industry. This improvement was already evident in February 1962, when unemployment in this industry was reported by the Labor Department's Bureau of Employment Security at 62,000 compared with about 100,000 the year before. This improvement was also true of Oregon and Washington. In Oregon (according to data in the testimony of the International Woodworkers of America before the Senate Commerce Committee in June 1962) there were 7,000 more people employed in the lumber and wood products industry in March 1962 than in March 1961. In Washington the gain in April 1962 over April 1961 was 1,600.

CONCLUSIONS AND RECOMMENDATIONS

The fact that shifts are taking place in the sawmill industry under the influence of competitive forces at home and from abroad should not suggest the need for Government action to restrict the competition and retard the shifts. The representative of the Western Pine Association told the Senate Commerce Committee on April 16, 1962, that the best way to keep U.S.-Canadian good neighbor policy going is "to assure, so far as possible, equal competitive opportunity for all operations in what we westerners call 'one forest under two flags.'" Where some sectors of the forest are competing with one another and the economics of the U.S. lumber industry invites imports from Canada, government intrusion to provide the requested assurance—an objective that defies simple definition—would tend to convert "one forest under two flags" into a policy jungle.

Structural and operational changes have always taken place in the industry. They are still taking place and more may be needed. The steps which Government should take to help strengthen the industry should not be at the expense of the national interest at home and abroad. They should not divert us from the effort that must be made to lower restrictions to international trade, or from a policy of sound conservation in our administration of national timber policies. Sound conservation policies and domestic market forces affecting the supply and demand for lumber have in effect attracted imports of Canadian softwood to fill supply gaps.

To restrict imports would be dealing with the effects not the cause of this process. It is a step that would not be even part of a constructive solution for whatever problems these economic forces have created or aggravated. It would rather set off a sequence of events which would prove injurious to the best interests of the country, and not excluding those of the lumber industry itself. The position of Canada as the largest single national market for U.S. exports—coupled with the importance of lumber to Canada's earning power—suggest the need for prudence and responsibility in our approach to our trade relations with Canada.

In the interest of the Nation as a whole, it is recommended that:

1. No restrictions should be placed on imports of lumber either through direct controls, or through "Buy American" policies, or the burdensome requirement of country-of-origin markings on imported lumber, or voluntary export controls.
2. The Government should make sure that timber from the public domain is made available on an orderly and fair basis to those who compete for it—all within the scope of allowable cuts in accordance with standards of effective and farsighted conservation of timber resources.
3. The lumber research and promotional efforts of both industry and Government should be stepped up.
4. Transportation laws and rulings as they affect the lumber industry should be reviewed for the purpose of discontinuing those which place the U.S. industry at an unfair disadvantage in competition with Canada, and certain domestic producers at an unfair disadvantage in competition with other domestic producers. In making such changes, careful account should be taken of the competition between those in the U.S. industry itself who ship by water and those who ship by rail.

5. Depreciation schedules for tax purposes should be kept up to date. The recent changes announced by the Treasury Department are noted with approval.

6. Adequate Government funds should be provided to finance the construction of access roads.

7. As part of a more general effort to study the problems of American industries and work with these industries toward sound solutions, the administration should include the lumber industry in the list of industries deserving early attention in this respect. Claims of injurious import competition should be evaluated by the Tariff Commission in accordance with statutory procedures established for such purposes.

8. The United States should proceed vigorously and consistently with a trade expansion policy abroad, and an economic adjustment policy at home. Through the resulting expansion of markets for the goods of both the United States and Canada, the U.S. lumber industry stands to benefit from such efforts. Market-sharing formulas are not formulas for progress. They are rather Government intrusions which in effect retard the pace of expansion so essential to the Nation's total interest both at home and abroad.

These recommendations add up to an approach that is consistent with the economics of our lumber industry, the country's stake in a strong wood products industry, the objectives of the national interest at home and abroad, and with the declared interest of the National Lumber Manufacturers Association in "amity and equity in our relationship with Canadian lumber producers." We cannot expect to succeed in our national trade policy—in what the Canadians have called "the new American initiative"—unless we are prepared to determine with meticulous care the causes and proportions of the difficulties American producers may be encountering and the most responsible ways to deal with those problems. The Government's approach to the problems of the lumber industry should exemplify, not tarnish, the kind of initiative which the President's trade legislation proposals of 1962 appear to reflect.

(Revised (minor revisions, none substantive) August 24, 1962.)

TABLE 1.—*Softwood lumber: U.S. production, consumption, and imports from Canada*

[Million board feet]

Year	Consumption [1]	Production	Imports from Canada	Total imports as percent of apparent consumption
1951	30,336	29,493	2,085	7.4
1952	32,293	30,234	2,143	7.0
1953	30,821	29,562	2,418	8.6
1954	32,001	29,282	2,751	9.8
1955	32,390	29,815	3,330	10.3
1956	32,294	30,231	3,065	9.7
1957	29,617	27,100	2,649	9.2
1958	30,347	27,379	3,090	10.4
1959	33,675	30,674	3,666	11.2
1960	30,865	28,334	3,578	11.8
1961	30,577	27,079	3,943	13.1

[1] Apparent consumption: production plus imports minus exports, plus or minus change in stocks.

Source: U.S. Department of Commerce.

TABLE 2.—*Indexes of U.S. consumption of softwood lumber, softwood plywood, hardwood, insulation board, and particle board, 1947–61*

[1947–49=100]

	Softwood		Hard-board	Insulation board
	Lumber	Plywood		
1947	97	91	100	100
1948	104	104	130	119
1949	99	105	70	81
1950	121	143	123	82
1951	110	160	119	80
1952	117	169	133	89
1953	112	205	175	117
1954	116	213	179	120
1955	118	282	213	142
1956	117	289	221	148
1957	108	301	231	154
1958	110	345	249	166
1959	122	409	311	208
1960	112	412	292	195
1961	111	449	306	205

Source: U.S. Department of Commerce.

TABLE 3.—*Lumber industry production indexes for the 12th Federal Reserve district*

[1947–49=100]

	1956	1957	1958	1959	1960	1961
Lumber	120	106	107	116	107	101
Wood pulp	192	189	186	196	199	202
Douglas-fir plywood	291	303	352	428	411	428
Index of U.S. softwood lumber consumption (1947-49=100) [1]	117	108	110	122	112	111

[1] Apparent consumption: production plus imports minus exports, plus or minus changes in stocks.

Source: Federal Reserve Bank of San Francisco, Monthly Review, March 1962, p. 62. Consumption index is from U.S. Department of Commerce.

TABLE 4.—*Indicators of changes in lumber use*

	1940	1956
Percentage of houses using—		
Lumber sheathing	49	31
Plywood sheathing	1	7
Insulation board sheathing	19	45
Wooden shingles	36	11
Asphalt and asbestos shingles	47	73
Wood for windows	91	57
Metal, etc., for windows	9	43

Source: National Lumber Manufacturers Association, "Lumber Industry Facts, 1960-61" (1961), table 64, p. 40.

TABLE 5.—*Appraised and bid prices in Pacific Northwest, 1959–61*

	1959	1960	1961
Douglas-fir region:			
Appraised price	$20.22	$18.71	$14.98
Bid price	$27.42	$23.64	$20.04
Bid as percent of appraised price	136	126	134
Appraised price index	100	93	74
Bid price index	100	86	73
Pine region:			
Appraised price	$14.05	$15.85	$10.82
Bid price	$16.55	$16.48	$12.50
Bid as percent of appraised price	118	104	116
Appraised price index	100	113	77
Bid price index	100	100	76

Source: Senate address by Senator Morse, of Oregon, Congressional Record, June 12, 1962, p. 9499.

TABLE 6.—*Waterborne shipments of lumber to the Atlantic coast and California from British Columbia and the Pacific Northwest, 1952–61*

[Million board feet]

Year	From British Columbia—		From the Northwest—	
	To Atlantic coast	To California	To Atlantic coast	To California
1952	222	8	1,054	413
1953	535	8	1,059	455
1954	508	2	934	447
1955	345	1	1,031	556
1956	282	2	1,023	402
1957	275	0	973	345
1958	602	0	924	434
1959	594	1	903	424
1960	695	19	849	352
1961	794	44	595	352

Source: U.S. Department of Commerce.

TABLE 7.—*Waterborne shipments from British Columbia, 1952–61*

[Thousand board feet]

Destination	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
United States	247,513	566,276	543,851	392,197	333,954	327,674	652,086	660,129	788,827	924,216
Alaska	0	0	0	0	0	19	0	0	0	2
Atlantic coast	222,078	534,965	507,835	344,920	282,161	275,432	602,427	594,218	694,604	794,338
California	7,731	7,507	1,826	774	1,673	0	0	952	19,446	43,740
Hawaii	9,558	7,577	4,998	12,715	13,183	7,668	3,166	2,133	7,755	12,887
Puerto Rico	8,146	16,227	29,192	33,788	41,937	44,555	46,493	62,826	67,022	73,249
Other countries	900,539	818,680	1,030,424	1,016,825	645,789	749,141	656,793	527,042	876,844	856,071
Africa	52,344	123,064	145,308	188,567	145,132	181,560	139,522	94,598	142,293	75,146
Australia	36,060	89,658	115,464	137,308	99,829	87,213	98,808	80,115	113,536	91,935
Japan	82	20,677	8,216	1,623	5,852	2,301	999	1,201	1,667	155,550
United Kingdom	772,527	502,814	693,007	607,240	320,126	384,754	336,889	267,273	518,090	422,939
Other	39,526	82,467	68,429	82,087	74,850	93,313	80,574	83 835	101,318	110,501
Eastern Canada	0	6,708	5,670	3,037	4,917	2,103	5,482	10,482	9,680	8,828
Total	1,148,052	1,391,664	1,579,945	1,412,059	989,660	1,078,918	1,314,361	1,197,653	1,675,351	1,789,115

Source: Pacific Lumber Inspection Bureau, as made available by the U.S. Department of Commerce.

TABLE 8.—*New private housing starts, 1962 compared with 1961*

[In thousands, seasonally adjusted at annual rates]

1961	
April	1,160
May	1,201
June	1,381
July	1,343
August	1,326
September	1,383
October	1,434
November	1,351
December	1,297
1962	
January	1,273
February	1,152
March	1,431
April	1,538
May	1,587

Source: U.S. Department of Commerce, Survey of Current Business, June 1962.

TABLE 9.—*U.S. lumber shipments, 1961 and 1962*

[Million board feet]

	Total	Softwood
1960 monthly average	2,803	2,298
1961 monthly average	2,666	2,251
1961—April	2,766	2,382
May	3,036	2,632
June	2,905	2,498
July	2,563	2,159
August	3,010	2,587
September	2,784	2,346
October	2,814	2,393
November	2,497	2,092
December	2,259	1,855
1962—January	2,344	1,947
February	2,624	2,123
March	2,920	2,441
April	2,920	2,427
May	3,242	2,742

Source: U.S. Department of Commerce, Survey of Current Business, June 1962, pp. 5-31. May 1962 data from National Lumber Manufacturers Association, the Lumber Letter, July 6, 1962.

Mr. TAFT. The lumber manufacturing associations want lumber imports restricted. They seek restrictions both direct and indirect. Now that the industry's escape clause petition has ended in a Tariff Commission finding of no injury to the industry from trade concessions, the industry has resumed its effort to secure trade restrictions through legislative action. The bill before you is part of that effort.

It will increase the costs of the imported product without subjecting domestic lumber to the same requirement. May I add here parenthetically that, even without this discrimination, the requirement with respect to imports involves other considerations such as the compensatory or retaliatory or retaliatory action that would have to follow in view of the trade agreement with Canada.

If the country-of-origin marking proposal is really designed by its advocates as protection to the consumer—I submit that in theory such marking has no other justification, but I seriously doubt whether protection of the consumer is their real intent—they must surely know that, on the one hand, the mark is sometimes lost because the

lumber is cut before it reaches the ultimate consumer; and on the other hand, the marking of foreign country of origin, to the extent it is seen by the consumer, may be a mark of prestige in some cases. In some cases, I am sure, it is a mark of prestige where domestic lumber is involved.

I might say that if there is not now a campaign, an advertising campaign might be contemplated like that of Volkswagen which might well establish some measure of prestige, at least in price or some other quality, for a foreign product, such as lumber.

Some U.S. lumber producers mark their names on their product, and, as noted earlier, we know of at least one producer who sees a definite advantage in marking his product as made in the United States. Such decisions ought to be left to individual producers on both sides of the border.

I think, Mr. Chairman, I must say a word about some of the statements made about Canada at this hearing, and about GATT. With all respect, I think I understood the Senator from Washington to say that the GATT runs out. This is not correct. The GATT is an agreement which may be terminated by a certain length of notice, but in the absence of such a termination it continues indefinitely. It does not run out. It also does carry some escape clauses.

Canada, however, increased its tariffs in a form that might be described as a surcharge without the necessary international clearances under the rules of GATT, a clear violation of their obligations at that time.

The surcharges were not objected to as such, so I am told, because it was necessary for balance-of-payments reasons.

They have now, I understand, removed about two-thirds of the increase in their tariffs, and I assume they will remove the balance. Whether this applies to lumber or not, I cannot tell the committee. I am sure that some of your staff can get those figures accurately.

So far as black walnut is concerned, I do not think I am ready to admit that the State of Indiana can raise better black walnut than the State of Ohio, or perhaps, even the State of Illinois.

This is a belt in which black walnut is very well known, and we are interested very much in black walnut, too, in Ohio.

But I must say it seems to be a case where without a source of supply outside there has been an overuse on certain types of things to which Senator Hartke referred, on gunstocks and on exports, and they had not anticipated this kind of sale and, therefore, had not started their replanting early enough.

I think it is only fair to add that one of the points made in the memorandum which I have submitted here is that so far as softwood saw timber is concerned the industry has not yet replanted sufficiently to replace what they have cut. They have already reached the point where the supply is not adequate and, therefore, it may resemble in that respect, at least, the situation of zinc and lead in which our own resources cannot supply the grades of those particular metals that are needed.

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

We are proud of being private enterprisers. I would suggest to those involved in this particular argument that private enterprise is something to which they could devote more attention more effectively than by seeking additional protection.

The CHAIRMAN. Thank you very much, Mr. Taft.

Any questions?

Senator DOUGLAS. Mr. Chairman?

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. This requirement that lumber be identified by country or origin is not necessary from the standpoint of quality, is it, because, as I understand it, FHA already requires informative labeling on all types of raw lumber irrespective of origin; isn't that true?

Mr. TAFT. Well, I have built houses myself some 20 years ago, but I am not an expert on that, sir, and I would certainly take what I think two witnesses stated today before this committee as correct; I assume that is correct.

Senator DOUGLAS. So that green lumber could not be passed off as dried lumber?

Mr. TAFT. Certainly not.

Senator DOUGLAS. This would apply to lumber from Canada as well as the United States?

Mr. TAFT. I am sure it would.

Senator DOUGLAS. You mentioned the fact that you believed this requirement of labeling was probably a restrictive program on the part of the lumber manufacturers.

In a brief or statement which is being filed with the Committee by the National Association of Home Builders, but which apparently is not being given verbally, it is stated on page 2 that the National Lumber Manufacturers Association at their legislative meeting of January 22, 1963, adopted the following resolution:

> Mounting imports of softwood lumber from Canada: In an effort to curb these shipments, which presently account for about 17 percent of the softwood market in the United States, the industry in coming months will push for:
> (1) A congressional resolution urging the President to impose realistic import quotas;
> (2) Legislation requiring the marking of all imported lumber to identify the country of origin;
> (3) Amendment of the National Housing Act to prohibit the use of foreign lumber in construction bearing FHA-insured financing; and
> (4) Legislation to include lumber and wood products as an "agricultural commodity or products thereof" subject to import quotas under section 22 of the Agricultural Adjustment Act.

Assuming that this quotation is accurate, this would seem to indicate this is merely one part of a general program designed to restrict the importation of Canadian timber; is that true?

Mr. TAFT. I would say so without any question. I had not seen this before, but I had assumed from the answer of the representative of the Lumber Manufacturers Association that this was his position.

Senator DOUGLAS. Yes. That is what I understood.

Now, granted that Canada at times does things which are irritating and adverse to the United States, and granted that they are altogether too sensitive about many matters, isn't it true that with the degree of anti-Americanism which is present in Canada always, and which is coming to the surface now, that bills of this kind, particularly the

Jordan amendment, would in all probability lead to retaliatory action by Canada and thereby worsen relationships rather than contribute toward an improvement of relationships?

Mr. TAFT. I think there is no question of that. The present government would probably do it as a matter of policy, and I think if the government should be changed in the next election that they would be almost forced into it by the position of the minority of the present government at that time.

Of course, if this government should win, then they would continue what they have done, and I am sure that would involve retaliation. They would feel they had to be in line with what they had been saying all along about the relationships between the two countries.

Senator DOUGLAS. As you know, I sponsored an amendment to the Trade Expansion Act which gave to the President the power of retaliating where actions by foreign governments were distinctly adverse to us, so I am not a nonresister in these matters.

Mr. TAFT. Our committee supported you, sir, in that respect.

Senator DOUGLAS. I know. Neither of us are nonresisters in these matters. But, at the same time, international affairs are like matters of personal relationships. One needs to be careful, does one not, in launching upon a line of action which may stimulate retaliation, and may ultimately lead to a worse situation.

Mr. TAFT. There is no question that to start on that, as we found in the period between 1930 and 1939, you start a trade war, and that was what we had even before 1930, beginning almost after the First World War, but running through that 20-year period was a tariff war that pushed up not only our own tariff but also produced the Ottawa agreement with the Commonwealth preferences that have plagued us ever since.

Senator DOUGLAS. I would like to make the term a little different from yours. I would like to say from 1920 to 1933 or 1934 rather than 1939, because I added especially the years 1930–33.

Mr. TAFT. I was referring to the world situation, Senator.

Senator DOUGLAS. Oh, yes.

Mr. TAFT. Because a large part of the Nazi bilateral trade wars were conducted during the thirties.

Senator DOUGLAS. That is right. But our provocation ceased in 1933 and 1934.

Mr. TAFT. I was not commenting on the United States by itself, Senator.

Senator DOUGLAS. I am glad of that.

Then we turned over a new leaf in these matters with the Hull-Roosevelt program of reciprocal trade for which you have been an eminent and eloquent expositor.

Mr. TAFT. While it is true that the act of 1962, our act of 1962, does not make marking and labeling one of the concessions which we may use as something for which we get something, it actually is in the Canadian treaty and became part of our commitments under GATT, and this is considered as a negotiating item in the general agreement. Article 9 of GATT, I believe of the witnesses indicated this, has added a strengthening provision with reference to pirating or deception or anything of that sort, fraud.

The CHAIRMAN. Thank you, Mr. Taft.

Mr. TAFT. Thank you, Senator.

The CHAIRMAN. The next witness is Mr. Richard Riley of the Furman Lumber Co.

All right, proceed.

STATEMENT OF RICHARD RILEY, FURMAN LUMBER CO., BOSTON, MASS.

Mr. RILEY. Mr. Chairman and gentlemen, I want to thank you for the opportunity to appear before you today.

My name is Richard Riley, a member of Furman Lumber, Inc., Boston, Mass., and a director of the Inter-Coastal Lumber Distributors Association of New York.

Our firm sells softwood construction lumber and plywood in the New England States, New Jersey, and New York State, including Long Island.

Our volume exceeds $20 million and 250 million board feet per year. Our sales are to retail lumber dealers who are primarily servicing the homebuilding industry.

We procure our lumber supplies from the Northeast, the South, the Northwest, and eastern and western Canada.

The products we purchase from each area are those that are most economically available from each.

The consuming area that we cover depends on Canadian lumber for approximately 65 percent of its softwood dimension requirements.

We are opposed to required marking of lumber with the country of origin because—

(1) It would tend to create chaos in the consuming market of the Northeast.

(2) It would lead to unnecessary restrictive legislation that would result in higher costs to the consumer.

(3) It would be damaging to the growth of the lumber industry as a whole.

The American Lumber Standards Committee has worked long and hard for many years to bring about and maintain in the lumber industry standard sizes and grades so that consumers can be assured of a uniform interchangeable product from various mills.

Marking the lumber with the country of origin would require yards to carry a double inventory using more space and funds than is now necessary.

It would cause confusion in all channels of distribution by unnecessarily differentiating between species of lumber by country and there are already very many species and categories.

This measure would tend to nullify some of the progress made by the American Lumber Standards Committee.

To require marking the country of origin on lumber would, we feel, open the door to other unnecessary restrictive legislation such as requiring U.S. produced lumber on FHA and VA construction.

This would cause U.S. lumber to go up in price, and shortages would develop in some items. The result would be higher costs for this type of housing and a slowdown in forward building.

Senator DOUGLAS. Mr. Riley, may I interrupt?

Mr. RILEY. Yes.

Senator DOUGLAS. That is apparently the third item in the legislative program of the National Lumber Manufacturers Association, which I have just read?

Mr. RILEY. Yes.

Senator DOUGLAS. Which I will repeat.

The amendment to the National Housing Act to prohibit the use of foreign lumber in construction bearing FHA insurance financing.

If this is an improper quotation, I would appreciate it very much if I were to be set right.

Mr. RILEY. As I understand it, that is part of the legislative program that is proposed.

The lumber industry is beset with many chronic problems; one of which is the pressure of substitute materials in home building.

This measure would lead to higher lumber prices and would allow these substitute materials to gain a greater part of the lumber market, thus injuring all segments of the industry.

We are opposed to this measure because we feel it restricts and disrupts the orderly merchandising of lumber, and we feel there is neither need nor desire on the part of ourselves or our customers, or the consumer, for this type of legislation.

I might add here during the noon recess I had a chance to look over the National Home Building Association brief and in it there is a list of telegrams which bring out this point that consumers throughout the country that belong to this association are not in favor of this type of legislation.

They feel along with us that it would raise the cost of this type of housing.

The lack of country of origin marking does not affect the "Buy American Act" because it is very easy for consumers to find out where their lumber comes from and in many cases this is a condition of the sale.

We would like to see constructive legislation, the kind that would help reduce the costs of U.S. lumber to the consumer, so that domestic lumber would not only compete favorably with imports; but also help stem the flow of substitute materials into the home building industry.

Legislation regarding the pricing of U.S. timber holdings would be helpful if it prevented unrealistically high costs to the mills.

Shipping laws which require U.S. lumber producers to ship water cargo lumber, on an uneconomic and an uncompetitive basis should be changed.

We feel that the "Jones Act" is an example of a restrictive law which is hurting the lumber producers.

We feel that the building industry is one of our most basic industries and any measure which restricts it, disrupts it, or unnecessarily raises costs has far reaching detrimental effects on the entire economy.

The people of New England and the northeast are vitally interested in the continued supply of large quantities of lumber products.

We need lumber from both the United States and Canada, and we will continue our effort to maintain the historic freedom of trade with our good neighbors to the north, an effort which is in harmony with the spirit of this generation.

Thank you.

The CHAIRMAN. Thank you, Mr. Riley.

Are there further questions?

The CHAIRMAN. The next witness is Mr. Albert A. Block of the Albert A. Block Co., Annapolis, Md.

Take a seat, Mr. Block, and proceed.

STATEMENT OF ALBERT A. BLOCK, REPRESENTING ALBERT A. BLOCK & CO., ANNAPOLIS, MD.

Mr. BLOCK. Mr. Chairman, members of the Senate Finance Committee, my name is Albert A. Block. My home address is 118 Spa View Avenue, Annapolis, Md.

For the past 29 years I have been in almost every level of the alcoholic beverage industry. At present, I am an importer, retailer, and consultant in alcoholic beverage legislation and marketing.

For 15 years, I have been legislative chairman of the Maryland Liquor Package Stores Association, which is affiliated with the National Package Stores Association.

My appearance here is in behalf of the State of Maryland group, of which I was cofounder in 1946. This is a nonpaying job.

We are strongly in favor of H.R. 2513. While our only criticism is that it doesn't go far enough, we feel that its passage would be a step to strengthen the current efforts of our executive and legislative toward the correction of the many packaging evils which deceive the American consumer every day of the year.

Our group believes in every form of honesty in marketing. We believe that the consumer should always get what he thinks he is getting as to quantity, quality, and origin of contents; and in the case of a processed article, the origin of its principal ingredients.

Some of the packaging laws of our industry are so construed that in many instances they invite infringement upon the rights of the purchaser to choose a product in the marketplace without having to interpret portions of the information upon the label, and in some instances question the deceptive inference with respect to the noma itself.

I should like, Mr. Chairman, to present an exhibit to be included as part of my testimony. Here is a bottle of distilled spirits made in the United States, shipped to Belgium in bulk, stored there and re-shipped to Philadelphia where it is bottled.

The label features the word "imported," notwithstanding its domestic origin.

While the vendor has complied with all labeling regulations of the proper Government agency, the purchaser of this brand believes he is getting an imported product.

Nowhere on the package does it state the country of actual origin.

At present there exists within our industry an instance where our labeling regulations and practices contradict encyclopedias, dictionaries, trade sources, and consumer understanding.

Our organization, dedicated to the promotion of ethical dealings with Mr. and Mrs. United States, hopes that the principles of fairness contained in H.R. 2513, if it becomes law, will be a forerunner to the correction of many other deceptive labeling practices which exist.

I thank you for the opportunity of presenting this testimony.

Before I close, I should like to digress from my prepared text for 1 minute to say that I have here a copy of a letter sent to this committee last year by the National Consumers League, and if I may, I should like to read it.

This was on H.R. 7692, which of course was in the 87th Congress last year:

> DEAR SENATOR BYRD: The National Consumers League has for a long time urged more complete informative labeling of consumer goods. We agree completely with President Kennedy who stated in his consumer message to Congress in March that "one of the rights of the consumer is the right to be informed and to be given the facts he needs to make an informed choice."
>
> Without full information, the customer's dollar may be wasted and the national interest would suffer.
>
> Our economy cannot afford waste in consumption any more than in business or in government.

The league itself therefore urges the enactment of H.R. 7692—that was last year's bill—

> to amend the Tariff Act to regulate certain imported goods to carry information as to the country of origin, since this bill would result in more complete information on the basis of which consumers can discharge their responsibility of intelligent spending.
>
> Sincerely yours,
>
> SARA H. NEWMAN, *General Secretary.*

That is the National Consumers League, two of whose vice presidents were recently appointed by the President to the Consumer Advisory Council.

I am sure you understand that organization. I think that the consumer who hasn't been mentioned very much today should know what he is buying at all times.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Block.

The next witness is Mr. Sidney S. Postol, City Lumber Co., of Bridgeport, Conn.

STATEMENT OF SIDNEY S. POSTOL, CITY LUMBER CO., BRIDGEPORT, CONN.

Mr. POSTOL. Mr. Chairman, Senator Douglas, I am here in opposition to Senate bill 957.

I am Sidney S. Postol, vice president of the City Lumber Co., of Bridgeport, Conn.

Our company is a wholesale distributor marketing its products primarily throughout the Northeast, the Middle Atlantic States and Florida.

Our distribution facilities are located at Boston, Bridgeport, Newark, N.J., Philadelphia, Palm Beach, Fla., Port Everglades, Fla.

We also maintain a buying office in Portland, Oreg.

Our annual volume of softwood lumber is approximately 200 million feet, which represents purchases for direct shipments to our customers and for inventory and our distribution facilities.

I am here because I am concerned that the Jordan amendment will require our company to change its way of doing business from the pattern that has developed over the past 50 years.

This will be at considerable cost to ourselves and to our customers, the retail lumber dealers, and to their customers, the consumers, the consumers of the products.

It is our practice to sell lumber on the basis of species, grade, and size as our customers need it without regard to where it is produced. We know that this is true of our competitors and others who distribute lumber. We keep our inventory separate as to species, size, and grade.

Senator DOUGLAS. Mr. Postol, would you be kind enough to speak more loudly?

Mr. POSTOL. I am sorry.

We keep our inventories separate as to species, size, and grade, but if we are forced to add a new category, segregation by country where produced, we will have to substantially increase our inventories.

The cost of handling, the requirements of space, and the amount of money tied up in financing will almost double. This will cost us more and will, of course, be passed on to our customers.

We are concerned not only as to the cost to the lumber users, but it is our fear that this increased cost will lose markets for lumber which will go to competing materials.

Our customers do not require, nor have they ever asked, that lumber be marked as to origin or kept separate on this basis.

In our own distribution yards we have never made any such separation. Our deliveries made by trailer truck to retail lumber dealers make no such separation, nor do our customers so separate in their yards.

We are not looking for protection for a cheap source of supply. There is no cheap source of supply for good quality softwood lumber.

Canadian softwoods that come into this country constitute some 15 percent of the domestic market, and this does not set the price.

Prices of the same grade and specie for Canadian and American lumber are comparable. They are set by supply and demand in a free market where no single producer dominates, and where no single buyer is large enough to force his price on the producer or seller.

Thank you.

The CHAIRMAN. Thank you very much.

Any questions?

Senator DOUGLAS. Mr. Postol, may I ask how many grades of lumber there are? What are the main categories of lumber?

Mr. POSTOL. Well, in softwoods in construction lumber, and I think really that is the issue here. There are three main grades that are sold—construction, standard, and utility—and they are used primarily in house construction.

All three are recognized grades by grading associations and are listed in the FHA minimum property requirements.

Senator DOUGLAS. That is all cured lumber, so-called, is it?

Mr. POSTOL. No, sir.

Senator DOUGLAS. No?

Mr. POSTOL. I think that I might correct one misimpression that Senator Warren Magnuson may have given us, that lumber produced in the United States is shipped dry and that lumber shipped from Canada is shipped green.

We do business in Oregon, in Washington, and currently are buying from Washington from some of his good constituents, green lumber of the same specie and grade as is produced in Canada.

We will continue to do business with these companies, and have done it for a number of years.

The matter of green or dry in softwood construction lumber I think is a matter of economics. When you ship it by water, it is usually shipped green, cube is the factor there, space rather than weight.

When it is shipped by rail, some is shipped green and some is shipped dry.

It is a matter of facilities of the people who store it as well and the practice of the community in which it is used.

Senator DOUGLAS. But this is not an official distinction then between green lumber and dry lumber?

Mr. POSTOL. Official as to whom?

Senator DOUGLAS. Well does FHA requires lumber to be graded as to whether it is green or dry?

Mr. POSTOL. Well in construction lumber, that which is used in framing, it does not require that it be kiln dried; no, sir.

Senator DOUGLAS. What about finishing?

Mr. POSTOL. Finished lumber is always sold dry. It would not stand up on the house, if it were green. It would shrink, it would warp, it just wouldn't be useful, and frankly there is very little finished lumber shipped from Canada into the United States.

The bulk of finished lumber comes from California, Oregon, Washington, Idaho, Montana—some from the Southwest, too.

Senator DOUGLAS. Is as much lumber from Canada dry lumber as from the United States?

Mr. POSTOL. No, sir; there is very little dry lumber shipped from Canada to the United States.

Senator DOUGLAS. What about the majority of lumber in the United States?

Mr. POSTOL. Well, for the same usage, there is far more green lumber shipped from the United States than there is from Canada.

After all the Canadian production shipped into the United States, represented by the National Lumber Manufacturers statement, is some 15 percent.

Senator DOUGLAS. Yes, but I mean proportionately within that 15 percent, is it green or dry?

Mr. POSTOL. Largely green lumber.

Senator DOUGLAS. From Canada?

Mr. POSTOL. Yes, sir.

Senator DOUGLAS. And in the 85 percent that comes from the United States, is that primarily green or dry?

Mr. POSTOL. In all honesty, I don't think I can answer that correctly. I just don't have the figures.

My impression is, at least in the business that we do in house construction lumber, that it is more green than dry.

Senator DOUGLAS. That is American lumber.

Mr. POSTOL. Yes, sir. And this is shipped both by water and rail.

Senator DOUGLAS. So what you are saying its that there is no superiority in quality so far as lumber being cured in American lumber as compared to Canadian lumber?

Mr. POSTOL. Green for green——

Senator DOUGLAS. The proportions of each.

Mr. POSTOL. I am not sure that I follow the question.

Senator DOUGLAS. We have two categories.

Mr. POSTOL. Yes, sir.

Senator DOUGLAS. Canadian lumber, 15 percent of the total, American lumber, 85 percent of the total.

You say Canadian lumber, green Canadian lumber, is just as green as green American lumber.

Granted, of course, dry is just as dry.

But the question is about the relative proportions of these two categories which are green and dry.

That is of the 15 percent American, do I understand you to say——

Mr. POSTOL. Fifteen percent Canadian.

Senator DOUGLAS. Fifteen percent Canadian, there is just as much dry lumber proportionately within that.

Mr. POSTOL. No, no; I am sorry. If I gave that impression I wasn't clear in my answer.

It is my impression that most of the Canadian lumber that is shipped into the United States from the Pacific Northwest is shipped green.

Senator DOUGLAS. Is shipped green?

Mr. POSTOL. Yes, sir.

Senator DOUGLAS. And most of the American lumber that is shipped is shipped——

Mr. POSTOL. I said that I wasn't sure. Certainly in what we deal in American lumber, most of what we buy and sell in American lumber, is shipped green, not dry.

Senator DOUGLAS. Does it obtain dryness on its long trip?

Mr. POSTOL. No, sir. It is sawn, planed green, shipped in a vessel or in a freight car green, it is put into the retailer's yard or into our distribution yard green, sent out to the job site, put into a building, but it maintains its dimensional stability primarily in terms of the species involved: fir and hemlock.

They don't shrink very much when they are drying, and the shrinking takes place rapidly so that the building is not adversely affected.

Senator DOUGLAS. Why would you object to having the Canadian lumber labeled, aside from this requirement that you would have to set up six categories instead of three?

Mr. POSTOL. Within those categories, of course, you can sell sizes of lumber.

Senator DOUGLAS. Yes. In other words, you would have to double.

Mr. POSTOL. In the distribution yards such as we maintain are approximately 200 to 250 sizes. Each one represents a number of piles.

If this lumber could not be shipped because Canadian lumber or imported lumber was not acceptable, we would then have to have a separate pile that could only be shipped where American lumber was required.

Senator DOUGLAS. In other words, you would have to have 1,200 categories, 200 multiplied by 3 multiplied by 2, instead of 600?

Mr. POSTOL. Check; yes, sir, and that would further be confused as we are presently set up. We don't separate the lumber from Oregon or Washington or the lumber from Canada.

When we load out a trailer load if we have one size in Canadian, another size in American, it all goes out at once.

This would mean that in addition to having more piles, we would have to go looking for them. We would have to keep them separately.

Senator DOUGLAS. There are a lot of people in Oregon who like to think that their softwoods are better than the Washington softwoods.

Suppose they were to say that the State of Oregon would be shown so that you would have——

Mr. POSTOL. Sheer chaos.

Senator DOUGLAS. You would have Oregon lumber differentiated from Washington lumber?

Mr. POSTOL. We have been in this business a while, and have never so regarded it.

Senator DOUGLAS. I am sure that Idaho believes that its lumber is superior to that of Washington and Oregon.

Mr. POSTOL. It is an area in which I will not debate, sir.

Senator DOUGLAS. Don't you get any Down East lumber, any Maine lumber?

Mr. POSTOL. We used to, sir. We maintained sawmills in Maine, New Hampshire, and Vermont during and after the war, but the best of it was cut out. It was uneconomical. The trees were too small to produce good building lumber, and about 1950 we closed down all of our operations in the Northeast, so that very little of that goes into house construction.

Senator DOUGLAS. But you feel a loyalty, don't you, to the New England States?

Mr. POSTOL. Sir, I cut my teeth in the lumber industry there.

Senator DOUGLAS. You would like to help them, wouldn't you?

Mr. POSTOL. Yes, sir.

Senator DOUGLAS. A great many people come down from Maine, New Hampshire, and Vermont to Massachusetts, and if they had a chance to buy northern New England lumber wouldn't they take advantage of it?

Mr. POSTOL. No, sir. We presently sell west coast wood from Oregon, Washington, and Canada in all of the New England States.

Senator DOUGLAS. Do you mean to say that the Yankees are sufficiently lacking in patriotism?

Mr. POSTOL. No, sir.

Senator DOUGLAS. So that they would not purchase their own timbers?

Mr. POSTOL. Not at all, sir, but they find it more economical to buy carloads of lumber from the west coast for their use.

Senator DOUGLAS. You mean their desire to economize takes precedence over their local pride?

Mr. POSTOL. No, sir, but to use the same size of wood to construct a house that may be constructed with 2 by 8 floor joists in west coast fir or hemlock might take 2 by 10 or 2 by 12 northeastern spruce or northeastern hemlock and you would have to redesign the house, and besides there isn't that much production available.

Senator DOUGLAS. Then if the chamber of commerce in Maine should ask that all lumber from Maine be labeled as Maine cut lumber, you would not support that?

Mr. POSTOL. No, sir. Besides, I don't think it would be much of a problem because there isn't that much produced there.

Senator DOUGLAS. Can't you have local patriotism as well as national patriotism? Shouldn't people be entitled to know where their lumber comes from so that their loyalties can go out to the particular timber that grows in the places which they hold most dear?

Mr. POSTOL. No, sir, I don't think that would be a good policy, and certainly in terms of trade in which we are in and I have been in it since 1945, it has never seemed logical to any of our customers or to their customers, the homebuilders.

Senator DOUGLAS. You want to exclude sentiment then? You want to exclude sentiment from the purchase of lumber and tie it purely to quality and price?

Mr. POSTOL. I think so, yes, sir.

The CHAIRMAN. Thank you very much.

The next witness is Mr. George Bronz of the National Council of American Importers, Inc.

STATEMENT OF GEORGE BRONZ, NATIONAL COUNCIL OF AMERICAN IMPORTERS, WASHINGTON, D.C.

Mr. BRONZ. Mr. Chairman, my name is George Bronz, an attorney practicing in Washington, and a member of the National Council of American Importers. I have been authorized to appear before your committee to present the views of that organization on H.R. 2513, proposing to amend section 304 of the Tariff Act.

Section 304 provides that imported articles must be properly marked to indicate to the ultimate purchaser in the United States the name of the country of origin.

In general, H.R. 2513 would add a new subsection (e) to section 304 providing that when imported articles in a container required to be marked are repackaged after importation, such new package must be marked to indicate the English name of the country of origin.

The position of the National Council of American Importers is that these proposed changes in the marking provisions of our Tariff Law are unnecessary.

The Federal Trade Commission is authorized to act in all situations where the marking or labeling of either domestic or imported merchandise has the capacity or effect of misleading or deceiving the ultimate purchaser in the United States. This authority covers any imported article sold, advertised, or offered for sale which is misbranded or deceptively labeled as to the foreign country of origin. The record shows that the Federal Trade Commission has for many years been diligent in carrying out its responsibilities of protecting the ultimate purchaser against unmarked articles or misleading marking practices in connection with imported articles.

The proposed new subsection (e) contains a provision that the new subsection shall not apply in cases where the Secretary of the Treasury finds that the marking of new packages would necessitate such substantial changes in customary trade practices as to cause undue hardship and, when the article is repackaged, that the repackaging is otherwise than for the purpose of concealing the foreign origin of such article.

In our opinion, this provision is bound to cause confusion, uncertainty, and insecurity for importers, packers, wholesalers, and retailers handling imported products that are normally mixed, blended, or commingled with other foreign or domestic articles in order that a more satisfactory product may be offered to the ultimate purchaser. It

would be necessary in all such cases for the importers, wholesalers, or retailers to first obtain a finding from the Secretary of the Treasury. To obtain such a definite ruling would require the importers and distributors of many types of imported products to make an application for an official finding. In support of such applications, no doubt proof would be required that noncompliance with the new marking provisions is not for the purpose of concealing the foreign origin; that the repackaging is in accordance with a customary and established trade practice; and that compliance will definitely cause undue hardship.

This type of submission is obviously a complicated and time consuming job and an added and unnecessary burden to businessmen who have normally been operating without it. I may give as a simple example that of a manufacturer of fruitcake in the United States who might be compelled under this bill, if passed, to list on his package dozens and dozens of ingredients, each with a different country of origin.

Furthermore, the provisions relating to seizure and forfeiture means outright confiscation. This is a very drastic penalty when contrasted with the 10-percent additional duty now provided in section 304(c) for failure to mark.

I would only like to add one other comment to the prepared statement, Mr. Chairman, and that is with reference to the two packages which were displayed by Senator Curtis earlier this afternoon. He showed two packages containing similar handtools which appeared from the distance at which I sat to be quite deceptively similar to each other.

This type of deceptive packaging is, of course, an example of the common law unfair competition for which a private lawsuit would very readily lie. This is a simple instance of unfair competition, which the common law covers, whether the deceptively packaged article is of domestic or foreign origin. The Federal Trade Commission might also assist in this situation. The bill before this committee now would have absolutely nothing to do with the situation presented by Senator Curtis, because there was no question of repackaging any product and marking it over again. The law, which has long provided relief against unfair competition, would not be changed by the bill before you, and whatever remedies are available today in that situation would remain available. The proposed statute would not change anything.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator DOUGLAS. Mr. Chairman, may I ask if Mr. Block is still in the room? I would like to call attention to the fact that Mr. Block left on the table his exhibit, a small quantity of whisky, and lest the members of the committee or members of the staff be accused of profiting from an exhibit submitted to it, I ask that the clerk of the committee be empowered to take possession of this and deliver it to Mr. Block and obtain a written receipt to indicate that it has not been lost on the way.

Mr. BRONZ. Senator Douglas. I may point out that the bottle to which you refer is plainly marked, "blended in Belgium."

Senator DOUGLAS. I am very anxious that the members of this committee shall not be accused of improper action.

I ask that the clerk deliver it, Mr. Chairman, to Mr. Block, and obtain a receipt.

The CHAIRMAN. The next witness is Mr. William J. Barnhard of the American Chamber of Commerce for Trade With Italy, Inc., and the Imported Nut Section of the Association of Food Distributors, Inc.

STATEMENT OF WILLIAM J. BARNHARD, AMERICAN CHAMBER OF COMMERCE FOR TRADE WITH ITALY, INC., AND THE IMPORTED NUT SECTION OF THE ASSOCIATION OF FOOD DISTRIBUTORS, INC., NEW YORK, N.Y.

Mr. BARNHARD. Mr. Chairman, I am William J. Barnhard, a Washington attorney, appearing here today on behalf of the American Chamber of Commerce for Trade With Italy, Inc., and the Imported Nut Section of the Association of Food Distributors, Inc., both of New York.

These organizations——

Senator DOUGLAS. You do not deal with domestic nuts?

Mr. BARNHARD. My clients do deal with domestic nuts. They are also the major importers of nuts.

Senator DOUGLAS. You are primarily concerned with imported nuts?

Mr. BARNHARD. With all types.

Senator DOUGLAS. Which group is nuttier?

Mr. BARNHARD. It depends on which you are, a pistachio man, sir, or an almond man.

These organizations both urge that H.R. 2513 be rejected for reasons related both to the specifics of the proposed legislation and to trade policy problems involved.

Neither organization is directly involved in the proposed amendment dealing with lumber and so I am restricting my remarks today to the basic House passed bill H.R. 2513.

On the specifics of the proposed legislation I submit first that H.R. 2513 is completely unnecessary because it duplicates powers and functions now exercised by the Federal Trade Commission.

As a matter of fact, it may in some measure restrict powers now exercised or attempted to be exercised by the Federal Trade Commission.

Only a short time ago I was involved in a proceeding with the Federal Trade Commission where the Commission dealing with certain imported metal products, pipefittings, as a matter of fact, was requesting, suggesting that every individual pipefitting be die stamped with country of origin, and they finally agreed to have the repackaged bags, containers, marked with country of origin.

In other words, they enforced what would be required and no more than would be required by H.R. 2513, but they asserted a power even beyond that.

I submit, secondly, that H.R. 2513 is completely unworkable because it imposes on the Customs Bureau the impossible task of policing wholesale and retail operations throughout the country.

Mr. Stewart mentioned that in many of these marking problems the Customs Bureau working in the ports of entry and the Federal Trade Commission working in the interior very often supplemented each other.

This is obviously true. But the Customs Bureau exercises its function when it passes upon the imports at the time of importation.

To require the Bureau of Customs that it continue to police these products after they have been distributed to every possible retail and wholesale market throughout the country would require a staff 10 times the current staff of the Bureau of Customs, and completely duplicating the staff now performing an identical function for the Federal Trade Commission.

I believe that H.R. 2513 is completely unjust for a variety of reasons.

One, it punishes for deception labels which are not deceptive. In that connection, no American consumer is deceived when he buys a bag of brazil nuts which do not indicate the country of origin, or buys a bag of pistachio nuts which do not indicate the country of origin.

Whenever a failure to label or whenever a misbranding or whenever a form of advertisement is unfair or deceptive, it is prevented by current law. It is prevented by the Federal Trade Commission Act.

The example cited by Mr. Bronz, referring to Senator Curtis' example, this certainly, if it is deceptive, and this was the term that he used—this certainly can be stopped by the Federal Trade Commission Act.

If not, it can be stopped by private suit, and if not, it can be stopped by section 337 of the Tariff Act which prevents imports which reflect unfair methods of competition. There is no need for H.R. 2513 to prevent this sort of deception if it is deception.

Senator DOUGLAS. Are brazil nuts grown in this country?

Mr. BARNHARD. No, sir.

Senator DOUGLAS. Are pistachio nuts?

Mr. BARNHARD. No, sir.

Senator DOUGLAS. Walnuts are grown.

Mr. BARNHARD. Walnuts are. Cashews are not. There are a variety of nuts which are not.

Senator DOUGLAS. Almonds are grown here.

Mr. BARNHARD. Almonds are grown here and abroad. Walnuts are grown here and abroad. Filberts are grown here and abroad.

Senator DOUGLAS. Suppose a person who has a deep passion for consuming American products. He has a greater emotional lift when he eats an American walnut than when he eats a Greek walnut. Should he not be privileged to know what he is doing so that he can have the pleasure of patronizing home industry? Why would you want to deprive him of this vital information which may make a great deal of difference to him?

Mr. BARNHARD. Senator Douglas, I think he has a perfect right to choose whatever he wants to munch on. I don't think it is a proper function of government to cater to his individual prejudices though.

Senator DOUGLAS. Wait a minute, do you mean to say that the desire to consume American products is a prejudice? If he consumes an American product he does not contribute to the unfavorable balance of payments.

He may feel that it is patriotic to reduce our imports, and consequently reduce the strain upon our gold supply, and, therefore, when he consumes the American nut, this gives him the glow of patriotism. And would you scorn this sentiment?

Mr. BARNHARD. I would not, sir.

Senator DOUGLAS. Would you shut a man off from having that opportunity?

Mr. BARNHARD. I would not scorn his sentiment, Senator Douglas, but I think perhaps the nuts that he crunches would catch in his teeth as this argument does in yours.

Senator DOUGLAS. There is probably a joke intended there but I am not quite able to—what was this remark?

Mr. BARNHARD. My comment, sir, was that I think the domestic nuts that he crunches would catch in his teeth as this argument perhaps catches in yours.

Senator DOUGLAS. That is a figure of speech, but you can't divorce these things from sentiment. Isn't the consumer entitled to the truth?

Mr. BARNHARD. The consumer is entitled to the truth, sir, and whenever the consumer is provided with a label or an advertisement which is unfair, which is deceptive, which will injure him in something to which he has a right, the present law protects him.

Senator DOUGLAS. When a man takes the oath to testify, he swears that he will tell the truth, the whole truth, and nothing but the truth. Now isn't a person entitled to the whole truth about the articles which he is asked to buy, the whole truth, and doesn't that whole truth include where it is produced?

Mr. BARNHARD. I think logically, sir, you might carry it to this extreme.

I think it would be a bit of a problem though to point out to every purchaser every one of the 6½ million purchasers of an automobile, that of the 1,800 parts that go into an automobile, there are 135 to 150 which would be specifically described as having a foreign origin. This is carrying a basic truth to a ridiculous extreme, and I think H.R. 2513 provides for the same.

Now there was a mention made earlier of an amendment to the GATT, to article 9 of the GATT, which seemed to bear out the right of countries to protect their consumers against fraudulent or misleading labeling.

Again, this is an instance where if there is any fraud or anything misleading in the labeling or the testing of any product, whether domestic or imported, this is adequately prevented and protected by existing law. H.R. 2513 is not necessary for this.

I believe that H.R. 2513 is unjust because it imposes an unduly harsh penalty and very often upon innocent purchasers for value where the repackaging may be done by an importer or by a distributor and the goods are found in the hands of a wholesaler or retailer and are subject to seizure and condemnation where the retailer may not even have known of the foreign nature of the imported product and didn't care particularly. Still the penalty as written in this proposed legislation would fall upon him.

I believe that the measure is unjust because it places an impossible burden upon hundreds of legitimate American businessmen.

Let me give you some specific examples of this, if I may. There are very substantial American industries which blend or mix a variety of products, including olive oil, coffee, tea, tobacco, spices, nuts, and a whole variety of other products.

These industries which employ thousands of workers in the United States and involve investments of millions of dollars face complete extinction unless they can convince the Secretary of the Treasury or one of his subordinates that they are within this broad and general exemption stated within section C of the bill.

There are a variety of imports which supplement domestic crops during a period of domestic crop shortages. These would be completely unavailable to the American retailer and to the American consumer if H.R. 2513 should become law.

As an example, there is one food distributor in New York—there are a variety of food distributors in New York—one of whom regularly dealt in red kidney beans, and his kidney beans always came from upstate New York, and he supplied a very substantial wholesale distribution in the market with his upstate New York beans.

Two years ago because of the vagaries of weather conditions, the upstate New York crop was small. In order to fill his commitments to wholesale and retail outlets he had to find a means of supplementing the crop shortage. And so he found some red kidney beans which were available from Chile.

Now if H.R. 2513 had then been law, and if he had been required to have on hand prestamped and prepackaged containers, stamped "Made in Chile" or "Imported from Chile," with the additional cost of preparing a lithograph for such a container, with the fact that such a container in quantities of thousands or hundreds of thousands or millions takes from 3 to 12 months to stockpile, it would have been impossible for him to fill the shortages created, to fill the gaps created by the crop shortage in upstate New York in this particular product.

Another example: Chickpeas are imported from seven different countries. Lentils are imported from nine. During any one particular season the imports may be from any one of the nine countries which supply lentils.

There may be a preponderance of 80 percent from one where the growing conditions were good, and the rest share the 20 percent. The next season it may be just reversed.

Now ordinarily the importers, the major importers of these commodities, have to prepare about 5,000 packages and have them ready to be filled when this perishable commodity is imported.

Excuse me, did I say 5,000? I meant 5 million. Five million packages have to be prestamped, lithographed for immediate delivery to the wholesale and retail markets at the time these edibles are imported.

Now if this importer had to prepare 5 million packages from each of the 9 countries from which he might in the next crop season be importing lentils, he would have to maintain a warehouse for his packages alone, without knowing at any one time whether any of these would be used or all of them or whether 8 of the 9 countries might not provide any lentils at all for the next crop season.

He would be in the business of preparing and lithographing packages instead of preparing and distributing food products for the American market.

The burden placed on him would rule him and this entire trade out of the American consumer market.

Now a further problem in the specific operation of H.R. 2513 is that it would place in the unfettered discretion of a growing bureauc-

racy the power of life and death over hundreds and even thousands of American businessmen, the importers of lentils, of the chickpeas, of the various nuts, the nut mixers, olive oil blenders, cigarette tobaccos, coffee blenders, the teamakers, all of these people who deal in products which may come from various sources which may involve the blending or the mixing of products with other domestic products, all of these would face extinction unless they could win a very dubious consent under very broad standards which provide them with no protection from the Secretary of the Treasury that they are within this very broad and generally stated exemption.

With regard to the trade policy problems involved, you have heard many comments and I won't burden the record with any extensive discourse on that, but it seems to me that this problem, which admittedly according to many of the witnesses here has been raised not to protect the American public but to limit the import competition which some American industries are facing, that this must be added to the growing number of nontariff barriers which are becoming the dominant factor in determining the channels of world trade.

I think the purpose of this legislation is something other than providing protection to consumers.

That protection is adequately provided by existing law. It is this type of nontariff barrier which more and more is replacing tariffs as the leading factor in determining trade, our imports as well as our exports.

Like the Buy American Act, the Antidumping Act, the plant quarantine regulations, the International Cotton Textile Agreement, the section 22 quotas on agriculture imports, the section 8(e) restraints on onions and other agricultural products, it permits a handful of bureaucrats to impose a predetermined straitjacket on free competitive enterprise, and to intrude administrative fiat into the American marketplace.

This is something much more grievous, much more heinous than any tariff restrictions have ever been.

This is something which permits, in fact demands, governmental regulation of competition in the marketplace whether from imports or from domestic products.

I think the growing strength of these nontariff obstacles to economic freedom are threatening the meaning of the Trade Expansion Act and are rendering meaningless our protestations of economic freedom.

I hope this committee will not encourage such a trend by approval of this unnecessary and unjust legislation.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The Chair places in the record four letters received last Congress expressing views on H.R. 7089, a bill similar to H.R. 2153. I had advised these associations that their letters would be incorporated in the record of the hearings on H.R. 7089. Inasmuch as the committee was unable to hold hearings on this legislation last year, I think the views of these associations should be made a part of the hearing on the current bill.

(The letters referred to follow:)

AMERICAN SPICE TRADE ASSOCIATION, INC.,
New York, N.Y., March 19, 1962.

MRS. ELIZABETH B. SPRINGER,
Chief Clerk, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MRS. SPRINGER: This association is very much interested in and concerned regarding the provisions of H.R. 7692 which last fall passed the House and is now pending for consideration before the Senate Finance Committee.

As you know, a previous bill of similar effect (H.R. 5054); 86th Cong., 2d sess.), which was ultimately vetoed by the President, was the subject of hearings before the Senate Committee on Finance scheduled for June 20, 1960. At that time our general counsel, Mr. Thomas W. Kelly, submitted a statement on our behalf. Although this association had witnesses then present to speak, our presentation was made by that statement since the actual hearing was canceled.

We respectfully request that in the consideration of the pending measure, H.R. 7692, the statement made by our counsel be deemed as our submission.

A copy of that statement is enclosed herewith. It fully states the view of the spice industry with respect to H.R. 7692.

Sincerely yours,

STEWART P. WANDS,
Executive Vice President.

STATEMENT BY THOMAS W. KELLY, OF BREED, ABBOTT & MORGAN, NEW YORK, N.Y., ON BEHALF OF THE AMERICAN SPICE TRADE ASSOCIATION, THE NATIONAL COFFEE ASSOCIATION, AND THE TEA ASSOCIATION OF THE UNITED STATES OF AMERICA

My name is Thomas W. Kelly, and I make this statement as general counsel for, and appear on behalf of (1) the American Spice Trade Association, Inc.; (2) the National Coffee Association; and (3) the Tea Association of the United States of America.

Each of these trade organizations represents approximately 80 to 90 percent, by volume, of the trade members engaged in the particular industry.

All of these industries have in common the fact that they import all, or substantially all, of their raw products from foreign countries. All of these imported commodities are agricultural commodities, and (with minor exceptions in the spice industry, to be referred to later) there is little or no domestic production or growth of these raw agricultural products which are included in the final consumer package.

Insofar as tea is concerned, no tea is grown in any part of the United States in any commercial quantity. The main countries of origin insofar as tea is concerned are Ceylon, India, and Indonesia, as well as parts of Africa; teas are also received from other parts of the Far East.

In the case of coffee, except for a minute portion of 1 percent grown in Hawaii and Puerto Rico, all of the raw product is grown abroad. The main countries of production are in South America, Central America, and Africa, and in these areas many different states grow coffee.

With regard to spices, the situation is even more varied. There are a total of about 50 items, the bulk of which are grown in over 60 foregoing countries and imported into this country. The only substantial production of spices in this country, in terms of a proportion of the total items used, would be mustard and sesame seed, red peppers, and paprika. Even in these four instances the majority in volume is imported. To use an illustration of the variety of consumer products which exist in the case of spices, reference can be made to the case of "curry powder." It might contain, although this is not the only composition possible, pepper from India or Indonesia, red pepper from Japan or Nigeria, turmeric from Formosa or India, coriander from Morocco or Rumania, bay leaves from Turkey or Greece, and salt from the United States.

Thus all of these three industries bring components from far corners of the world and mix, blend, or combine these constituents to secure a special and particular taste which is embodied in the ultimate consumer package. These three industries all deal with agricultural products which by their nature are seasonal in production, and accordingly, for this or other reasons, will from time to time experience a limited availability of particular items, in which case items from other countries must be used interchangeably. In addition prices and quality

variations may suggest or require selection of the products of one country rather than those of another.

As a result the final consumer product may, from time to time, contain different mixes or compositions all carefully selected or blended to insure the uniform taste and flavor which is associated with the brand and trademark of the individual manufacturer. In all of this variety and complexity it is impossible for the manufacturer to know in advance what particular item, from which particular country, may be incorporated in the final products. Yet, in order to maintain a constant flow of merchandise, the company must have, well in advance, an extensive inventory of labels and containers fully marked and ready for use.

Industry problems under this bill are illustrated by the following—the final consumer package of coffee, tea, or spice blends may originate in up to 20 different foreign countries, as in fact the case, for example, with mixed pickling spice. Unpredictable variations in crops would render impossible any advance certainty about the ultimate country of origin of all constituent parts. In this situation, and under the bill as now written, the packer would be unable to take advantage of the economies and sanitation of lithographed containers, for these must be ordered with labeling specifications many months in advance and in large quantities. In practical effect the bill might destroy domestic packing activities under these and similar circumstances.

On the other hand I believe that no need is shown to exist for the application of the proposed measure to coffee, tea, or spices. In my experience with these industries I have heard of no instance in which it was alleged that any consumer was inconvenienced or put at any disadvantage by reason of the failure of the label to include detailed information as to the specific countries of origin of each individual component part. To the best of my knowledge, there has been no indication given anywhere that any confusion exists in the mind of the consumer with respect to any of the products covered by this statement.

Accordingly it is respectfully requested that, if this bill be considered for passage, that coffee, tea, and spices be specifically exempted. In the event it is not deemed appropriate to grant specific exemption, it is respectfully submitted that if the present measure were amended to include the language italicized below, it would preclude application of this law to instances which it was neither intended nor desired to affect. The bill with the suggested amendment italicized, would then read in section (c) as follows:

"When any imported article the container of which is required to be marked under the provisions of subsection (b) is removed from such container by the importer, or by a jobber, distributor, dealer, retailer, or other person, repackaged and offered for sale in the new package, *then in such case, whenever the Secretary of the Treasury shall find and declare, as to any specific article, that it is to the benefit or advantage of the ultimate purchaser,* such new package, *of such specific article,* shall, *commencing on such date after said finding and declaration as the Secretary of the Treasury shall fix,* be marked in such manner as to indicate to the ultimate purchaser in the United States the English name of the country of origin of such article * * *."

SNAKE RIVER TROUT CO.,
Buhl, Idaho, February 7, 1962.

Subject: H.R. 7692—Package marking bill.

Hon. FRANK CHURCH,
U.S. Senator, Washington, D.C.

DEAR SENATOR CHURCH: Your support of package marking bill, H.R. 7692, which was unanimously passed by the House of Representatives last August would be greatly appreciated. Another version of that bill was passed in the 86th Congress. However, that bill unfortunately was vetoed by the then President because of objections of the Customs people and the State Department.

This important bill had been reintroduced last year under the above number, and the language has been changed in a manner which should effectively overcome the objections of these Departments. The principal of seeing that foreign goods sold in the United States are properly marked with the country of origin, we believe, is most compelling and essential for the protection of the American public. This is the only requirement of H.R. 7692. At the present time we do have a ruling by the Bureau of Customs stating that trout imported into this country and then repackaged must be identified as to the country of origin.

Our problem is that, while we have the ruling, it is difficult to enforce and in fact because it is only a ruling by the Bureau of Customs may not be enforcible

if ever brought to court. A law such as proposed by H.R. 7692 would certainly clarify the matter. Prior to this ruling of the Bureau of Customs, the trout industry in the West was greatly affected by imported Japanese and Danish trout being thawed out and sold in supermarkets as "fresh Rocky Mountain trout". A. & P. stores in the Detroit market area were making a gross profit of $15,000 per month on the sale of 40,000 pounds of Japanese trout which were being masqueraded as American-produced fish.

In order to permanently keep such problems from driving the American producer out of business, we therefore request that you support H.R. 7692 when it is brought up in the U.S. Senate and do everything possible to have it approved by the Senate Finance Committee.

Sincerely,

ROBERT A. ERKINS, *President.*

OPTICAL MANUFACTURERS ASSOCIATION,
New York, N.Y., March 1, 1962.

Senator HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR: I am writing you in my capacity as secretary-treasurer of the Optical Manufacturers Association, a trade association whose members produce in excess of 90 percent of the dollar volume of the ophthalmic products manufactured in this country, to urge the adoption of H.R. 7692, the bill that would amend section 304 of the Tariff Act by requiring that a repackager of an imported article must mark the new container with the country of origin.

Since the ophthalmic industry is one of this country's key industries from the standpoint of national security and public health, the members of this association are concerned over the increasing number of imports from low-wage-rate countries that are flooding the domestic market, mainly from Japan. In most cases these low-priced items are exact copies of our best selling domestic products, and, wherever possible under the many exceptions provided in the Tariff Act of 1930, they will avoid marking the product clearly and permanently with the country of origin. Since these articles are being represented in this country as products of domestic manufacturers we strongly endorse H.R. 7692 as being in the public interest.

Sincerely yours,

CHARLES F. ODDY, *Secretary-Treasurer.*

COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.,
New York, N.Y., February 20, 1962.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: Reference is made to our letter of January 11, 1962, respecting H.R. 7692, a bill to amend section 304 of the Tariff Act of 1930, in which this association supports the basic aims of that measure but specifically opposes the requirement that certain containers be marked with a "warning" to persons who might repackage the merchandise. Our position was based on the premise that the bill would apply only to one who repackages an imported article without performing any processing or other operation in connection with the article so repackaged.

We now understand that the bill could be administered in such a way that many importers would suffer serious injury. The "new package" marking requirement could be interpreted to require importers who blend edible oils, combine chemicals or other liquids, mix nuts or fruits, or grade or sort other imported products, prior to repackaging for distribution through regular trade channels, to mark each new package to indicate the origin of its contents.

We are writing to clarify our association's position in this regard. We support such a construction of the language as makes it applicable to a person who merely repackages an article without performing any commercial operation whatsoever respecting the contents. We oppose, however, such a construction as would subject to the new package marking requirement one who performs a commercial operation in connection with the imported article; i.e., mixing, blending, sorting, grading, or processing in accordance with customary trade practice.

We would appreciate your making this letter part of the record on H.R. 7692 so that our position may be made clear.

Thanking you for your kind cooperation, I am,

Respectfully,

RALPH C. GROSS,
Executive Vice President.

(By direction of the Chairman, the following is made a part of the record:)

COPPER AND BRASS RESEARCH ASSOCIATION,
New York, N.Y., March 21, 1963.

HON. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: We understand that the Senate Finance Committee is giving immediate consideration to H.R. 2513, introduced by Mr. Herlong to amend the Tariff Act of 1930 to require certain new packages of imported articles to be marked to indicate country of origin. We respectfully urge your support of this bill.

In the 86th Congress, H.R. 5054 was passed by Congress, but vetoed by the President because of certain objections of the State Department and Customs. I can best bring to your attention the importance to my industry of the proposed legislation by recalling the statement I made in support of H.R. 5054 when this measure was receiving consideration by the Senate Finance Committee in June 1960. My statement is included in the printed report of the statements submitted to the Finance Committee under the heading of "Customs Marking Requirements." For your convenience a copy is attached.

So that the members of your committee may have readily available a copy of my statement to the Senate Finance Committee on H.R. 5054, I am sending you herewith 25 copies for this purpose.

Respectfully yours,

T. E. VELTFORT,
Managing Director.

STATEMENT IN SUPPORT OF H.R. 5054 SUBMITTED FOR THE HEARINGS ON JUNE 20, 1960, T. E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS RESEARCH ASSOCIATION, NEW YORK

The Copper & Brass Research Association is a trade association having for its members essentially all of the brass mills in the country. The brass mills roll, draw, and form basic mill shapes, such as sheet, strip, rod, and tube of copper and its alloys.

The brass mill industry has had to meet a steadily increasing volume of imports. From a negligible quantity before World War II, such imports have grown to 200 million pounds at present, constituting about 12 percent of the current domestic market. And these imports are still rising in volume. The principal reason for this stead growth is the much lower wages abroad, coupled with productive efficiency which in the principal exporting countries is quite close to our own. Brass mill production costs abroad, therefore, are substantially lower than our own and our markets are increasingly preempted by imports because of their low prices which our mills find it economically impossible to meet.

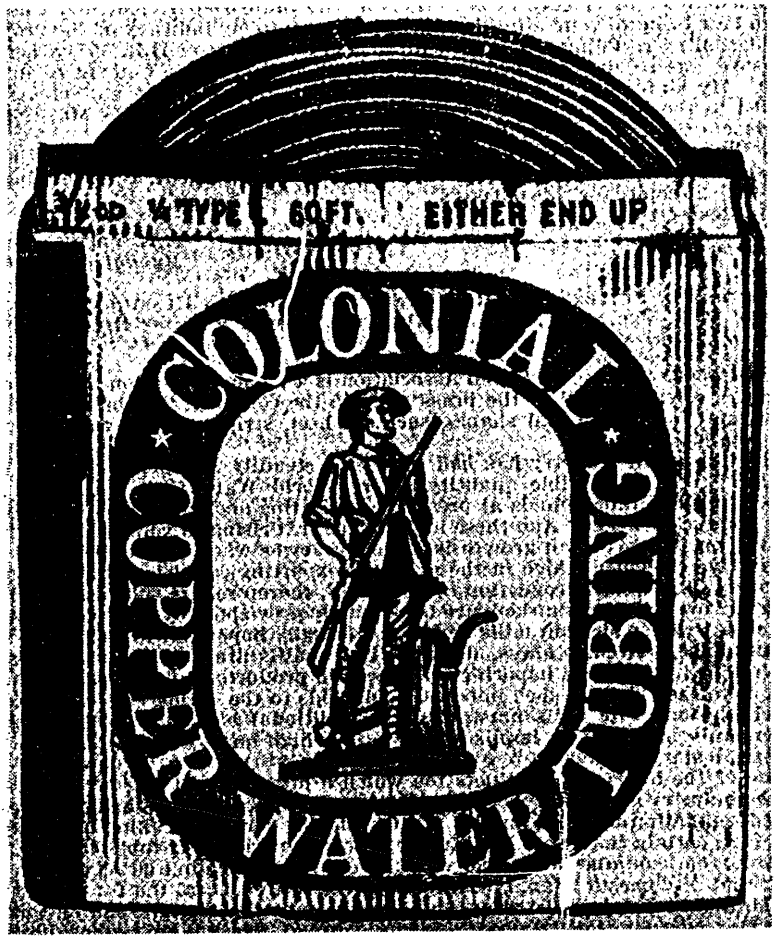
Under these circumstances, domestic brass mills are particularly subject to intolerable injury when importers of brass mill products resort to misrepresentation as to the origin of such imports. This adds to the higher cost disadvantage which the domestic mills must face the additional burden of false claims of American origin with its implied assurance of high quality and compliance with American standards.

One of the brass mill products for which a large market has been developed by the industry is copper tube. American made copper tube has had a long-established reputation for high quality and dependable service. Taking advantage of this fact, certain importers have in the past, removed copper tube obtained from abroad from containers marked with the country of origin and mixed the tube with that of domestic manufacture, thus tending to conceal the foreign identity of the imported tube. To stop this deceptive practice, the Bureau of Customs

issued a ruling, effective August 1, 1958 (Bureau of Customs Circular Letter No. 3026, March 24, 1958, and supplement 1, April 25, 1958) requiring that each individual piece of imported copper tube be marked with the country of origin.

This ruling, however, has not entirely closed the door to the deceptive practices. Properly marked tube is now being removed from its original containers and is placed in containers not marked with the country of origin and so designed as to imply domestic manufacture. An example of this is illustrated in the photographic reproduction attached as exhibit A. Here a coil of copper tube which is marked "Made in England" has been put into a carton bearing, as shown, the inscription "Colonial Copper Water Tubing" and a drawing of what is obviously intended to be a Minute Man. Furthermore, the container itself bears an imprint to the effect that the container was made in Elmira, N.Y. All this is manifestly to create the impression that the contents are made in the United States. There is no notation to the contrary.

Discussion of this case with both the Bureau of Customs and the Federal Trade Commission indicates that under present laws and regulations it is practically impossible to stop this misrepresentation, so injurous to the domestic industry. H.R. 5054 if enacted into law, would put an end to such a deceptive practice. We, therefore, respectfully urge its passage in the Senate and its enactment into a much needed law.



TELEGRAM

NORWOOD, MASS., *March 18, 1963.*

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D.C.:

In connection with hearing scheduled this week before Senate Finance Committee on H.R. 2513, we understand an amendment or substitution including in it S. 957 will be considered on behalf of 42 members of our association. We protest inclusion of lumber as one of products to be marked showing country of origin. Feel this restriction can only lead to ultimate higher prices to consumer. Hope you will help us by voicing opposition to this amendment.

LOU DAVIS,
Executive Secretary, New England Wholesale Lumber Association.

WALPOLE, MASS., *March 18, 1963.*

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D.C.:

Understand H.R. 2513 is to be heard before Senate Finance Committee this week. We oppose addition of S. 957 requiring marking of country of orign on lumber imports. Feel this information serves no useful purpose and would only greatly increase cost of lumber to ultimate consumer. Would appreciate your support in defeating this amendment.

WILLIAM F. SEAWARD,
President, Blanchard Lumber Co.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., March 18, 1963.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the AFL–CIO, I wish to express the support of that organization for H.R. 2513, a bill relating to marketing requirements for articles imported in containers.

As you know, the AFL–CIO has supported trade agreements legislation in the past, and strongly advocated enactment of the Trade Expansion Act of 1962. We believe that reducing trade barriers is essential to the economic prosperity of the United States and of the free world.

We believe just as strongly, however, that consumers are entitled to know the country of origin of imported articles. Many factors may enter into a consumer's decision to purchase any given article. He can best make that decision when all relevant information is available to him, and such information includes his past experience with similar articles. When such information is voluntarily or involuntarily withheld, true competition between manufacturers is necessarily abated.

We urge your committee and the Senate, therefore, to report this legislation promptly and to speed its enactment.

Please include this letter in the record of your hearings.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

CLEVELAND, OHIO, *March 14, 1963.*

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR BYRD: On February 26, 1963, the U.S. House of Representatives passed H.R. 2513, an amendment to the Tariff Act, which requires country-of-origin marking upon foreign-made glass containers imported into the United States. I am writing you urging that this amendment receive prime consideration when it reaches the Senate and the Finance Committee.

Foreign glass container manufacturers may now ship beverage bottles into the United States with no marking upon the bottles to reveal the country of manufacture. This makes possible the widespread practice in which imported articles are repackaged without an indication of the fact that the contents are of foreign origin. This is indeed detrimental to American interests engaged in production of glass containers.

I urge you to see that this bill does not die in processing.

Yours very truly,

JOHN W. MANTZ.

ROCKFORD, ILL., *March 19, 1963.*

Mrs. ELIZABETH B. SPRINGER,
Chief Clerk, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.:

Thank you for the opportunity to attend Senate Finance Committee hearing on bill 2513 on March 21. Even though I cannot be present I would like this statement to be entered on the record. My company produces a wide variety of threaded fasteners and we have many competitors not the least of which are imports. I sincerely believe in the freedoms of our society and among them is the freedom of choice as to buy American or foreign merchandise.

While it doesn't make me happy to have a customer state they are buying imported screws and bolts, I have always taken the position that this is their right. Obviously we try to sell the advantages of our products and services which sometimes outweigh the price advantage of imports.

However, I do objection to the practice, and feel the freedom of the purchaser is infringed upon, when foreign products are repackaged and the purchaser is led to believe that he is buying what he wants to buy, American products. To me, this is deceptive, unfair, and should be an illegal trade practice.

E. L. STONEFIELD,
Vice President, Sales,
Rockford Screw Products Co.

BUFFALO, N.Y., *March 18, 1963.*

Senator BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

In connection with the hearing scheduled on H.R. 2513 now before Senate Finance Committee, we understand an amendment or substitution will be considered which will require the marking of country of origin on lumber imports. Can you assist in preventing favorable action on this, Senator Jordan's proposal. Please advise how can be more effective in fighting this amendment.

W. D. STITZINGER,
Box 203, Williamsville, N.Y.

A. C. DUTTON LUMBER CORP.,
Poughkeepsie, N.Y., March 18, 1963.

Senator HARRY FLOOD BYRD,
Chairman of the Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: As a major distributor of lumber products in the States of Connecticut, Delaware, Florida, New York, Massachusetts, Rhode Island, New Jersey, Pennsylvania, Maine, New Hampshire, Maryland, we request your opposition to S. 957 as an amendment to H.R. 2513 scheduled before Senate Finance Committee on March 20 or 21.

This action is a legislative attempt to circumvent the result of the recent Tariff Commission Investigation 7–116 in conjunction with the possible later amending of the National Housing Act.

The majority of our products come from the United States yet we recognize the need both today and in the future for these quality Canadian products. This fact was clearly developed before the Tariff Commission.

Respectfully yours,

G. W. FLYNN, *President.*

ALBANY, N.Y., *March 19, 1963.*

Senator JAVITS,
Washington, D.C.:

Senate Finance Committee has scheduled a hearing on H.R. 2513 and amending it to possibly require marking the originating country on all imported lumber. We are sure Senator Jordan of Idaho in proposing this amendment has been misguided. Please go all possible to prevent such action.

JOHN A. ELFORD,
Blanchard Lumber Co.,
Port of Albany, Rensselaer, N.Y.

MONROE SALES AGENCY,
Buffalo, N.Y., March 18, 1963.

Senator JACOB JAVITS,
Senate Office Building,
Washington, D.C.

DEAR SIR: In connection with the hearing scheduled on H.R. 2513 now before the Senate Finance Committee, we understand an amendment or substitution will be considered which will require the marking of country of origin on lumber imports. Can you assist in preventing favorable action on this, Senator Jordan's proposal? Please do whatever possible to delay passage until full hearings can be developed, as this would be detrimental to the building industry and needlessly raise costs.

Very truly yours,

JIM GRANT.

STATEMENT IN BEHALF OF THE ELECTRONIC INDUSTRIES ASSOCIATION TO THE SENATE FINANCE COMMITTEE ON H.R. 2513

This statement is submitted on behalf of the Electronic Industries Association (hereinafter referred to as EIA). EIA is a national business organization representing approximately 340 manufacturers of electronic products and components, the majority of which fall within the category of small business.

During the last session of the 86th Congress, EIA strongly urged enactment of H.R. 5054. This bill passed both Houses of Congress but was vetoed by President Eisenhower. A similar bill—H.R. 7602—passed the House last year but died in the Senate late in the 2d session of the 87th Congress. An identical bill—H.R. 2513—has passed the House this session and now awaits Senate action. EIA again wishes to reaffirm its strong support of this bill and urges early passage this session of Congress.

H.R. 2513 would amend section 304 of the Tariff Act of 1930, as amended, with respect to the marking requirements in the case of articles which are imported in containers required to show country of origin. The bill, in effect, would make three principal changes in the existing law:

(1) Require that imported articles, when repackaged and offered for sale in the United States, be marked to show country of origin of their contents;

(2) Require also that the containers in which such articles are imported be marked to indicate to any person who repackages such articles that the new packages must be marked to indicate to an ultimate purchaser the country of origin of their contents; and

(3) Require, when such articles are sold for use as (or used as) containers for other goods offered for sale, that such containers be marked to indicate the country or origin to an ultimate purchaser of the goods offered for sale in such containers.

In our testimony on previous bills dealing with this problem, we emphasized the fact that nearly every nation requires that imported articles be marked with the country of origin and that this marking be conspicuous and permanent so that the purchaser of the product would be aware of its source. No convincing evidence has been established that would indicate that a requirement which applies to domestic importers, jobbers, distributors, dealers, or retailers would be considered in international trade circles as an unnecessary barrier and a hindance to trade.

We are not unmindful of the fact that one of the objections to this type of legislation is that the Federal Trade Commission has authority to require the labeling of foreign origin repackaged products. We are not convinced that this is a valid objection. In the first place, we do not believe the authority of the

Federal Trade Commission is at all clear on this point. Secondly, there is bound to be contentions that the Federal Trade Commission, whose authority is limited to deceptive trade practices in interstate commerce, is attempting to usurp authority in an area such as this which relates to foreign commerce. This is indicated by the fact that there has been reluctance on the part of the Commission to initiate enforcement proceedings in this area. But even if the Commission had such authority, which at most would be implied, we believe strongly that it should be spelled out in legislation in order to clearly indicate the intent of Congress to protect the buying public as to the country of origin of products being purchased.

It is our strong belief that Congress, in passing the Tariff Act of 1930, intended that the purchaser be informed of the foreign origin of any product he purchases. The repackaging of foreign goods in this country without revealing the country of origin on the new package is, we feel, an intentional effort to conceal a material fact which can be deceptive to the consumer.

In the electronics industry, there are many importers and distributors who buy in bulk from foreign nations. There are many instances when such imported articles must be repackaged prior to their being offered for ultimate sale. This repackaging is a normal trade practice to make the product commercially acceptable and has the additional benefit to the repackager of making it possible for him to conceal the country of origin of the product from the purchaser. Without legislation of this type, it is our strong belief that the continuance of this sort of deceptive practice is not in the national interest and does serious harm to the ultimate purchasers of imported articles.

EIA also agrees with the position taken by the House in the passage of this bill that the enforcement provisions of the Tariff Act, including penalties for violations, should equally apply for violations under these proposed amendments. Thus, any failure to mark country of origin on containers or new packages as required by these amendments would be punishable by a fine of not more than $5,000 or imprisonment for not more than 1 year, or both. We also agree with the penalty provisions which would subject imported articles, which do not meet the requirements of these amendments, to seizure and forfeiture as required in the applications to other types of violations of the customs laws. We strongly urge that these enforcement penalties be accepted by the Senate.

EIA firmly believes, therefore, that the enactment of these amendments to the Tariff Act are in the national interest and that the Senate Finance Committee should favorably report this bill to the Senate for early passage.

JOHN B. OLVERSON, *General Counsel.*

HUDSON, OHIO, *March 18, 1963.*

HON. HARRY BYRD,
Senate Office Building, Washington, D.C.

DEAR SIR: I have learned that on February 26, 1963, the U.S. House of Representatives passed H.R. 2513, an amendment to the Tariff Act to require, among other things, country-of-origin marking upon foreign-made glass containers imported in the United States. I further understand it has now gone to the U.S. Senate where it will be referred to the Finance Committee.

I would like to strongly urge your favorable consideration to the passage of this amendment in its present form as I feel the domestic manufacturers of glass containers and the ultimate consumer definitely need the protection that this bill offers.

Very truly yours,

D. G. HOOD.

CARIBOO-PACIFIC CORP.,
Tacoma, Wash., March 18, 1963.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

MY DEAR SENATOR BYRD: As introduction, our firm is engaged in the wholesale distribution of lumber throughout the United States which is bought in the Pacific Northwest and British Columbia.

We are very disappointed to learn that the Senate Finance Committee has suddenly scheduled a hearing to consider S. 957 requiring stamping imported lumber with country of origin. We understand this bill will be considered as an

amendment to joint resolution H.R. 2513, which resolution, of course, we do not oppose. The strategy of the lumber interests in their attempt to restrict competition by procuring the consideration of such bills without notice to lumber users, homebuilders, retailers, wholesalers, and people interested in minimizing trade restrictions is completely unfair. Should this amendment become law it could, as a hidden tariff, be as effective as an open import duty. Frankly, we don't know whether a "made in Canada" mark would be adverse in marketing lumber in the United States. Many people doubt that it would. The Tariff Commission, in its softwood lumber report at page 15, said:

"The marking statute was never designed to afford protection to domestic producers. But even if the marking requirement were regarded—for the purposes of this investigation—as a trade-agreement concession, it is clear that its restoration in recent years would not likely have contributed to a reduction in the level of imports of softwood lumber. On the basis of evidence obtained by the Commission, its restoration might well have had a contrary effect.

"The Commission rejects completely the view advanced by counsel for the petitioners that the absence of country-of-origin markings on imported lumber nullifies the 'Buy American Act' insofar as lumber is concerned and thus contributes materially to the expansion of the imports."

Very likely the only result of requiring the marking of imported lumber would be harassment to Canada by requiring every lumber shipper (and in Canada, as in the United States, the lumber industry consists of many small units) to hand-mark each piece of lumber individually (probably over ¼ billion separate pieces). Otherwise the shipper would have to purchase specially designed equipment to mechanically do the marking. Either way would be costly and would serve no useful purpose.

Aside from making things more difficult for the Canadians, the possibility exists that it could act to limit competition, which would mean an increase in the cost of lumber at a time when the homebuilder, the home buyer, and the lumber-consuming industry cannot afford increased costs.

If we can be of further help to you on this bill, please let us know.

Sincerely,

CORYDON WAGNER, JR., *President.*

NEW YORK, N.Y.

SENATE COMMITTEE ON FINANCE,
New Senate Building, Washington, D.C.:

With reference to public hearing on H.R. 2513 scheduled March 21, a proposed bill to require marking of all imported lumber and wood products, we wish to register our unqualified objection. Import timber trade regards present custom regulations as entirely adequate. Our experience with domestic wood fabricators indicates no problem of misrepresentation. Hardships that would arise from the proposed measure are, for example, defacement of fancy imported face veneers or surfaced lumber.

AMERICAN INTERNATIONAL HARDWOOD CO.

PORTLAND, OREG.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.:

We urge your support of amendment to H.R. 2513 which would require that imported lumber be marked with country of origin. Our domestic industry desperately needs even this small protection against steadily rising flood of cheaply produced Canadian lumber.

WESTERN PINE ASSOCIATION.

WILLAMINA LUMBER CO.,
Portland, Oreg.

Hon. HARRY F. BYRD,
Chairman, Finance Committee,
U.S. Senate,
Washington, D.C.:

Approval of S. 957 as an amendment to H.R. 2513 appears to us as a harassment of Canadian producers with no practical benefit to the public interest and little practical comfort to the U.S. lumber industry. As operators of sawmills in both Oregon and Canada, we consider efforts to remove artifical disadvantages

such as the Jones Act to be constructive steps toward tending to equalize competitive conditions, while imposition of further restrictions such as proposed by stamping country of origin are negative in nature. Hope your committee will weigh the issues in a constructive way and avoid punitive consequences to Canadian producers implicit in adoption of amendment.

JOHN C. HAMPTON, *Secretary.*

STATEMENT ON S. 957 BY THE NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. Chairman and members of the committee, the National Association of Home Builders is the sole national spokesman for the organized homebuilding industry, the largest domestic consumer of softwood lumber.

This association is a trade association representing over 40,000 members organized in 376 affiliated associations in all of the 50 States plus Puerto Rico and the Virgin Islands. We estimate that NAHB builders account for at least 62 percent of the total housing starts in the United States and that our members build about 70 percent of the total volume of one-family homes and about 80 percent of all single-family homes constructed by professional builders.

We strongly object to S. 957 because we believe it is the first step in a legislative program designed to impair or exclude the use of Canadian lumber in homebuilding. We believe the end result of this legislation and related bills would be to cause a general rise in the price of all lumber, the basic ingredient of housing. The net effect, therefore, would be to raise the general level of housing costs in the Nation and to narrow further the housing markets of the homebuilding industry.

Home buyers and homeowners would ultimately pay for the costs of any major disruption in the free flow of construction materials. To aid the committee and to inform ourselves as to the impact of a restriction on the use of Canadian lumber, within the past 2 days we surveyed several selected States to determine (*a*) whether Canadian lumber is a major factor in the market and (*b*) whether there has been any current of complaints which would warrant an action by Congress such as embodied in S. 957. The results appear in attachment A to this statement. They demonstrate that Canadian lumber is a major factor in the market and that there is no major complaint situation which would warrant S. 957. (See attachment A.)

We are under no illusions. The pattern of restrictive trade legislation begins with S. 957 which would require specific marking of Canadian lumber. This would carry out a preliminary but very necessary step in the program outlined in a report of the National Lumber Manufacturers Association on their legislative meeting of January 22, 1963, as follows:

"Mounting imports of softwood lumber from Canada. In an effort to curb these shipments, which presently account for about 17 percent of the softwood market in the United States, the industry in coming months will push for—

"(1) A congressional resolution urging the President to impose realistic import quotas;

"(2) Legislation requiring the marking of all imported lumber to identify the country of origin;

"(3) Amendment of the National Housing Act to prohibit the use of foreign lumber in construction bearing FHA-insured financing; and

"(4) Legislation to include lumber and wood products as an 'agricultural commodity or products thereof' subject to import quotas under section 22 of the Agricultural Adjustment Act."

In addition to S. 957, a number of other Senate and House bills have already been introduced to carry out all parts of the program outlined above.

LUMBER IS IMPORTANT TO HOMEBUILDING

A recent cost breakdown of typical frame dwellings done by our economics department shows that lumber ranges from 31 to 33.8 percent of the total cost.

Softwood lumber is used largely in the construction of all types of single-family homes, however, and in garden-style apartments. As a whole, the market for lumber is tied closely to the housing market. In its decision on the softwood lumber investigation in February 1963, the U.S. Tariff Commission emphasized this relationship, noting as follows:

"Residential construction: The principal market for softwood lumber is the construction industry, which in the postwar period took about three-fourths of the total quantity consumed. Residential construction alone took about 40 percent of the total. To a significant extent, therefore, year-to-year fluctuations in consumption reflect the changes in the level of new residential building."

In discussing the factors which have contributed to the increase in imports of Canadian lumber, the Tariff Commission noted especially that these "include the increasing awareness by U.S. distributors and consumers of the general high quality of Canadian lumber, and the wider acceptance in recent years by the U.S. construction industry of certain species of lumber of which Canada has abundant supplies, e.g., western white spruce."

MARKING—A FIRST STEP TOWARD A RISE IN PRICES

Marking of imported lumber, as called for by S. 957, is clearly a part of the plan to limit Canadian imports by legislation, as demonstrated by the program outlined in the NLMA report quoted above. Less obvious but also a result of this plan, for which S. 957 is a first and necessary step, is a higher plateau of domestic lumber prices—to homebuilders and home buyers.

Some of the wires in attachment A bear this out. But more pertinent is the testimony given to the Tariff Commission during its recent hearing and investigation on softwood lumber, in which the domestic lumber industry asked for imposition of a tariff and quota upon imports of Canadian lumber. For example:

(1) The chairman of the "Lumbermen's Economic Survival Committee" asked the Commission for import restrictions and complained that the domestic industry could not equal the market prices of foreign lumber and that Canadian timber prices are "aimed at the sole objective of undercutting American timber prices."

(2) The general position of the American softwood lumber industry, as presented in the statement of the NLMA, was to ask for restrictions on imported lumber to keep it down to "a reasonable volume" which would permit "a fair competitive price" and which would relate imports to total consumption so as "to curtail the severe price cutting practiced by some importers."

(3) A major lumber dealer serving the Philadelphia area opposed import restrictions on Canadian lumber and said:

"There would be an increase in lumber prices inasmuch as American mills are not producing enough variety of lumber for our requirements. The home buyers today resent current housing prices, and any increase would definitely further hamper the sale of homes. They complain that prices are too high at present and are unable to buy because they cannot meet the monthly payment requirements. Artificially increased prices would lead to increased inroads from competitive products. There would be less lumber used and we would all suffer."

(4) A western lumber marking association opposed tariff restrictions and said:

"The tariff action proposed may well be harmful to the necessity for keeping lumber selling prices competitive in the consuming market lest lumber be used in sharply reduced quantities and lose its longstanding acceptance.

"If that portion of lumber consumed in the United States which is produced in Canada were to be reduced or eliminated, the ability to make up that difference in short order exists in the plant capacity of our industry today. However, we are convinced that in such a situation, our timber prices would be bid up even further, only a small number of existing mills would share in increased production, and, within months, the problems which exist today would be back with us but in more aggravated form."

(5) A lumbermen's association in Minneapolis filed a statement against tariff restrictions and said:

"We hope some relief may be found for those segments of the U.S. lumber manufacturing industry which have been undergoing a serious recession the last 2 years; but we do not believe such relief should come through restricting competition from Canadian lumber. This would simply result in an artificial increase in lumber prices. This kind of price increase would be detrimental to commercial user, homebuilder, and buyer, as well as to the entire wood products industry—manufacturer, wholesaler, and retail dealer."

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(6) The chairman of the Wholesalers' Committee Against Tariff Restrictions on Canadian Lumber said:

"The avowed purpose of the petitioners, often stated in these hearings, is to restrain the importation of softwood lumber from Canada in order that the price of lumber produced and sold domestically, may be increased. We wholesalers and our customers, who are 'on the firing line,' selling lumber at the final point of use, are very much concerned about the economic effect of such an eventuality. * * * We fear the increases in prices they seek to bring about through the imposition of a quota on Canadian softwood lumber imports, and increased tariffs on such imports, would injure the whole U.S. lumber industry—manufacturers, wholesalers, and retailers alike."

(7) A major witness for the lumber industry in favor of tariff restrictions, Mr. Kreager, also made clear to the Tariff Commission that restrictions on Canadian imports would have the effect of increasing prices. A higher duty or quota would raise prices at once in the short run, said Mr. Kreager, and over the longrun would result in a higher plateau of lumber prices.

(8) All of this was recognized by the Tariff Commission in noting that there is a "cost-price squeeze" between the rising prices of lumber and the even more rapidly rising costs of timber to the domestic industry. The Commission carefully considered United States and Canadian timber prices in the course of arriving at its decision which rejected the petitions of the domestic industry. (See pp. 68-76 of the Tariff Commission's report to the President, TC Publication 79.) A summary of the Tariff decision on lumber prepared for all key members of the Home Builders Association is attached for the information of the committee. (See attachment B.)

There is another consideration of importance to us and to the Congress. Favorable action on S. 957 will lead directly to another completely harassing legislative proposal impairing the operations of the homebuilding industry. Senator Jordan made this clear when he said, directly following his introduction of S. 957:

"Mr. President, in connection with the bill requiring that lumber be marked with the country of origin, I introduce for appropriate reference a fourth bill, requiring that only lumber and other wood products which have been manufactured in the United States may be used in construction or rehabilitation covered by FHA-insured mortgages." (See p. 3047, Congressional Record, Feb. 28, 1963.)

This bill, S. 958, is now before the Senate Banking Committee and would amend the National Housing Act to limit FHA-financed housing to domestic lumber and wood products. This would be a precedent of far-reaching significance and of a thoroughly disruptive nature to the existing system of lumber distribution and to the construction of homes. Yet approval of S. 957 opens the way for possible approval of S. 958.

Quite honestly we believe that the editorial on February 17, 1963, in the Portland Oregonian, placed in the Record by Senator Morse (see p. 3637, Congressional Record, Mar. 8, 1963), is far more to the point when it said:

"What the lumber industry needs most of all is a boom in homebuilding. If there were a brisk demand for lumber, there would be little worry about Canadian competition. Even now some operators are doing well, as annual reports prove."

CONCLUSION

We respectfully urge the committee to reject S. 957. We are sympathetic with the problems and ills of the domestic lumber industry and we are working diligently to cooperate in their efforts to stimulate and broaden domestic markets for softwood lumber, in their efforts to lift uneconomic statutory limitations on domestic shipping of lumber, and in their efforts to prevent unfavorable changes in the tax laws. We do not believe, however, that a marking requirement as the first step toward a limitation and disruption of the free flow of a basic construction material is either appropriate or necessary.

ATTACHMENT A

SURVEY OF SELECTED STATES WITH REFERENCE TO CANADIAN LUMBER

The following wire was sent to the presidents and executive officers of affiliated homebuilders associations in the following 19 States in the 8 major regions of the country where it seemed possible that Canadian lumber might be used. The regions and States selected were: (1) Northeast—Massachusetts, Connecticut,

Rhode Island, Maine, New Hampshire, Vermont, and New York; (2) Atlantic coast—Pennsylvania, Delaware, Maryland, Washington, D.C., Virginia, New Jersey, and Florida; and (3) Midwest—Michigan, Minnesota, Wisconsin, Indiana, and Illinois.

From: National Association of Home Builders.
Date: March 19, 1963.
Night letter: as follows:

"The domestic lumber industry is making its first move toward stopping the supply of Canadian lumber for housing next Thursday in Congress. A hearing will be held on a bill to require marking of all imported Canadian lumber. Lumber industry asserts this is to protect home buyers. Please find out how much Canadian lumber is being used in your area. Also find out if there are any complaints about Canadian lumber. We believe this is the first step in an attempt to raise all lumber prices. Please wire results of your investigation so we can use them by Thursday."

As of the close of business Wednesday, March 20, 1963, the following replies had been received, as listed below in alphabetical order by State.

District of Columbia

Washington, D.C. (by telephone): James W. Pearson, executive vice president, Home Builders Association of Metropolitan Washington:

"In the Metropolitan Washington, D.C., area 60 percent of the lumber in the market is Canadian lumber. As for quality, Canadian lumber from the other side of the mountains is just as good as ours if not better. The lumber brought in from the interior regions east of the Rockies is not as good and sometimes much inferior to our lumber. The majority of the Canadian lumber here is 2 by 4's, 2 by 6's, etc."

Delaware

Wilmington: Sidney Paul, president, Home Builders Association of Delaware:

"In answer to your telegram, 75 million board feet of lumber being used in this area per year; 50 percent is Canadian lumber. Builders preference: Canadian lumber because it is better quality within same grades. Passage of this bill would cost us at least $10 per thousand more."

Florida

Bradenton: Phil Maring, executive secretary, Home Builders Association of Manatee County:

"Seventy-five percent of framing in this area is Canadian. No complaints, grading good or better than domestic."

Fort Myers: Joseph J. Taylor, executive secretary, Home Builders Association of Lee County:

"Investigation in Lee County, Fla. discloses 60 percent lumber used is of Canadian origin. Quality excellent."

Orlando: Charles W. Rex, Jr., president, Home Builders Association of Mid-Florida:

"Fifty percent of western woods structural lumber in this area is Canadian lumber. Retail lumber dealers contacted feel this definitely means an increase in lumber prices if Canadian lumber is stopped. Home Builders Association of Mid-Florida is very much opposed to any such move to stop supply of Canadian lumber."

Punta Gorda: John McCaughey, secretary, Home Builders Association of Charlotte County:

"Small amount of Canadian lumber shipped to this area. No complaints."

Tampa: J. C. Gregory, executive secretary, Home Builders Association of Tampa:

"Investigation shows no objections to quality of Canadian lumber, either from builders or lumber dealers. All companies use some Canadian lumber. Fifty percent of lumber dealers for a tariff, other 50 percent claim it does not make that much difference in price. All builders against raise in price."

Titusville: Jesse Childre, president, Home Builders Association of North Brevard County:

"Little or no Canadian lumber used in this area."

Winter Haven: Mason S. Connary, secretary-treasurer, Home Builders Association of Greater Winter Haven:

"I have checked with all local lumber supply companies and all sell some Canadian lumber. All report quality good—better than some American of equal grade. Canadian lumber is grademarked "Good" and never misrepresented. Dealers are not in favor of anything that will raise the tariff and thus raise price of Canadian and then American lumber."

Illinois

Alton: John J. Storey, president, Home Builders Association of Madison County:

"There are five lumber dealer members in our organization. This was their opinion: If lumber is marked, all lumber should be marked, United States included. Fifteen percent of lumber purchased was Canadian. No complaints. They are against anything that will raise the cost of lumber and affect the cost of home construction."

Bloomington: Paul E. Ball, president, Bloomington-Normal chapter of NAHB:

"Probably six cars per year sold in Bloomington-Normal yards of Canadian. No apparent complaints. Little used in conventional building. Our prefab homebuilders probably use much Canadian spruce in packages. Conventional builders would not advocate anything, however, that would eliminate a damper effect on domestic lumber prices."

Danville: Arthur N. Fleming, national representative of Illinois State Home Builder Associations:

"East central Illinois: 50 percent Canadian lumber. Good quality. No complaints."

Springfield: Raymond M. Lundstrom, executive vice president, Springfield Home Builders Association:

"A good quantity of Canadian lumber is being used in this area. Reliable authority states there have been no complaints."

Indiana

Fort Wayne: Russell Harding, executive vice president, Home Builders Association of Fort Wayne:

"Very little, if any, Canadian lumber used in this area."

Lafayette: Robert W. Bouwkamp, secretary, Home Builders Association of Greater Lafayette, Inc.:

"In reply to your telegram concerning legislative action on Canadian lumber, local survey reveals no use of Canadian lumber in the Lafayette, Ind., area."

South Bend: Keith A. Klopfenstein, executive secretary, Home Builders Association of St. Joseph Valley, Inc.:

"Limited amount of Canadian lumber being used in this market. Quality parallel to domestic grade for grade. Few complaints, if any."

Massachusetts

Springfield: Amico Barone, executive director, Home Builders Association of Greater Springfield, Inc.:

"Check of four of our lumberyard members find all favor free flow of Canadian lumber into United States. No complaints and all oppose bill. One yard uses all Canadian lumber and other three from 25 to 50 percent. Please give more than 24 hours when you want survey made."

Worcester: L. Irving St. Martin, executive director, Master Home Builders Association of Worcester County:

"Survey of large lumber dealers indicates 50 to 60 percent of hemlock, spruce, and fir is Canadian. No complaints on quality or service."

Michigan

Detroit: Irving H. Yackness, executive vice president and general counsel, Home Builders Association of Metropolitan Detroit:

"Approximately 55 percent of all framing lumber used in the Detroit region originates in Canada, approximately 45 million board feet annually."

Grand Rapids: Ward Blackall, executive secretary, Grand Rapids Home Builders Association:

"Investigation here indicates all retail yards carry Canadian lumber. Retail outlet much opposed to legislation being pushed. Also, practically all builders use Canadian lumber and our reaction is—we are entirely opposed to this legis-

lation and feel it would lay the groundwork for an advance in cost that must be passed on ultimately to the purchaser."

Lansing: Donald C. Hodney, president, Lansing Home Builders Association:

"Talked to three Lansing brokers today. Approximately 7 or 8 percent of lumber coming into Michigan is Canadian, mostly spruce. Boards and dimension is excellent quality, some hemlock, dimension good quality. We need this excellent source of supply."

Lansing (by telephone): Mr. Fitzgerald, a major lumber dealer in Lansing, Mich., calling on behalf of himself and the president of the Lansing Home Builders Association, Mr. Donald C. Hodney:

"In the opinion of the homebuilders and lumber dealers around here, Canadian lumber is not affecting in any way the quality of homes nor is it penetrating or causing any kind of lower price basis. Also we feel it is a little bit higher quality than what we would normally get from domestic mills. We feel there is between an 8-to-12-percent Canadian market here and most of this is in Douglas fir and spruce. Also we feel this is not hurting anyone as far as economics are concerned. In addition, all lumber is graded according to American standards whether or not from Canada. It is marked according to association marking and grading. So anyone with an objection can readily recognize the Canadian association marking or trading stamp on it with the possible exception of a Pacific coast stamp where the markings are closely similar."

Minnesota

St. Paul (by telephone): John E. Bohman, executive director, St. Paul Home Builders Association:

"In the neighborhood of 25 percent of the total lumber sold here is Canadian. It is a lighter texture lumber, airdried instead of kilndried but no complaints. It has a tendency to warp a little and is not true and straight as other lumber but there has never been any noticeable complaint on this score. The price ranges from $5 to maybe as high as $10 a thousand less than domestic west coast and inland lumber. Canadian lumber could be sold for as high as 15-percent difference because of the dollar exchange problem. If Canadian lumber is excluded, the price would go up because 25 percent of the total used here would be excluded."

New York

Poughkeepsie: Sam Hankin, president, Home Builders Association of Hudson Valley:

"Careful research and inquiry of our lumber dealers and builders indicate that 60 percent of all lumber used is Canadian lumber. This grade of lumber has been proven to be highly satisfactory."

Staten Island: Staten Island Home Builders Association:

"Seventy-five percent Canadian lumber being used in this area. No complaints."

Syracuse: Earl S. Butterfield, president, Home Builders Association of Greater Syracuse, Inc.

"Very little Canadian lumber being used in this area. No complaints on that used."

Utica: Edward Hinge, president, Home Builders Association of Mohawk Valley:

"Re your wire this date, the following percent of Canadian lumber is used locally—10 to 15 percent 2 by 4's; 50 to 60 percent framing lumber 2 by 6 and larger; 60 to 70 percent spruce sheathing; 10 to 15 percent pine. Complaints regarding Canadian lumber no greater than domestic. Some yards almost 100-percent Canadian, some only 10 percent but all yards use some Canadian."

Pennsylvania

Chambersburg: Glenn I. Garman, president, Home Builders Association of Franklin County:

"Our local suppliers and northern homebuilders of Pennsylvania say they use 50 percent or better Canadian lumber because of more uniform control in grades from the good mills. It would be a real detriment to the homebuilding industry if this supply were cut off."

Reading: Mishal A. Securda, president, Pennsylvania Home Builders Association:

"Considerable Canadian lumber being used here according to local lumber wholesalers and lumber dealers. No complaints."

Williamsport: Emil Haugan, president, Home Builders Association of West Branch Susquehanna:

"Williamsport's survey shows only 10 percent Canadian lumber brought into immediate area."

Rhode Island

Providence: Ross Dagata, executive director, Home Builders Association of Rhode Island:

"Canadian lumber used extensively in this area. Times does not permit giving figures. No complaints."

Virginia

Newport News: Lynwood S. Barton, executive vice president, Home Builders Association of Virginia Peninsula:

"Have only one lumber dealer who handles Canadian lumber. He reports 40 percent of his materials are being bought from Canadian source and without any complaints regarding quality and service of this product."

Norfolk: L. T. Newell, executive director, Tidewater Association of Home Builders:

"Reference telegram Canadian lumber. Tidewater area uses less than 5 percent Canadian. No complaints. These are mostly items not readily available in the United States at reasonable price."

Richmond (by telephone): T. T. Vinson, Jr., executive secretary, Home Builders Association of Richmond:

"There is some Canadian lumber in this market. Basically, most of it is being sold by the larger discount lumber operations and not by the ordinary retail sources of supply. There are no complaints. Don't think the average homeowner knows or cares what is in his house, really. Lumbermen have visited office and say that American spruce has a higher strength than Canadian and they are complaining about Canadian spruce being sold here. There is not any large quantity of Canadian lumber being used, however, in this area."

Roanoke: Fred H. Reed, executive secretary, Roanoke Valley Home Builders Association:

"Re night letter March 19, information requested has been formerly checked and discussed. Leading lumber dealers and builders in Roanoke, Va., area state 25 to 30 percent of dimensional lumber used in residential construction is Canadian spruce. Quality is not inferior and we are opposed to any restriction on Canadian lumber."

Wisconsin

Appleton: Leon G. Fischer, president, Valley Home Builders Association of Wisconsin:

"Exceptionally large amount of Canadian lumber used. Discontinuation means higher prices."

Madison: Lowell E. Gerretson, executive vice president, Madison Builders Association:

"Every lumberyard now selling Canadian lumber. All feel that Canadian competition has held the line on rough lumber prices. Above 35 percent-plus of rough lumber sold by yards supplying builders is Canadian. No complaints. Biggest yards are against any restrictions that would raise cost of construction."

(Following wires received early morning, March 21, 1963:)

Connecticut

New Haven: Daniel W. McNamara, executive vice president, Home Builders Association of New Haven County, Inc.:

"Only a minimum of Canadian lumber is used in this area. To our knowledge there has not been any complaints in its use."

Florida

Jacksonville: George H. Rumpel, executive director, Home Builders Association of Jacksonville:

"Investigation here shows only 3 to 5 percent Canadian lumber used in this area, comprising cedar only."

Illinois

Springfield: William J. Comstock, president, Springfield Home Builders Association:

"A good quantity of Canadian lumber is used in our area. To date, we have not had or heard of any complaints."

Indiana

Evansville: William A. Mullin, secretary, Evansville chapter of National Association of Home Builders:

"Canadian lumber survey report. Our area reports 75 percent of fir, 35 percent of hemlock, and almost all spruce used in building is Canadian. No objection to same. Some prefer it."

Richmond: Robert R. Rhoads, president, Home Builders Association of Wayne County:

"Usage of Canadian lumber in Richmond, Ind., area practically none at all. Contacted all lumber companies and Richmond Homes, Inc. No complaints for or against."

Massachusetts

Boston: Morton Weiner, president, Home Builders Association of Greater Boston:

"Conservatively, 60 to 70 percent of lumber used in local home construction in this area is Canadian. Coastal location and savings in freight prime factors in high rate of consumption. Imposition of tariff or restrictions in marking would curb source of supply 60 to 70 percent and we would be at the mercy of the American mills. Could mean increase in home prices of $100 to $200. Complaints on Canadian lumber are nil. Quality of Canadian lumber, grade for grade, is far superior to American production. These conclusions based on survey of majority of larger lumber wholesalers in this area."

Maine

Portland: Carroll L Beck, president, Home Builders Association of Maine:

"Use of Canadian lumber most industrial. Spruce ranges from 20 to 70 percent in this area. No complaints. Our builders like it. Lumber is drier with no culls and well marked. Please oppose bill."

Maryland

Baltimore: Elmer H. Biles, executive secretary, Home Builders Association of Maryland:

"In answer to your teletype today regarding Canadian lumber the only figures I could come up with are that in 1955 the east coast used 800 million board feet of Canadian lumber; in 1959, 600 million, and in 1962, 800 million. In checking with our major builders in our area they report no problems whatsoever with Canadian lumber and in fact find that Canadian lumber for some parts of the house, particularly roof trusses, is superior. Hope this information will be of some help to you."

Minnesota

Duluth: Martin Meldahl, executive secretary, Duluth Home Builders Association:

"Have contacted all major lumberyards today and find they are using from 8 to 10 percent at the most of Canadian lumber. No complaints on any of these products were voiced. Large and long timbers are the major use of Canadian forests and are not available from U.S. producers on the coast."

New York

Massena: Thomas Schofield, secretary-treasurer, Home Builders Association of the St. Lawrence Frontier, Inc.:

"Ten to fifteen percent of lumber used in area coming from Canada. Consensus of opinion of local builders and lumber dealers is that Canadian lumber should be graded to conform with U.S. standards. Third and fourth grade unmarked material from Canada is being sold and compared pricewise with No. 1 grade sold locally."

New Jersey

Irvington: Louis R. Barba, president, New Jersey Home Builders Association:

"Canadian lumber amounts to approximately 45 percent of our local market, a metropolitan area 20 miles from New York City. Canadian lumber is properly grade marked and purchases are made in accordance with grade requirements every bit as good as U.S. lumber. I am advised Canadian lumber is shipped in foreign ships at a lower transportation cost than U.S. vessels. If home buyers are to be hurt, it would be done by reducing the competition of Canadian lumber and thereby raising the price of the American home."

Pennsylvania

Erie: Ella Duncombe, office manager, Home Builders Association of Northwestern Pennsylvania:

"Checked Erie area lumber companies. Fifty percent of lumber used for housing is Canadian lumber. Quality on par with domestic lumber. No complaints on quality or availability."

Harrisburg: Milton E. Sayers, executive secretary, Home Builders Association of Metropolitan Harrisburg:

"Considerable Canadian lumber used in this area. Approximately 75 percent of all spruce lumber is of Canadian origin which is about 10 percent of total lumber used. Found no complaints about Canadian lumber."

Philadelphia: Ray A. Hill, executive vice president, House Builders Association of Philadelphia and Suburban Counties:

"Canadian lumber: Approximately 150 million feet sold here during year to builders. It is considered far superior because it is virgin timber, not subject to knots. Complaints received by dealers are almost negligible and builders generally prefer this. In opinion of lumberyard prices for American lumber will increase at least 10 percent if restrictions are put on Canadian products."

Pittsburgh: Robert C. Minetti, Home Builders Association of Metropolitan Pittsburgh:

"Seventy-five percent of lumber used in the precut market here is Canadian. Thirty-five percent of total used by builders. Grading is good; price is good; and complaints are negligible. Any action pending to restrict imports would damage our already soft market."

West Virginia and western Maryland

Ridgeley, W. Va.-Cumberland, Md.: Dick Pownall, president, Home Builders Association of Western Maryland:

"After a survey of all lumber dealers in this area, we find approximately 30 percent Canadian lumber being used with no complaints herewith. Wish to express our desire that this bill before Congress does not pass as it would definitely raise the cost of building material to us and our customers and would be helping to give a monopoly to a certain group."

Wisconsin

Beloit: Leo Riggins, president, Rock County Builders Association:

"Ten percent Canadian lumber used locally. Lumberyards oppose barring Canadian lumber. All yards recommended it highly."

Vermont

Burlington: Fred J. DeSpirito, Vermont Home Builders Association:

"I talked with Professor Whitmore of the forestry department at the University of Vermont. According to his survey of this area of all lumber used, 27 percent is Canadian lumber. Lumber dealers and builders prefer it. There are absolutely no complaints."

ATTACHMENT B

LEGISLATIVE REPORT, NATIONAL ASSOCIATION OF HOME BUILDERS

William Blackfield, chairman, governmental affairs division

FEBRUARY 21, 1963.

To: Executive committee, past presidents, national representatives, national directors, presidents, and executive officers of affiliated associations.
From: Joseph B. McGrath, director, governmental affairs.
Subject: Tariff decision on lumber.

The U.S. Tariff Commission has just rendered its report to President Kennedy on the results of its investigation of softwood lumber. You will recall we forwarded to you last November a copy of the statement submitted by NAHB to the Commission in which we objected strongly against any action which would result in raising the cost of softwood lumber to the construction industry. (See your legislative report, November 9, 1962.)

After 2 weeks of hearings, an extended investigation by the Commission staff, examination of all available documents, studies, data, and statements from industry (such as ours) the Tariff Commission unanimously found that the domestic lumber industry in the United States is not being caused serious injury by the importation of increased quantities of softwood lumber as the result in major part of trade agreement concessions.

This is a major victory for the Canadian lumber industry which has begun to supply an increasing quantity of softwood lumber for homebuilding. The statement filed on behalf of the lumber manufacturers in the United States specifically requested the Tariff Commission—

(1) to impose a maximum tariff on all imported Canadian lumber;

(2) to impose restrictive import quotas on Canadian lumber; and

(3) to require marking of all imported lumber to show its Canadian origin.

On the basis of its hearings and investigation the five members of the Tariff Commission unanimously rejected all three of these requests. As a result, there is no recommendation for any action by the President. In discussing the considerations which led to their findings, the members of the Commission made the following points:

(1) *Past tariff reductions.*—U.S. tariff reductions were provided in trade agreements in 1936, 1939, and 1948. These duty reductions were made so long ago that they can have only a negligible effect on current increased imports of lumber. Moreover, the reductions in duty probably operated much more to cause a rise in Canadian prices than to cause a lowering of U.S. prices.

(2) *Subsequent tariff action.*—The Commission rejected the argument that continuance of lower duties on Canadian lumber caused damage to the domestic industry. It noted the domestic softwood lumber industry took no action between 1948 and 1962 to request any relief. Nor was legislation asked of Congress. And finally it pointed out that the extent to which Canadian producers expanded their output and exports to the United States as a result of the 1936–48 lower duties "is not determinable but probably was not significant."

(3) *Marking of lumber.*—The Commission noted that for many years prior to September 1, 1938, there was no requirement to mark lumber to show country of origin and that the requirement with respect to Canada was in effect for less than 3 months before being suspended by agreement between the United States and Canada. The Commission noted that the marking statute was never designed to afford protection to domestic producers nor can it be regarded as a trade-agreement concession within the meaning of the Trade Expansion Act.

Voluntarily, however, the Commission notes that restoration of the marking requirement "would not likely have contributed to a reduction in the level of imports of softwood lumber. On the basis of evidence obtained by the Commission, its restoration might well have had a contrary effect."

The Commission also rejects completely the argument that absence of marking nullifies the Buy American Act and contributes to expansion of lumber imports. It notes that total purchases of imported lumber by civilian or military Government agencies under the Buy American Act and related acts are very small and almost always from mills whose source of supply is well known or readily determinable by the Government agencies concerned.

CAUSES OF LUMBER INDUSTRY TROUBLES

The Tariff Commission states that "much more significan than trade-agreement concessions in causing softwood lumber to be imported in increased quantities are certain other factors." The Commission then discussed the more consequential of these factors as follows:

(4) *Lumber prices versus timber and logging costs.*—This is labeled by the Tariff Commission as "the most important cause of the increased imports," i.e., the cost-price squeeze between the rising price of lumber and the even more rapidly rising price of timber and purchased logs. The Commission notes that—

(*a*) there is a limited commercial availability of softwood timber in the United States, particularly of saw timber size;

(*b*) as a result, there is intense competition among the buyers of such timber;

(*c*) one contributing cause is that over a period of many years the annual cut of mature saw timber generally exceeded the annual growth of such timber;

(*d*) also the timber management policies of Government agencies and other owners of large timber resources have operated, and continue to

operate, to limit the commercial availability of mature saw timber; and

(*e*) all of the above policies which are designed to achieve a long-term balance between cut and growth, are necessarily in conflict with commercial efforts to increase the current supply.

(5) *Competition for lumber.*—The Commission notes that "the inelastic supply of timber in the United States is in contrast to increasing commercial availability of newly opened virgin timberland in Canada." It also notes there is less competition among Canadian mills to obtain timber as compared with the competition in the United States between producers of lumber, manufacturers of plywood, pulp, paper, and exporters of logs.

Rising demand for forest products in the United States, coupled with rigid limits on commercial supply of timber, has resulted, states the Commission, in an upward trend in the prices of timber and an upward pressure on U.S. prices of lumber.

This, in turn, in the past few years has encouraged the opening of new areas of timber and lumber production in Canada and the increase of Canadian exports into the United States.

(6) *Depreciation of Canadian dollar.*—The Commission finds that Canadian currency depreciation effectively promoted the expansion of lumber exports to the United States. Although this, in time, states the Commission, will be of diminishing importance, it is currently, in the opinion of the Commission, a much more important factor than the aggregate of all of the past trade-agreement reductions in duty on lumber.

(7) *Transportation costs.*—The Commission notes that there is a substantial differential in the cost of waterborne shipments of lumber from British Columbia mills to eastern United States, contributing to an increase in the import of Canadian lumber. Imports by water account for only about one-fourth of the total imports of Canadian lumber, says the Commission. But the very large and rising disparity in cargo rates (imposed by the Jones Act passed by Congress to aid the domestic shipping industry), according to the Commission, obviously contributes much more to the recent increase in imports of softwood lumber than the aggregate of all trade-agreement concessions.

(8) *Other pertinent factors.*—The Commission finds that other factors have also contributed to the increase in imports of Canadian lumber. These include—

(*a*) "free hold privileges" granted by Canadian railroads;

(*b*) special efforts by Canadian mills to promote their product and meet the requirements of U.S. buyers as to packing, shipping, grading, and marking;

(*c*) the increasing awareness by U.S. distributors and consumers of the general high quality of Canadian lumber; and

(*d*) in recent years the wider acceptance in the U.S. construction industry of certain species of lumber which Canada has in abundant supply (for example, western white spruce).

CONCLUSIONS OF THE TARIFF COMMISSION

In view of the foregoing findings, the Commission concluded that trade-agreement concessions fall far short of being the preponderant cause of softwood lumber being imported in increasing quantities.

The Commission also concluded that trade agreement concessions do not contribute as much to the increase as certain other causes. The Commission then went on to make the observation that—

"* * * evidence obtained in the course of the investigation suggests that the factors giving rise to the increase in imports, rather than the increase itself, are mainly responsible for the major problems confronting the domestic softwood lumber industry, particularly the Pacific Northwest segment of it. Some of the factors, such as the increasing competition from substitutes for lumber and recent calamitous 'blowdown,' obviously do not stem in any measure from the increase in imports."

LUMBER INDUSTRY THREATENS CONGRESSIONAL ACTION

Despite the extensive and impartial findings of the Tariff Commission, largely adverse to the complaints filed by the domestic lumber industry, the National Lumber Manufacturers Association has announced that it will seek restrictive action by Congress. NLMA will ask Congress to place a major restriction on all FHA-insured housing so that only lumber and other wood products produced

and processed in the United States can be used in the construction of FHA housing. NAHB will keep you advised of all developments with respect to such legislation.

NOTE.—The complete text of the report summarized above can be obtained by writing to the U.S. Tariff Commission, Washington, D.C., for TC Publication 79, February 1963, Report to the President on Investigation No. 7-116 (TEA-I-4) under Section 301(b) of the Trade Expansion Act of 1962, Softwood Lumber.

ST. PAUL, MINN., *March 20, 1963.*

Senator EUGENE MCCARTHY,
Senate Office Building, Washington, D.C.:

Re S. 957, the homebuilding industry in the State of Minnesota is opposed to the passage of this bill because it would definitely increase the cost of housing for the people in this State. At the present time between 25 and 30 percent of the lumber sold in this State to the industry is imported Canadian lumber. It can be sold for about 15 percent less than domestic lumber. We have checked experience of imported lumber. Results good. No complaints. Would appreciate your help in defeat of this bill.

JOHN S. BOHMAN,
Executive Vice President, St. Paul Home Builders Association.

THE WINTON CO.,
Minneapolis, Minn., March 15, 1963.

Hon. EUGENE J. MCCARTHY,
Senate Office Building, Washington, D.C.

DEAR SENATOR MCCARTHY: The prime purpose of the much discussed proposed tax cut is to stimulate industrial growth or to prevent a recession.

I understand the Secretary of the Treasury, Mr. Dillon, has suggested that the present capital gains treatment of timber by corporations be eliminated simultaneously with the tax cut.

I am opposed to this and would like to give you four reasons:

1. Industrial growth and asset growth in corporations or net worth go hand in hand. I believe this must be so in order to get industrial growth.

Of course, our companies are small businesses, but I can't see how our company could in the past 19 years increase its industrial activity without increasing simultaneously:

(*a*) our profits;
(*b*) our net worth; and
(*c*) our number of employees.

This is what has happened and in that order. Put another way, if in the next 10 years our net worth is halved, I can't see how we can contribute a blessed thing to industrial growth—in fact, quite the opposite.

2. The Secretary of the Treasury suggests that individuals be allowed capital gains treatment on $5,000 of timber income. Yet corporations are to treat income derived from timber as regular income. He accepts the capital gains principle in connection with timber income, but he is discriminatory in allowing the application of the principle because:

(*a*) he discriminates between an individual taxpayer and a corporation; and

(*b*) he treats timber sales income differently from income from sales of other corporate assets.

When a corporation disposes of plant, equipment, or other capital assets, the Internal Revenue Code permits capital gains treatment on the resulting income. Frankly, a lumber manufacturing company to remain sound must pay more attention to providing a long-term raw material inventory in the form of trees than to its easily replaceable plant facility. Yet, the Secretary would permit the final disposal of plant and equipment assets under the capital gains tax rates while proposing that income on timber disposals by a corporation be taxed at ordinary rates. This discrimination is very discouraging to the forestry planning of a small company such as ours.

The Secretary ignores the fact that a natural resources company differs from other manufacturing or merchandising companies because it must acquire a substantial part of its entire future raw material inventory be-

fore it can wisely start in business. We have retained in the company substantial amounts of our capital gains for reinvestment in trees to assure the company's continuity. Without special tax treatment we could not have afforded to take the action we have to perpetuate our forest.

3. Here I speak politically. In this case I am a neophyte and hesitate to say anything. But the facts are the NLMA has made and is making more noise about what they claim is the economy of their industry than any industrial group I know. From talks I have had with Government officials, the Government has done and would like to do something to help the lumber manufacturing industry. The different attitudes of the Government of trying to help the industry and at the same time hurting it more violently than in anyway I know looks a little ambiguous to Mr. John Q. Lumber Manufacturer.

4. In the long run, the added burden of the Secretary of Treasury's idea of eliminating the capital gains treatment of timber would add to the cost of trees and finally to the cost of lumber and plywood in FHA homes (and paper products in the entire economy). The individual homeowner needs less cost, not higher cost of materials to encourage him right now. Higher costs could slow housebuilding.

In conclusion, Senator McCarthy, I am glad Mr. Dillon's capital gains treatment of timber was not in effect over the past 19 years. Only under existing capital gains treatment of timber income could our company have done the following in that period of time:

(*a*) From a mediocre sawmill with poor wood-frame dry kilns and an old-fashioned planing mill, it has built a fine modern sawmill, masonry dry kilns, and a fine planing mill, at a substantial investment;

(*b*) It has built a modern molding and trim plant;

(*c*) It has built a fine feeder railroad;

(*d*) It has built one of the most effective and substantial plywood plants in the country;

(*e*) It has developed 22 building materials stores in the San Joaquin Valley and at Lake Tahoe;

(*f*) It has developed a housebuilding program which constructs 200 to 250 homes a year—many for migrants who have never before owned homes; and

(*g*) We have trebled the personnel of our distribution and sales organizations.

Without the capital gains treatment on timber very little of the above program could have been brought about in this 19-year period.

It seems to me, as far as the forest industries go, the Secretary must make a choice: If he wants growth in the industry it can only come in a climate which will permit corporate assets and net worth to grow. Our company's growth net worth has resulted largely from the tax treatment of our largest capital asset—timber.

As a citizen who has studied and worried about the subject, I am as interested as the Secretary in stimulating industrial growth. I think his capital gains proposal on timber is shortsighted.

If national need dictates a tax program with which I disagree, I will accept it without outcry, but I feel I must keep the record straight on facts.

With good wishes.

Sincerely yours,

DAVID J. WINTON.

MINNEAPOLIS, MINN., *March 16, 1963.*

Hon. EUGENE J. MCCARTHY,
Senator From Minnesota,
Senate Office Building,
Washington, D.C.:

I understand quick action has been taken to hold a hearing before the Finance Committee next Thursday on H.R. 2513, to which an effort is being made to attach as an amendment S. 957 requiring marking of imported lumber. I strongly oppose the lumber amendment and wish to register my opposition with the committee.

DAVID J. WINTON.

THE WINTON CO.,
Minneapolis, Minn., March 16, 1963.

HON. EUGENE J. MCCARTHY,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR MCCARTHY: We are terribly disappointed to learn that the Senate Finance Committee has suddenly scheduled a hearing to consider S. 957 requiring stamping imported lumber with country of origin. We understand this bill will be considered as an amendment to H.R. 2513, which, of course, we do not oppose. The strategy of the lumber interests in their attempt to restrict competition by procuring the consideration of such bills without notice to lumber users, home builders, retailers, wholesalers, and people interested in minimizing trade restrictions is completely unfair. Should this amendment become law it could, as a hidden tariff, be as effective as an open import duty. Frankly, we don't know whether a "made in Canada" mark would be adverse in marketing lumber in the United States. Many people doubt that it would. The Tariff Commission, in its Softwood Lumber report at page 19, said:

"The marking statute was never designed to afford protection to domestic producers. But even if the marking requirement were regarded—for the purposes of this investigation—as a trade-agreement concession, it is clear that its restoration in recent years would not likely have contributed to a reduction in the level of imports of softwood lumber. On the basis of evidence obtained by the Commission, its restoration might well have had a contrary effect.

"The Commission rejects completely the view advanced by counsel for the petitioners that the absence of country-of-origin markings on imported lumber nullifies the Buy American Act insofar as lumber is concerned and thus contributes materially to the expansion of the imports."

Very likely the only result of requiring the marking of imported lumber would be harassment to Canada by requiring every lumber shipper (and in Canada, as in the United States, the lumber industry consists of many small units) to hand mark each piece of lumber individually (probably over ¼ billion separate pieces). Otherwise the shipper would have to purchase specially designed equipment to mechanically do the marking. Either way would be costly and would serve no useful purpose.

Aside from making things more difficult for the Canadians, the possibility exists that it could act to limit competition, which would mean an increase in the cost of lumber at a time when the homebuilder, the home buyer, and the lumber-consuming industry cannot afford increased costs.

If we can be of further help to you on this bill, please let us know.

Sincerely,

G. M. WHITE, *Vice President.*

MINNEAPOLIS, MINN., *March 19, 1963.*

Senator EUGENE MCCARTHY,
U.S. Senate Building, Washington, D.C.

DEAR SENATOR: Please vote "No" on amendment S. 957 to H.R. 2513 by Senator Jordan. We have enough marketing problems now without creating a cartel for Mr. Jordan's interest.

MARTIN A. WALSH, *Shakopee, Minn.*

PORTLAND, OREG., *March 20, 1963.*

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.:

Understand amendment being considered requiring marking country of origin on lumber imports in connection H.R. 2513 now in Finance Committee. We definitely oppose this amendment and ask your help in defeating it.

BLANCHARD LUMBER CO. OF PORTLAND.
R. L. BORST, *President.*

THOMPSON MAHOGANY CO.,
Philadelphia, Pa., March 21, 1963.

SENATE COMMITTEE ON FINANCE,
Washington, D.C.

DEAR SIRS: Bill S. 957 has just been brought to my attention. This bill requires the marking of all imported lumber and other products to indicate to the ultimate purchaser in the United States the name of the country of origin.

Our company imports annually many million feet of Philippine mahogany, African mahogany, and Honduras mahogany lumber. You, of course, can appreciate that this quantity of lumber represents many hundreds of thousands of pieces of lumber. To stencil each individual board would be a very costly and time-consuming job and yet would have no significant advantage to anyone concerned. When we invoice a customer for a given species of imported mahogany, our invoice shows in the case of Philippine mahogany that the lumber is Philippine mahogany. Likewise when we invoice a customer on a shipment of African mahogany, our invoice shows African mahogany. All papers relating to these show the country of origin of the lumber so I cannot see where anyone will benefit by this bill except to impose an unnecessary expense and burden on the legitimate importers of foreign lumber who would be required to mark each board.

We also import a great deal of single-ply veneer which is used for the centers of 3-ply 4-by-8-foot stock panels. Most of this veneer comes from West Africa and again we invoice the customer showing the name of the country of origin on the invoice. In these cases we sell the veneer to the plywood manufacturers who in turn put a face veneer and a back veneer on the veneer which we sell them so our product is totally covered up. Consequently, any marking on our veneer would be of no significance to the ultimate consumer.

I, therefore, wish to register a formal and vehement protest to bill S. 957 by stating that I see where it will serve no useful purpose to anyone concerned and would just add a lot of unnecessary work and expense to firms such as ourselves.

Very truly yours,

ROBERT P. THOMPSON.

HOFFBERGER & HOLLANDER,
Baltimore, Md., March 20, 1963.

Hon. SAMUEL N. FRIEDEL,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN FRIEDEL: The following concisely states the objection of my client, the Pompeian Olive Oil Corp., to H.R. 2513 (the Herlong bill) which I understand is scheduled for a hearing tomorrow before the Senate Finance Committee.

The bill would work an undue hardship on my client (and on the olive oil industry in general) since it would require that each blend of oil be labeled so as to indicate each country of origin of the oil. Since blends of oil may be composed of product from two, three, or even four countries and since the percentage from each country often varies from blend to blend, it would be necessary for a manufacturer (such as Pompeian Olive Oil Corp.) to constantly change or relabel the containers each time a new blend is made.

Olive oil, being an agricultural commodity, varies from one lot to another in color, taste and bouquet. Therefore, in order to maintain uniformity of product, manufacturers must blend the olive oil by varying the quantities of the different lots until the desired result is obtained. The oils will also vary from blend to blend due to climatic, economic, or even political factors which affect the price and supply of such oil. If, due to unfavorable weather conditions, the olive oil from a particular country is in short supply or its taste is adversely affected, the packer will necessarily reduce or eliminate this oil from its current blend. If, as sometimes happens, the price of oil coming from a particular country is unreasonably high or, because of Government restrictions, export licenses cannot be obtained, then, likewise, the packer must exclude this oil from his product.

Obviously, it would be uneconomical and operationally difficult, if not impossible, to purchase large quantities of labels and lithographed cans which would, under the Herlong bill, be required to state the source and percentage of olive oil contained in the product. The Pompeian Olive Oil Corp., therefore, feels that the

olive oil industry should be exempted from this legislation. To include it in the bill would, of necessity, force conscientious manufacturers to carry on a totally uneconomical packing operation, and the less scrupulous packers to falsely label their products. While H.R. 2513 contains a provision which permits the Treasury Department to exclude products which in its discretion are entitled to relief, I feel that an express exception to the proposed legislation is more in order.

I would also like to point out that the labels of the Pompeian Olive Oil Corp. indicate that the product is "imported." This specifies that the origin of the oil is foreign and adequately informs the public that none of the oils are of domestic origin. To require that the label state the name of each country and the percentage of the olive oil in the product coming from that particular country, would, in my opinion, serve absolutely no purpose.

I understand that two representatives of the olive oil industry will be present at the hearings and will testify if permitted. The industry has also prepared a brief which it intends to submit.

Your help in effecting an exception from H.R. 2513 for the olive oil industry would be greatly appreciated. If any additional information is needed, please let me know.

Very truly yours,

LEROY E. HOFFBERGER.

STATEMENT OF F. S. CLUTHE EDWARD LARAJA ON BEHALF OF THE OLIVE OIL ASSOCIATION OF AMERICA, INC.

Mr. Chairman and members of the committee, in order to analyze the full impact of the labeling provisions of the bill H.R. 2513 on the domestic packed olive oil industry, it is absolutely necessary to have a general knowledge of the basic sources of imported olive oil, the international olive oil market, the characteristics of olive oil, the method of importation, the processing of the product prior to packing, the containers in which it is repackaged and sold, the methods of distribution, and finally the requirements and expectations of the ultimate American consumer.

Sources of supply.—Historically the traditional suppliers of olive oil in bulk to the U.S. market are the producers, refiners, and exporters of Spain, Greece, Tunis, and Italy. However, within the past decade olive oils have been imported from Algeria, Morocco, Turkey, Lebanon, Tripoli, Chile, Lybia, and Argentina as well as more recently, Israel.

It is not a remote possibility that one exporting country could be supplying the U.S. market for an extended period of time, however, historically and realistically, the vicissitudes of the olive crop and the keen competition in the international market make for supplies from numerous countries the rule rather than the exception.

International market-olive oil.—Olive oil is an agricultural commodity subject to normal crop fluctuations and when traded between a variety of nations in any given period of time within any given year one or more of the countries listed above can be supplying the U.S. importers and packers due to one or a combination of the following factors:

(1) Annual yield of the crop.
(2) Exchange fluctuations.
(3) Quality of the annual crop.
(4) Availability of reserve stocks.
(5) Demand from countries other than the United States which are traditionally large consumers of olive oil.
(6) Arbitrary regulations of consuming and producing countries regarding imports and exports—

and any number of other factors not listed but generally characteristic of the multitude of differentials governing any international agricultural market.

It is interesting to note that many of the producing countries are also recipients of funds under our Public Law 480 for the purchase in the United States of vegetable oils.

Methods of importation.—U.S. packers purchase imported olive oil on the basis of a unit price per 100 kilos, pay for the product with letter of credit payable at sight, receiving the merchandise via steamer from the producing or exporting country to the U.S. port in steel drums of approximately 55 gallons net each, enter and pay duty on the product under present existing customs laws.

Dependent upon market conditions and supply, there is also a "Spot Market" here in the United States in which importers sell from the dock or out of warehouse on the basis of a price per gallon, duty paid.

Characteristics of olive oil.—To some, a study of olive oil is a science; to others, it is an art; to others, an avocation; to those in the industry, a vocation.

For the purposes of this report, it suffices to say that olive oil is not a uniform product. To be more specific, its characteristics vary not only according to the country in which it is produced but also in accordance with the particular section of the country in which it is produced. Furthermore, growing conditions, storage conditions, maturity of fruit, are only a few of the factors affecting the quality of olive oil. Add to this the different methods and technique of extraction, filtering, and refining, storing, and blending of edible olive oils together with differentials as to the facilities available for the harvesting and processing of olives in the respective producing countries, it is not difficult to begin to perceive the multitude of variables affecting the finished product.

These variables specifically affect the properties of olive oil in which the U.S. packer must interest himself to obtain the most acceptable product. Basically these properties are purity, palatability, color, clarity, aroma, uniqueness of flavor, stability, freedom from rancidity, age, free fatty acids, "blendibility," viscosity, mellowness, sharpness, etc.

Processing.—Processing of imported olive oil in the United States falls into two main categories: (1) filtering; and (2) blending.

Filtering.—Prior to packing the olive oil, it is thoroughly filtered to afford the product the greatest clarity possible.

Blending.—Of primary importance to the U.S. packer of imported olive oil is the establishment and consistent maintenance of a specific type of the various olive oils packed under his brand by seeking uniformity of taste, aroma, color, etc., as brand loyalty depends largely on the strict maintenance of such uniform quality.

To fully appreciate the problems of maintaining a "uniform type," we make reference to the previous paragraphs in this report listed under the headings "Sources of Supply. International Market." and "Characteristics of Olive Oil."

In brief, from a multiplicity of producing countries, under the pressures of a fluctuating international market, a U.S. packer must purchase and import a variety of types of olive oil to eventually achieve a marketable product, and within the course of the operation keep his cost to a minimum.

For example, a U.S. packer could be blending a neutral oil from Algeria as a base, a Spanish oil for bouquet, and a Tunisian oil for body and flavor and within the course of his operation, market fluctuations and supply could permit and force the substitution of the Spanish oil with a Greek oil of similar characteristics and/or a heavy Argentine oil would suddenly become available in the spot market at a good price and provide an adequate substitution for the Tunisia product.

Accordingly, within the framework of constantly changing prices, current stocks on hand, types available for purchase, merchandise in transit, tendencies in the international market, the U.S. packer seeks to maintain a uniformity of his product consistent with minimum costs.

Packing.—After filtering, the imported olive oil is pumped into large tanks where it is blended. From these tanks the olive oil is packed in the various consumer sized containers and distributed to the trade.

Containers.—Olive oil is packed and sold to consumers in lithographed tins of ½ pint, 1 pint, quarts, ½ gallon and 5 gallons. It is also packed in glass bottles of 1 ounce, 1¾ ounces, 2 ounces, 3 ounces, 4 ounces, 8 ounces, 16 ounces, 32 ounces, and 1 gallon.

Labeling.—Both the lithographed tins and the paper labels on bottles include the brand of the U.S. packer plus any and all other notations necessary.

Methods of distribution.—Packers sell their consumer packages either directly to retail stores, chainstores, department stores, hotels, restaurants, and so forth, or in many instances through distributors, wholesalers, and jobbers, which eventually distribute to these same retail or consumer outlets.

Price structure.—Imported olive oil filtered, blended, and packed in the United States in consumer containers sells in competition with—and at a discount under—brands packed in consumer containers in the country of origin and exported to the United States ready for distribution to retail outlets.

This discount is in a sense the very basis for the existence of the U.S. industry and is possible because of the American packers' flexibility in choosing a source

of supply, whereas foreign packed olive oil requires the use of the production available within the borders of the exporting country which may or may not be in competition with world markets at any given time.

Problems arising for U.S. packers of imported olive oil through compliance with H.R. 2513 labeling provisions.—Prior to any specific discussion in this respect, the following facts must be taken into consideration:

(1) Lithographed tins and labels for bottles are made from costly plates.

(2) Once printed, lithographed tins and labels have no other economical value except the specific purpose for which they are made.

(3) Lithographed tins and labels are purchased at a discount only when ordered in large volume.

(4) Changes in lithographed tins and labels are difficult and expensive to make.

(5) Storage (especially for empty tins) is an expensive and space-consuming proposition.

Furthermore, labeling laws usually apply to the carton in which a consumer product is packed and shipped as well as to the consumer package itself. Accordingly, the facts listed above apply to the cartons as well as to the tins and labels, as these too are printed to conform with a packer's brand.

Accordingly, from the practical point of view, what are a few of the alternatives open to the U.S. packer of imported olive oil which would provide for compliance with the labeling provisions of the Herlong bill?

(1) Print the tins and the labels with one specific country of origin and pack only the product imported from this particular source.

Disadvantages.—The packer leaves himself at the mercy of the qualities and price of one producing country. Flexibility to purchase various oils from various sources at the lowest possible prices is lost, and consequently the very foundation of the U.S. olive oil industry will crumble. Such a procedure can only ruin the quality and raise the price of the product beyond the price the consumer is willing to pay.

(2) Print several different tins or labels each identifying a different country of origin.

Disadvantages.—A sudden embargo or switch in the world market leaves the packer with stocks of labels and tins which he must store until such a time as the specific country designated on the tin resumes exports of the desired qualities at competitive prices. The packer loses flexibility in that he cannot use a certain type of olive oil desired to effect a blend with the country already stated on his label. Again his quality is threatened and his costs and his prices rise.

(3) Print tins and labels with various combinations of the countries of origin in accordance with the blends he would hypothetically use.

Disadvantages.—This procedure would first involve the expense and time necessary to make new and varied plates. It would require the need to keep a steady supply of containers corresponding specifically to the blend used. Labels and tins would have to be purchased cautiously in order to avoid "overruns" thereby losing the advantages of volume buying. Despite all precautions "dead stock" would be inevitable. Eventually, a packer would be forced to purchase his olive oils to comply with the markings on his tins and labels, rather than under the sound economical basis of price and quality.

(4) Have the brand packed in a foreign producing country and import the product in consumer containers.

Disadvantages.—For all intents and purposes, this alternative eliminates the need for a packing plant and makes the entire industry superfluous. This procedure puts the packer in a position where he is in reality an importer without the benefits of flexibility of purchases and blending of olive oils from several countries. With the cost advantage dissipated, the packer goes into direct competition with foreign brands and consequently the U.S. consumer pays higher prices.

The extinction of the U.S. packing industry has serious and extensive effects. Firstly, it abruptly and summarily cancels out the investment and labors representing a lifetime of efforts for those old and established American firms in the industry. It takes jobs from those American citizens directly employed by U.S. packers. It has serious and far-reaching effects upon large and small American businesses which today supply U.S. packers of imported olive oil with the machinery, tins, labels, bottles, cartons, closures, printing, lithographing, tinplate, paper, and services such as brokerage, accounting, advertising, and market research.

Intents of the bill H.R. 2513 as applicable to the U.S. olive oil production.—It is assumed that the primary purpose of the Herlong bill is to prevent the intermingling of a cheap foreign product with an equivalent domestic product to the detriment of the legitimate interests of U.S. industry and the eventual deception of the American consumer.

Imported olive oil is definitely not in this category nor by any stretch of the imagination is the U.S. production of olive oil in California detrimentally affected.

Domestic (U.S.) production is for all intents and purposes only a byproduct of the larger and more important industry of growing and curing and packing olives. U.S. production accounts for not more than 3 percent of the U.S. consumption of olive oil and its sale is normally concentrated in the producing areas of the Far West because of freight differentials. (The normal flow of olive oil is westward.)

It is to be noted that even the west coast of the United States itself does not produce sufficient olive oil for is own consumption and as a consequence, imports account for approximately 50 percent of the consumption of olive oil in this area.

Furthermore, U.S.-packed imported olive oil traditionally and historically commands a price premium over domestic olive oil. This promotes a rather unique situation in the American economy, that is, the danger that a domestic product could be intermingled or blended with an equivalent imported product to cheapen the imported product. This problem is of such concern on the west coast that the California authorities have enacted and strictly enforce laws and regulations to prevent the possibility. Under present regulations, should a west coast packer desire to blend an imported olive oil with a domestic olive oil, he cannot label the product "Imported." The higher cost of the blending merely penalizes the packer since without the premium "Imported" label, he still must compete with those packers blending straight (and cheaper) domestic olive oil.

It is reasonable to conclude that any conflict of interests between the U.S. olive oil industry and the U.S. packing of imported olive oil is actually nonexistent—at best extremely negligible.

Effects of bill H.R. 2513 on the ultimate U.S. consumer.—Flexibility of supply and blending skills give to the U.S. consumer a good imported olive oil at a price consistently cheaper than olive oil packed in foreign countries. Historically, a prime prerequisite for any consumer of olive oil is that it must be imported. Current municipal, State, and Federal laws insure this requirement and from this point he may choose the brand which best fulfills his personal standards of taste and price. It can be stated beyond all reasonable doubt that the consumer of U.S.-packaged imported olive oil cannot and does not in any way feel deceived if the country or countries of origin do not appear on the tin or bottle in which it is purchased. Traditionally and realistically, this has never been the concern of a consumer and it is the conviction of those in the industry that the labeling with countries of origin forces upon the U.S. consumer a new standard—an entirely new concept—which could only precipitate confusion without practical purpose. The commensurate higher price the consumer would have to pay for his accepted brand would only add to this confusion and hurt sales.

For example, is a buyer of coffee really interested to know if the particular brand of coffee he is using is a product of Brazil, Colombia, Costa Rica, South Africa and/or a combination of the product of several or all of these producing countries?

More specifically, would being informed of the origins of the contents of the can of coffee he is using afford the consumer any greater protection or satisfaction than he enjoys under present labeling laws?

By the same token, knowing the origins of the olive oils blended in his current brand affords no greater protection to the consumer who is satisfied with the fact that he is receiving 100-percent pure imported olive oil at a reasonable price. On the other hand, should a buyer feel that he must have an olive oil specifically from one particular country, he can choose from any number of foreign brands packed in the various producing countries and imported and distributed here in consumer sizes which must clearly state their origin on the label. To fulfill this standard, however, he must be prepared to pay the corresponding premium in price.

Enforcement and compliance of bill H.R. 2513 labeling provision.—Today, the U.S. consumer is assured by law that the product he is buying is 100 percent

pure imported olive oil. The labeling provisions of H.R. 2513 currently propose to assure the buyer that the olive oil in the tin or bottle is specifically a product of the respective countries marked on the label. The consumer today is protected from short weights by standards of weights and measure. He is protected from adulteration and filth by any number of chemical tests which can be made even when the product is in the tin or bottle. However, once the product is blended and sealed in the tins or bottles, what test or standard exists or will ever exist to guarantee to the consumer that the oils in the container are irrevocably a product of the countries marked on the label?

It is inevitable that the enforcement of the labeling provision of H.R. 2513 as applied to the blending of olive oils is a most complicated and extremely expensive operation.

Furthermore, unless enforcement is rigorous and efficient, the labeling provisions work only for the benefit of unscrupulous packers.

If a U.S. packer has in stock olive oils from four different producing countries who is to certify which one—or which two, three, or four—were eventually blended and packed in tins and bottles labeled with the correct country or countries of origin? What assurance does the honest packer have that his more unscrupulous competitors are complying in the same proper manner in which he is packing?

Does 1 gallon of Tunisian and 1 gallon of Greek olive oil added to a 1,000 gallon tank of Spanish olive oil justify a label marked product of Spain, Tunis, and Greece? Does the mere presence of Italian olive oil on the premises of a packer constitute sufficient basis for labeling a tin "product of Italy," when the packer also has stocked in his warehouse olive oil from Algeria and Tunis?

We submit that control, inspection, and enforcement is almost impossible, at best, extremely difficult and costly.

Furthermore, the provisions of H.R. 2513 provide a penalty for infraction for the distributor or retailer to the relative exclusion of the packer. In what manner is a retailer expected to determine that the contents of the tins or bottles sold by him actually correspond to the countries stated on the labels?

Foreign competition.—It is obvious that the provision of H.R. 2513 as applied to the U.S. packed imported olive oil industry precipitates insurmountable economic hardships, reduces flexibility of supply, undermines traditional marketing practices, complicates brand acceptance, and needlessly confuses consumers.

American skill and techniques of blending, advertising, flexibility of supply have served as sufficient justification for the very existence of a small specialized American industry strong enough to fight foreign competition which continually threatens to dominate the distribution of olive oil in this country. The provisions of bill H.R. 2513 bring about circumstances which give U.S. businessmen all of the disadvantages and none of the advantages of his foreign competitors.

It is inconceivable that the sponsors of this bill, who obviously are concerned with the protection of American industries subject to foreign competition, could seek to penalize or destroy American industries which must to a large extent rely on imported products for their raw material to the exclusive benefit of the competing foreign industry, and it can only be surmised that the failure to exclude such products (among them olive oil) must have been the result of oversight or unfamiliarity with these small specialized activities.

It is, furthermore, inconceivable that an industry replete with persistent problems of foreign competition must exist under a law which allows an administrative official, namely, the Secretary of the Treasury and/or his designatee, sole discretion as whether or not the olive oil packing industry is in violation of this law.

Such discretionary power perpetually hovers over the olive oil industry to the extent that at any time packers may abruptly be forced to assume the burden of proof for their rights to exception under this legislation.

These pressures and risks are further amplified by penalties outlined in H.R. 2513 which serve to adjudge the domestic packer of olive oil a criminal before he is brought to trial. In effect, a cautious packer will be forced to think twice before packaging olive oil in this country.

The bill is unnecessary. Its provisions merely duplicate the current functions of the Federal Trade Commission which amply provide for the marking of imported and domestic items.

Should the Senate Finance Committee, however, choose to recommend passage of H.R. 2513, we hereby respectfully request that the olive oil packing industry be specifically omitted from the provisions of H.R. 2513.

Any action short of specific exemption from the provisions of H.R. 2513 will seriously jeopardize the future of the entire olive oil packing industry.

PHILIPPINE MAHOGANY ASSOCIATION, INC.,
South Pasadena, Calif., March 24, 1963.

Re Jordan amendment to H.R. 2513.

SENATE COMMITTEE ON FINANCE,
Washington, D.C.

GENTLEMEN: The Philippine Mahogany Association, composed of the majority of the importers of Philippine forest products in the United States, would like to register its opposition to the so-called Jordan amendment to H.R. 2513. This amendment, as we understand it, is based on Senator Jordan's bill S. 937, which would require marking of all imported lumber and wood products to indicate to the ultimate purchaser in the United States the name of the country of origin.

Senator Jordan's bill is one of a number of pieces of legislation that have been introduced into this Congress that are aimed primarily at softwood imports into the United States from Canada. We are not in a position to comment on the equity of these various proposals insofar as they effect softwood imports. However, any requirement which would impose marking requirements on hardwood imports would, in our opinion, represent an unnecessary burden on importers.

The name of our product, "Philippine mahogany," is in itself indicative to any ultimate purchaser of the foreign origin of the wood. The same is true of most other hardwoods imported into this country, such as "African mahogany," "Honduras mahogany," etc. The vast majority of hardwood imports are of species that are not commercially grown in the United States. This is true of the product of our members "Philippine mahogany."

Hardwood imports are almost entirely composed of woods that are used for decorative purposes. A requirement calling for marking could present a considerable problem in defacement of the surface, particularly in the case of such items as surfaced lumber and moldings. Much of the hardwood lumber is imported in rough form and is surfaced and trimmed after arrival in this country, often in transit, and the original marking would be obliterated. If it would be required that this material be remarked the cost would be excessive and far beyond the benefits, if any, that would be forthcoming.

In many instances, the exportation of hardwood products by foreign countries provides a significant source of foreign exchange and presents an opportunity to expand a program of "trade not aid." Any legislation which might impose undue hardships where no benefits would be derived cannot help but push into the future the day when significant savings in our foreign-aid program can be expected.

In giving consideration to the amendment proposed, we would respectfully request that you give serious thought to our objections and that they not be lost sight of in the attempt of the domestic softwood industry to solve their alleged problems by seeking legislation that not only would have its effect on their competitors but would hamper what might be termed "innocent bystanders."

Thanking you for your consideration of our views, we remain,

Yours very truly,

GEORGE D. SCRIM, *Executive Secretary.*

(Whereupon, at 4:40 p.m., the committee adjourned, to reconvene at the call of the Chair.)

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