

MISCELLANEOUS TARIFF BILLS

HEARING
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-SIXTH CONGRESS
SECOND SESSION
ON
H.R. 3122, H.R. 5047, and H.R. 7139

SEPTMBER 9, 1980

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MISCELLANEOUS TARIFF BILLS

TUESDAY, SEPTEMBER 9, 1980

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
Washington, D.C.

The subcommittee met, pursuant to call, at 9 a.m., in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff (chairman of the subcommittee) presiding.

Present: Senator Ribicoff.

[The press releases announcing these hearings and the bills H.R. 5047 (secs. 113, 201, and 202), H.R. 7139, H.R. 3122 (sec. 14) follow:]

(Press Release—August 4, 1980)

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE PROVIDES OPPORTUNITY FOR COMMENTS ON MISCELLANEOUS TARIFF BILLS

The Honorable Abraham Ribicoff (D., Ct.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee is providing an opportunity for the submission of views with respect to the tariff bills listed below. Persons who desire to present their views to the Subcommittee are urged to prepare a written statement for submission. These written statements should be submitted to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, August 22, 1980.

The bills for which comments may be submitted are as follows:

(1) H.R. 5047—Miscellaneous tariff measures, including, as passed by the House, elements of the following bills (here listed in the order in which they appear in H.R. 5047 together with S.-numbered bills of similar substance, and exclusive of sections 105 and 301, on which the Committee has already acted)—

(a) H.R. 6687—To amend general headnote 3(a) of the Tariff Schedules of the United States (TSUS), relating to the tariff treatment of products of the insular possessions.

(b) H.R. 7173—To reduce permanently to zero the duties on certain yarns of silk.

(c) H.R. 5952 (S. 2256)—To reduce permanently to zero the duties on poppy straw extract imported for use in producing codeine, morphine and thebaine.

(d) H.R. 7167—To amend the headnote to schedule 8 of the TSUS relating to tariff treatment of articles and valuable wastes resulting from processing.

(e) H.R. 6673—To suspend until June 30, 1983, the duties on prepared, preserved and frozen water chestnuts and bamboo shoots.

(f) H.R. 6278—To suspend the column 1 (MFN) duty on the urethane curing agent known as TMAB until June 30, 1983.

(g) H.R. 5047—To continue the existing temporary suspension of MFN duties on color couplers and color intermediates until June 30, 1982.

(h) H.R. 6269—To continue the existing temporary suspension of the MFN duty on doxorubicin hydrochloride, known as Adriamycin, until June 30, 1982.

(i) H.R. 7145—To suspend temporarily the MFN duty on levulose until December 31, 1981.

(j) H.R. 7047—To suspend temporarily the MFN duty on flat knitting machines until June 30, 1983.

(k) H.R. 7004 (S. 2509)—To suspend temporarily the MFN duty on warp knitting machines until June 30, 1983.

(l) H.R. 5464—To amend section 313 of the Tariff Act of 1930, to provide that U.S. Customs drawback of duties be allowed for articles of foreign origin exported in the same condition as when imported, or destroyed under the supervision of the U.S. Customs Service, within 3 years of the date of importation.

(m) H.R. 5452—To amend section 498(a) of the Tariff Act of 1930 to allow informal entry of certain U.S.-origin merchandise returned by a foreign purchaser for repair or alteration prior to exportation or either rejected or returned by the foreign purchaser for credit.

(n) (No H.R. number)—To amend section 852 and paragraph (1) of section 1107(a) of the Trade Agreements Act of 1979 to make technical conforming changes in the headnotes of the TSUS.

(o) H.R. 5827—To amend the Act of June 18, 1934 to permit the Foreign-Trade Zones Board to submit its annual report to the Congress no later than April 1 of each year.

(p) H.R. 5442 (S. 2615)—To authorize and direct the U.S. Customs Service to convey to the Coos County, Oregon sheriff's office all interest of the United States to three amphibious craft which were seized in a drug raid.

(2) H.R. 5829—For the relief of Foundry United Methodist Church.

(3) H.R. 6975—To reduce permanently to zero the MFN duty on hardwood veneer.

(4) H.R. 7139—To suspend the MFN duty on limited amounts of certain wrapper tobacco until June 30, 1981.

[Press Release—August 26, 1980]

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE RESCHEDULES HEARING ON CLAIMS AGAINST CZECHOSLOVAKIA AND ANNOUNCES HEARING ON MISCELLANEOUS TARIFF BILLS

The Honorable Abraham Ribicoff (D., Ct.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee's public hearing on unpaid claims of U.S. citizens against Czechoslovakia, previously scheduled for September 3, 1980 (Press Release No. H-46), has been rescheduled for September 9, 1980. Requests to testify and other matters regarding this hearing will continue to be governed by the terms of Press Release No. H-46.

In addition, Senator Ribicoff announced that the Subcommittee would on the same date hold a hearing on the miscellaneous tariff bills listed below.

The hearing on the miscellaneous tariff bills will begin at 9:00 A.M., on September 9, 1980, in Room 2221 of the Dirksen Senate Office Building.

The hearing on the Czechoslovakia claims matter will begin at 10:30 A.M. on the same date in the same room.

The following miscellaneous tariff bills will be the subject of the 9:00 A.M. hearing.

(1) The following sections only of H.R. 5047:

(a) Section 113 (similar to H.R. 7004 and S. 2509)—To reduce temporarily the duties on warp knitting machines until June 30, 1983.

(b) Section 201 (similar to H.R. 5464)—To amend section 313 of the Tariff Act of 1930, to provide that U.S. Customs drawback of duties be allowed for articles of foreign origin exported in the same condition as when imported, or destroyed under the supervision of the U.S. Customs Service, within 3 years of the date of importation.

(c) Section 202 (similar to H.R. 5452)—To amend section 498(a) of the Tariff Act of 1930 to allow informal entry to certain U.S.-origin merchandise returned by a foreign purchaser for repair or alteration prior to exportation or rejected or returned by the foreign purchaser for credit.

(2) H.R. 7139—To suspend the MFN duty on limited amounts of certain wrapper tobacco until June 30, 1981.

(3) Section 14 of H.R. 3122—To create a new item in the Tariff Schedules of the United States for scale model household furnishings and accessories which would provide an 8 percent ad valorem duty for MFN imports and 45 percent ad valorem duty for non-MFN imports.

Requests to testify.—Chairman Ribicoff stated that persons desiring to testify during the hearing on miscellaneous tariff bills must make their requests to testify in writing to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Thursday, September 4, 1980. Persons so requesting will be notified as soon as possible after this date whether they will be scheduled to appear. If for some reason a witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance.

Consolidated testimony.—Chairman Ribicoff also stated that the Subcommittee urges all witnesses who have a common position or with the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. Chairman Ribicoff urges very strongly that all witnesses exert a maximum effort to consolidate and coordinate their statements.

Legislative Reorganization Act.—Chairman Ribicoff observed that the legislative Reorganization Act of 1946, as amended, and the rules of the Committee require witnesses appearing before the Committees of Congress to file in advance written statements of their proposed testimony and to limit oral presentations to brief summaries of their arguments.

Chairman Ribicoff stated that in light of this statute and the rules, and in view of the large number of persons who desire to appear before the Subcommittee in the limited time available for the hearing, all witnesses who are scheduled to testify must comply with the following rules:

(1) All witnesses must include with their written statements a one-page summary of the principal points included in the statement.

(2) The written statements must be typed on lettersize (not legal size) paper and at least 100 copies must be delivered to Room 2227, Dirksen Senate Office Building, not later than noon of the last business day before the witness is scheduled to appear.

(3) Witnesses are not to read their written statements to the Subcommittee but are to confine their oral presentations to a summary of the points included in the statement.

(4) Not more than five minutes will be allowed for the oral summary.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Written statements.—Persons requesting to testify at the hearing on miscellaneous tariff bills who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearing. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, September 12, 1980.

[H.R. 5047, 96th Cong. 2d Session]

AN ACT To provide for the temporary suspension of certain duties, to extend certain existing suspensions of duties, and for other purposes.

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

TITLE I—AMENDMENTS TO TARIFF SCHEDULES

Sec. 113. Warp knitting machines.

(a) Subpart B of Part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

| | | | | |
|--------|--|------|-----------|----------------------|
| 912.13 | Warp knitting machines (provided for in item 670.20, part 4E, schedule 6). | Free | No change | On or before 6/30/83 |
|--------|--|------|-----------|----------------------|

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawal from warehouse, for consumption on or after the date of the enactment of this Act.

TITLE II—AMENDMENTS TO OTHER TRADE LAWS

Sec. 201. Same condition drawback.

(a) Section 313 of the Tariff Act of 1930 (19 U.S.C. 1313) is amended—

(1) be redesignating subsections (j) and (k) as subsections (k) and (l), respectively; and

(2) by inserting immediately after subsection (i) the following:

“(j) SAME CONDITION DRAWBACK.—(1) If imported merchandise, on which was paid any duty, tax, or fee imposed under Federal law because of its importation—

“(A) is, before the close of the three-year period beginning on the date of importation—

“(i) exported in the same condition as when imported, or
 “(ii) destroyed under Customs supervision; and
 “(B) is not used within the United States before such exportation or destruction;
 then upon such exportation or destruction 99 per centum of the amount of each such duty, tax, and fee so paid shall be refunded as drawback.

“(2) The performing of incidental operations (including, but not limited to, testing, cleaning, repacking, and inspecting) on the imported merchandise itself, not amounting to manufacture or production for drawback purposes under the preceding provisions of this section, shall not be treated as a use of that merchandise for purposes of applying paragraph (1)(B).”

(b) The amendments made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

Sec. 202. Informal entry of certain U.S. products.

Section 498(a) of the Tariff Act of 1930 (19 U.S.C. 1498(a)) is amended—

(1) by redesignating paragraphs (2) through (11) as paragraphs (3) through (12), respectively; and

(2) by inserting immediately after paragraph (1) the following new paragraph:

“(2) Products of the United States, when the aggregate value of the shipment does not exceed \$10,000 and the products are imported—

“(A) for the purposes of repair or alteration prior to reexportation, or

“(B) after having been either rejected or returned by the foreign purchaser to the United States for credit;”

[H.R. 7139, 96th Cong. 2d Sess.]

AN ACT To suspend for not exceeding one year the duty on certain wrapper tobacco.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subpart B of part 1 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting in numerical sequence the following new item:

| | | | | |
|--------|---|------|-----------|---|
| 903.65 | Wrapper tobacco (provided for in item 170.10, part 13, schedule 1). | Free | No change | Until the entry, or withdrawal from warehouse, for consumption of the 2,000,000th pound of such tobacco after the date of the enactment of this item, or until the close of June 30, 1981, whichever first occurs |
|--------|---|------|-----------|---|

Sec. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

Passed the House of Representatives August 18, 1980.

Attest:

EDMUND L. HENSHAW, Jr.,
Clerk.

By W. RAYMOND COLLEY,
Deputy Clerk.

[H.R. 3122, 96th Cong., 1st Sess.]

AN ACT Relating to the tariff treatment of certain articles.

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

Sec. 14. Permanent duty-free treatment for certain models of household furnishings and accessories.

(a) Subpart E of part 5 of schedule 7 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended—

(1) by striking out "(except parts)" in headnote 1 and inserting in lieu thereof "(except parts other than parts of models classified in item 737.08)";

(2) by amending the superior heading immediately preceding item 737.05—

(A) by striking out "and" immediately before "construction kits", and

(B) by inserting immediately before the colon the following: "; and parts of models classified in item 737.08"; and

(3) by inserting immediately after item 737.07 the following new item:

| | | | | |
|--------|--|------------|-------------|---|
| 737.08 | Models of household furnishings, lamps, lighting fixtures, other household accessories, and building parts of houses, and parts thereof, and kits for constructing same; all the foregoing made approximately to $\frac{1}{12}$ scale (whether or not made to scale of an actual article). | 8% ad val. | 45% ad val. | " |
|--------|--|------------|-------------|---|

(b) The amendments made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

Senator RIBICOFF. The subcommittee will be in order.

Today we will receive testimony on two miscellaneous tariff matters.

Section 14 would provide a new tariff classification for models of household furnishings and accessories with a most-favored-nation rate of 8 percent ad valorem, and a non-most-favored-nation rate of 45 percent ad valorem, which are substantially lower than the rates at which most of these articles are presently entered.

Section 14 has already been favorably reported by the Finance Committee to the Senate, but no hearing was held on that provision. After it was reported, a number of domestic firms claiming to produce competitive articles appeared to protest losing the protection of current tariff rates, and call into question the information on which the committee acted.

In order to get as accurate a picture as possible, and because H.R. 3122 has not yet received floor action, testimony will be received at this hearing.

The subcommittee has another hearing at 10:30 a.m. today, so it will be necessary to move through these matters quickly. As each panel knows, it has 5 minutes to make oral presentation.

We will start on section 202 concerning informal entry. Do we have the proponents here to testify to that?

Mr. Schonstedt.

Mr. SCHONSTEDT. My attorney has not arrived.

Senator RIBICOFF. Are you going to testify?

Mr. SCHONSTEDT. Yes.

Senator RIBICOFF. Well, we start at 9 o'clock here and we usually start on time.

Do we have the people here for section 14 of H.R. 3122?

Mr. DAVIS. Yes.

Senator RIBICOFF. Are you ready to go?

Mr. DAVIS. Yes.

Senator RIBICOFF. All right, then, we will take up section 14 of H.R. 3122. Our panel consists of Mr. Lanny J. Davis, attorney with Patton, Boggs and Blow, on behalf of the Hobby Industry Associ-

ation of America; Mr. Tony Kohn, Handicraft Designs, Inc.; and Mr. Tim Morrissey, president, American Miniatures Corp.

**STATEMENT OF LANNY J. DAVIS, ON BEHALF OF THE HOBBY
INDUSTRY ASSOCIATION OF AMERICA**

Mr. DAVIS. Mr. Chairman, we appreciate this opportunity to testify in support of section 14 of H.R. 3122.

My name is Lanny Davis. I am a partner in Patton, Boggs & Blow of Washington, D.C., and Washington counsel to the Hobby Industry Association of America, an association of more than 2,000 manufacturers, wholesalers, and retailers of hobby products from throughout the United States.

I am accompanied this morning by Frederick P. Polk, assistant executive director of HIAA; Tony Kohn, chairman of HIAA's Dollhouse Miniature Division, and President of Handicraft Design, Inc., of Telford, Pa.

Mr. Tim Morrissey, on my right, president of the Miniatures Industry Association of America, will present his own statement.

I would like to make two points briefly.

First, HIAA strongly support section 14 of H.R. 3122 because it believes that these collector quality, scale model dollhouse furnishings are not toys, even though that is how Customs currently classifies them for lack of a more specific category.

HIAA, whose membership includes domestic producers and importers of dollhouse miniatures from throughout the United States, believes that it is vital to our industry that these serious hobby products, not purchased for their play value, should not be confused with toys. Such items are scale models, purchased by serious collectors and dollhouse hobbyists, and they deserve a category which accurately describes them.

The current scale model category, which does not include any provision for parts such as a dollhouse miniature chandelier or a door or window, was created in 1962 before the dollhouse miniature industry became a significant national industry.

Everyone who has expressed interest in this legislation, Customs, the Department of Commerce, the International Trade Commission desk officer, all agree that these dollhouse miniatures have erroneously been categorized as toys over the years, and that a new category is now needed.

Second, HIAA does not believe that there is any evidence that section 14 will have an adverse impact on domestic producers. Mr. Morrissey will address this point shortly.

I wish only to remind this committee that, first, the only national organization for the entire hobby industry, HIAA, supports this legislation, and so does Mr. Kohn, chairman of the division relating to dollhouse miniatures of HIAA, and so, as I said, does Mr. Morrissey, president of the only national trade association for the miniatures industry.

Thus, while I understand that there may be a small number of domestic producers who believe they will be adversely affected by this bill, and we do not agree that this is so, the overwhelming majority of this industry supports it.

I would like to make just two final points, Mr Chairman.

In reading Mrs. Haskell's testimony, which you will hear, she spends much of her time criticizing theft of domestic cottage industry miniatures. We, at this table, in favor of this legislation join her in that condemnation. We do not believe that this legislation, if it is defeated, will change the situation of theft, and we do not believe that if this is enacted that the theft problem will measurably increase.

Second, we believe that our imports give exposure to the national mass market that is not competitive with this particular cottage industry and, in fact, as Mrs. Haskell herself says, the cottage industry has enough difficulty meeting the demands of a very sophisticated market that is not competitive with ours.

The central point for us is that a mistake has admittedly been made since 1962, and we believe that that mistake should be corrected, and that our products should not be classified as toys.

Mr. Morrissey would like 1 minute, and then Mr. Kohn would like 1 minute, and that will, I hope, meet the 5-minute deadline. [The statement follows:]

PREPARED STATEMENT LANNY J. DAVIS OF THE HOBBY INDUSTRY ASSOCIATION OF AMERICA

This statement is submitted by the Hobby Industry Association of America ("HIAA"), 319 East 54th Street, Elmwood Park, New Jersey 07047, an association of more than 2,000 manufacturers, wholesalers and retailers of hobby products from throughout the United States. HIAA supports Section 14 of H.R. 3122 ("Section 14"), a section that would create a new category in the Tariff Schedules of the United States for certain models of household furnishings and building parts of houses chiefly used for purposes of collection or decoration.

HIAA supports Section 14 as part of its continuing effort to establish the important general principle that model or craft articles used by hobbyists and collectors are not toys. We believe that Congress should afford recognition to the many thousands of American hobbyists and collectors who build and collect dollhouses, diaramas, and other miniature displays of collector-quality that their activities are a hobby. Section 14 would do so by removing the models of household furnishings and building parts of houses used by such hobbyists to construct and furnish collector-quality dollhouses and other displays from the "toy" provisions of the tariff schedules, as U.S. Customs presently is classifying such items, placing them in a new category within the tariff schedule's provisions for "models".

There has been a long-standing disagreement between the U.S. Customs Service ("Customs") and the hobby industry regarding the proper classification of various articles that are primarily used as hobby or craft items, but which Customs has classified under the toy provisions of the tariff schedules. As a result of a number of cases decided by the customs courts (particularly the Polk Model Craft Hobbies case¹ concerning the classification of HO-scale model railroad trains and equipment decided by the Court of Customs and Patent Appeals in 1960), Customs was forced to recognize that certain model articles, primarily used by hobbyists and carefully constructed to scale, were not classifiable as toys. Congress responded to this and similar cases in its 1962 revision of the tariff schedules by specifically providing for certain models under a series of "model" provisions.²

However, according to Customs, such model provisions do not include the types of articles set forth in Section 14. Customs has justified this position on two grounds. First, the model provisions require the articles to be "to scale" or to the "precise scale" of the actual article. This wording has led Customs to require, in most cases, that the importer provide engineering "blueprints" or similar documentation proving that the models are to scale. Second, the model provisions, as currently written, are not applicable to parts of models. Since Customs has taken the position that many of the building parts included in Section 14 are parts of dollhouses, it has maintained that they are not classifiable as models.

The rigid position taken by Customs in this classification matter completely ignores the characteristics of this hobby industry. While it may be reasonable to

¹ U.S. v. Polk Model Craft Hobbies Inc., 47 C.C.P.A. 137 (1960).

² T.S.U.S. Item Nos. 737.05 through 737.15, inclusive.

require proof that an article such as a train, ship or plane be to scale of an actual article, models of household furnishings (such as doors, tables, stoves and cabinets) often are a composite of the characteristics of several existing articles, or may not be a model of any article actually in existence (although they are clearly recognizable as a model of the article in "idealized" form), or have been modeled from antiques no longer in existence.

Furthermore, Customs also interprets the language "to scale of the actual article" very rigidly. It has often been found, however, that a model of a household furnishing that is "precisely" to scale appears to be distorted or misshapen to the observer. Accordingly, minor modifications in scale are made in order to make the article appear undistorted. The articles covered by the proposed legislation are, however, approximately to the scale of 1:12. This 1:12 ratio is one of the characteristics which clearly differentiates these articles from articles used in "toy dollhouses", which are properly classified as toys under the tariff schedules. (I will discuss additional distinctions between toys and hobby products later in this statement.)

Also unnecessarily rigid is Customs' classification of many of the "building parts" set forth in the bill as parts of dollhouses. Models of such items as doors, windows, staircases, fireplaces, wood (parquet) flooring, and bricks may in one sense be viewed as parts of dollhouses, but just as readily they may be considered to be models of such articles in their own right.

It should be emphasized, therefore, that Section 14, by removing certain hobby and craft items from the "toy" categories of the tariff schedules, would provide similar classification treatment for articles used by hobbyists who build and collect collector-quality dollhouses and displays as was provided for other "models" (such as model trains and railroad structures, planes, boats and other vehicles) nearly 18 years ago.

We do not believe that Congress specifically intended to exclude models of household furnishings and building parts from the model provisions of the tariff schedules. Rather, we believe that the classification of such articles was not seriously considered, since in 1962 the hobby of constructing and collecting dollhouses and other collector-quality displays was virtually nonexistent. As recently as five years ago, there were few serious collectors of such dollhouses and displays in the United States. Since that time, however, the hobby has gained popularity and grown so rapidly that it is now reported to be the third most popular hobby in this country.³ Thousands of hobbyists and collectors are currently members of the National Association of Miniature Enthusiasts, and there are numerous journals, magazines, books and publications serving the industry.

Thus, while the issue of the proper tariff classification of such articles was relatively unimportant in 1962, the tremendous growth of the hobby in recent years now gives vastly greater significance to congressional recognition that the articles set forth in Section 14 are hobby and craft items and not "toys". The thousands of collectors of these model dollhouses (and their numerous valuable parts and furnishings) have thus been subjected to an inequity unintended by Congress and which serves no valid public purpose.

We strongly believe that the models of household furnishings and building parts of houses set forth in Section 14 are in fact models and are used as hobby or craft items and not as toys. While certain types of dollhouses, of course, have been used primarily by children as toys or playthings for many centuries, collector-quality dollhouses and other displays are fundamentally different from such toy dollhouses and are not themselves used as "toys". First, these collector-quality items are not "playthings" (as toys are defined in most dictionaries),⁴ and are not primarily used for amusement.

Instead, collector-quality dollhouses and other displays are more aptly classified as "decorative collectibles" (scale models and fine miniature reproductions valued as collector items) than as toys as playthings. They are comparable in a fundamental sense to art objects. Such collector-quality dollhouses and other displays are prized by hobbyists because of the high level of craftsmanship required in their construction. They are valued by collectors as display objects and collector's items because of their beauty, craftsmanship and educational value.

Furthermore, collector-quality dollhouses are designed to be replicas or models of the houses or rooms displayed. They often require hundreds of hours to construct and often may have a value of hundreds and even thousands of dollars. Collector-

³The two most popular hobbies (in terms of the number of individuals involved) continue to be stamp and coin collecting.

⁴For example, Webster's "New International Dictionary," 2d Edition, defines a toy as follows: "A plaything, something that is merely amusing or diverting; a thing to play with; specif., an article, often an imitation of a living or manufactured thing on a small scale, designed and made for the amusement of a child or for his use in play."

quality dollhouses and other displays are clearly too valuable and too fragile, and require too much time to make, to be used as "playthings". Accordingly, such collector-quality dollhouses and displays are virtually always used as display items. Moreover, many of these products are of such high quality that they are displayed in public galleries and museums.

In addition to their value for display purposes, collector-quality dollhouses often serve an important educational function. Because of their attention to realism in terms of design, scale and materials used, these displays provide an important means of illustrating principles of interior decoration and of demonstrating the differences between various historical periods of interior design. This educational value has been recognized in schools of interior decoration and in numerous museums throughout the world, including the Smithsonian Institute here in Washington. Thus, collector-quality dollhouses and other displays clearly do not satisfy the definition of a "toy" generally set forth in the dictionaries. They are not "merely amusing or diverting". They primarily serve an esthetic and educational purpose much like an art object. They are not a plaything—they are too valuable and fragile to be used for "play". Rather, they almost always are passively enjoyed as displays. And finally, they are not merely a small imitation of some familiar object—they are scale-models, not imitations of houses and their furnishings.

Since collector-quality dollhouses and other displays are not themselves toys, we believe that it clearly follows that the models of household furnishings and building parts used to construct or furnish such items are also not classifiable as toys or parts of toys. We believe that the time has come for Congress to recognize that the thousands of Americans who build and collect dollhouses and other displays of collector-quality are engaged in a serious hobby. To equate their hobby with a children's toy or plaything is unfair and defies common sense.

Section 14 would rectify this inequity by removing the household furnishings, building parts and other models of household articles used by such hobbyists to construct and furnish their dollhouses and other displays from the "toy" category of the tariff schedules. In view of the fact that many other similar model articles were removed from the "toy" category years ago, HIAA believes that the modification of the tariff schedules set forth in Section 14 is long overdue.

Finally, HIAA does not believe that Section 14 will have an adverse impact on U.S. manufacturers of such model articles. No evidence of injury to a U.S. industry has been presented in opposition to this legislation. No evidence has been presented to demonstrate that the present duty level has a significant effect on the sale of either imports or U.S. products.

In fact, HIAA believes the opposite to be the case. Failure to pass Section 14 will have an adverse impact on our hobby and on our industry. The present uncertainty and inconsistency in Customs' classification of various model building parts and furnishings places a harsh economic burden on the small businesses that import such articles, costing such U.S. businesses hundreds of thousands of dollars. Further, our hobby benefits from relatively inexpensive, relatively lower quality imports (as compared to U.S. products). We believe that imports are, for the most part, complementary to, and not competitive with, U.S. products. Imports encourage many to enter our hobby and then to buy the many fine miniatures produced in this country.

HIAA does not fear fair import competition. If certain U.S. manufacturers, who we believe are very limited in number, have benefited from the current misclassification of certain model articles, we do not believe that this justifies continuation of an unfair and improper tariff classification.

STATEMENT OF TIM MORRISSEY, PRESIDENT, AMERICAN MINIATURES CORP. AND MINIATURES INDUSTRY ASSOCIATION OF AMERICA

Mr. MORRISSEY. Mr. Chairman, my name is Tim Morrissey, and I am the president of American Miniatures Corp. of Mount Vernon, Iowa. I am also the president of the Miniatures Industry Association of America of Hinsdale, Ill., which is an independent national association of approximately 125 manufacturers, distributors, and publishers in the miniatures trade, intended to promote the hobby of miniatures collection.

I am accompanied by Mickey Benamy who is vice president of MIAA, and president of Houseworks, Ltd., of Atlanta, Ga.

I support section 14 because I believe that this legislation will correct an unfair and improper classification of certain model articles by the U.S. Customs Service.

I assure you that no one involved in this industry, not just importers but individual hobbyists, collectors, and hobby store owners, considers these articles to be toys. Section 14 will rectify this situation by giving dollhouse miniatures equal tariff treatment as is now afforded other scale models.

I believe that such products are of critical importance to our industry, and that their presence in the market encourages thousands of people to be exposed to our hobby at a relatively low cost. Once such a person becomes a miniature hobbyist, he has a strong incentive to purchase the many fine pieces of household furniture and accessories produced by American craftsmen, cottage manufacturers, and many others.

It is for this reason that I believe that opposition to section 14 by a small minority of U.S. producers of dollhouse miniatures, some of whom do not even produce products included in section 14 of this legislation, and would not be in any way affected by the legislation, is counterproductive to their own as well as the entire industry's best interest.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF TIM MORRISSEY, PRESIDENT, AMERICAN MINIATURES
CORP., MOUNT VERNON, IOWA

Mr. Chairman, my name is Tim Morrissey. I am president of the American Miniatures Corporation of Mt. Vernon, Iowa. I am also the president of the Miniatures Industry Association of America, of Hinsdale, Illinois, an independent national association of approximately 125 manufacturers, distributors and publishers in the miniatures trade intended to promote the hobby of miniatures collection. I am accompanied by Mickey Benamy, vice president of MIAA and president of Houseworks, Ltd. of Atlanta, Georgia.

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It is for this reason that I believe that opposition to Section 14 by a small minority of U.S. producers of dollhouse miniatures—some of whom do not even produce products included in Section 14 of this legislation and would not be in any way affected by this legislation—is counter-productive to their own, as well as the entire miniature industry's, best interests.

Mr. DAVIS. Mr. Chairman, may we have just 1 minute for Mr. Kohn to make a short presentation?

Senator RIBICOFF. Go ahead.

Mr. DAVIS. Thank you.

STATEMENT OF TONY KOHN, PRESIDENT, HANDICRAFT DESIGNS, INC., CHAIRMAN, DOLLHOUSE MINIATURES DIVISION,
HOBBY INDUSTRY ASSOCIATION OF AMERICA

Mr. KOHN. Thank you, Mr. Chairman.

My name is Tony Kohn, and I am president of Handicraft Designs, Inc., of Telford, Pa., and I also serve as chairman of the Dollhouse Miniatures Division of the Hobby Industry Association of America.

I support this legislation even though it is entirely possible that should it pass I will have to pay higher duty. This is because currently some of my products are receiving GSP treatment under nontoy, eo nomine classifications.

Nevertheless, an important principle is at stake here. Since 1962, our products have been misclassified as toys. They are not toys, and the thousands of dollhouse miniature hobbyists who take their hobby very seriously are offended by the notion that the U.S. Customs must treat their collector quality scale model miniatures as if they were toys. Now our industry asks only that this error be corrected, and that we be treated equally with other scale models in the tariff schedules.

As to those who claim as domestic producers that they will be adversely affected, my answer is: If they were benefited by an error which unfairly penalized others, it doesn't seem right to me to argue that they are being penalized by correcting the error.

The fact is, this bill will help everyone in the industry. And, on the basic ground of what is fair and what is right, it deserves enactment.

[The statement follows:]

PREPARED STATEMENT OF TONY KOHN, PRESIDENT, HANDICRAFT DESIGNS, INC.,
TELFORD, PA.

My name is Tony Kohn. I am president of Handicraft Designs, Inc., of Telford, Pennsylvania, and also serve as chairman of the Dollhouse Miniatures Division of the Hobby Industry Association of America.

I support this legislation even though it is entirely possible that, should it pass, I will have to pay higher duties. This is because currently some of my products are receiving GSP treatment under non-toy, eo nomine classifications.

Nevertheless, an important principle is at stake here: Since 1962, our products have been misclassified as toys. They are not toys, and the thousands of dollhouse miniature hobbyists who take their hobby very seriously are offended by the notion that the U.S. Customs must treat their collector-quality, scale model miniatures as if they were toys. Now our industry asks only that this error be corrected and that we be treated equally with other scale-models in the tariff schedules. As to those who claim, as domestic producers, that they will be adversely affected, my answer is: If they were benefitted by an error which unfairly penalized others, it doesn't seem right to me to argue that they are being penalized by correcting the error. The fact is, this bill will help everyone in the industry. And, on the basic ground of what is fair and what is right, it deserves enactment.

Senator RIBICOFF. Where do these miniatures come from?

Mr. KOHN. You are asking the question about imported miniatures?

Senator RIBICOFF. Yes.

Mr. KOHN. They come from Hong Kong, Taiwan, Japan, Columbia, Bolivia, Germany. They really do come from many parts of the world, but predominantly probably from Far-Eastern countries.

Senator RIBICOFF. Where?

Mr. KOHN. Far-Eastern countries, a predominant percentage, but they also do come from South American countries and from Europe.

Senator RIBICOFF. What is the value of this industry? What is the extent of the imports in dollars?

Mr. KOHN. That is moot, and it is really an undetermined thing because the classifications under which they are entered are multiple now as there is no specific classification, and Customs entry ports have classified different products in different areas. So there is no single measure of the imports.

Senator RIBICOFF. You must have a general idea of the value of this industry.

Mr. KOHN. The Hobby Industry Association has some figures, and I do not have them.

Mr. DAVIS. Mr. Chairman, we do not have those figures, and that has been part of the problem of examining the impact. This is a relatively new industry. The reason why this category does not exist, the Congress in 1962 passed a category for scale models, and there was no miniature industry. Just in the last 5 years the number of retailers has gone from a handful to over 5,000.

The Census Bureau does not have a category. The Hobby Industry Association of America has not been able to assemble these numbers. So we don't have an exact figure yet for the entire industry.

All we have is the fact that these products have been classified by the U.S. Customs as toys. Because of the emergent nature of this industry, they have had no other category to classify.

The scale model aspect of this industry, really, rightfully should put these products in scale models, but when Congress passed the scale model category in 1962 to differentiate model railroads from toys, they did not put the word "Parts" because there was no provision for parts of scale models. This is why we have been classified as toys over the years. We have had no other category.

Senator RIBICOFF. I assume the hobby industry sells both domestic and foreign miniatures. Do you not?

Mr. DAVIS. That is correct. The Hobby Industry Association of America has over 2,000 members at all levels, manufacturer, wholesaler, retailer. Many of our members are domestic producers. Yet, the association nationally strongly supports this legislation, even though in a sense there is a conflict on tariff levels.

The principle is that we know that we are not toys. We have been misclassified as toys for all these years. The HIAA for many years has been struggling to differentiate a true hobby product, both in terms of governmental classifications as well as marketing in department stores, from toys.

The Customs people who HIAA has been dealing with through the years have admitted that these items should not be classified as toys, but there has been no other category in which to place them.

Senator RIBICOFF. Is there any estimate of what part of the market is domestic, and what part of the market is foreign?

Mr. MORRISSEY. I have heard figures, Senator, that are somewhere in the area of 25 percent of the total products are imports. I don't know how accurate those figures are, sir.

Mr. DAVIS. Senator, your question earlier, the Fred Polk of the HIAA staff indicates that in the survey we did last year we found about \$86 million of wholesale volume in the domestic dollhouse miniature.

Senator RIBICOFF. 86 million?

Mr. DAVIS. Yes, and that could include imports that are wholesale as well as manufactured products. That is the wholesale dollar figure. It is still an emergent situation, but there has been great growth in the last 5 years.

Our frustration is simply that we don't believe they should be categorized as toys. Everybody we have talked to admits that they are not toys, and everyone just points out to the oversight that occurred in 1962 because there was no miniatures industry. This is before the House Ways and Means Committee, as well as in our discussions with the staff of the Finance Committee.

We have admitted that our interest is to be treated equally to scale models. Whatever the tariff rate is for scale models, we believe that we are just as much a scale model as anybody else, and that we deserve equal treatment.

Senator RIBICOFF. Thank you.

Mr. MORRISSEY. Thank you, Senator.

Senator RIBICOFF. We will now call on Mrs. Jane Haskell.

STATEMENT OF JANE HASKELL, CHAIRMAN, THE MINIATURE MAKERS SOCIETY

Mrs. HASKELL. Senator Ribicoff, my name is Jane Haskell. I am from Connecticut. I am the president of the Miniature Makers Society, which puts on shows four times a year featuring just handcrafted miniatures.

My qualifications are that I wrote the guide to American Miniatures, four editions, starting 7 years ago.

Rather than go through my speech, which you have anyway, I will submit it for the record.

[The prepared statement follows:]

POSITION OF THE AMERICAN MINIATURES CRAFTSMEN ON
 SENATE BILL 3122, SECTION 14. PRESENTED TO THE
 UNITED STATES SENATE COMMITTEE ON FINANCE,
 SENATOR ABRAHAM RIBICOFF, CHAIRMAN, ON SEPTEMBER
 9, 1980, BY MRS. JANE W. HASKELL

The miniatures hobby has become very popular in the past few years. This growth has been mainly due to a large American "cottage industry" producing handcrafted miniatures. This group of artisans have contributed talent to the miniatures field, presenting the collector with the finest reproductions in 1/12 scale. The craftsmen produce accessories and furniture for use in shadow boxes and doll houses. Many of the American artisans are producing pieces of furniture and accessories from America's past, adding to our heritage. This has emerged as an art form thanks to the cottage industry in America.

A very recent survey among the American miniatures cottage industry has revealed that the vast majority (87%) are small family businesses. 37% of these are totally dependent upon miniatures for a living. Other results of this survey are included elsewhere in this report. These craftsmen work in a variety of media, including wood, silver, fabric, clay, wicker, glass, paper, pottery, brass, porcelain, leather and metal. We are not big business, but there are thousands of us who are very concerned about the effect of a lower tariff on our small businesses. In terms of numbers, it is estimated that thousands of families would be adversely affected by the anticipated decrease in the tariff duty on imported miniatures.

The American miniatures cottage industry is most definitely opposed to the lowering of the tariff on imported miniatures. This poll indicates that 98% feel a reduction in the import duty would only encourage, and make more profitable, a process which already threatens the American artisan - the unauthorized copying of their work abroad.

Thirty-five percent (35%) of the miniature craftsmen surveyed have indicated that their miniatures have been copied by import companies. The average craftsman in this category has been copied ten (10) times. A California artisan has had eighty-six (86) of his copyrighted pieces blatantly copied; another Californian had a payroll of \$37,500 last year, but has had to lay people off as twenty-four (24) of her original designs have been pirated.

Still another craftsman has gone "underground" as eighteen (18) of his fifty (50) best sellers were copied. For two years he has been designing a totally new line, and in this period estimates that he has lost several thousands of dollars from his income from miniatures.

Many fine craftsmen stop making a piece once it has been copied. A dome-backed trunk was copied by an importer from an American craftsman, including the exact travel labels on the sides. The trunk had thirty-two original pieces and sold for \$12.00. Thanks to the "Taiwan connection", it was imported at \$24 per dozen. It was easier to discontinue making the piece that to explain to a collector who paid \$12 for the piece why she saw it later for \$5.00.

Our cottage industry is full of stories like this. For anyone familiar with the craftsman's work today, a glance through any recent trade journal featuring miniatures reveals many copies of our artisans' work, some into the fifth generation of copies.

To reproduce anything, be it an accessory or a piece of furniture, requires a special talent. You cannot merely shrink it to 1/12 its size. The artisan's task is to reduce the appearance of the full-sized piece to a scale representation of that piece. In order to accomplish this, the craftsman must make adaptations in the design which are not found in the original. This requires research, finding a material that adapts to your particular idea, and many steps involved in developing the mock-up. Finally it is ready for production. Pride, patience and love have gone into the creation of any miniature.

This underscores the fact that we are designers of miniatures - as are all true craftsmen. Miniatures design is not the replication of a full-size piece, but a simulation of a full-size reality. Any idiot can nail a model together, but the most visible skills in hand-crafting a miniature tends to mask the idea that the craftsman is the creator of a miniature. Reproducing correctly in 1/12 scale represents a very specialized skill in conceiving and designing miniatures. It is the wholesale theft of these designs that is most threatening!! The craftsman who may well have invested decades in the honing of design skills and months in perfecting a design for a limited edition miniature becomes the most reluctant designer for the importers. The incentive of the cottage industry for producing miniatures is being stifled by the fact that we fear copies of our original creations. After years of investing training, expense, time, talent and money, this experience is devastating to the morale of a craftsman.

As handcrafted miniatures are so time-consuming and labor intensive, the competition is weighed in the importers' favor. Even though there is a clear difference in quality, the handcrafted piece is at a disadvantage - particularly when its uniqueness has been directly copied and thus diluted.

Much of the cottage industry would like to expand their business, but certainly hesitate to consider this move now. We feel we should be protected against a tariff reduction to be given a fairer chance to compete with the imports, provide jobs, and build up our industry.

Millions of dollars worth of miniatures are being imported now at prices with which Americans cannot compete. A New York craftswoman retails a pot of geraniums at \$3.00, while the Taiwan counterpart is seventy-five cents (\$0.75). A Pennsylvania craftswoman designs and dresses a bed, investing 125 hours in its creation, and charges \$300. She cannot afford to charge less. Producing a handcrafted miniature is a painstaking process for which the average American craftsman is not earning minimum wage now.

As Americans we should be protected against imports, which have hurt other industries and our economy. But, we feel especially strongly as so many of these imports are our own designs flooding the market. We find it difficult in this economy to compete with imports. But a further reduction of the tariff could cause the demise of the American miniatures craftsman, resulting in the loss of an art form as well as the spirit of independent enterprise that helped make America great. Call it home industry or cottage industry - it is this sort of business which is making a significant cultural and economic impact on modern-day America. We, the American miniatures craftspeople, strongly urge you to reject any further reduction in the tariff duty on imported miniatures.

11. Your inventory supports other industries -
- a. Approximately how much do you have invested in machinery and tools?
 Range \$500 - \$15,000, 24% spend \$2,000 14% spend \$6,000.
- b. Approximately how much do you spend annually on materials?
 Range \$500 - \$60,000, 27% spend \$15,000
- c. Approximately how much do you spend annually on travel related to
 miniatures? on motels? meals?
 Range \$500 - \$5,000 36% spend between \$1,000 - \$3,000.
 12. a. Do you advertise? approximate annual amount
 Yes - 25% Average \$1,106.21
 b. Do you publish a catalog or flyer? approximate printing cost
 Yes - 28% Average \$1,384.90
 c. Do you do mailings? approximate cost
 Yes - 17% Average \$393.15
 d. Do you subscribe to any magazines pertaining to miniatures to educate
 yourself? Yes - 74% approximate subscription cost
 Average incl'd books - \$81.79
13. Are you a member of any miniature group or club?
 75% a member of a club
14. Have you ever used your miniatures for charity? Displayed for a fee?
 96% have contributed miniatures to charity. Yes - 8%
15. Have you had any of your miniatures copyrighted?
 25% of craftsmen have copyrighted their pieces.
16. To your knowledge, have any of your original miniatures been copied by
 a company involved in the importation of miniatures? Yes - 35%
17. Approximately how many times? Range 1-86 times.
 Average number of times copied is 10.
 Do you feel that the import industry has hurt you financially?
 Yes - 74% Fear it will soon - 18%
 No - 8%
18. Do you feel that the importation of miniatures will hurt our American
 Craftsmen if the import duty is reduced from 17% to 8%? Please elaborate.

98% felt strongly their business
 would be hurt.

2% felt it would make no
 difference.



Franklyn Morley at work in his well equipped shop. Even though he holds a job as a full time industrial artist, it is his work in designing and building miniature furniture that has brought him national recognition. Since his time for making miniatures is restricted, Morley makes only a limited quantity of each design - thus remaining continually challenged and interested.

Above right is Morley's sleighbed, a bed design that was very popular during the Victorian period.

Franklyn Morley's Collectible Victorian Miniatures

By Bernard Rosner

Where do you go to furnish the parlor, bedrooms, kitchen and dining room of your Victorian dollhouse? If you want authenticity and exquisite craftsmanship, Franklyn Morley of Huntington Beach, California, is your man — a specialist in miniature furniture of the Victorian period.

But you won't find run-of-the-mill Victorian among Mr. Morley's offerings. Only the more unusual pieces — designs that are complex enough to pique Mr. Morley's interest and challenge his considerable talents.

During the five years in which Mr. Morley has been making his unusual and beautiful pieces, he has evolved an interesting attitude, designed to keep his interest high and his work of uncompromising quality. It involves *limiting* production, rather than trying to expand it. Mr. Morley refers to his new way of working as "semi-custom," because of the small numbers of each piece that he will be producing.

The fireplace shown here illustrates the point. It's an exact replica of the parlour fireplace of the Russian Consulate in San Francisco, c. 1875. It was designed for installation in the dollhouse model of the consulate being built by Jim Marcus, the talented San Francisco dollhouse builder. Mr. Marcus is making a limited number of these houses, and since Mr. Morley is both a friend and a customer, he built this fireplace to give the house heightened authenticity. (It doesn't come with the house. It has to be ordered separately.) The fireplace stands 12" high, which makes it a problem for most dollhouses, but not for the "Russian Consulate" with its 14" high ceiling.

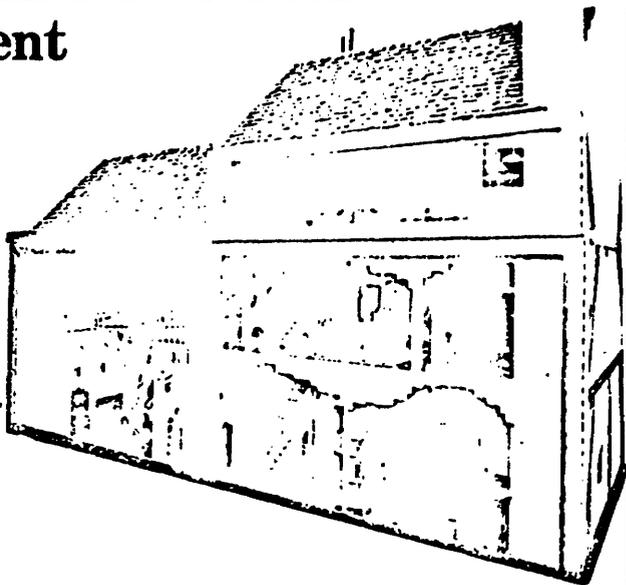
The workmanship of the fireplace is extraordinary. The background of the facing above the mantle is entirely mirrored and encased in wood to prevent any possible scratches from the rear side. A series of shelves around the perimeter is supported by a total of 15 ornate turnings. The lower area is just as elaborate, with its four large turnings, patterned tiles and onyx hearth.

Frank Morley, a master craftsman from California. He has had 18 of his 50 pieces copied by imitators.

Santa's Workshop Unveiled: Bill Pickerill's Two Year Achievement

HOUSE FOR SALE:

Stunning 13 room mansion including two baths, attic, courtyard, three large workrooms, dining room and stable. Partly furnished, complete with large staff of helpers. Contact S. Claus before 12:00 P.M. December 24. Price: \$25,000.



Photographs by David Gooley

Bill Pickerill's mammoth miniature workshop, presently on view in L.A., indulges the dearest of childhood fantasies.

by Cynthia Baron

No, Virginia, Santa isn't going out of business, but Bill Pickerill of Santa Cruz, CA, has created an incredible miniature replica of his workshop. The building, which was started in late 1976 and has taken nearly two years to complete, measures 6½" long, 33" wide and 5½" high. It is three huge stories tall and comes in four interlocking sections for easy transport. The elaborate electrical system uses five transformers and is so well designed that the sections don't require any complicated hook-ups—they simply plug into one another.

One of the most remarkable things about the mansion, apart from its size, is the painstaking attention to detail. Each of the five massive fireplaces, for example, has a "flicker unit" burning merrily away. But the system is so cleverly designed that none of the fires flicker in unison. All of the circuitry, in fact, is solid state and built in under the floors, making the house practically maintenance-free.

Pickerill is a perfectionist who insists on making his own materials, including the hundreds of hand shaped tiles used in the kitchen and

courtyard. He also made his own tinted lamps, which are on dimmer switches, and hand laid the hardwood floors. The exterior is covered with a textured material he developed himself and all of the decoration was especially designed for this building. Especially noteworthy are the carved doors; painted, rubbed and aged by hand.

In the all-important kitchen, Mrs. Claus and her helpers have all of the old-fashioned conveniences — a wooden sink with a hand pump, lots of cupboard space, plenty of counters, a couple of wine barrels for

Craftsmen from California.

MASTER MINIATURIST

Judy Gaillardetz: Preserving An Almost Lost Art

Through her miniatures and teaching Judy is passing on nearly forgotten methods of needlecraft.



This tiny "rag" doll is comprised of 8,000 stitches.

by Bernard Rosner

Judy Gaillardetz is an award-winning craftsperson whose specialty is miniature needlework, including petit-point rugs, tapestries, lace knitting and fine crochet.

Craftswoman from Mass, who has just published a book on miniature needlepoint.

Cynthia Baron draws on fiction and fantasy to sculpt her diminutive creatures.



A Wonderland Of Fictional Figures

Editors' Note: Although Ms. Baron is a contributor to *Miniature Collector*, we feel that her own work is of such interest that it deserves the attention of our readers.



Cynthia Baron, at left, holds an elf by the ankle. Above: Several of Cynthia's one-of-a-kind elves are gathered for a bit of merry mischief. Note the size of the elves in comparison to the walnut that one of them is perched on.

by Stormy Williams

Cynthia Baron is an artist who possesses special talent in the sculpting of miniature figurines resembling elfin creatures characterized in tales and legends.

Among her creations, which are 1" = 1; 2½" and 5" in height, are elves, a sleeping Santa Claus with his troop of elfin helpers, a wicked witch, Alice-In-Wonderland's Mad Hatter, and screen characters such as Charlie Chaplin, a Keystone Cop, and Jackie "The Kid" Coogan.

Cynthia first became involved in miniatures in 1972, when at a doll show she bought a miniature piece which she discovered was made of bread dough. Intrigued by this, she began sculpting miniature bread-dough doll house toys herself.

Her career was inspired by the artistic influence and encouragement of Gordon Anderson, a talented sculptor involved in the movie industry. She bought one of Gordon's elf figures and felt it needed a companion in a scene. She sat down with an Arthur Rackham postcard for a model and started sculpting. "Of all the elf types that I've made," she admits, "the very first one is one of my favorites."

She sculpts her one-of-a-kind elves from a low-fire clay substance known as "Sculpy," and she also uses this material to form the prototype for editions of figurines which Lewis Kummerow casts in pewter using an injection molding process. In addition, Cynthia makes dolls cast from composition, which are waxed

before she resculpts, paints and costumes them.

To make the figures appear more lifelike she uses movable parts, made possible through a construction technique using wire joints and elastic.

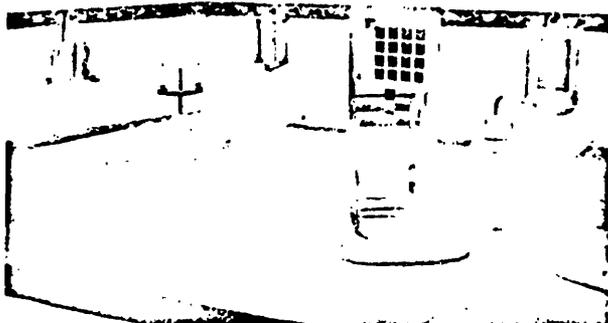
She takes much care and patience in the costuming process. This is where each figure assumes its own distinctive personality. The primary materials she uses in costumes are specially chosen fabric swatches, of antique materials whenever possible, tiny buttons and accessories for garments, paint for the body and facial expression and Persian lamb's wool and mink for hair and beards.

What Cynthia once considered a hobby, she now considers a lifetime career. She attributes a great deal of her

Craftswomen from California

Carl & Jane & Gus & Alice

Four grandmasters of the miniature world create furniture in the Shaker manner.



by Jane Haskell

To each of us the hobby of miniatures means something different, but one of the joys of collecting is the opportunity to meet some of the true masters in this field. The dictionary defines master as "an artist of the highest rank". Because of my acquaintance with many craftsmen, having written the *Guide to American Miniaturists*, I feel that the definition should be broadened. A master in miniatures is someone who has a love of miniatures, a modesty about his craftsmanship, prices within an affordable range, and a willingness to share his knowledge and talent. With the growing popularity of miniatures, it seems only fitting to honor the early masters who helped make the hobby what it is today.

The first two craftsmen I met fall into this category. Both have been in miniatures since before the hobby became so popular. Those of us who are collectors owe a special thanks to these early craftsmen, who through their sharing and integrity have contributed so much to our hobby as well as to us.

Gus Schwerdtfeger has been making authentic Shaker reproductions for 16 years. But his personal connection with the Shakers makes his story unique.

Before making miniatures Gus had several careers. When he was young, he delivered milk for Borden's every morning at 2 AM in Harlem, New York City. He then decided to attend trade school in New York, where he learned welding. At that time he was one of only four welders in New York. After Prohibition, Gus went to Cleveland to work for the breweries. Prior to World War II he worked at the Bath, Maine Iron Works, and then was put in charge of training welders at the South Portland, Maine, Shipyard. He set up a school for welders that operated seven days a week. For the war effort, Gus trained 2,300 welders. He then retired from welding and decided to settle in the country.

The Schwerdtfegers settled in New Gloucester, Maine, where their nearest neighbors were the Shakers of Sabbath-day Lake. When their home burned they were taken in and

cared for by the Shakers. They lived in the community for six months while Gus remodeled a former schoolhouse into a home for his family. At this time the Schwerdtfegers were able to observe Shaker habits, customs, and crafts. They became friends with the remaining Shakers, and this friendship has endured.

When Gus felt that the new home was ready for occupancy, he told the Eldress that he was going to move his family into it. The Shakers sent a delegation to inspect the home. The Brothers filed down one side of the road; the Sisters filed down the other side. Several finishing touches remained to be completed. That evening Gus was called into the Eldress's office and told that the house was not yet "fit for living". This was repeated three times before the Shakers permitted their friends to move in.

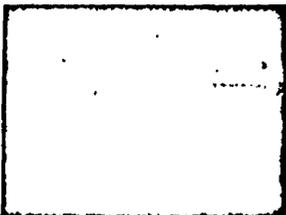
When Gus asked about repaying the Shakers for their kindness he was told "The only repayment is to help anyone who comes to you". Several years later Gus was able to help rebuild the Shaker work-

Two retired couples supplementing their income. One couple is from Maine and the other from 1775 Mass.

Miriam Irwin Is A Specialist In Fine Print

A publisher of original books in miniature talks about her goals and her business.

by Robert Schirmer



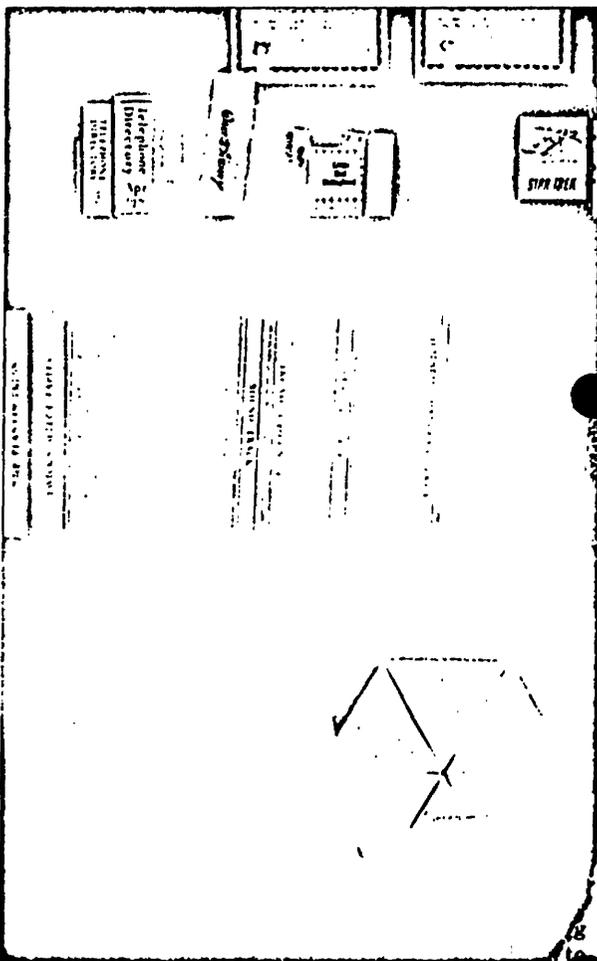
Miriam and her husband, Bob, were at a show in White Plains, NY, recently, promoting Mosaic Press and miniature books in general.

Miriam Irwin's collection of miniature books (shown here) includes many books in the two to three inch range (on the two lower shelves). The books which she publishes are similar in dimension to those books on the top shelf (Aunt Faith's Recipes, one of her earliest titles, is on the far right end of the top shelf). The smallest book in her collection rests in the glass cube on the bottom shelf.

If you had met Miriam Owen Irwin almost twenty years ago, she might have tried to build you a house. A few years later, she might have sold you a free lance magazine article. Even later, you might have used her services as a real estate agent. Now

she is offering smaller items: miniature books.

Miriam Irwin publishes, writes, and illustrates miniature books on such varied topics as coral, sixth century musical instruments, and satiric stories that feature mice as characters. In a book

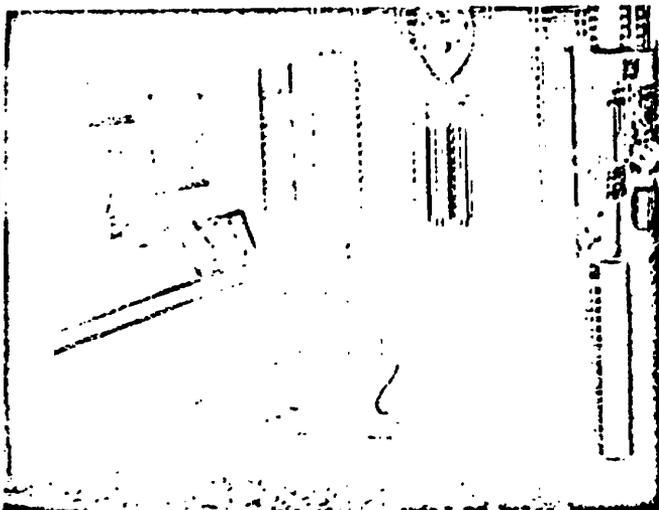


Photographs by Kenneth

From to Di

*In her spare time
as an actress
Brooke Tucker
discovered
a joyous new vocation*

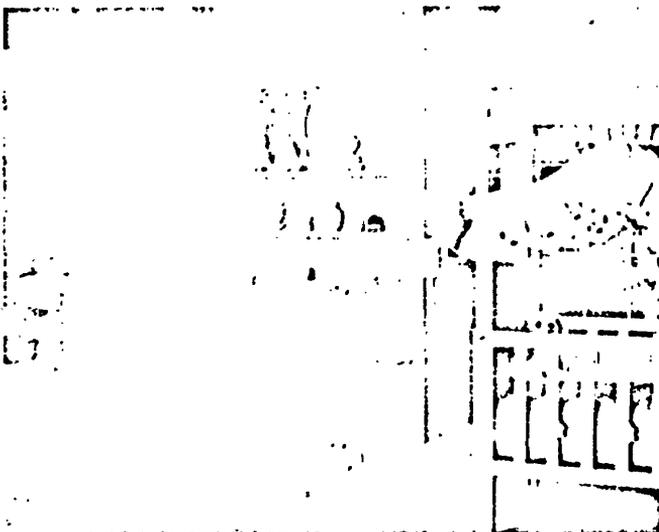
by Reed Ide



Brooke Tucker will readily admit that the name of Homer Finkel is not well-known (or even known) in the miniature world. Nevertheless, she doesn't hesitate to give him much of the credit for her start and continued success in her work as a miniaturist. "You see," she says with the zestful laugh that punctuates much of her conversation. "Homer Finkel is the name I've given to my guardian angel."

Brooke, who specializes in the design and construction of miniature rooms, can become rather adamant on the subject of Homer Finkel when confronted with a scoffer. "Think about it," she says. "Five years ago, out of nowhere, came miniatures, which I never even knew existed. I've changed careers, developed a good reputation for myself, made some money, and have been able to enjoy my life immensely. How many people can say that?"

For Brooke, it all began in Milwaukee. "Before I got in-



A tiger's head trophy, a truly unique creation, looks down on the billiard table in "Masculine Mystique," above. Below, everything is ready and waiting for the baby in "New Arrival."

Digest or by fabrics she sees. "The materials are probably my main source," she says. "I must spend three to four hours a week in fabric shops, and I have a double closet five shelves high just filled with materials."

She emphasizes that her rooms do not reflect any particular period of furnishings. "It's all the Brooke period," she says with her laugh. "I

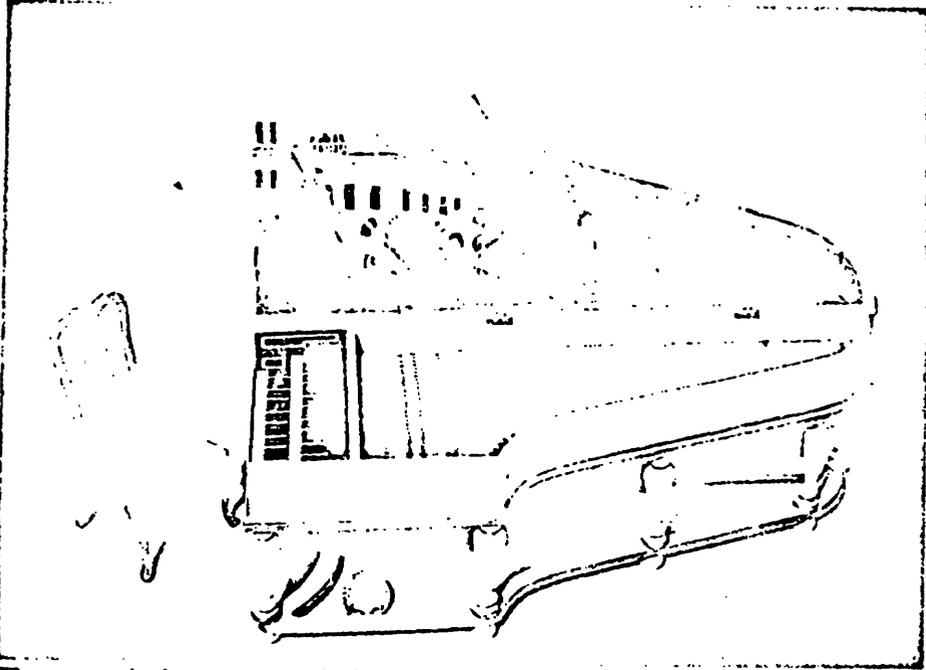
can't make Tudor... or whatever."

Her favorite rooms tend to be those which contain the more feminine and "softly elegant" accents. "My four bridal rooms really fit that description," she says.

Brooke can also speak with humor about those rooms that are, well, "not favorites." There is one in particular. "About two years

Craftswoman from California.

The Amazing Pianos of Ralph Partelow



*From minister to miniaturist
to missionary—an incredible story*

Miniaturists have a habit of ascribing their success to various talents, pressures, and just plain "good luck".

Ralph Partelow credits his to God.

The son of an interior decorator, music and musical instruments had interested him since the age of twelve, when his parents paid \$25 for an old upright piano which quickly became his greatest treasure. Two years later he was given a real grand piano by his old piano teacher, who was retiring from teaching, and that gift plus a great love for classical music inspired him to begin a correspondence with

John Steinway of the Steinway piano family - and to the workbench to try his hand at making models. He overflows with gratitude to the Steinways, who were overwhelmingly generous with books, literature, diagrams, charts and letters. Most likely, though, they recognized great talent, and wanted to encourage it. All this was at age 14!

He began making model pianos - ever so crude - for gifts at Christmas and special occasions. They began as sewing boxes, then music boxes, then model stringed instruments - but still ever so crude.

Toward the end of high

school and then in college, he let the hobby slip a bit, but managed to average one piano per year for one occasion or another. His entire energies at this time were spent in studying for the ministry.

It was while he was pastor at his first church that he began to be fascinated with doll houses and 1/12 scale furniture. A struggling young minister, it was only while he was studying the small pieces that he realized that he had been making 1/12 scale pianos all the while. At the same time, his wife was recovering from her first severe crippling attack of multiple sclerosis, but

Craftsman from New York.

Cookie Ziemba has NEEDLEPOINT UNDERFOOT

Cookie Ziemba visited an antique shop several years ago and left with a doll and a dream. While in the shop she discovered an antique dollhouse. "I stood there totally mesmerized," she says. "Never in my wildest imagination did I think I, too, could own such a wonder. I knew then that dolls were not going to be my passion."

Ziemba started collecting dollhouses three years ago. Her first purchase was My Uncle's Victorian dollhouse, which is currently occupied by the Ghost and Mrs. Muir of television fame. Last year she bought an antique dollhouse made in New York City around the turn of the century. Mme. Lavinia occupies the house along with her working girls, four nude bathing beauties Ziemba purchased in London.

Before she started miniature making, needlework occupied Ziemba's time. She had exhibited in the metropolitan New York area and won prizes for her work.

"I knew that my needlework background would be invaluable in decorating my dollhouse," she explains, "so I got busy." She stitched a navy blue Chinese rug on 32 mesh as her first project. Looking back on her initial interest in miniatures she remembers people warned her that "this hobby could easily turn into a business, but I never gave it much thought."

While on a trip to England, she saw an antique needlepoint frame and stand. She made the piece in miniature for her dollhouse using 40 thread to the inch silk gauze for the design. She went on to make a bellpull, also on 40 mesh. She taught this piece in a workshop at the 1976 N.A.M.E. Houseparty in Boston.

She exhibited several of her stitched miniatures at that Houseparty and won first prize in the handcrafted accessory category of the People's Choice competition. (Some of the prize-winning pieces appear in *Needlework in Miniature* by Virginia Merrill.)

When Ziemba changed her hobby into a business she soon realized that it would be impossible to sell her finished needlepoint frames and bellpulls in quantity because of the time needed to stitch each item. The increasing demand for her work prompted her to devise kits for her needlework.

The needlepoint frame kit comes with pre-cut and drilled wood and needs only sanding, staining, and stitching. Another kit, a needlepoint pillow, is also suitable as a chair seat. The pattern is taken from a Victorian rug Ziemba designed.

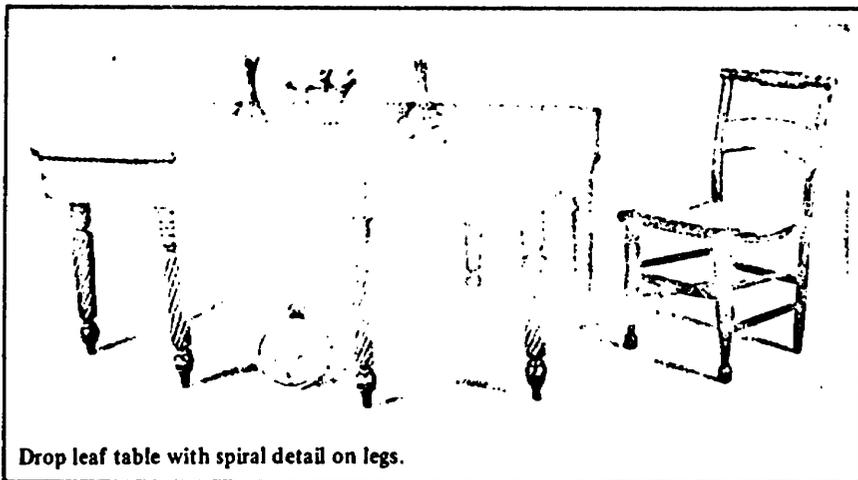
Ziemba currently creates four rug designs - Savonnerie, Aubusson, Victoriana, and Oriental. Ziemba stresses that her rugs are carefully researched and are authentic adaptations of antique museum-quality rugs. The rugs are available on 18 or 22 mesh using DMC six-stranded cotton mouline. Ziemba prefers cotton floss to wool since floss allows you to vary the amount of thread depending on the degree of tension used.

Ziemba's rug kits come with an easy-to-read graph, complete stitching and finishing directions, thread, needle, canvas or silk gauze, and a color picture of the rug. The kits are meant for experienced stitchers. Ziemba warns that "a newcomer might have some difficulty" with these kits.



Cookie Ziemba - craftswoman
from New City, N.Y.

A Family Heritage in MINIATURE



Drop leaf table with spiral detail on legs.

Living in the deep South with a mother who was a genealogist, Emily Good grew up in an atmosphere where heritage was important and heirlooms were cherished. Old family furniture was not sold at auction as in many other parts of the country. The pieces were treated as objects of affection and were carefully divided among surviving relatives. Good's most prized possessions are pieces of furniture handed down in her family or her husband's family, and although "some not very valuable as antiques go," she says, "all are quite valuable to

me." When she first discovered miniature making she wanted to reproduce the heirlooms which had gone to others in her family so she could feel the satisfaction of having those pieces herself. She soon found that relatives and friends wanted replicas, too. She thinks there was "never a more unique or more appreciated present than a finely detailed diminutive copy of a piece of furniture remembered from childhood."

Good was surprised to find satisfaction in owning carefully executed miniatures of antiques. She feels the satisfaction is

Emily Good - craftswoman - ~~and~~ New Mexico.

The Shadowbox As Canvas

*Judee Williamson carefully
mixes many elements
to compose
her fantasy rooms.*

by Annette Churchill

Judee Williamson's theatrical conceptions, soaring imagination and bold yet sensitive approach to design have never been more clearly illustrated than in this recently completed

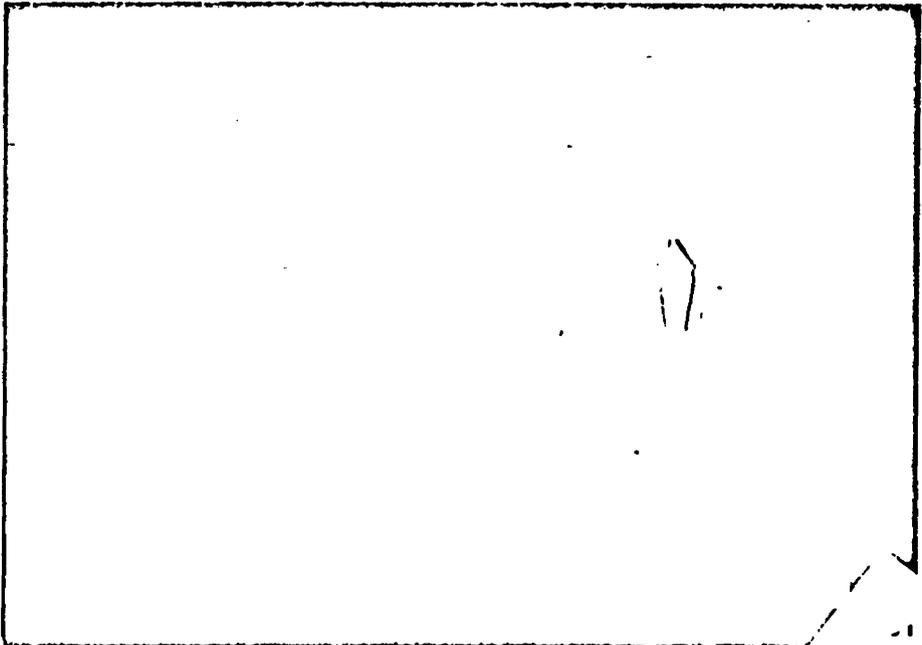
room. Called *Farewell To Girlhood: A Fantasy*, the 18" by 10" by 12" masterpiece is quintessential Judee. This romantic showcase is so full of interrelated symbols and subtle effects that a viewer becomes quite lost in its contemplation and, leaving the

real world behind, drifts effortlessly over the threshold into the gauzy center of the dream.

Like all the artworks by Judee, the dream is carefully plotted. We are in a room that symbolizes youth and innocence. The young girl who

Though delicate in appearance, absolutely everything in Judee's room is fixed in place; even drapes do not move. The effect is that of a photograph or painting.

Greg Edwards



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Michigan craftswoman

THE ODD CORNER

Harry Smith is the name . . .

. . . miniatures is the game

By John R. White
Globe Staff

Harry W. Smith is at the top of his craft, a far piece from the time he was picking pebbles off a Chicago street with a bunch of Playboy bunnies.

Last week a hundred or so women braved the snow and paid three dollars a head to hear Harry W. Smith lecture on the tools, tricks and intricacies of his craft at the Essex Institute in Salem, and some paid a good deal more to purchase examples of his craftsmanship, all of which underscores the feverish interest in that craft: Miniatures. Smith makes miniature furniture, miniature musical instruments, miniature ships — just about anything you might want in Lilliputian size — of museum quality for private collectors and, of course, museums.

He sells to the carriage trade in miniatures, the top tenth of a percent of a market no one has yet been able to measure, but usually billed as the third largest hobby in the country. It is the last word in dollhouse furniture.

Smith is a 41-year-old artist, writer, illustrator, wood carver, miniaturist, lecturer, art teacher and sometimes set designer and theatrical director who unabashedly describes himself as "a renaissance man." His primary passion and principal means of making a living is the production of miniatures in his Camden, Maine, home. He works almost entirely on a scale of one inch to the foot (the standard scale for dollhouses and dollhouse furnishings) using a wide assortment of tools — dental drills, lathes large and small, chisels, scalpels and even antique watchmaking apparatus.

His specialty is the copying in miniature of high

priced antiques, anything from an ornate seaman's chest to an 18th century Queen Anne highboy replete with handcrafted hardware. His miniatures are made of the same materials the antiques would have been — exotic woods, gold leaf — with inlays to scale. They are finished in the same painstaking way, with lacquers, oil stains and pumice.

One of his more unusual productions was the replication on a scale of two inches to the foot of a set of musical instruments for a puppeteer — a bass viol, cello, violin, clarinet, harp, trumpet, flute and trombone with a working slide. The instruments, like his miniature furniture replicas, were made of the same materials as the originals — curly maple, spruce and ebony for the viol; silver for the flute, ebony for the clarinet; brass for the trombone.

Where does one get these materials? The best route, says Smith, is to buy the real thing and cut it up — not a priceless antique, mind you, but a run-of-the-mill piece of no pretension but made of the stuff you need. For instance, to get material for his string instruments he purchased a not very old and not very valuable violin. Right there, he said, was all the curly maple for a dozen miniature violins, spruce enough for a dozen miniature sounding boards, ebony for the fingerboards and more than enough of that ebony for the clarinet.

The beauty of using old furniture to make the new miniatures, he explains, lies in the fact that the wood is aged, dry and works well. Anyone who starts with a log is mentally warped and his furniture is liable to wind up in the same condition — warped, he says.

His stuff is not your average \$2 to \$12 off-the-shelf dollhouse furniture; each piece is made meticulously by

hand (with some help from all those tools) taking from seven hours to seven weeks to complete. Only fat wallets need apply and some of his customers have among the fattest wallets in America.

But what has all this to do with Playboy bunnies and pebbles?

Smith's goal originally was to become an illustrator, a technical illustrator at that. With a degree from Washington University, St. Louis, where he studied architecture, he moved on to the Chicago Academy of Fine Arts from which he was graduated in 1958. (It was in Chicago that he met his wife, Marsha Boller Smith; they were on a beach sketching — each other as it turned out and one thing led to another.)

As Smith tells it, he was walking along a Chicago street when he happened to spot a few small, smooth flat stones and for no immediate reason he picked them up and started looking for more. He knew, he said, he could make something of them, but he wasn't sure what. The street he was on backed up to the rear of the Playboy Club. Some of the bunnies coming off work were curious what a grown man was doing stooping and snooping about the area. Pretty soon they were helping him find stones which he brought home and used to build his first miniature, a fireplace.

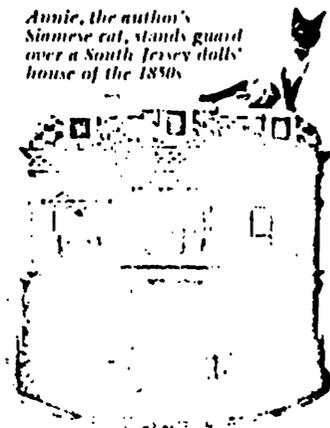
Successful as a miniaturist, Smith has come full circle and finally made it as an illustrator, he has written and illustrated a children's book, "Michael and the Mary Day" (Down East Publications, \$6.95 hardbound, \$5.95 paper), a biographical account of a young boy's introduction to a windjammer.

There's another book in the works, a definitive work on the craft of miniatures, illustrated by himself, of course.

Maine craftsman

*Crafted in
Nuremberg in 1679,
this incredibly detailed
edifice stands just
3 1/2 feet tall*

*Annie, the author's
Siamese cat, stands guard
over a South Jersey dolls'
house of the 1830s*



Dolls' Houses: Splendor in Miniature

These charming replicas of full-sized households are far more than toys; each represents the arts, architecture, furnishings and customs of its time

BY FLORA GILL JACOBS

LAST YEAR in London a small building without a foot of land was sold for 30,000 guineas. On today's inflated market, \$75,000 for a house may not seem unusual—until you learn that it was a dolls' house.

Auctioned off at Christie's, this miniature residence was Titania's Palace, an architectural classic in its

FLORA GILL JACOBS, a leading authority on dolls' houses, is the author of *A History of Dolls' Houses* and co-author of *A Book of Dolls and Doll Houses*.

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way. Built in Dublin and opened by Queen Mary in 1922, this structure toured the world in the '20s and '30s to raise 100,000 pounds for charity. It was the lifework of Sir Neville Wilkinson, soldier, artist and member of the Royal Society of Miniature Painters, who collected most of the miniature treasures which it contains and spent four years painting the reredos in the chapel alone.

This petite palace ranks among the ultimate in dolls' houses, which for nearly four centuries have accu-

GALLERIES

Reader's Digest article

New Haven, CT. Register - July 16, 1974

For teeny people, \$1,800 houses could be a big bargain!

By DERRRE FLYNN
Staff Reporter

There's a five-room house in Cheshire that's available for \$1,800. Sounds great, but there is one catch: you have to be of Lilliputian dimensions to fit inside.

Mr. and Mrs. Gottfried Hoffman, operators of Miniature Mansions, build custom-made doll houses at their home.

"We started making the houses ourselves about five years ago," Mrs. Hoffman said. "Our interest started a while ago when we went looking for a doll house for one of our daughters," she added. Mrs. Hoffman said the cost of doll houses was very high at that time and she and her husband were discouraged by what they felt was the poor quality and construction of the houses. "We decided to build our own and one house led to another," Mrs. Hoffman added.

The houses are miniature worlds. Interested buyers can select from the Hoffman's traditional Colonial or Victorian home or they can design a home of their own.

The actual building of the houses is done by Hoffman, while Mrs. Hoffman handles decorating needs. "Each house is so special," Mrs. Hoffman said.

Hoffman presents the soon-to-be house owners with plans of the home. He can even take the original plans from one's house and scale them down to build a miniature version. From there, extensive woodworking, building and

decorating is done on the house to make it just right.

"We do everything ourselves," Mrs. Hoffman said. Each house is equipped with lights and the Hoffman's special feature, a doorbell.

"You can have double-hung windows if you wish, or even an addition to the particular house you've selected," Mrs. Hoffman said.

"We're so pleased with the work we do," Mrs. Hoffman said. "We wanted to be on our own when we first got started. My husband used to be an electrical engineer and when he retired, he decided that building houses was his thing," she said.

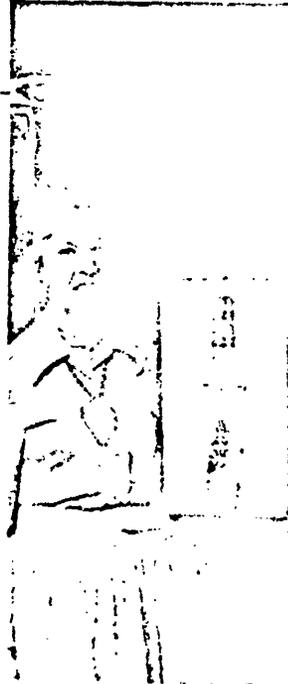
One of Mrs. Hoffman's favorite pieces is a miniature 1933 refrigerator.

She said it has become difficult for her to think of things in terms other than "miniature."

"So often I look at things and think how wonderful it would be to have them in miniature forms," Mrs. Hoffman said. "I like to think of the dolls as real people. For example, I picture one of the dolls that lives in my Victorian house as a lawyer."

On the back of each house is a nameplate inscribed with the owner's name and the Miniature Mansion insignia. The plate conceals a special compartment that holds a miniature deed for the house.

"The deed even has extra lines so that ownership of the house can change," Mrs. Hoffman said.



Mrs. Peggy Hoffman stands before a Colonial doll house. The \$1,800 price is for the basic house. Everything else is extra. Mrs. Hoffman is chairwoman for a miniature show to be in Waterbury in August to aid the American Cancer Society.

Small Photo by K. G. ANGEL

Connecticut Craftsmen

22 ——— c ——— family food fashions furnishings

Miniature Furniture: They Create

By LISA HAMMEL

A tiny room in a dollhouse, with all its miniature furnishings, is a world of its own—those who see it that way. And the number of those who do see it that way—the collectors of miniature furniture—is growing considerably each year.

While doll collecting has been a major hobby since about the nineteen-twenties, the collecting of dollhouses and miniature furniture was a neglected stepchild. Then about three or four years ago, interest began to boom. Why?

Three authorities were questioned on the subject: Flora Gill Jacobs, author of a new standard work, as well as a new book on the subject; Catherine B. MacLaren, editor and publisher of a collectors' publication, *Nutshell News*, and Margaret Whitton, a former regional director of the miniatureists' national organization. They all pretty much agreed.

Expense: While doll collecting has become quite expensive, good miniatures, both antiques and replicas, can still be found at reasonable prices.

Space: In this age of cramped quarters, miniature furniture takes up less space

than a large collection of dolls.

The crafts movement: The crafts dealers, shops that specialize in miniatures. Many miniature collectors also make their own furniture.

Nostalgia: The period-style furnishings not only evoke times past, but the past of childhood as well.

And who is doing the collecting? They are of all ages, come from a range of economic backgrounds, and although there are more women than men among the collectors, men represent a considerable proportion of these enthusiasts. But no one will venture a firm guess on the total number of collectors in this country, except to say that it is "well up in the thousands," according to one authority.

Dollhouses for Adults

On a recent evening, in the living room of an apartment in Brooklyn Heights, a small group of collectors, all members of the newly formed Brooklyn Miniature Enthusiasts, gathered to compare notes and discuss the luncheon and fair the group will be holding today.

The true collector can be

recognized not only by his passionate enthusiasm, but by the way he got interested in small furniture in the first place. These are not people who buy dollhouses for their children. The dollhouses and furnishings are for them; the impetus for collecting began out of their own childhood.

And the miniature settings they make become vehicles for creating a tiny, perfect world.

"In my dollhouse," said Robert Tynes, "there's no garbage, no flies, and no one dies. It's lovely, and it stays that way." Mr. Tynes paused. "I think maybe I create a world that I can't have in real life."

Mr. Tynes, a former dancer turned freelance costume designer, made puppets and drew stage sets as a child. As a young man, he began collecting dolls, and then drifted into the furniture and houses.

"I'm not a purist, in terms of getting things to scale. I do both," said Mr. Tynes. "I try to think of what a child would do."

Decorating Aspects

"Some people," said Robert Milne, "collect to scale, say, an inch to a foot, and some do not, and some mix."

Mr. Milne, who is now a dealer, went on to explain that the term miniatures can apply to any furniture that is not full-size, from tiny dollhouse furniture to child-size pieces. Also, he said, some people will only collect antiques, while others collect replicas, and many collect both. And then there is a group that both collect and make their own.

Mr. Milne has only been a dealer for eight years, but has been collecting for 30 years. As a child he set up stage sets with miniature furniture. Later he became fascinated, he said, by "the social history" implicit in different styles and periods of miniature furniture, and systematically put together a series of rooms, ranging from about 1630 to the present.

It is not social history that



Examples of some of the pieces, at far right, is

interests Mr. Tynes, however; it is personal history—of a sort.

"I have one dollhouse now that is going to be the house of two old maids. For me, there has to be a theme. One of the things I like is that I can control this whole world. And in the miniature world, nothing changes. Unless I change it."

Cynthia Turner Nordquist nodded vigorously. "It's like going up into your grandmother's attic and finding it's

Step into ^{Teen} Ellen Kanze's miniature world

White Plains, N.Y. - Sept. 7, 1976

By TERESA SUTTON

Thimble stools. . . shot gun bullet shell vases. . . treble hook chandeliers.

All of these belong to a miniature world with furniture and houses scaled one inch to one foot. The tiny, itty, bitty creations are designed by miniature enthusiast Ellen Kanze of North White Plains.

Mrs. Kanze has created an entire world of her own. A retreat to a tiny existence, which she considers a sort of escape hatch from reality, when the real world gets to be too much.

"It's a whole other world. When you don't like the one you live in, you can make your own," said the member of the National Association of Miniature Enthusiasts and the miniature exhibitor.

It's also a way to resurrect part of the past. She can work from photos and design a miniature duplicate to

She says that to make the wooden sinks and stoves look enamel, the sanded and resanded piece must be painted with multiple coats of white enamel paint until it appears glossy.

Some of her more unusual endeavors have included installing a dumbwaiter and elevator in houses with her son's Erector set.

Mrs. Kanze, who has embroidery, painting, sculpting, sewing and crocheting talents also, explained that miniatures need not be an expensive hobby. "And you never throw anything away," she warned.

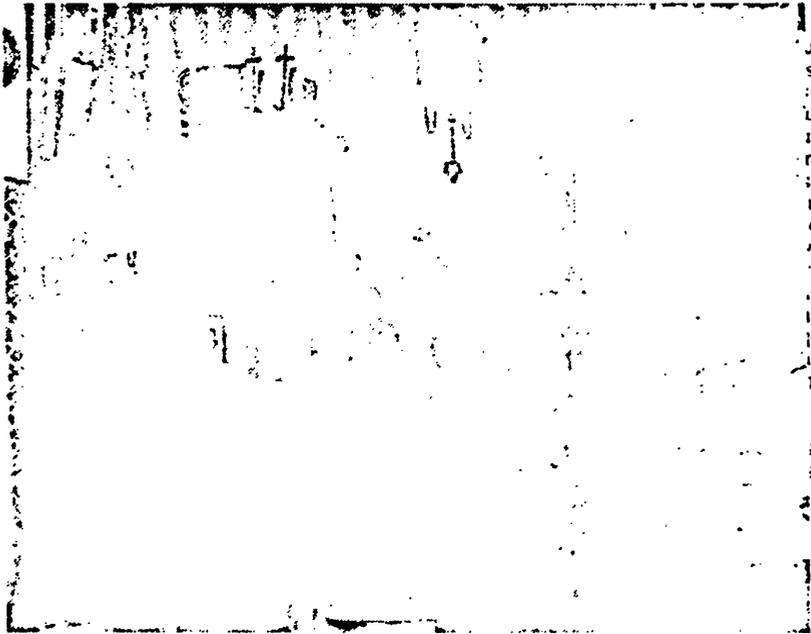
TRANSFORMATIONS have been made from little restaurant coffee and cream containers to lamp shades. Ping pong balls and roofing nails and beads change to

lovely Tiffany lamps for an estimated total cost of two cents. Lumber can be doctor's tongue depressors. And bottle tops, sprayed silver, turn into pie tins.

Mrs. Kanze had trouble remembering when she first started this hobby. "Oh, I guess I've been doing it well, ever since I could hold a knife," she said.

Some of her miniatures will be displayed at the second Westchester Miniature and Dollhouse Show and Sale at John Acropolis Hall, S. Central Avenue, Elmsford, from Nov. 20-21, 10 a.m. to 6 p.m. Admission is \$1.50. Children under 12 years of age will be admitted free.

TERESA SUTTON is a lifestyles staff writer for Westchester Rockland Newspapers.



Closeup of Victorian bedroom

New York craftsman

In Housing Market, One Tiny Segment Is Sure Not to Shrink

Wait for the good ones

It Gratifies Buyers Who Seek
Home of Their Dreams
And Will Stoop to Get It

By JAMES C. HYATT

Staff Reporter of THE WALL STREET JOURNAL
Here's a surprise for home buyers. In Houston, you can still get a 10-room house for \$30,000. It has parquet floors, hand-stained wall paneling and working fireplaces. It's built with wood from 17 countries, and the doorknobs and hinges are solid brass.

Now here's the catch: You have to be five inches tall to live in it.

This house is a doll house, and the real-estate agent is Neiman-Marcus, the famed retailer. As usual, Neiman's knows a good market when it sees one.

"Dollhouses are one of the fastest-growing hobbies in the country," a store spokesman says. Customer interest in this make-believe world is reaching a peak just now, in the pre-Christmas season, and demand is brisk even for the more expensive models. "We have two prospective customers who are extremely interested" in the \$30,000 house, the Neiman's spokesman says.

The markets for dollhouses and real houses have a lot in common these days, but demand for the Lilliputian versions appears, if anything, more intense. A mania for miniature dwellings is sweeping much of the country. Builders often can't keep up with demand. Suppliers fret about shortages of materials. Thousands of homeowners eagerly plan their next move into a dwelling with more space, more style and a bigger yard, or, if that's a bigger charge, into a smaller one. At the same time, prices seem to be rising at the pocketbook of the average first-time buyer.

Small and Customers

The parent, grandparent or child who steps into the office of the local dollhouse agent is in for a shock. "At first they don't believe miniature homes the same many collectors prefer are as expensive as they are," says Joe Hermes, a Dallas dealer who is also the nation's leading producer of wallpaper for miniature houses.

Barbara Forrest, of Columbia, Md., recalls being "totally astounded" when she went shopping recently for a dollhouse for her seven-year-old daughter, Heather. "You could put at least \$1,000 into one easily," she says.

She managed to find a four-room, farm-house style dollhouse, made by "a little retired man that does one a year," for only \$70, and has set about furnishing it. "It costs as much to furnish a dollhouse as to furnish a real house," Mr. Forrest laments. Instead of paying \$650 for a miniature Christmas tree, she substituted two less expensive little trees, made for use with a model railroad and decorated them with wire and tiny beads.

"Inflation in dollhouses is just as rampant as inflation in real houses," says Harry Walmer, a retired Air Force officer who runs one of the nation's biggest dollhouse factories in Alexandria, Va. "Materials, overhead, labor costs escalate just as fast in miniature as in full-scale," he notes. Prices have been rising 7% to 10% a year for his line of 11 dollhouse models, which sell for \$60 to \$350.

The French Victorian

On the low end, there's "Sugar and Spice," a three-room affair "ideal as an economical starter house." At the other extreme is the French Victorian, a 12-room mansion four feet wide and 39½ inches high that "meets the exacting demands of collectors and exceeds a child's greatest dreams."

Even the top prices aren't necessarily deterring buyers intent on moving up. "We're told there's a considerable unsatisfied market for still more expensive and extensive houses," Mr. Walmer says. One reason is that dollhouses are no longer just kid stuff. "I'd say now it's more like 60% adults and 40% children," Mr. Walmer ventures. "Many people who come into the showroom admit the house is really for themselves; they just use a child as an excuse."

With these eager customers in mind, his company has turned out some 12,000 dollhouses this year, up from 10,500 last year. "We have about 30 people making dollhouses 12 months out of the year," Mr. Walmer says.

As in full-size construction, miniature-housing starts have a ripple effect. Many builders turn for their carefully scaled one-inch equals one-foot windows, doors, fireplace mantles and hardware to Houseworks Ltd., an Atlanta importing concern that is ringing up \$4 million in sales this year.

"We're running about 130% ahead of last year," Houseworks' president, Franklin Benamy, says. The firm gets its products from 1,500 workers in Taiwan and Hong Kong, who produce 120 different miniature-house components, including authentic copies of ornate San Francisco Victorian windows with double-hung frames that open and close. The most costly item: a \$18 solid

Please Turn to Page 44, Column 3

In Housing Market, One Tiny Segment Is Sure Not to Shrink

Continued From First Page

brass, six-arm Colonial chandelier that operates off a 12-volt power system.

There's no formal count of miniature enthusiasts, but Mr. Benamy has one rough gauge—demand for his brass door knockers. "I assume there's only one to a doll house," he says. "This year we will sell 100,000."

Authentic Interiors

The more elaborate doll houses are show-cases for the real passion of miniatureists: creation of authentic interiors built to exact scale. More than 10,000 people belong to the eight-year-old National Association of Miniature Enthusiasts.

Mr. Hermes, a vice president of the group, explains the enthusiasm this way: "Some people find they are unable to buy the real house they would like to have, so they fulfill their wishes by getting a miniature house."

For many, collecting miniatures has become "a way of life," adds Flora Gill Jacobs, owner of the Washington Dolls' House and Toy Museum in the capital. "Obviously it is part of the craft revival, and part of the nostalgia. People don't like the world the way it is."

Specialists Proliferate

Until recent years, many miniature enthusiasts had to hand-make all the furniture and decorations for their tiny houses. But the hobby's exploding popularity has drawn a number of manufacturers into the market, along with hundreds of "cottage industry" individuals who specialize.

An Ohio woman who calls herself "the dolls' cobbler" produces miniature footwear, as well as English and Western saddles. There are publishers of miniature books for miniature libraries. A Florida man sells tiny copies of the Daily Racing Form and The Wall Street Journal.

The assortment of miniature furnishings available grows from one Christmas to the next. For this season's buyers, a Scranton, Pa., couple recently began offering a tin, \$50 gramophone that can be wired to an ordinary record player. Next year, they plan to copy a historic porcelain bathroom set with working gold fixtures, running water, and a tank-type toilet. For ultimate authenticity, customers will be able to install tape recording of a Victorian toilet actually flushing. It will play when the tiny chain is pulled.

CRAFTS CRAFTS

HOUSE BEAUTIFUL, FEBRUARY 1978

Collecting miniatures has become the third largest hobby in the country (only stamp and coin collecting surpass it). And as miniatures collectors have grown more selective, better craftsmen have entered the field. Some have been interested in the art all their lives. But many others have strayed into this avocation by accident and discovered they had a strong talent for miniaturization.

Don Butfield, for example, was a construction worker. (Continued on page 28)



Al Atkins, the "Village Smithy" of Carmel, N.Y., was a commercial artist before he turned to making miniatures of items that look as if they came from the blacksmith's forge.

most sought after by collectors.

"I make many items of Queen Anne design," Don explained, "although I particularly like Early American. I don't normally take custom orders, but if it's really special, I will." Recently, he made a magnificent Queen Anne secretary for a special order that sold for \$1,200. Usually, however, he works on a set stock of popular items: An Early American blanket chest (\$175) and a well-detailed corner cupboard (\$650) are big sellers.

Don's wife, Nancy, has joined him in the world of miniatures recently. She makes tiny paintings that sell for about \$35 apiece and occasionally produces a special painting job on one of her husband's blanket chests.

Francis Whittemore began his miniature career as a teen-ager in the 1940s. He earned a living then by making tiny glass animals and figures. After a prestigious career in the glass industry and after earning an international reputation for his paperweights, Francis has returned to miniatures. He makes all types of fine glass tableware, as well as bottles, and several of his items are available at the gift shop of the Metropolitan Museum of Art in New York City. Whittemore's tiny vases start at \$5 and his popular ring-neck decanter costs \$35.

Whittemore's wife, Lois, is a stitcher and proprietor of a needlecraft shop here who also sells miniatures. Her own specialty is stitchery on 60-mesh silk tulle for use as tiny pillows, pictures and pool covers. This minute stitchery sells for \$35 to \$40 per square inch.

Betty Valentine has been at her highly specialized craft for 18 years. She limits her work to miniature 18th- and 19th-century

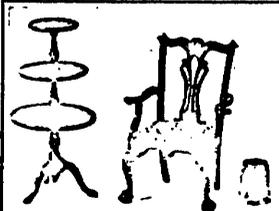
items (mainly chairs), and still has a hard time catching up on all her orders. Her most popular item is a Philadelphia Chippendale armchair with ball-and-claw feet that sells for \$40. Her uncovered footstools for needleworkers to complete are \$15.

Marty Saunders was a painter who was dismayed at the poor quality of miniature dolls on the market. Influenced by her ex-neighbor, Betty Valentine, Marty decided to try making miniatures herself. She crafted her first doll for Betty Valentine and her second for Flora Gill Jacobs, a collector and the founder of The Washington Dolls' House and Toy Museum in Washington, D.C. Mrs. Jacobs helped launch Marty into the miniatures world.

Like most miniaturists, Marty had to make her own tools (none were available for such small work) and she developed a way to move the dolls into any position, even though their heads (including hair, bonnets and ribbons), arms and feet are made of the finest porcelain. She often must glaze the porcelain heads five or six times to get the right colors.

Each doll that comes out of the shop is different, though Marty gets hundreds of orders for repeats. "Most popular are the curly-headed children. People especially like the little girls with lots of ringlets and curls. I also get orders for whole families of a certain period." She may, for example, make a doll family of the Victorian period or the Civil War era. These miniatures cost \$60 without clothes and start at \$75 with costume.

Jim Holmes, a young silversmith and ex-jeweler, got started in the miniatures field when he made several tiny silver chandeliers for a shopkeeper who put a dollhouse in his Christmas display window. Soon the phone calls and letters poured in. Now, Jim puts out a catalogue and makes a diversity of highly prized items. He does not limit his work to one period or to silver, but uses a wide variety of woods as well as brass. The most

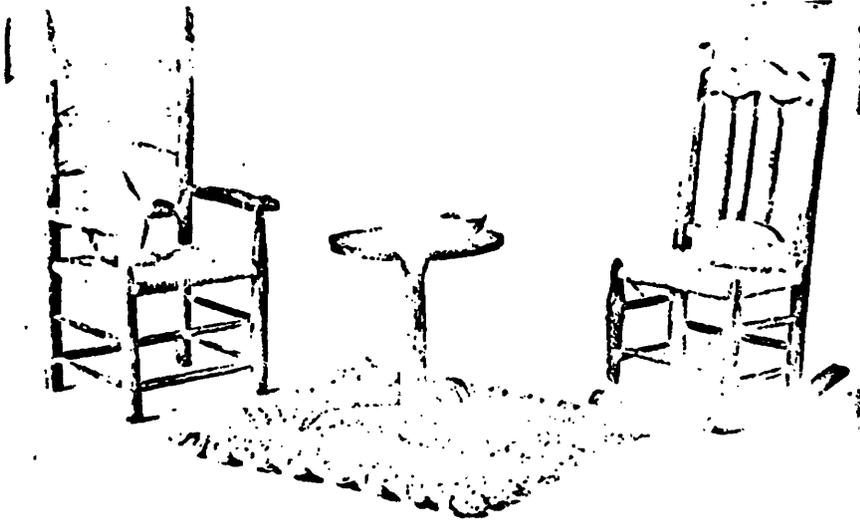


Three-tiered table and Chippendale armchair (complete with ball-and-claw feet) are the work of Betty Valentine. She specializes in miniatures of 18th- and 19th-century items.

popular item in his line is a three-legged standing telescope with wooden barrel and brass parts that sells for \$125. He makes many kinds of rifles, but his set of matching flintlock guns (\$125) is a big seller. It has all the proper accessories, including lead balls and ramrod in its miniature case.

Jim's modern items include stereos, complete with plug, speakers, turntable, cassette and working arm, and a tiny portable television. (Continued on page 32)

Article on
miniature
craftsmen in
House Beautiful.



Shaker miniatures by Nick Greer.

Blue Ridge Pioneer

Nick Greer is a modern-day pioneer. A New Yorker who almost became a psychologist, Nick is now a miniatures craftsperson living in a 200-year-old log cabin at the foot of the Blue Ridge Mountains in Virginia.

Nick does one-of-a-kind, signed and dated reproductions of period furniture using mainly antique woods such as Dominican mahogany, satinwood and rosewoods. He will, however, make furniture from maple, cherry, or pine if a customer requests it. When doing inlay work he uses a variety of woods, including old satinwood, ebony and other exotic woods. All his furniture is shellacked and hand rubbed.

Nick's grandfather introduced him to relief woodcarving when Nick was 10, and throughout high school his interest in woodworking grew as he carved sculptures and restored furniture.

When a career in woodworking didn't fit into his parents' idea of a stable living, Nick turned to psychology. But the lifestyle he could see himself and his wife Kate developing seemed stifling, so the young couple

moved to California and worked as migrants for two years. "It was backbreaking and heartbreaking work," Nick remembers.

The Greers returned to Virginia, Kate's



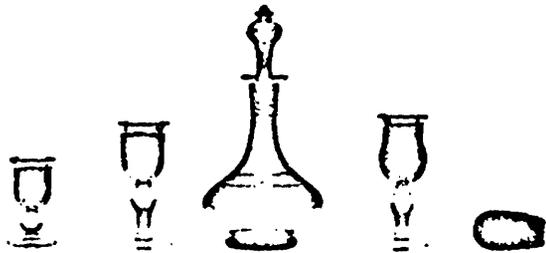
Eighteenth century cellaret.

Virginia - craftsman

MASTER MINIATURIST

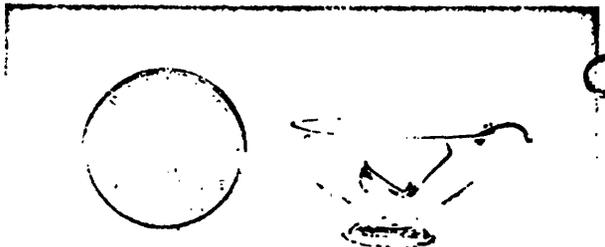
Glass Artist Francis Whittemore

Greg Edwards



An accident several years ago forced Whittemore to concentrate his glass art in the area of miniatures

by Reed Ide



When Francis Whittemore slipped and fell on the ice outside his Pennsylvania home three years ago, he thought the end of his world just might have arrived. A highly skilled glass blower and maker of quality paperweights, Whittemore badly injured the tendons in both his arms. "In a split second, I lost the strength necessary for handling the glass in the

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Above, one of Whittemore's cordial decanters and a selection of glasses. The decanter is \$20, the glasses are \$12 each. Below, a punch bowl, which he makes only in lead crystal, \$11, and ladle, \$8.

weight making process," he says, looking back on the accident and the days that followed. "It was scary for a while. I didn't know what I was going to do."

It didn't take the resilient artist long to recover his determination. What Whitte-

more ultimately did was to reenter a field he had left twenty years before—the field of the blown glass miniature. And in the post-Bicentennial years, he discovered very happily that he has a whole new world. Today people from all over the cou-

Pennsylvania - craftsman



Joyce Hight's spring floral arrangement and Bernice Gordon's poppies and gladiola.

JUST FLOWER FOLK

Being "just one of Sylvia Rountree's flower folk" has become an enjoyable pastime for miniaturists Joyce Hight and Bernice Gordon. Their flower arrangements have decorated the Dolls' Cobbler's table at shows over the past few months, much to the delight of the posy-picking public.

The five-deep crowds at the Cleveland Miniaturia Show three years ago discouraged Joyce from buying a much desired coffee can filled with geraniums. "I was haunted by the thought of those geraniums, so I went home and made my own," she says. Joyce uses a bread dough recipe and a thin glaze to make her flowers. She creates low bowl arrangements, double-vase flower arrangements and a Victorian arrangement with a fruit bowl base and cascading flowers at the top.

Joyce credits Sylvia Rountree with giving her the push to achieve the "many flowers" look of her tiny bouquets. "At times, I never thought I would be able to do it," she says modestly. "Arrangements would collapse be-

cause I put in one flower too many too fast." At her present flower-making rate she averages 25 roses an hour which, she says, is very tedious. "After two hours at a sitting, I fly around and do housework like mad to relax!"

Bernice Gordon uses crepe paper and "whatever other materials are on hand" to bring her miniature flowers into full bloom. She credits her five now-grown children and their many school projects for her ingenuity in creating lovely things from mundane scraps. "It strained my imagination to create something out of little or nothing all those years, but I loved the challenge," Bernice says.

Now that her children are grown, Bernice has more time to pursue her flower making and other hobbies along with her husband who carves animals and replicas of the machinery on their large Ohio farm. He also collects full-size antique train engines and has one in the Gordon's yard!

Ohio craftsmen

High Flying Craftsman

by Kate Klavan

T.C. Cottrell, Jr., is one of the newest high flyers in the miniatures world, which is appropriate since in his "other life" he is a captain in the Air Force, a flight instructor who himself flies the "limited edition" FB-111 bombers — there are just 65 of them — two or three days a week out of his new home, the Air Force base at Plattsburgh, New York.

T.C. also is one of the best interpreters in miniature of early American country furniture, again appropriate as he is a country boy himself. Kentucky-born and educated (Western Kentucky University), he still retains his engaging drawl despite 11 years of duty that have taken him to California, Texas, South Dakota and New Hampshire.

He began showing his miniatures publicly with the fall, 1978, White Plains show and has in the short time since done over half a dozen shows, each advancing his reputation and swelling his orders. Asked if he is surprised by the reception his work has received, he admits he is "kind of surprised" but adds sensibly, "I think every craftsman knows if his work is good. What has surprised me is the number of repeat orders."

Believing your work is good is one thing, however, but determining if it is marketable and then getting the confidence to present it is something else. T.C. got his first injection

of confidence from friends who saw the things he was making for his wife Thana's collection and hounded him into taking some of his work to a Boston show.

"I had heard of Jim Holmes and liked his work so I approached him and asked what he thought. He introduced me to Jane Haskell (one of the producers of the White Plains

show)." Up until then he says he hadn't really thought about doing shows — they seemed a more ambitious

undertaking than he was ready for. But he was invited to White Plains and there offered the first dozen pieces under the name Cottrell Limited Editions.

The limited edition aspect serves several purposes. "It keeps me from getting bored, frankly, and also makes my orders more controllable. I also think that a limited edition is more valuable and appreciated by the customer."

Once it is set, T.C. maintains the price of each edition from first piece to last. "I've been encouraged to raise the price of the last piece but I won't do it," he says. T.C.'s limit on his editions can be anywhere from three (for a new cradle with 36 tiny turned spindles) to 15 (for a simpler eighteenth century Pennsylvania cradle). Of course he does more than cradles; editions include a curved back settee, tavern table, pie safe, cellerette, herb drying



New York craftsman

Recognizing The Harvest



Greg Edwards

Summertime is hardly a forgotten season for miniature food. Whether it's dinner on the lawn or a picnic at the beach, these miniaturists can supply a cool feast. Sandwich plates and beverages are by Barbara Meyer's daughters, Barbara Ann, Cecilla and Mary Lou. Cooler, ice and soda cans from Teri's Mini Workshop. Picnic basket with wine and tablecloth by Roberta Partridge from It's A Small World. Watermelon half from Precious Little Things. Knife by Jason Getzan. Strawberries from Wise Miniatures.

A Survey Of Miniature Food

Delectable as the food on these pages may seem, it cannot be eaten, cooked, cut, peeled or most of the other things one does to food. It



Tossed salad by Carolyn Bugg of Original Miniatures by Lady Bugg.

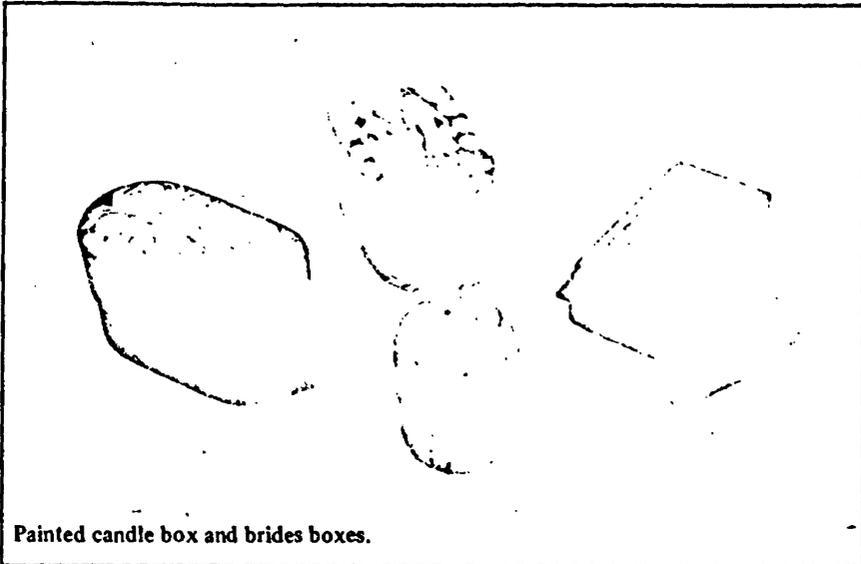
does, however, look like the real thing. And appearance is to miniature food what taste is to real food—the ultimate test of quality.

The quantity and quality of miniature groceries has mushroomed recently so filling the doll house pantry is easier, though not necessarily cheaper, than it used to be. From country hams to Budweiser cans, from a Passover meal to a peck of peas, somebody, somewhere makes it in miniature.

The food shown in this survey is not intended as a catalog of each source but rather as a representative selection of the work from each artisan or company. Consult the captions for ordering information (where none is given, the individual may sell only at shows, through private sources, or wholesale).

Craftspeople making food from the following states -
N.Y., N.J., Pa.
Michigan,
Illinois, Md.,
Florida, Ut,
California

Mary O'Brien, Antique Maker



Painted candle box and brides boxes.

Mary O'Brien makes antiques. Or so her young son tells his friends.

O'Brien, who reproduces authentic tole designs in miniature, considered herself a "typical wife and mother until I became interested in miniatures" five years ago. Now she goes to 16 shows a year and stays busy between shows replenishing and adding new pieces to her handcrafted line of tinware.

She works out of her home and says her family shares her enthusiasm about her work. "My house isn't as clean as it used to be," she says laughing, "but my family has given me a lot of encouragement. I'm very

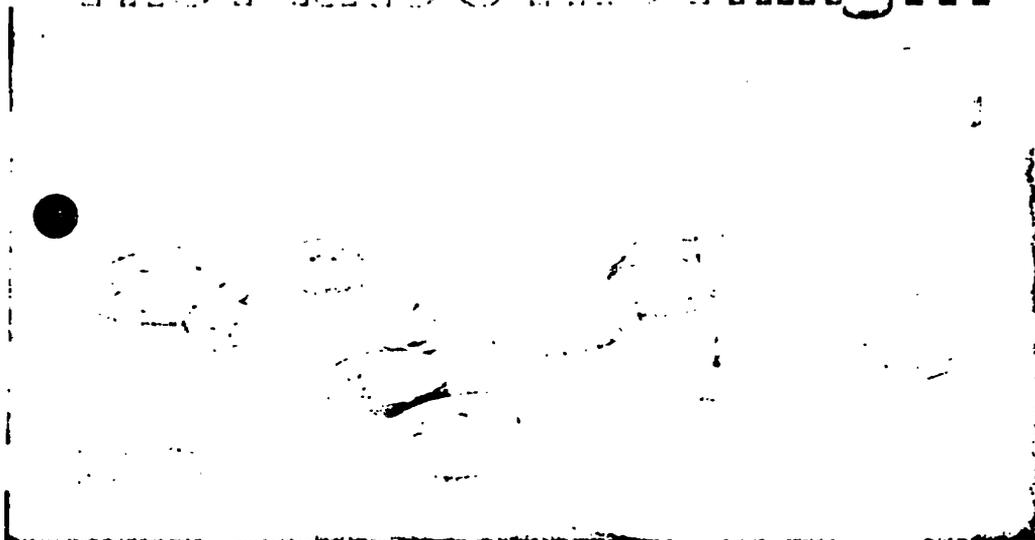
busy and happy."

A collector of fullsize antique pewter pieces and dollhouse miniatures, O'Brien read a *Woman's Day* article five years ago on toleware, the lacquered metalware popular in the eighteenth century. The article by Margaret Coffin showed full-size toleware patterns from various sections of the United States. O'Brien was already a lover of American primitive designs and was surprised by the number of distinctive patterns used in toleware. She credits the magazine article for beginning her involvement in miniature tinware.

The artist, who says she hadn't painted

Indiana - Mary O'Brien

The Art of Ceramics... *thing*...



The porcelain of Marie Friedman shows the grace and delicacy which makes her work so popular.

By Madelyn Cook

Marie Friedman doesn't like to be referred to as only a ceramist, but she readily admits that the demand for her miniature ceramics has forced her to devote most of her time to that endeavor of late. And her reputation, especially for her limited edition Christmas and Mother's Day plates, is one of excellence in design and craftsmanship.

She is truly a master of all, a "virtuoso miniaturist." She has worked in leather (tooled saddles), wood (dove-tailed, mortised and tenoned furniture), glass (to accompany dinnerware), fabrics, metal, and lighting.

Never doing anything halfway, she invents as she goes. A former computer programmer used to working with manuals, she teaches herself the techniques and skills needed in each medium.

Marie hand produces her

china exactly like the full scale ware. Her process starts with the cutting of a model in wood or wax, from which a mold is subsequently made. The next stage, pouring the clay, sounds quite simple. However, few people realize that it can take years of experimentation to find the "right" clay formula. Preparing each plate for firing is also time consuming. Ceramics are extremely fragile in their unfired state. Yet they must be trimmed and finished perfectly before the firing occurs.

After firing, most clays are still porous, and are glazed to waterproof them and to add color. The glaze is a liquid suspension of finely ground glass which produces a thin coating in a wide range of colors and textures. It should be clear and transparent, as that will give life, depth, and strength to the miniature.

For all that, glazes are un-

predictable. A drop too much looks thick. A drop too little looks rough or grainy. And underglaze decoration can flow or not. The obstreperous glaze is fired at a low temperature of 1250 degrees Fahrenheit.

After the first firing, decoration is added. "Gold, enamels, and some designs I hand print," says Marie. "But the most intricate designs are achieved through china-paint transfers. These I do also, from art work through printing with an exceedingly fine silkscreen."

Marie thinks her dishes are just beginning to be what they should be. Her rejects for the smallest of reasons are now down to 60%. But you would need a magnifying glass to spot the flaws for which she so adamantly rejects pieces of her work.

Four times a year Marie writes a column entitled "Feat of Clay," in which she discusses ceramics and her

Craftswoman from Oregon.

by Ann Ruble

Thank goodness for grandchildren; they make their grandparents do the most delightful things — like making brightly painted 1" to 1" furniture.

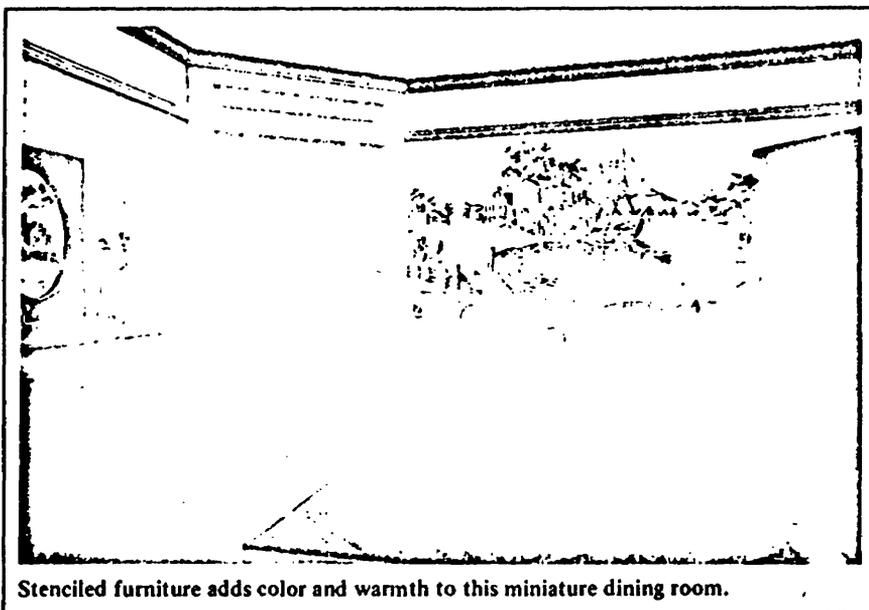
When Jim and Shirley Hillhouse of Holden, MA, started looking for pieces to furnish their granddaughter's dollhouse four years ago, Shirley says that the furniture they found was made of dark wood and "everything was either dark green or brown upholstery. A child should have bright furniture in a dollhouse."

And bright furniture their granddaughter Beth got!

After looking at the overabundance of Victorian miniature furniture, the Hillhouses decided they would rather make their own pieces. Jim, chief engineer for Coes Knife Co., says honestly, "We thought we could do it better" than the manufacturers whose pieces they had seen on the market.

Their first pieces were painted but not decorated. Shirley describes them as "sturdier than the furniture we do now. They were better suited for a child to play with."

Four years later, the Hillhouses have a



Stenciled furniture adds color and warmth to this miniature dining room.

*Husband and wife craftsmen
from Holden, Mass.*

A Cottage Industry Continues To Grow

*Wherein the author, upon revisiting *The Enchanted Dollhouse*, discovers that this "little hobby" has become big business.*

by Bernard Rosner

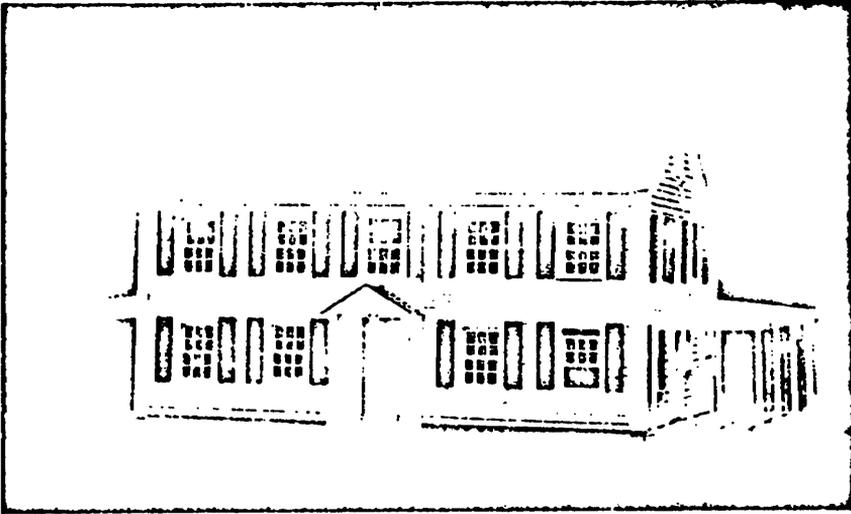
In case you were too busy furnishing your dollhouse to notice, the quiet little pastime of collecting miniatures has emerged as one of America's most popular hobbies.

Four years ago, when I was writing my book on dollhouses and miniatures, it was hard to find any reference material at all. Today just look at the dollhouse/minia-

And talk about prestige, miniatures have even found their way into the windows of Tiffany and Company, the famous and elegant New York store. Five exquisitely crafted room settings make up the exhibit. But these are not the familiar period settings. Far from it. These are highly individual settings for today, designed by five outstanding interior design-

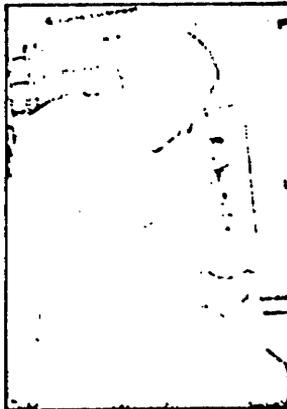
ers: Vladamir Kagan, Angelo Donghia, Parish-Hadley, Kevin McNamara and Mario Buatta. The rooms and furnishings are the work of miniature-makers Edward Acevedo and John Sander. The price tags of \$3,000 to \$4,000 suggest that miniatures have entered the realm of fine art.

The hobby of miniature-collecting is unique in many ways, not the least of which is



ture section in the average big-city bookstore. There are so many offerings that it's hard to make a choice.

By now many of the major magazines have done one or more articles on the subject. It's a tribute to the hobby's respectability that the prestigious Smithsonian Magazine is running an article about miniatures in its December issue. More than one and a half million people will read this article, no doubt making many new converts.



One-of-a-kind hand-crafted dollhouse, based on architect's plans of an actual house. Made by Dorothy Metros of Walpole, New Hampshire. From the collection of The Enchanted Dollhouse.

Don Saddleire, resident craftsman at The Enchanted Village Workshop, a recent offshoot of The Enchanted Dollhouse.

its meteoric growth. Most hobbies seem to have taken years to develop to any size. Just think of stamp collecting, model railroading, needlecrafts — each of these areas have gained their con-

Growth of Cottage Industry



Master Miniaturists: Mitzi Van Horn & Helen Dorsett

This photo, taken in 1966, shows Helen Dorsett with several of the Victorian pieces she built to furnish Mrs. Emma Poe's doll house. Helen built the house as well.

by Jane Haskell

Helen Dorsett, of Dorsett Publications in Virginia, has been making miniatures for 18 years. Her involvement began when she made a small Victorian dollhouse for her daughter's Christmas present. Like so many miniaturists, however, the thinness of this subterfuge was apparent - her daughter was only three years old at the time. But, the existence of that dollhouse led the Dorsetts to a commission from Mrs. Emma Poe for a seven room Victorian dollhouse in 1½" scale for her doll collection. Helen spent two years building and furnishing this house which, since the death of Mrs. Poe, has been on permanent display in the Museum of the Peabody Historical Society in Peabody, Kansas.

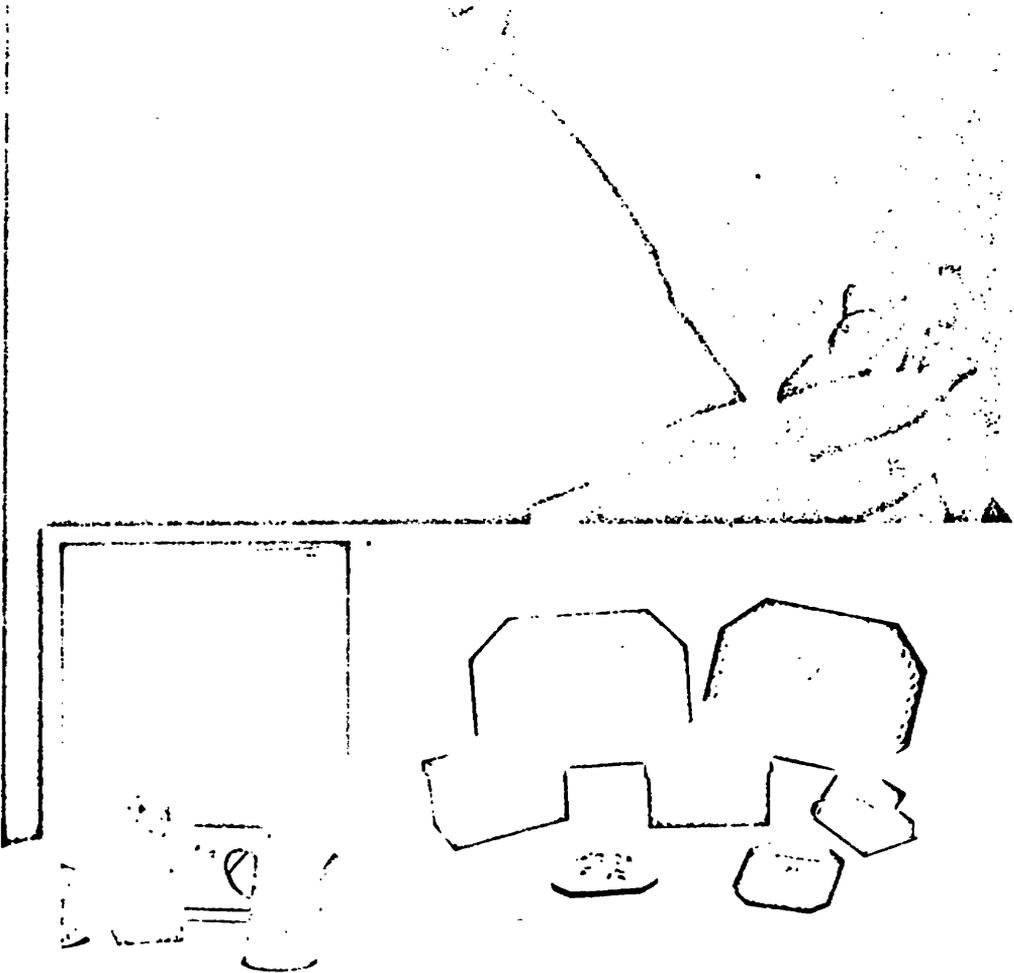
The furniture that Helen built for Mrs. Poe's house became the basis for the first book of patterns that Helen, and her husband Jim, published in 1964. That was Volume 1 in the Cabinetmaker's Guide series which now boasts of five volumes with a sixth volume in the works. The series was prompted by a lack of patterns for Victorian miniatures - a fact that was brought home to the Dorsetts by a steady stream of requests for instructions from other miniaturists.

Helen, meanwhile, continued to produce furniture for sale under the name Dorsett Miniatures. In addition to the Victorian pieces which established the Dorsett name, she produced miniature furniture in Cottage, Empire, Renais-

Two outstanding craftswomen. Helen Dorsett is now publishing "The Scale Cabinetmaker."

Master Miniaturist:
Connie Simone
Creates Tinware
of Exquisite
Beauty

by Bernard Rosner



Three Miniature Painters: Kathleen Buffum, Thomas Waddelow & E.W. Allen

If you've been following the sale of the famous Heckett Collection in our recent Auction Reports, you know that miniature painting has achieved an unprecedented status in the world of fine arts. One Nicholas Hilliard portrait, for example, sold for \$110,000 in London. It is one of the toughest arts, requiring skill, imagination and patience—lots and lots of patience. In the articles that follow, we focus on three contemporary miniature painters—Kathleen Buffum, Thomas Waddelow, E.W. Allen and their work.

Kathleen Buffum



by Nessa Mines

"A house just isn't complete without at least one painting in it. And that goes for a miniature house, too."

That is the sentiment of artist Kathleen Buffum, who has not only acquired an excellent reputation for her full-sized portraits but who also is an expert miniaturist.

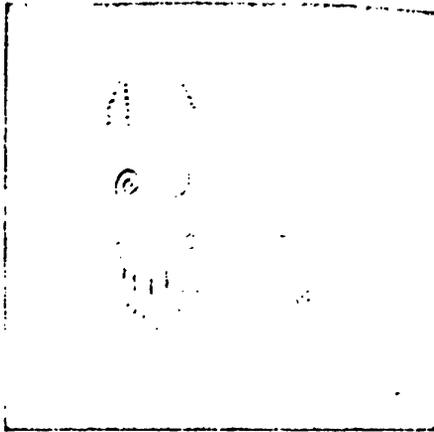
Mrs. Buffum began painting in 1948. However, she has been making a creditable name for herself in various arts since she was 17 years old. At that time she taught herself how to make ceramic jewelry and so excelled at it that she was able to sell her creations to Ovington's in New York, one of the finer jewelers.

25

*Miniature artists - from New York,
Pa, and N.J.*



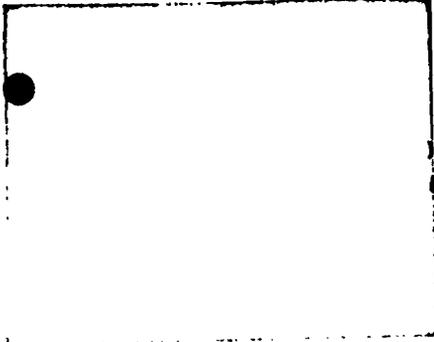
This hammered brass umbrella stand with 13 walking sticks was among the first miniatures that Jim Holmes ever created. Working out of a basement workshop in Holden, Massachusetts, Jim and his wife Jan sell only at shows or by appointment at the workshop. They offered this one-of-a-kind set of walking sticks for \$200 at Darien, where they also showed Jim's



miniature copy of a Senulo Bird from the Ivory Coast of Africa and a New Guinea War Shield from the Sepic River area and a spear. The bird,

copied from one in the Metropolitan Museum in New York City, was offered for \$250, the shield for \$45 and the spear for \$20

Massachusetts Craftsman



1" = 1' Revereware by John Sachs. This exquisite five-piece set sells for \$50 and is carried exclusively by Bonnie Van Every 42905 N. Chicory, Lancaster, CA 93534. Send \$1 for catalog



Franklyn Morley's circa 1866 Morris Chair is perfectly scaled in every detail, but appears to have a full-sized measure of comfort. The first chair in this series drew longing looks at the IGMA MI Pocono show where it sold at auction for \$190. Donald Buttrfield's Chinese Fish Bowl and Stand, first of a series, brought \$360 at the Saturday evening auction. The stand is particularly intriguing with a free floating wooden ring joining all of the legs together.

California and New Jersey craftsmen

Thinking small pays off for Roming

New York Craftsman

By JANE MCMARON

Victor Roming of Carmel is very much at home in a world of little things.

A model maker in metal with 40 years experience, including construction of the General Motors Futarama for designer Norman Bel Geddes at the 1939 Worlds Fair, Roming has turned his attention to providing intriguing accessories for the world of dollhouse fanciers.

"I thought it would be nice to offer something that wasn't available on the miniature scene so about two years ago I developed this sideline creating one-inch scale hardware to complement some of the exquisite dollhouse furniture," Roming said.

THE LINE INCLUDES 60 items with more being added constantly. Many of Roming's articles are made with working parts such as the faucets with turning handles, working hinges, a wall bracket plant hanger which swings out from the wall and drapery rod sets with moving rings made in traditional, wrought iron and scroll designs.

There are door knockers with handsome lion's heads derived from those that adorn Buckingham Palace, \$2.50; eagle wall mounts, \$1-\$3.50; sets of bar bells, \$6.00; coat hangers, towel racks, shelf brackets and even sets of tiny keys.

To decorate a bare mantelpiece, Roming has created tiny statuettes of Venus, Aphrodite and a little Mermaid for \$1 apiece.

He and his wife, Gael, have become caught up in the whirl of miniature shows, attending one about every two weeks. "Every show I go to, I get requests for something else, and, I add another new item to the line," Roming noted.

"LAST TIME I was asked to make a mailbox slot for miniature letters. Another time someone mentioned that they couldn't find any tankards with glass bottoms so I made them."

VIX Scalemaster Miniatures is the name Roming has given to his dollhouse enterprise, one of three miniature businesses in which he is involved.

For the dollhouse set he also makes such specialty items as a folding wood stepladder (\$30) and step stool (\$25); a sun dial that works, (\$20) and a bird bath (\$12.50). The most expensive item in his line is a minuscule chess set in the Staunton pattern for \$37.50.

Most of the pieces are made of type metal, an alloy consisting essentially of lead, antimony and tin, used in



VICTOR ROMING AND HIS MINIATURE CREATIONS

making printing type. Roming makes the original piece in metal which becomes the master pattern and then makes a mold. The pieces are cast in the vulcanized then rubber mold at 350 degrees.

PROBABLY MORE ENTITLED than most to the title of Renaissance Man, Roming studied fine arts at Cooper Union and Teachers College and later accumulated degrees in mechanical and electrical engineering plus one in business administration. His miniature activities have ranged from architectural, commercial, electrical and industrial to the hobby industry.

When Bicentennial fever hit the country around 1974, Roming made many commemorative items including reproductions of period buttons in pewter for the Brigade of the American Revolution, souvenirs and medallions for Mystic Seaport, Liberty Village, Washington Crossing State Park and an extensive series of military miniatures in 54-millimeter scale. This phase of his model making goes under the name of Heritage Miniatures.

Another phase is called Custom Design Service through which Roming sells his designs to other outlets

like the Old Guilford Forge Catalog for sale purposes.

A shelf full of delightful miniature animals are a special project for Gael Roming who runs a center for the learning disabled at the New Canaan, Conn. Junior High School.

A TINY MOUSE, mousetrap and menacing cat were provided by her husband along with some of the other animals.

An enthusiastic student of history, Roming is president of the Town of Carmel Historical Society, a member of the prestigious Company of Military Historians and the New York City chapter of the Revolutionary Roundtable.

He is most proud of a recent award from the Miniature Makers Society in recognition of his fine work in the field.

To obtain a price list or make an appointment to see the Roming miniature lines call 279-0216 or write c/o VIX Scalemaster Miniatures, 251 Drewville Road, Carmel, N.Y., 10512.

Doll Houses: From Memory

New York Craftswoman

By LISA HAMMEL
Special to The New York Times

PALISADES, N.Y.—Helen and Andrew Norman live in a big pale yellow brick Victorian house at the end of a long drive, and in their spare time—evenings and weekends—Mr. and Mrs. Norman build Victorian houses.

The outsides of their structures are embellished with gingerbread trim, porticos, towers, colonnades and balconies. The interiors often have pan-

eled ceilings, wainscoting, parquet floors and built-in bookshelves.

Dreadfully expensive houses, you say? Not really. For the Normans never sell their miniature houses, which are about 2 to 3 feet high. They give them away—to small friends, who use them for their dolls.

The Normans (he is a book publisher and she has been busy raising their four daughters) started their hobby when one of their teenage daughters was 3 and wanted a dollhouse.

There weren't any really nice ones to be bought, and a carpenter who was working for us left his saw behind," Mrs. Norman recalled the other day. "So we made one. It wasn't very good, but we learned from it."

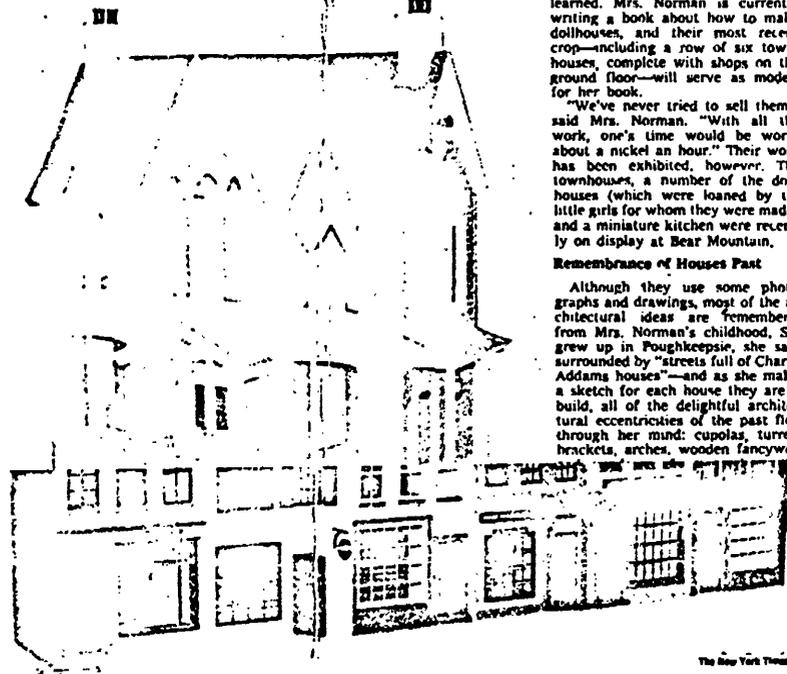
Next thing they knew, their children's friends who came to play were "sort of hinting around that they'd like one too." So the gesture grew into a hobby. They've made 22 dollhouses to date, not counting individual kitchens and some shops.

Neither had known much about woodworking. But by doing, they learned. Mrs. Norman is currently writing a book about how to make dollhouses, and their most recent crop—including a row of six townhouses, complete with shops on the ground floor—will serve as models for her book.

"We've never tried to sell them," said Mrs. Norman. "With all the work, one's time would be worth about a nickel an hour." Their work has been exhibited, however. The townhouses, a number of the dollhouses (which were loaned by the little girls for whom they were made), and a miniature kitchen were recently on display at Bear Mountain.

Remembrance of Houses Past

Although they use some photographs and drawings, most of the architectural ideas are remembered from Mrs. Norman's childhood. She grew up in Poughkeepsie, she said, surrounded by "streets full of Charles Addams houses"—and as she makes a sketch for each house they are to build, all of the delightful architectural eccentricities of the past float through her mind: cupolas, turrets, brackets, arches, wooden fancywork



The New York Times

Arizona Craft A Hobby That Grew Into A Pleasing Business

By Karen Johnson
T-E Staff Reporter

Will Rogers, Ariene Francis, " Ike and Mamie " Eisenhower, and Granny and Jed Clampett are good company for Ann Decker, a Eureka Springs dollmaker. Their sawdust-stuffed bodies support china heads and limbs she created, and each of her hundreds of dolls has its own story. But creating and collecting dolls for over 15 years has given Ann much to weave her own story of success with.

"I was a tomboy all during my childhood," Ann said. "I never would have anything to do with dolls. It wasn't until I was married and had a baby daughter that I became the slightest bit interested in dolls," she said. Thinking that every girl should have a doll, she bought one for little Annette. When the doll needed more than one outfit, she bought some patterns & made it some dresses, but that was as far as her interest in dolls was developed.

Years later when she became bored with the drudgery of housework, Ann enrolled in a ceramics class in Chickasha, Oklahoma.

"About that time," she continued, "five of my nieces were collecting storybook

dolls. Any kind of a collection can run into a lot of expense, especially multiplied five times. With Christmas coming on, I decided to help my nieces add to their collections, but thought they would appreciate a special doll—one made especially for them.

She discovered at ceramics class that she could make china-headed dolls. So she began gathering clays, glazes and doll fashions and made china dolls for her nieces' Christmas presents.

"When I found out I could do that, I lost all interest in ceramics and went hog-wild with dolls," she said.

When a friend came to me with an antique doll whose body was losing its sawdust, I told her I would make a new doll body if she would furnish the materials. "I replaced all the china parts and that became my first kit," she recalled.

Then she started collecting her own antique china-head dolls to make reproduction molds from. It didn't take long for her hobby to mushroom into a large mail-order business until she was making dolls from over 1000 different molds.

Ann's teenage daughter

BERNARD RYON: (Miniature) Master Builder

His dollhouses are
eagerly sought after by
collectors

BY OMER HENRY

BERNARD C. RYON WAS AMAZED. He'd received 77 calls in two days from people who wanted to buy the dollhouse he'd just built. Even at a \$300 asking price, the first caller was the person who finally bought it.

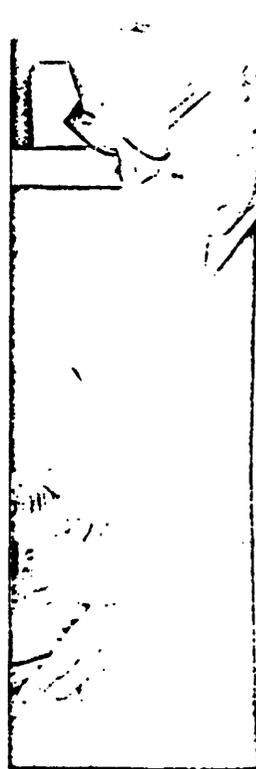
Three hundred dollars for a dollhouse? Who would pay that much? "Lots of people," Ryon says; mostly collectors. He explains that collecting dollhouses and miniature furniture "is the third largest hobby in the country." One avid collector has over \$20,000 invested in the hobby.

"In fact," Ryon adds, "I'm booked solid for well into next year. I could sell three times as many dollhouses as I make."

Until he retired from the Public Housing Administration, Ryon had been a business analyst. He was

As with any construction project, he starts with architectural plans. These he draws himself or buys ready-made from a hobby shop. Some customers have brought him a photograph of a particular house—a family residence, perhaps—and asked him to duplicate it in miniature. Using a scale of one inch equalling one foot, he draws the floor plan and elevations on heavy brown paper. He cuts holes in the paper where the doors and windows will be. Later he'll use these patterns as templates to locate openings on the plywood walls.

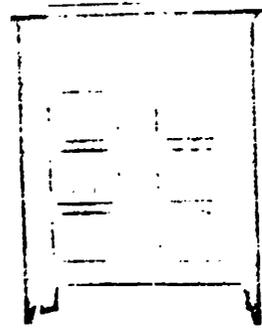
After laying the subflooring—a 3/8-inch-thick sheet of plywood on which the model will rest—he cuts out the two end walls and the front and back. The end walls are glued to the foundation, but the back and



Bernard Ryon sands a delicate piece

are based on the full-size house styles popular many years ago, dollhouses have rooms with ceilings as high as eleven and twelve feet. The craftsman deliberately makes them high because collectors reach into their dollhouses

Retiree making
miniatures



Rene Bowen of Paris, Maine, exhibited this Pe Coo board with pierced tin panels in the accessories, crafted, category.

Maine

Springfield, Mass.

Republican - Sept. 8, 1974

Why This Mania for Minis?

By ROMOLA RIGALI

Republican Staff

In a nutshell, Hank Miller makes miniatures.

He's a maker of Shaker furniture that is only an iota of standard size.

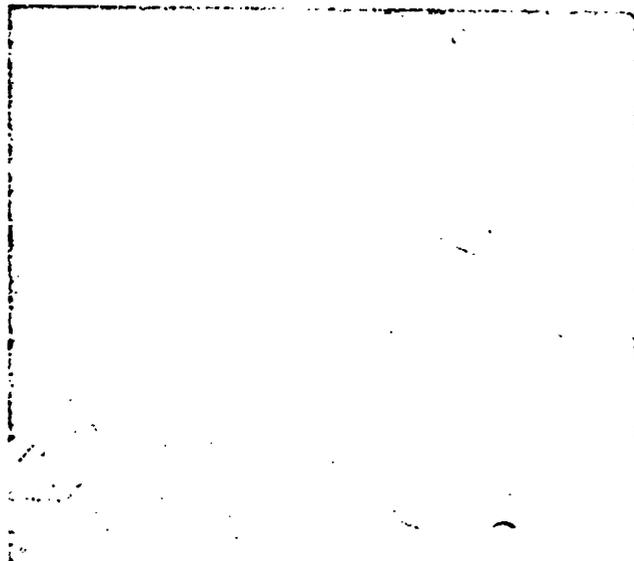
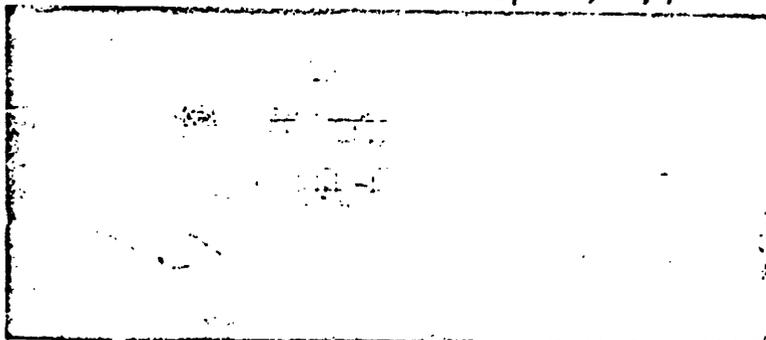
The Granville resident's newly-started in the business of bit furniture. A retired engineer formerly with Hamilton Standard in Windsor Locks, Miller's been at his hobby for about a year and a half.

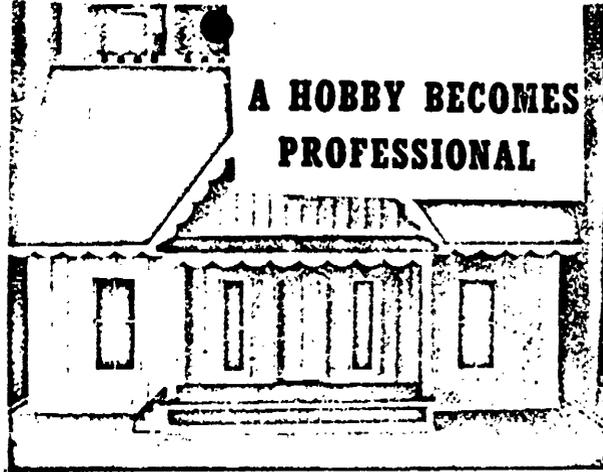
With his wife Rose who does all the stuffing and sewing for the miniature pieces, Miller works in his studio (he calls it his "sawdust hole") in the basement of their colonial home on Route 57.

He calls it his hobby, but a dresser full of reference books on Shaker furniture and that religious sect's lifestyle and history puts it on a somewhat higher level.

Mrs. Miller said she finds Shaker furniture "fascinating because they (Shakers) could come up with a design that has been copied down through the centuries.

"The most interesting point is that the Shakers did not intentionally strive for





White frame dollhouse has peaked roof

Joan Ellen Kanze's miniature world

Thimble stools... shot gun bullet shell vases... treble hook chandeliers.

All of these belong to a miniature world with furniture and houses scaled one inch to one foot. The tiny, itty, bitty creations are designed by miniature enthusiast Joan Kanze of North White Plains.

Mrs. Kanze has created an entire world of her own. A retreat to a tiny existence, which she considers a sort of escape hatch from reality, when the real world gets to be too much.

"It's a whole other world. When you don't like the one you live in, you can make your own," said the member of the National Association of Miniature Enthusiasts and the miniature exhibitor.

drawers that open and shut, woven rugs...and the list goes on and on and on.

The exactness is amazing. One double picture frame is hinged so that it folds like a normal-sized one. And armchairs have tiny buttons on the cushions.

Mrs. Kanze privately contracts to sell the unfurnished shells of dollhouses. She designs or scales down a real house, makes a graph and her husband, Bob Kanze, constructs the plywood product. The average cost of one of these homes is anywhere between \$125 and \$700.

SHE DESIGNS and makes the mahogany furniture to fill the houses. Her tools, which include a jigsaw, drill, lathe, drill press

and sander - all resemble toys, because of their small size.

Mrs. Kanze explained the process between designing and the finished product. First she draws a picture. Then she transfers it to graph paper, then transfers the same to light cardboard. From there, she cuts it out with a jigsaw. The pieces are glued together and set to dry. The almost finished product is sanded, stained or varnished and finally the tiny drawer handles or some other finishing touches are added.

She says that to make the wooden sinks and stoves look enamel, the sanded and resanded piece must be painted with multiple coats of white enamel paint until it appears glossy.

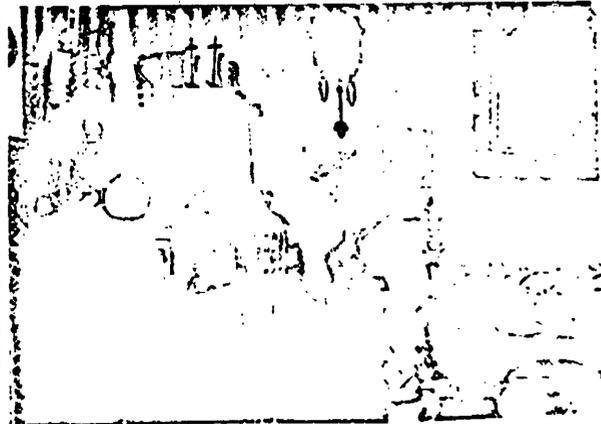
Some of her more unusual endeavors have included installing a dumbwaiter and elevator in houses with her son's erector set.

Mrs. Kanze, who has embroidery, painting, sculpting, sewing and crocheting talents; also, explained that miniatures need not be an expensive hobby. "And you never throw anything away," she warned.

TRANSFORMATIONS have been made from little restaurant coffee and cream containers to lamp shades. Ping pong balls and roofing nails and beads change to

lovely Tiffany lamps for an estimated total cost of two cents. Lumber can be doctor's tongue depressors. And bottle tops, sprayed silver, turn into pie tins.

Mrs. Kanze had trouble remembering when she first started this hobby. "Oh, I guess I've been doing it well, ever since I could hold a knife," she said.



From Harvard to doll houses

By STEVE LIBBY

TWENTY YEARS AGO last spring, Albert Sauveur Eaton graduated from Harvard with a bachelor's degree in applied science. Active in Harvard's Hasty Pudding Club for three years, he served as manager for the production of "Happy Medium."

Today this 41-year-old man, who's as much a Bostonian as the baked bean, designs and makes doll houses for a living in this Maine village brushing the New Hampshire border. He lives at 133 Main st., across from Fryeburg's Congregational Church, with his pretty wife, Carla, and their three children, Deborah, who is 13, Joahanna, 11, and nine-year-old Albert, Jr.

It's a far cry from his Harvard background, perhaps, but he's doing exactly what he wants to do, and he's enjoying life. Known professionally as "My Uncle," he makes hand-crafted doll houses, doll house kits and wooden toys. He's also active in civic affairs, including chairmanship of Fryeburg's Bicentennial Committee.

His parents, Mr. and Mrs. George C. Eaton, live now at 1610 Memorial dr., Cambridge, but Al and his two sisters, Emily and Mary, grew up at 171 Marsh st., Belmont. Al attended Shady Hill School,

Steve Libby is a free-lance writer.

Al Eaton, a management type, found happiness making toys in Maine

Cambridge, before going on to Belmont Hill School, Belmont, through the ninth grade. At Milton Academy, from which he graduated Magna Cum Laude in 1951, he was captain of the football team during his junior year. He attended Harvard on a National Scholarship.

His father and grandfather were also familiar figures on the Harvard campus. Al's maternal grandfather, Prof. Albert Sauveur, was for many years a full professor at Harvard and generally considered to be the father of American metallurgy. He wrote and published the acknowledged textbook on the subject, "The Metallography and Heat Treatment of Iron and Steel" in 1916. He retired from the Harvard faculty in the mid-thirties.

The grandson who calls himself "My Uncle" is so successful at his craft that he has back orders

for several months on his doll house kits. No mass-produced toys, these doll house kits are made principally for thousands of collectors in this country and in Canada.

"Once in a while," Al admits, "we'll sell a kit to a doting grandparent. But that's rare." His kits sell for \$45 (Nantucket Cape model), \$65 (Beacon Hill Townhouse) and \$355 (Victorian Town House). This latter model has two full floors with eight rooms, a bay window, dormers, staircases, 39 windows, and weighs nearly 250 pounds. It is four feet long, 30 inches deep and almost four feet high, and is made principally of medium-density plywood. The kit is supplied with uncomplicated instructions for assembly.

Al also makes a few quality toys, mostly for the "drop-in" trade—his home is on Highway 302, the main road between eastern Canada and the Atlantic coastal beaches in Maine. The toys include a Noah's Ark, a real rope bed for milady's doll, Old MacDonald's Farm, an old-fashioned wooden circus train, The Fryeburg Fire Engine, The Little Tug that Could, and a Queen Mary model, all hand-somely hand-made and hand-painted, and priced at \$7.95 to \$39.95.

Al inherited his mechanical aptitude from his father, George C. Eaton. A mechanical engineer for Boston Edison Company and, later for Stone & Web-

Continued on Page 22

Fryeburg, Maine

Miniature-Makers Create a Lilliputian World

By PHYLLIS FUNKE

A chance to own the farmhouse one might never have . . . To live in a century long since gone . . . To savor the antiques one cannot afford. . . .

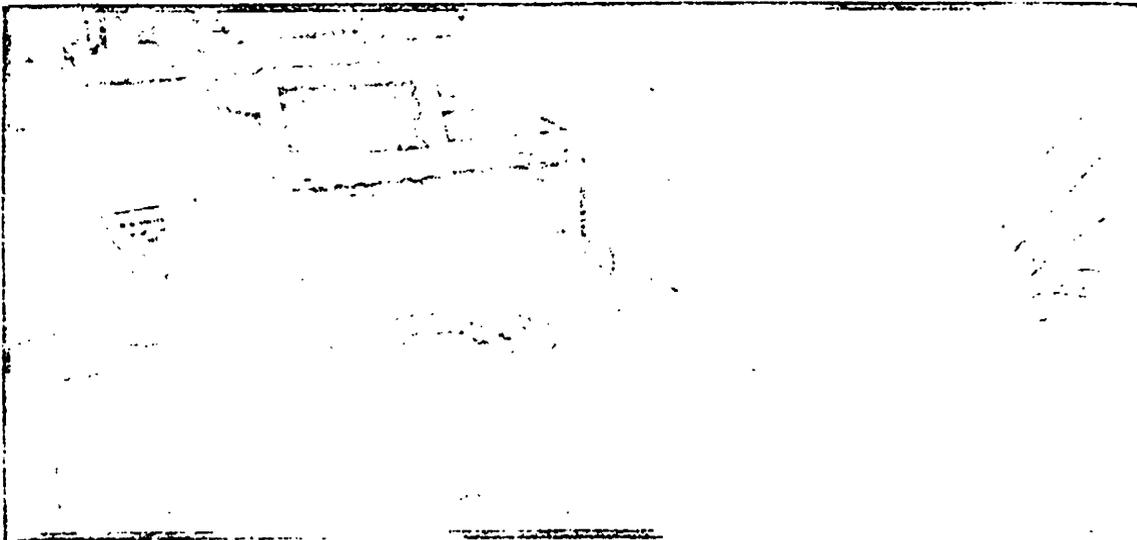
For these and scores of other reasons, large numbers of adults in this country are collecting miniature pieces and creating and furnishing dolls' houses.

Brooklyn has at least two individuals who make the objects that feed such fancies.

One is Harvey Libowitz, who will create any miniature from a seven-eighth-inch cannon that actually fires a one-sixteenth-inch ball to a two-inch gum machine that dispenses nonpareils, and the other is Judy S. Jacobs, who specializes in fashioning books, some as tiny as confetti, that contain legible texts and color prints.

Miss Jacobs, who also designs miniature rooms to contain her own tiny 350-book library, explained that she had become involved with miniatures "because it is an escape into a perfect world, one that can be controlled, one that stays exactly as you want it, with Christmas 12 months of the year or spring in December."

For Mr. Libowitz, a tile setter by profession, his avocation, he said, "has always been a challenge to see if I can make something as minia-



The New York Times/Itz Schwab

Harvey Libowitz showing some of the miniatures he makes. Cannons really shoot, and desk top rolls up.

Brooklyn, New York

Moore Twp. Miniatures Artist Sees Great Beauty in Small Proportions

By KANDACE BENDER
 Globe-Times Staff Writer
CONSON is Jane Conson says she is just an ordinary artist who has gotten smaller.

So small, in fact, that she must wear magnifying goggles when she works.

Her forte is miniature etchings and pen-and-ink drawings for dollhouse walls, and while she's the first to admit it's a tedious work, it's obvious that she loves producing the detailed, often delicate and detailed, the etchings themselves are about the size of a thumbnail. Framed, they measure approximately one- and three-quarters by one-and-a-half inches.

"I started off with larger paintings, mostly of a historical nature," she said, "but I really

prefer working with the smaller etchings. I just basically I'm just a small-type person.

That self-analysis came up Mrs. Conson perfectly.

Police, with fine-lined heads, a soft smile and a calm manner, it's difficult to imagine her working on over-sized easels, or to compare up an image of her gliding easily in an art museum style.

A case in point. While waiting across her Moore Township jewel filled with an assembly of plates and large jungle-type growths, she spotted a cluster of wildflowers, so tiny that the average person would have overlooked them.

"These flowers are beautiful, aren't they?" she commented. "They're in, too, in fact, on Mrs. Conson's favorite subjects for her miniatures is wildflowers. She also

produces a series of birds which have been extremely popular with her customers.

But she doesn't limit herself to botanical drawings. She also produces animals, landscapes scenes, Fantasyland Dutch designs and "gothic and fantastic." Dutch birth and baptismal certificates which are dated and signed for each customer.

The etching process itself consists of covering a 16-gauge copper plate with a lacquer compound known as ground. A design is scratched through the ground with a fine-tipped steel needle. After all etching has been completed, the plate is placed in an acidic mixture. The acid eats into the exposed sections of copper, while the

lacquer acts as a buffer for the rest of the plate.

Mrs. Conson then washes the plate in turpentine to remove any remaining acid or lacquer. Using a jeweler's saw, she carefully cuts an oval shape around the design and covers its entire surface with ink. The plate is then wiped clean with a soft cloth ensuring that the ink remains in the depressed lines only.

Both paper, made of 80 percent rag and guaranteed to last hundreds of years without yellowing, is dampened and placed on the plate. A heavy printer's press compresses the paper and the plate together, pushing the ink into the etched grooves, and the design is transferred to the paper.

Mrs. Conson then uses a fine-point brush and watercolor paints to give the picture life and vitality. After making 100 prints, she signs and numbers them, and destroys the plate.

She commented that she had to make more than 20 plates before she got one of them right for her birds series.

Framing is the next step, and one which she admits she dislikes immensely.

"The frames are so small," she mused, "it's tedious and boring to do, and I hate it to do it for me."

But Mrs. Conson doesn't need anyone to do it for her. She's done it all herself.

The daughter of an artist, she was exposed to the arts at an early age. Most of her education was spent in Europe, specifically Switzerland and France. She promised herself that one day she would find the time and the motivation to begin pursuing an artistic career of her own.

The time finally came in 1967, when she studied oil painting with George Parker and Emily Hatch in New York. In 1981, she completed the Potomac Artists' Correspondence Course, a three-year correspondence course which took her six years to finish.

"Many people are critical of their own correspondence courses," she said, "but it gave me the basics that I needed and started me working at what I had always wanted to do."

Her work of that time consisted mainly of large botanical pen-and-ink drawings and some watercolors. She set up a studio in an outbuilding near Smith and, as a sideline, went into the picture framing business. She advertised her business as "The Little Farm Workshop," and her list of clients grew rapidly.

It was at this time that her interest in miniatures began to grow.

Conson's "miniature mania" manifested itself in the form of a dollhouse built around

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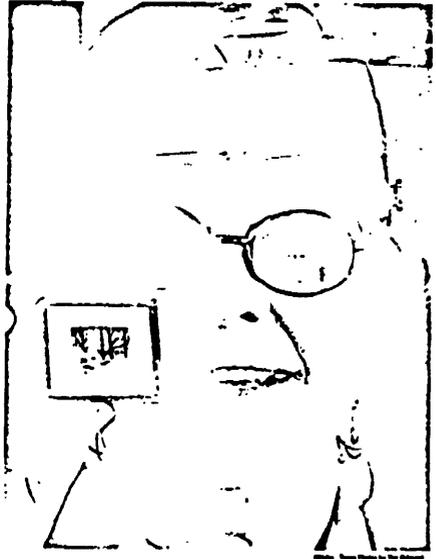
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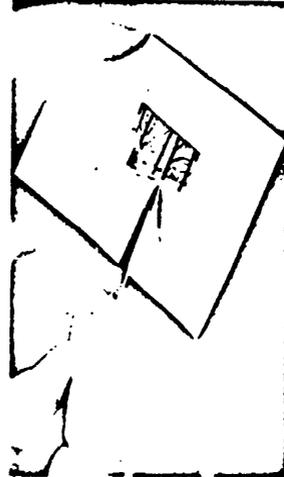
Conson's "miniature mania" manifested itself in the form of a dollhouse built around



Artist Jane Conson Displays a Masterpiece.



Miniatures in a Wide Range of Subjects.



Detail is incredible despite Size.

the late of the century. She first saw the house, which originally belonged to her grandmother, when she was a small girl. Shortly after that, she and her family returned to their home in Europe and the house was forgotten.

It wasn't until she was 17 years old that Mrs. Conson once again saw the house which was to play such an important role in her life.

"We got our furniture out of storage," she said, "and my mother remembered that I couldn't possibly be interested in a dollhouse at my age. I was embarrassed to tell her that I was."

"Anyway, I kept it around, with the intention of being it up someday for my own children. About 10 years ago, I decided to start furnishing it, and when I

tried to buy paper, I found out that there just weren't any around.

"I knew that the miniature business was going to grow rapidly, and I decided that maybe I should try my hand at it."

She began working on the tiny etchings and her business has grown to a point where she no longer has the time to do any custom framing. Most of her artwork is in miniature and she used the full miniature collecting has gone from a small thing to becoming industry.

"I'm not really sure why it's so popular," she commented, "maybe it's because the dolls are so small and easy to move around in our limited ability that it's important. Miniature collecting is more than a hobby, and they aren't toys."

"There is no reason why if a

large painting is considered art, that a toy one isn't art, too."

Apparently, many people agree with her, because she often has more orders than she can handle. She has had numerous exhibitions at Roger's Gallery in Allentown, Dublin gallery at Lehigh University, the Wildflowers Gallery in Philadelphia and the Kemerer Museum, Bethlehem, as well as numerous group exhibitions of miniatures throughout the state.

She also illustrated a miniature book on wildflowers and plans to do more of the same in the near future.

A hobby which has turned into a business, Jane Conson's miniature art is a unique blend of traditional and modern techniques. Her work is a testament to the power of small-scale art, and her dedication to her craft is evident in every piece she creates.

Page 8 — THE LEADER — Thursday, July 3, 1980

EXQUISITE DETAIL — Nic Nichols
his new miniature Victorian room to
ant branch of the Ocean County Libr

Full-time
craftsman
couple from
New Jersey



Nic Nichols' Victorian Beacon Hill setting.

Portrait of the Artist

by Joanne Van Horn

Photos by Dick Schneider

Look closely at the portrait in the main parlor of the room shown on these pages and you will discover the clue to the success of this beautifully designed Victorian setting. The portrait is the likeness of the parlor's creator, Nic Nichols.

The Victorian parlor — Beacon Hill, circa 1850-1870 — has three sections: the main room or first parlor, the entry hall, and the second parlor. The room's design allows the viewer to peer into the entry hall and the second parlor.

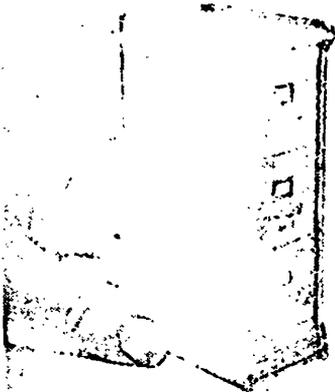
The main room features most of Nic's major pieces as well as special accessories and custom draperies and wall and floor coverings. There is a three-piece parlor set — loveseat, gentleman's chair and lady's chair — done in forest green velvet. These pieces are adorned with antimacassars — small pieces of lace used to protect the furniture from the macassar (toily hair tonic) fashionable in Victorian times. Marble-top occa-

sional tables complement the rest of the furniture.

This Victorian parlor, which received the first place ribbon for a room setting at the 1979 NAME National Houseparty in Boston, is the culmination of years of interest in this period of history. The room is also Nic's first major miniatures project and reflects his skill and sensitivity in working with scale. Completion of the room came right down to the wire and Nic laughs when he remembers the frantic last-minute finishing touches done in his hotel room at midnight before the opening of the show.

Nic's curiosity and enthusiasm about the Victorian era goes as far back as childhood, when he collected all types of Victorian furniture and accessories. Both his grandfather and uncle were antique dealers and he often rummaged through their collections. He collected pressed glass, a pump sewing machine, Limoges china, and antique Christmas ornaments.

His interest in miniatures began in 1977



Corning, N.Y. - 3/14/80

THIS MINIATURE is a copy of a file cabinet currently being used at the Sprague Insurance Agency in Corning. Handcrafted by Bill Burkey, it is four inches high and utilizes the popular one lock equals one foot scale.

Burkey Invited To Mass. Show

Bill Burkey, who, with his wife, Betty, owns The Burkey Place in Elmira, has been selected to participate in the Miniature Makers Society Collectors Show in Sturbridge, Mass. March 29.

The Burkey Place is a dollhouse and miniature shop. Burkey, a creator of the one inch equals one foot scale furniture, specializes in the Golden Oak era, characteristic of many turn-of-the-century and 20th Century homes. The Miniature Makers

Society was formed three years ago by five handcrafters-dealers to promote the cause of hand-made dolls, dollhouses and miniatures and to encourage new artisans. At each show there is a different roster of craftsmen.

The show will be located at the Sheraton-Sturbridge Inn. Burkey has also been selected to take part in several other prestigious miniature shows this spring, including shows in New York City, Boston, Mass. and Washington, D.C.

New York Craftsman



Mrs. Marjorie Kemp stands next to one of the miniature dollhouses which she has made at 300 Apple Hill. Mrs. Kemp's skill in creating the miniature has earned her being listed in the book, "The Art of Miniature." (Photo by B. G. Bennett)

Marjorie Kemp Finds It's A Small World

By Nell Hogan

Mrs. Marjorie Kemp of 300 Apple Hill is riding the crest of a miniature boom -- not a small boom, but a boom in small things.

Two years ago, Mrs. Kemp, then a resident of Elmira, began collecting miniature furniture and arranged it in small wooden homes set in both the woods.

Today, Mrs. Kemp is in the business of creating miniature dolls to fit the miniature rooms arranged by other people.

The dolls' process from being into their tiny business came about a few months ago, according to Mrs. Kemp, who says, "I don't know there was any time when I said 'I'm going to start collecting.' I just always loved dolls and dollhouses."

At first, the hand-made dolls were not in such a vintage market

as now. As she says, "I had been with a separator handle in the kitchen -- and I'd done with the handle of a particular period. Today, her home is filled with such items."

The doll line is now a portion of a Colonial kitchen with the dining room and everything half of the line and the work space occupies the other half. In other words, Mrs. Kemp has to look like a bit of the 1900s to do the work.

She has been into it and old trunks, paintings and chairs are always used in a manner characteristic of each piece. Another has been a painted dining room of the Turner era, and still another is a sitting room with rocking chairs and baby's cradle.

The furnishings for the rooms are of mixed breeds. Mrs. Kemp says, "I have purchased a chair resembling a miniature hand-

lery, although such items are very expensive. Other items were purchased by Mrs. Kemp because they reflected the style of particular era."

Mrs. Kemp's collection of rooms grew for a number of years until one day when a friend offered that something was missing. "The rooms are fine, but have some you don't get people in them," she said.

The friend was a girl named Mrs. A. Kemp, for the one thing that made her miniature rooms was that they were in the shape of a dollhouse. Mrs. Kemp had had a new kind of doll hobby, the fashioning of dolls.

At first, she did it partly for her own enjoyment, but after establishing her collection at her home, she found that there is a substantial market for the dolls.

As a result, she now has a large number of dolls for individual customers.

Mrs. Kemp fabricates two kinds of dolls. One type is a very small doll scarcely bigger than a thumb. The other type is somewhat larger and has "real parts."

These dolls begin with plastic film clothes which are hand-painted into a dress and hair.

The dolls' features are then arranged with cloth to take on the configurations of the human body. The head and hands and feet are made from clay which is baked, painted and glazed so that it has the appearance of porcelain.

Once the dolls have been painted, Mrs. Kemp puts and sets. She is thinking in some instances it is necessary for the success of the library for these

Conn. Artisan

These are very specific in what they want. Mrs. Kemp's present orders include an elegant lady clad in satin and moose antlers, a soldier doll with a military outfit, a doll holding an artist's palette and a doll working at a desk.

"People want certain dolls because they represent what they are interested in," says Mrs. Kemp. "Some people like dolls that are working on the farm. The children say that when I'm working on the dolls they can't even get through to me," she laughs. "Sometimes they get mad at me."

The hand-made dolls have been a sort of production line lately because of the great demand for the miniature dolls. It has been manufacturing in quantities, and Mrs. Kemp has a small stock of dolls in the house.

Two days ago she was at the get-together here and she had a good day. By the way, she has given up other hobbies such as sewing and painting, only in favor of her dollhouse.

Mrs. Kemp points out that the dolls, if they are really dolls, are really dolls. "I know there is in the doll-making world that will sell, will also sell in the miniature world," she says.

Her passion for the miniature, however, is not that of buying and selling dolls, but making

her own enjoyment, but after establishing her collection at her home, she found that there is a substantial market for the dolls.

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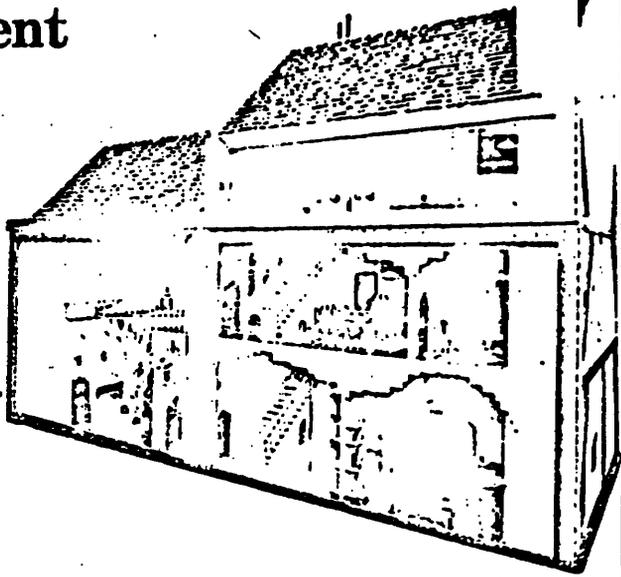
Once the dolls have been painted, Mrs. Kemp puts and sets. She is thinking in some instances it is necessary for the success of the library for these

(Continued on page 8)

Santa's Workshop Unveiled: Bill Pickerill's Two Year Achievement

HOUSE FOR SALE:

Stunning 13 room mansion including two baths, attic, courtyard, three large workrooms, dining room and stable. Partly furnished, complete with large staff of helpers. Contact S. Claus before 12:00 P.M. December 24. Price: \$25,000.



Photographs by David Gooley

Bill Pickerill's mammoth miniature workshop, presently on view in L.A., indulges the dearest of childhood fantasies.

by Cynthia Baron

No, Virginia, Santa isn't going out of business, but Bill Pickerill of Santa Cruz, CA, has created an incredible miniature replica of his workshop. The building, which was started in late 1976 and has taken nearly two years to complete, measures 6½" long, 33" wide and 5½" high. It is three huge stories tall and comes in four interlocking sections for easy transport. The elaborate electrical system uses five transformers and is so well designed that the sections don't require any complicated hook-ups—they simply plug into one another.

One of the most remarkable things about the mansion, apart from its size, is the painstaking attention to detail. Each of the five massive fireplaces, for example, has a "flicker unit" burning merrily away. But the system is so cleverly designed that none of the fires flicker in unison. All of the circuitry, in fact, is solid state and built in under the floors, making the house practically maintenance-free.

Pickerill is a perfectionist who insists on making his own materials, including the hundreds of hand shaped tiles used in the kitchen and

courtyard. He also made his own tinted lamps, which are on dimmer switches, and hand laid the hardwood floors. The exterior is covered with a textured material he developed himself and all of the decoration was especially designed for this building. Especially noteworthy are the carved doors; painted, rubbed and aged by hand.

In the all-important kitchen, Mrs. Claus and her helpers have all of the old-fashioned conveniences — a wooden sink with a hand pump, lots of cupboard space, plenty of counters, a couple of wine barrels for

'Thinking Small' Brings Big Success

Husband and wife craftspeople

By Melinda Everett

It's rare when people achieve success in a big way...but it's even rarer when they achieve it by making a business of thinking "small." That's exactly what the Hillhouse family of Holden has done, however. Hillhouse Handmade Miniatures has become a byword—possibly even the last word!—for those who collect dollhouse furniture.

Shirley Hillhouse, who, with her husband Jim and son David, creates the tiny furniture, said that she became interested in finding "good" dollhouse furniture some five years ago when her three year old granddaughter received a dollhouse for Christmas. "We wanted to buy some furniture," Mrs. Hillhouse recalled, "but about all we could find was made in Taiwan. Most of it was painted dark brown, and none of it looked like something that would be appropriate for a little girl's dollhouse."

Jim Hillhouse, who is an engineer, designed and made a few pieces of the miniature furniture; and Mrs. Hillhouse, who is a graduate of the School of the Worcester Art Museum, painted them. "I decided to do them in a Pennsylvania Dutch design with lots of pastel colors," she explained.

A next door neighbor who owned the Sturbridge Yankee Workshop persuaded the Hillhouses to create some miniature furniture for his shop. "It took us three months to make the pieces, and they sold out in less than a week," Mrs. Hillhouse said. "We thought the prices would be too much for people, but we hadn't realized the number of adult dollhouse collectors."

Shows and Mail Order

Actually, the original furniture the Hillhouses made was designed to be played with and handled by children. Their creations now are well-constructed and quite sturdy; but they are primarily designed with collectors in mind—not small children.

The Hillhouses do not have a shop anywhere, but welcome visitors to their workshop. They concentrate on doing miniature shows and have a thriving mail-order business. The next show the Hillhouses are doing is in Sturbridge on March 29, and they will unveil some new pieces at that time.

The traditional scale for dollhouses and their furniture is one inch to equal one foot. However, the Hillhouses have a very special dollhouse that is a replica of their home—all designed on a 1/2 inch to one foot scale, complete with equally tiny furniture.

"Their house" only comes out for display at Christmas, but is an example of the art form of exactness they have mastered.

Mrs. Hillhouse doesn't just "paint" each piece—she also painted in traditional

Preparing for a Show

The Hillhouses put a great deal of time and effort into preparing for the miniature and collectors' show they participate in. "We usually get the contract a year in advance...we're sometimes working a couple of years ahead, trying to get a suitable array of merchandise," she reported.

As members of the National Association of Miniature Enthusiasts (NAME), the Hillhouses will be participating in the group's national show and "houseparty," held this year in Washington, D.C. in July. The theme, which will focus on Christmas, is "All through the house."

Although she likes to work on new and different items for shows, Mrs. Hillhouse said that there are some heavily-requested items that she tries to keep in supply. These include 4-drawer chests (\$55), corner cupboards (\$60), and spindle beds (\$65-\$75).

Other limited editions offered at shows include Chippendale tilt-top tables (\$125), Queen Anne highboys (\$500), and lowboys (\$250).

More Sophisticated

When asked if she had observed any trends in miniatures collecting, Mrs. Hillhouse replied that collectors are becoming much more sophisticated. "They want everything to be exactly the way the original is—even down to the lumps and bumps the antiques have acquired over the years."

If the Hillhouses have a watchword, it is no doubt "authenticity." Even the hardware (barely visible to any vision less than 20-20) on the dower chests is handmade. All the furniture is a copy of an authentic design. Every corner dovetail; every hinge actually works.

David Hillhouse, who got "recruited" into the business after he made some pieces as presents for his mother, helps considerably with the highly detailed construction. He has a Swiss jeweler's lathe (and, no doubt, nerves of steel). David also canes the chairs sold by his parents. At last report, he has 82 chairs on back order.

Mrs. Hillhouse said she tries to stick to a regular work schedule, 8-4 every weekday. Since the business is listed in the Guide to American Miniatures, though, she often receives calls from people who "come for a look" from as far away as California.

Varnish All Over the Place

Before the Hillhouses had their spacious workroom, Mrs. Hillhouse said she used to have varnished pieces drying all over the house. Although she likes most every aspect of her work, her favorite pieces are the dower chests ("perhaps because I know I can do something else after I've completed five of them").

The most difficult pieces, both to construct and

SR hobbyist discovers a small world

By Staff Writer

"Toyland, toyland—dear little girl and boy-land . . . Ah, but toyland isn't JUST for dear little girls and boys. There's an army of aficionados—the collectors of miniatures—who come in all sizes and ages.

Among them is Art Triplett of Santa Rosa, whose hobby is creating miniature furniture and the tiny houses and shadowboxes in which to display them.

Most of his miniature creations are built on a scale of 1 inch to 1 foot, although—as in model trains—a variety of scales abounds. The tiny Victorian room settings and shelves full of upholstered chairs, dining sets, desks and rockers do not crowd the neat mobile home in which Triplett and his wife live in south Santa Rosa.

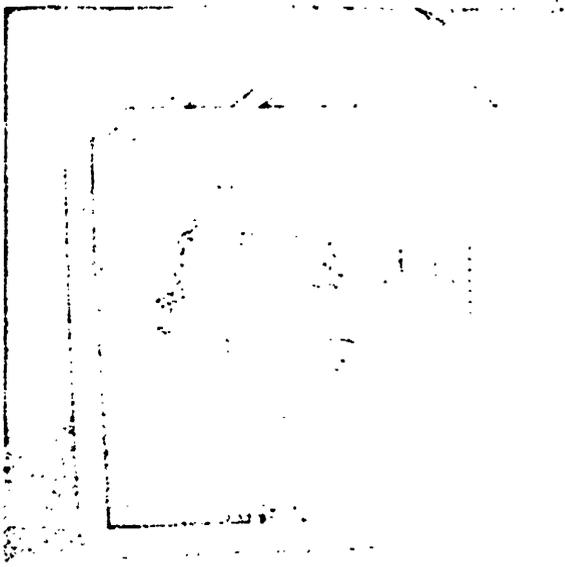
A former Los Angeles resident, Triplett moved to Santa Rosa five years ago while recovering from back surgery. He'd been interested in antiques and, to a casual degree, in miniatures. During his recuperation he began to create the tiny furnishings and his enthusiasm grew.

Now he markets "The Triplett" display case, an old fashioned three-story house in miniature, in which collec-

tors place their treasures. Three models of the plywood structure sell for \$35 to \$57, advertised nationally in "Doll House and Miniature News" magazine.

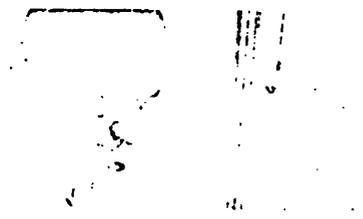
His handcrafted furnishings—"quality items with hinged doors and drawers that pull"—are made of hardwood to scale. Rocking chairs sell for \$4 to \$10, depending on the type of wood and the finish. An old fashioned ice box goes for \$15, a complete dining set of trestle table and four chairs for \$50.

Triplett works on several pieces of furniture concurrently, taking three days to cut, sand, assemble, sand



SANTA STARS IN A SEASONAL ROOM SETTING
Shadow Boxes are Decorative Conversation Pieces

P.O. Box 1434



Full-time craftsmen - California

--- full-time craftsmen - Brimfield, Mass. ---

f Whittling, glueing, and nailing homes

He's a custom home builder and she's a home decorator.

But, Richard and Maureen Ethier of Brimfield don't deal in life-sized homes.

For the Brimfield couple and their five children they are surrounded by a world of dollhouses and miniature people.

For the past three years their Rte. 20 Crystal Brook Gift Shop has become filled with the miniature and wood offerings.

Richard, a cabinetmaker and carpenter for the past 24 years, hand-crafts several dollhouse designs in the couple's Crystal Brook Gift Shop. Maureen, on the other hand, tends to the shop, orders, and makes a few miniature people and furnishings, and helps customers choose proper dollhouse decor.

According to Richard, dollhousing and miniaturizing is "the world's second-biggest hobby and it's still growing."

It was literally by accident that the Ethiers became involved with the business.

They've operated their gift shop here for the past nine years. But it was three years ago when Richard, working as a contract carpenter, fell from a ladder and injured his back. That started the dollhouse making.

The doctor, he said, told him to get into a form of lighter work, so "we got into dollhousing as a form of

his full-time job as a cabinetmaker in Palmer.

One of his dollhouses, a three-story town house, won first prize at a craft fair in Milford, Conn.

Some of the styles he makes are a six-room cape, a Brookside with a bay, shops and log cabins. The buildings are made from Baltic birch except for the log cabins which are crafted from pine.

"I design and build all my own dollhouses," he says, "and I make modifications to what people want. I have no education in designing so it just comes off the top of my head." The parts of his homes are not stapled together, but nailed and glued.

It takes him about 50 hours to make a two-story-stained log cabin.

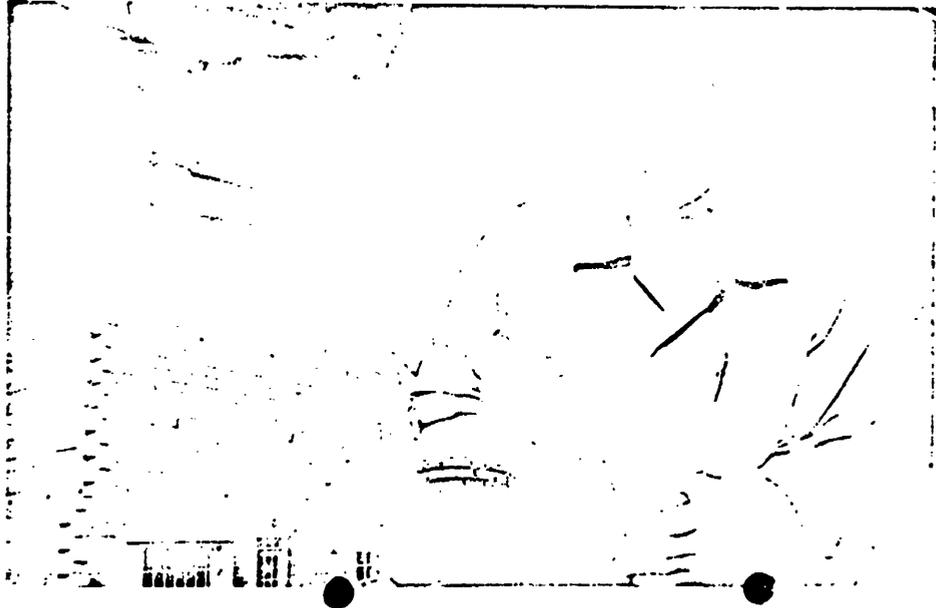
"I just try to build to a period," Richard says, "or keep everything

uniform because in dollhousing everything is (scaled) one inch to a foot."

All of the houses contain working windows, doors and stairs. He even makes hand-split shingles and sections of clapboard of the houses.

But except for the log cabins the dollhouse maker offers houses without paint or the extra trimmings.

"I'd rather build a raw dollhouse



by Camille Strychalewicz
The Packet Group

A Lilliputian fantasy world emerges from the hands of Chomy Garces in her home workshop at 337 Glenn Ave., in Lawrence Township. Her dark eyes flash as she happily tells of the 68 stores, including a Disney World gift shop, which carry her handcrafted miniature figurines, called Fantasy Creations, which are one to six inches high.

The business was born when she sat with her four children, now aged 12 to 18, molding Playdough. Mrs. Garces says this was before the women's liberation movement was around to inform her that she wouldn't feel completely fulfilled at home with small children.

"I found I really loved working with that Playdough," the Cuban-born resident remembered, "but the figures cracked." On a trip to Mexico with her husband, Temistocles, a veterinarian with American Cyanamid, a tour guide showed her ancient ornaments which he said were made out of a bread mixture. Convinced by this evidence of the durability of a bread base, she went to the library and researched this medium. Mrs. Garces found her magic formula in the easily available combination of white bread, glycerine and Elmer's glue.

"I JUST LET MY imagination go," Mrs. Garces said after she found the recipe worked. Her imagination has produced an itemized order sheet which today lists 235 figures. They are the familiar fairy tale characters, animals, whimsical figures, clowns and Christmas subjects. There is a Giapetto with tiny wire spectacles holding a Pinocchio marionette, a pig with a curly tail, a Japanese woman, Hansel and Gretel. Among her special orders is a Lladro-looking "Swan Lake" pas de deux.

In her living room Mrs. Garces has an 8x5 inch greenhouse on an end table. This contains one inch high, detail perfect plants: hanging spider, daffodils, geraniums, tulips, iris, cactus, hyacinth, calla lily, African violets. Food color, acrylic, enamel and oil paints give a variety of texture to each part of the one inch figure. Miniscule petals and leaves were applied individually.

Many of the talented Mrs. Garces' customers are collectors who insist that she work on a strict one inch to one foot scale. Dollhouse hobbyists and "egggers," those who put scenes inside of decorated eggs, also buy from her.

HER PROCESS IS deceptively simple. She makes her mixture, kneads

it to a consistency of clay, molds the parts of the figure, sometimes using surgical scissors and a tooth pick and assembles. It air dries overnight after which it is painted and sealed.

Now Mrs. Garces, who came to Lawrence a year ago from North Jersey, has help in her sunny, meticulously organized home workshop. Audrey Page has a son who is a friend of the youngest Garces boy, Ricky (called "Gringo" by his family since he is the only one born in the U.S.). After complimenting Mrs. Page on her Lapansky porcelain collection, Ricky told her that his mother had a similar one. Mrs. Page says she laughed at first when the boy told her it was a collection of bread dough figures.

Today Mrs. Page not only works with Mrs. Garces, but is an enthusiastic promoter. Another neighbor, Marion Leopard, and a niece, Alice Garces of Hopewell, also help.

Besides Ricky, who is a seventh grader in the Intermediate School, the Garces children are Rebecca, 15, a ninth grader in Lawrence High School South, Leonard, 17, a junior, and William, 18, a senior at Lawrence High School North.

Residents may see Mrs. Garces work in Marcia's Dollhouse in Hamilton Township or call her Lawrence home for an appointment. Prices range from a 45 cent nest with eggs to an \$18 Spirit of '76.

Full-time
Craftswoman
from
Lawrenceville, N.J.

Fantasy Creations:

miniatures are big business

MINIATURIS

Continued from 16th Page

She works 16 hours a day at her dining-room table, has a long waiting list. Two-thirds of her customers are private collectors. Usually she's making 26 items at one time. The screens sell for \$150.

Lewis and Barbara Kummerow of Ascadero run a typical cottage industry from their home with a mail-order catalogue. They have a six-month waiting list for their miniature Schoenhut toys and jointed circus animals. In their mid-40s, they've been in the business six years and are also known for their Tiffany windows and miniature electric train.

Said Mrs. Kummerow, "My husband is a high school architecture and drafting teacher. We got involved in this because the people are so appreciative."

He does the original designs. She does the mailing and billing.

Wheelchair Workers

Another cottage team is Ed and Peggy Huson, both in wheelchairs. He works 14 hours a day and though she is an English student at El Camino Community College, she helps him at night in their business of producing gold-plated electric chandeliers with Austrian crystals. They also make sconces. Their price range is \$54 to \$253. They make about \$8,000 a year, but they plan to expand with a catalogue in the fall.

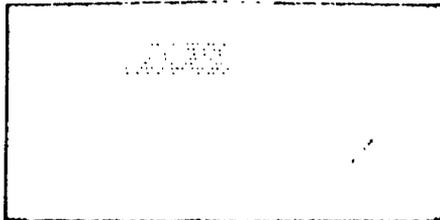
"Every time I finish a chandelier and light it up, I feel good," said Huson. "I like it better than watch repairing. I have more headaches, but they're my headaches."

The industry is widespread. In Ohio, Louis Haas designs exquisite tulip-bud wreath quilts. In Washington, Hermania Anstinger constructs bent laminate wood Belter chairs that sell for \$400. Emily Menzies makes petit-point rugs for Jackie McMahan. Sylvia Rountry in Cuyahoga Falls, Ohio, makes English riding boots and caps and Mary Jans.

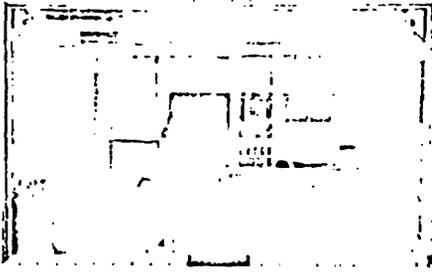
In Rancho Santa Fe, Mrs. George Morison Robertson Schaefer makes Queen Anne-style furniture on commission but notes that the work is so minuscule "that my hands, eyes and back get very tired." She adds, "Everyone will tell you this is a labor of love."

Many handicapped craftsmen are able to support themselves making miniatures.

Craftsman from Florida



This Empire day bed is the work of an engaging fellow from Florida who took up miniatures three years ago after retiring. Though he has now developed several original pieces of furniture including a contemporary roll top desk (\$200), he constructed this day bed from instructions and diagrams by Helen Dorsett published in The Scale Cabinetmaker (P.O. Box 87, Pembroke, VA 24136). Gene sells only at shows (his next is St. Petersburg in September), though he also does one-of-a-kind pieces on a custom mail order basis. Correspondence including SASE should be addressed to Gene of Sarasota, 6811 Hall Moon Drive, Sarasota, FL 33581

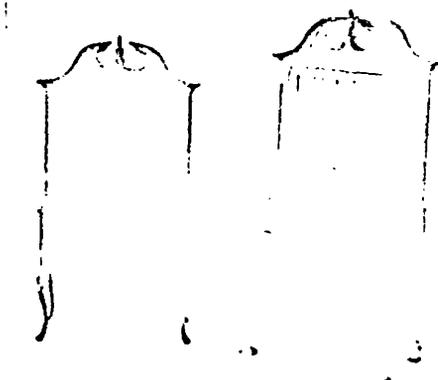


John S. Powell, a remarkably versatile craftsman, made this 1800s wood shop in 1978 and was offering it in Atlanta for \$780 through Casa Chica Miniatures (catalog \$1.50, 1325 Leslie Drive, Merritt Island, FL 32952). Everything in the shop is useable, including the treadle saw in the center of the room. Powell's tools and weapons (MC 10, page 34) are particularly good.



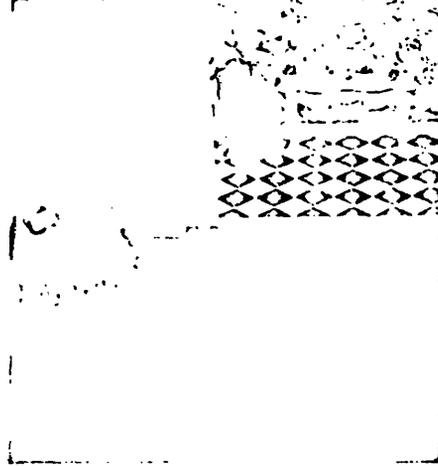
Foil painting, the art of painting on tin and metal ware, has been ever popular in America. Mary O'Brien, who calls her business "Yankee No-nons," has brought a strong professional standard to her miniature work in this field. Here is a magnificent reproduction of a Chippendale tray, the original of which dates to 1830. It was a real eye catcher at the Willow Grove show. Mrs. O'Brien also decorates trunks, deed boxes, document boxes and other items. All are faithful reproductions of museum pieces. The tray can be ordered from Mrs. O'Brien, 52790 Brooktrails, South Bend, IN 46637. It costs \$30 plus \$1.20 postage and handling.

Craftswoman - Indiana



These Queen Anne pieces by Roger Guthrie are typical of the period furniture which he displayed at the White Plains Show in New York on May 14. The White Plains Show, and the dozens of new artists who were present, will be covered in the Show Stoppers section of the next issue.

*Full-time family of
craftsmen from
Rochester, New York*



Beautiful parquet floors inlaid by Robert Barnhard of Dolphin. Originals were an outstanding feature of his shadow boxes in Philadelphia.

*Craftsman from
Pennsylvania*

Jewelers Turned Miniaturists

Jason and Jacqueline Getzan, metalcrafters, sculptors in metal, and jewelers in the modern mode, are well-known to Ann Arborites through their past association with Sixteen Hands and at the Ann Arbor Street Art Fair where they have exhibited for the past six years. Last November they decided to use their skills to build and to begin turning a dollhouse. It was to be a Christmas present for their ten-year-old daughter Sheryl.

They undertook the project with enthusiasm and soon found they were getting up earlier and earlier each morning to get back to the work. At night they could barely make themselves stop working to get some necessary sleep. They had passed into the obsessive world of the hobby miniaturist.

In January Jason and Jacqueline took stock. They had experienced two months of joy working side by side on such exquisitely crafted items as a six-inch-long brass bed, a six-inch-high gilded Victorian hat rack, a tiny Victorian music stand, and an elaborate chandelier, two inches wide, that really lights up. They had made a complete line of wee kitchen utensils in tin-lined copper and a set of minuscule kitchen knives, all accurately reduced to the standard miniaturist's scale of one inch to one foot. They had learned a great deal about the resurgence of interest in miniatures which over the last four

years has made the making and collecting of them the fastest growing hobby in the country.

Miniatures have always exerted a fascination for some people. Miniature furnished rooms have been found in Egyptian tombs. Sarah Bernhardt was wild about miniatures. In 1924 Queen Mary was presented with a spectacular 1/12th scale palace from her loyal British subjects. The most famous artists, artisans, and craftsmen of the day—silversmiths, bookbinders, furniture makers, glass blowers, ad infinitum—contributed to its fittings. What's new is the size of the present explosion of interest in miniatures and the growing awareness among collectors that the finest examples make very profitable investments.

In view of these developments, the Getzans began to entertain a shy hope. Could they, they wondered, make a living doing what they most loved to do for the rest of their lives? They determined to try.

Quite tentatively they offered a few items for sale through the retail outlet of the Miniature Makers' Workshop in Birmingham, Michigan. These items sold out immediately. The Workshop engaged Jason to design and direct certain portions of the programs they put on for the hundreds of hobbyists who come from all over the country. Paying \$275-\$300 per three-day session, these students learn to paper walls,

glaze windows, drape windows, and lay carpet in a dollhouse, — all within the horrendously difficult discipline of keeping the scale accurate—not only in overall size, but also in the critical matter of correctly-scaled textures.

Now the Getzans knew that miniatures were a multi-million dollar craft industry and that there was no limit to what a truly interested skilled craftsman could achieve in it, particularly at the highest levels. They knew they had the necessary skills, and they had developed a love for the work. So they decided to give up making jewelry and devote themselves to making miniatures. Since January they have been furiously engaged in producing about forty items in limited, signed, and numbered editions of ten or less. They also do some custom work, but for the present they prefer to concentrate on the editions as they go about establishing their national reputations. Their studio is in their home in Ann Arbor.

The miniature field is highly specialized. There is a brick manufacturer in New Jersey whose miniaturist wife persuaded him to market a line of bricks scaled to the standard miniaturist's scale of 1" to 1". He has now branched out into all kinds of building supplies for hobbyists: shingles, flagstones, a fine-textured mortar. Wall-paper manufacturers are pho-

tographically reducing patterns to a suitable scale. Both these lines are mass-produced.

Judge Williamson of Tecumseh, on the other hand, is a custom craftsman,—an expert in the miniature approach to fabric. Her prices reflect the extreme difficulty of her work, in which accurately-scaled weight, drape, pattern, decoration, and size of stitching must all figure. The Getzans' brass bed sells for \$100. The same bed dressed with Williamson's pillow shams, flounces, and bedspread costs \$250!

Should you be wondering if a real living can be made in miniatures, consider these facts. A maker of tiny pianos asked \$12 apiece for them. He has retired, and prices on his pianos now equal the real thing. (They don't play). One man makes rugs in petit point which sell for \$700. (Kits to work yourself are also available.) In Denmark a miniature palace appraised at \$260,000 is housed in a building that cost only \$50,000. Perhaps the most astounding news about this astonishing business comes out of Virginia, where a bank recently granted a mortgage, rumored to be \$20,000, on a dollhouse!

Before becoming a miniaturist Jason Getzan built two race cars which raced in the Indianapolis 500. Next he worked for auto companies where he built experimental engines like the Waukegan. From this he moved on to metal sculpture and then finally jewelry—always scaling down, down, down. He believes there are some people for whom immersion in the world of the very small is a real need. The enormous increase in the number of people in the field seems to be

him out. "The closet miniaturist has come out," he says. "To be good at this you have to learn to think small—almost to B.F. small."

"Look at Jason's hands," adds Jacqueline. "They are average size men's hands. But, see? He's learned to use them in a small way."

"We're enjoying ourselves so much we are putting our whole lives into this work," Jason continues. "We run our own race and we've noticed that other people in the field are totally generous to each other. We have never felt any of the competitive pressures so evident in other craft fields. And we're so overwhelmed with orders we can't keep up!"

Jacqueline loves working at the forge and concentrates on the kitchen items. Jason is now designing a Tiffany-style lamp. These have been available to collectors in plastic, since glass sufficiently thin for the scale can't be cut small enough. Jason's lamp, however, will be made using the very difficult plique-a-jour technique developed by Rene Lalique, who was working in Europe contemporaneously with Tiffany. It involves the fusing of powdered enamel (the "glass" in miniature scale) within the interstices of a metal framework.

The Getzans' booth at the Ann Arbor Street Art Fair on South University near Church will be the first ever to exhibit the wonders of crafts in miniature. Daughter Sheryl Getzan, meanwhile, loves her dollhouse that started it all.

—Annette Church

Husband and wife craftsmen—
Michigan

By MARILYN FRANKEL

WESTBROOK
NINE years ago Edward Norton was a plumber. Today people may wait a year or more to receive one of his Queen Anne desks or Windsor chairs—but they are happy to wait because they know what's coming is a treasure. Mr. Norton has built a reputation as one of the finest miniature-furniture craftsmen in the country.

Seeing his miniatures one knows this is a man with extraordinary pride in his work. What is strange is that it took him so long to get to it.

"I started with this whole miniature thing when my oldest daughter, Grace, announced she wanted a doll house for her college graduation present," he recalled. "She was the first of my three girls to graduate from college and it meant so much to us, so I built her the house and then started playing around with the furniture."

"I was busy all day in the plumbing business with my dad and in my spare time would work on Grace's house—learning from scratch the very step of the

way. Then my back gave out and I had to quit plumbing. About the time a friend of my mother's saw some of the furniture I made for Grace. She wanted to buy some, and here I am."

Here he is, indeed, next door to his mother, who has an extraordinary doll

People may wait a year for one of his Queen Anne desks

house. She has been collecting miniatures for years, and must surely be the source of Grace's interest.

Mr. Norton reproduces American Queen Anne and some Chippendale pieces exclusively, makes tiny rooms and shops in glass enclosures and will do custom doll houses in addition to the 17 items on his regular price list.

"It's good to have a break from the miniature work after a few weeks and do repair settings or make a doll house for someone," he said. "The doll houses are all custom, but I can work on a few shops or rooms at once, the way I do

in my workroom—off limits normally—he explained how he works. "See this 18-inch-long two-inch-square piece of wood? That's how they all begin. I use tweezers and a magnifying glass sometimes, but the tools they sell for miniature hobbyists won't stand up under constant use. So all my tools are whatever I had down here when I started, like this 10-inch table saw."

"There's no one who could have taught me all this—I wish there were I couldn't teach it either. You learn by doing what feels right for you. A lot of the room designs are from books, but some ideas come from houses I remember seeing in my plumbing days—there are a lot of old houses around here."

"You use all of your experience doing these things. I do the turning on this ordinary lathe that they sell for ordinary home shops. I'm sure someone from a machine shop would laugh at me, but I have to use what I know. The swelled spindles for the Windsor came after

trial and error—it couldn't have been taught. And I'll never tell—it's one of my trade secrets."

The bottle of Elmer's Glue is a secret he will share. The glue dries clear and can't be seen. So Mr. Norton tints it so he can remove the excess before staining a piece, since a glue spot would show through.

His custom doll houses can cost upwards of \$2,000. "I've learned a lot since I made Grace's house," he said. "The windows worked, of course, but the panes were plastic since I didn't know I could get glass cut small enough. We made our own wallpaper out of gift wrap, cloth and a piece of real wallpaper with a tiny pattern. Now, of course, we know where to get wallpaper for doll houses."

A recently completed saltbox-style doll house on a 30-by-40-inch base has six-on-six real glass windows with individual panes 12-thousandths of an inch thick with bottom sashes that raise. The clapboards are real, the dentil molding over the door is to scale and much of the paneling in the house is cherry.

The keeping room has a beamed ceiling and the dining room was copied from the style in the customer's home. The parlor has a built-in shell-top cupboard. The bricks for

Drawers open, the tiny candlestands pull out, every detail is exactly reproduced. "Mostly I use cherry for these pieces because in miniaturization you have to watch the wood grain—mahogany markings are too strong," he said.

His Windsor chairs in the authentic woods start at \$45 for the child size side chair, \$45 for the adult side chair, \$50 for the doll-size side chair, and go up to \$85 for the dowed-back writing armchair (the writing lid lifts up, of course).

The spindles of his Windsores are beautifully carved with a slight swell near the base that one sees only in the finest antique versions of people-size Windsores. When you realize his spindles are thinner than toothpicks ("Some people actually use toothpicks—I'd never do that"), the swelled design becomes even more awesome.

"I only do shows and sell by mail order—no wholesaling to speak of. I'll send my price list to anyone who sends me a self-addressed stamped envelope" (write Edward Norton, Wesley Avenue, Westbrook, Conn. 06498).

"But people have to understand I don't keep anything in stock. I make enough pieces for shows and to fill orders, making several of the same item at once. I can go months, though, between making any specific piece."

"You can't help people some prices, but I can't be held to them for long. Don't let anyone expect to send in an order and get a package by return mail. Since I don't make any promises about delivery, I won't accept any money with an order. I just send a postcard when I'm ready and find out if the people still want the piece they ordered. They usually do."

Mr. Norton works in his basement, and his wife, Helen, helps with the gluing sometimes. She also has made a group of braided rugs for doll houses that they offer for sale when he does shows.

In his workroom—off limits normally—he explained how he works.

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Edward Norton
Full-time craftsman
from Connecticut

THE NEW YORK TIMES, SUNDAY, OCTOBER 30, 1971

The phrase, "We have met the enemy and he is us," appeared in a Pogo cartoon in 1971 and was the title of a Pogo book published by Simon & Schuster the following year. The phrase, in the words of a spokesman for the publishing company, "caught fire and has been quoted all over the world." President Carter, the spokesman observed, quoted it several times during his campaign and after his inauguration.

But a quotation that Mrs. Kelly counts among her favorites is one she came upon shortly after Mr. Kelly's death when she had returned to their Manhattan brownstone on East 89th Street. "It was a bleak day," she was to recall later. "I was lost." But in rummaging through her husband's effects she found something that would help her.

"It was an old button of his. It read: 'Don't take life too serious. It ain't NOHOW permanent.'"

Mrs. HASKELL. I represent—to be honest, we are a cottage industry. We are totally unorganized. We are just a lot of people who meet at shows and sell our miniatures. The bit about being a model or a toy is not what concerns us. What concerns us is that these major companies, very moneyed companies, have come into the miniature field.

As I put in my report, we took a survey. When you called us a week ago Thursday, we went out on Friday, and we had half of the things back. The survey is in the back of the papers there.

Thirty-seven percent of us—and we know each other from doing shows. We are family businesses, husbands and wives, and children, the majority, and we have designed miniatures. What has happened, not in all the companies but quite a number of them, is that they have literally copied our miniatures, and this is our objection to the tariff going down, it is the wholesale theft of our miniatures.

In order to create a miniature, you cannot just make something one-twelfth its size. It takes an artisan to bring it down. You can bring it down one-twelfth, but you look at it and something is too thick, or something is too thin. People have developed this over the years, the talent, the money, the time, the energy, the research.

Sometimes you look at a piece you have worked on for 3 months, and the knob is too thick, or it is just not right.

Senator RIBICOFF. I see you have a box. Do you have some samples?

Mrs. HASKELL. Yes, I have some samples. Could I show them to you. They are all copyrighted. Should I bring them up there?

Senator RIBICOFF. Please.

Mrs. HASKELL. This is my husband, Bill, and he makes miniatures, too.

Senator RIBICOFF. Would you bring them up here.

Mrs. HASKELL. These are all copyrighted, Senator, and there are hundreds, and hundreds of copies.

This is by a Mr. Moreley in California, and this is the fifth generation. I have the copyright papers, and everything of his copy.

This is by a man named Warren Dick. This has been copied.

When I say, fifth generation, I mean five different companies. As families, you put your heart and soul in these, and you really cannot fight it.

The estimate of how many of us is really hard to tell. Mrs. McLauren, who is the editor of Nutshell News, she estimates that there are 500,000 people either making part time or full time.

Like my husband and I—my husband is off from teaching today—we are putting children through college on this.

It is heartbreaking because you lose your—

Senator RIBICOFF. Do you have any foreign copies with you?

Mrs. HASKELL. Yes. This is a foreign copy.

Senator RIBICOFF. Which is a foreign copy?

Mrs. HASKELL. This is the original, and that is the foreign. There is a \$5 differentiation on that piece.

Senator RIBICOFF. In other words, this is \$5 cheaper.

Mrs. HASKELL. Yes, this is \$5 cheaper. This man designed it, and it has been copied by five companies. I have the copyright papers with me, and I can leave them with you. He is in California. This is

the original—this is by a man named Warren Dick—and this is the copy.

We just cannot protect ourselves. We don't object to their coming in. We just object to their copying.

This is made by a man in Massachusetts. This is the original. I do not have the copies.

Senator RIBICOFF. Do you people want to say anything about the breach of the copyright, and the differential between the first model and the copy, you people on the other side?

Mrs. HASKELL. It is just that we have no way to protect ourselves against this, and we feel that if the import tax is lowered that these things are going to flood the market more.

Mr. DAVIS. Senator, we deplore this theft of a person's proprietary rights. We believe that that theft will occur if the tariff remains—and it is, in fact, occurring—at 17 percent, at 8.5 percent, or at any rate. We need, perhaps, legislation aimed at that theft.

The tariff rate will not affect that. In fact, the incentive to steal is likely to be much higher when somebody is being charged a much higher price for importation than it would be if he is being charged a fair price.

In any event, we don't believe that the issue of whether we are a toy versus a model is relevant to this horrible situation of somebody's proprietary and intellectual property being stolen, and we join Mrs. Haskell. We just don't believe that it ought to be an issue in this present hearing.

Senator RIBICOFF. Now, the American craftsmen, I have here that they come from all over the United States, Connecticut, Pennsylvania, Manchester, New York.

Mrs. HASKELL. They are in every State. The estimate by Ms. McLauren is that there are 500,000 who are making those. Not all of them are full time. Some are part time.

Senator RIBICOFF. What do you gentlemen think will happen to these artisans if you undersell them on the market?

What do you think will happen to these people?

Mr. DAVIS. Senator, we believe that there are two different markets involved here. An economic study would not show, at least there is no evidence to suggest that this bill would adversely affect the cottage industry. It is a market that is higher priced, more selective, and selling all the wares that it can produce right now.

The importers market is a mass market which reaches into a consumer that we believe is not competitive with the consumers that are buying cottage industry products. In fact, Mr. Morrissey, who represents the National Trade Association for this industry, which includes both domestic and importers, just as the HIAA does, genuinely believes that the exposure of consumers on a mass basis to this miniatures industry will substantially help the cottage industry by adding possibly consumers for the most selective, higher-priced products that the cottage industry produces.

Senator RIBICOFF. What do you want to say, Mrs. Haskell, of the impact of these imports upon the craftsmen throughout the country who produce these miniatures?

Mrs. HASKELL. The impact already—for example, when we produce a piece, and then spend 6 months perfecting it, and then, bingo, it is gone. A show or two after showing it, it is coming in,

and we have to produce a new piece because they have taken that piece.

When we sent out the questionnaires, we had a lot of people call in because of the time element, and there are a lot of people who are just on the fringe—they are semiretired, or they plan to go into this for retirement—they are most concerned that they cannot go into it because everytime that they design a new piece, it is taken.

There is a price difference, but in some cases the imports now seem to be approaching—like the bed I showed you, there is just a \$5 price difference, but there is a tremendous difference in quality.

Many people that I talk to, granted that they are at home, even though there are a few who produce mass production, but many people say that they would like to go in and produce more, but they just don't dare because you just can't compete against the big companies. We feel that by lowering this it is going to wipe out or devastate us.

Jim Dorsett produces a magazine called, Scalecabinet Maker. We have a copy that we can leave with you. It is a magazine for miniaturists to really hone on their talent, and most of the subscribers are craftsmen.

They have written Jim, and they have said that they have built up a reputation for 5 to 7 years doing shows, and they intend to do this in retirement or semiretirement, but they are afraid that they will be wiped out if the imports can come in more, and there are already so many of them around. It is not that we object to the imports, but we do object to the fact that we are being copied.

Myself, and many others, after doing a few shows, we look at the magazines, and we can say, there is so-and-so's from Arizona, California, and they are just copied all the time. This is what we do object to.

We feel that if you lower the tax there are going to be more, and we will not be able to compete.

Senator RIBICOFF. There are just hundreds of people who are engaged in this business. I would assume that they make a comfortable living, but no one gets rich on this?

Mrs. HASKELL. No, you don't get rich on anything you make. There is a woman in Philadelphia who puts 150 hours into dressing a miniature bed. She carves it, she dresses it beautifully, and she charges \$300 for it. To produce a piece you have to love it.

We are more expensive than the imports, naturally, because it is a whole different way of doing things. I don't think that any of them are making the minimum wage now, but they stay in it because they do love it, and it has become popular. It has become an art culture based on what these people do.

Mr. MORRISSEY. I also produce domestically using cottage labor, mostly in the city of Seattle. I use American Indians, and some Taiwanese people, and so on and so forth, on a cottage labor basis.

I suppose, from the standpoint of good business economics, you might think that I am competing with myself in supporting the legislation. And, I agree with Mrs. Haskell that the plagiarism of other people's work is horrible.

I do some importing as well. We make very fine kitchen appliances, a stove, a Roper range, a General Electric refrigerator, and a Maytag wringer-washer. Frankly, I had to make them in the orient

because I could not afford to make them in the United States and sell them at a reasonable retail price.

But I don't consider that I am competing with my own domestic market, and I think that the strongest reason that I am here is not the theft of designs, so on and so forth. I don't think that it is pertinent to what we are talking about in all due respect to Mrs. Haskell.

Senator RIBICOFF. But that gets down to it, doesn't it. They look to be very similar, and good quality. But it is obvious to my inexperienced eye that the originals are very far superior to the copies.

Mr. MORRISSEY. It is a fact, and we cannot ignore that fact, and it is something that even in the MIAA we have talked about at great length. The industry hopes to be able to police itself inasmuch as these copies do take place.

Obviously, we are not a police force. We are an independent trade association. But we are very much aware of the problem. But the reason that I am here, Senator, is that miniatures are not toys, whether or not Mr. Benamy, or Mr. Kohn, or even myself, can bring things from the Far-East at less expensive rates.

I believe that we can compete domestically. I have many thousands of dollars invested of my own money, and hundreds of hours of time in our domestic production of miniatures, and I don't feel as though I am competing with the efforts of those people in the Orient.

Senator RIBICOFF. Do you think that this country should continue to destroy the independent artisan and the craftsmen?

Mr. MORRISSEY. Absolutely not. I think that they are the lifeblood of our industry.

Mr. DAVIS. Senator, we really genuinely believe and we think that the evidence supports that our imports will not destroy, and that there is even evidence to suggest that they will help the cottage industry people. That is why both trade associations directly involved in this industry, containing both domestic and importers, support the legislation.

We also believe that even Mrs. Haskell would admit that her products are not toys, but are artisan made, collector quality miniatures, and that they should not be classified as toys.

The central issue here is whether or not our products are toys, and we believe that they are not; that we have been misclassified for over 18 years. We don't believe that the level of the tariff will have any effect whatsoever on the issue of theft of property. We think that this is going to occur whether or not we continue to be misclassified as toys, or whether we are given a fair categorization as scale models at a tariff rate equal to scale models.

I think that the issue of theft that Mrs. Haskell raises will continue to haunt us, but we certainly don't believe that the passage of this legislation will destroy or even adversely affect the cottage industry.

Senator RIBICOFF. What do you want to say about that?

Mrs. HASKELL. We strongly do believe it because since the importers started coming in we have been having quite a difficult time competing with them, and particularly, as I said, with your own being copied.

I know that most of the people did call in for the questionnaire that is summarized in the back, and one right after the other are afraid that they are going to be put out of business if it is easier to bring the imports in with the lower tariff.

Senator RIBICOFF. How many people are there involved in making the replicas?

Mrs. HASKELL. That is very difficult to find out.

Senator RIBICOFF. In the United States?

Mrs. HASKELL. In the United States, it is very difficult to say. There are several big companies, but mostly they are people in their garage and cellar. As I said, we meet each other at shows.

I had no idea how many there were. I asked Mrs. McLauren. She wrote the first magazine on miniatures which is still in existence. She estimated 500,000.

Senator RIBICOFF. How many?

Mrs. HASKELL. 500,000.

I asked Mr. Hermes, and he sent me a letter that I can leave with you. Mr. Hermes is the president of the National Association of Miniatures. He estimates that there are 500,000. Not all of these people are full time. There are many who are part time. There are many who do it and just sell off their excess.

The shows are full all the time. There are shows every weekend, at which are many home craftsmen of all calibers, from the good to the bad, from the poor quality to the most expensive. The American does produce for the less expensive market, what we call the mother-daughter market. There are a lot of Americans producing for that.

Senator RIBICOFF. Now in this magazine, these advertisements and illustrations, are these foreign and domestic, or just domestic? This is the magazine called the Miniatures Catalog.

Mr. MORRISSEY. They are both, Senator.

Mrs. HASKELL. In the last one there were more imports than domestic, many more.

Mr. MORRISSEY. One of the things, Senator, that I think should be considered is that the introduction to the mass market of products that are of lower cost stimulates the growth of the industry as a whole.

To the largest degree, a handcrafted piece, because of its intricacy and so on, and its expense to produce, is far more expensive at retail.

Senator RIBICOFF. I think you have a problem here that the cheap will drive out the good because of the price differential. I think that is a very serious problem, and I think I understand the problem.

Thank you, ladies and gentlemen.

Mr. MORRISSEY. Thank you, Senator.

Mrs. HASKELL. Thank you, Senator.

Senator RIBICOFF. We will now hear from Mr. Schonstedt, president, Schonstedt Instrument Co., accompanied by Wendell Lund.

STATEMENT OF E. O. SCHONSTEDT, PRESIDENT, SCHONSTEDT INSTRUMENT CO., ACCOMPANIED BY WENDELL LUND

Mr. SCHONSTEDT. Mr. Chairman, my name is Erick Schonstedt. I am the owner and president of Schonstedt Instrument Co., located in Reston, Va.

Among the products manufactured by my company, based on the principle of magnetism, is an instrument known as a magnetic locator, which is used by individuals, private industry, and units of government to locate various objects such as property markers, underground pipes, which might have been covered by earth or paving. Among the major users of our locators are surveyors, construction companies, municipalities, and public utilities. These instruments have an average retail price of \$500 each and are sold throughout the world.

Because of the specialized technology involved, it is necessary for us to do much of the warranty repair work on these locators in our plant in Reston, and this requires an importation for repair, and the reexportation to the purchaser.

Section 202, as I understand it, will amend section 498(a) of the Tariff Act of 1930 to give the Secretary of the Treasury the authority to prescribe rules governing the importation of instruments the value of which does not exceed \$10,000 for the purpose of their repair or alteration prior to reexportation or where the shipments have been rejected or returned by the foreign purchaser for credit.

The importations in which I engage, as an incident to my business of manufacture and sale, will be subject to this new provision and to the rulemaking authority of the Secretary of the Treasury.

My company is presently subject to section 498(a)(2) of the Tariff Act which limits the Secretary's rulemaking authority to shipments having a value of not greater than \$250 each. Accordingly, in my warranty and repair work for foreign purchasers I presently am required to use customs brokers for services our company could perform itself just as well and at a substantial reduced cost.

It has been my experience over the past 5 years that the cost of importation for repair is approximately 15 to 35 percent of our price to our foreign dealers. These costs are attributable, in large measure, to the required use of customs brokers.

I consider these importation costs to be unduly and unnecessarily burdensome. They can be particularly burdensome to small business people attempting to enter international trade.

The value of the \$250 exemption presently in the Tariff Act has been greatly eroded by inflation since its enactment in 1930. Thus, both inflation and foreign competition require the relief that is proposed in section 202 of this bill.

I would urge the subcommittee not to reduce the \$10,000 benchmark. This figure in 15 years will have a value of just over \$3,000 at an inflation rate of 8 percent and around \$1,800 at the rate of 12 percent.

I trust that the Congress will enact this provision and direct the Secretary of the Treasury to use his rulemaking authority to eliminate the costs that are imposed unnecessarily on small business people by permitting them at their option to forgo any requirements that customs brokers be utilized.

I appreciate the opportunity the subcommittee has given me to appear and testify in favor of section 202 of H.R. 5047.

[The statement follows:]

PREPARED STATEMENT OF ERICK O. SCHONSTEDT, PRESIDENT, SCHONSTEDT INSTRUMENT CO.

My name is Erick O. Schonstedt. I am the owner and President of Schonstedt Instrument Company located in Reston, Virginia.

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My company is presently subject to Section 498(a)(1) of the Tariff Act which limits the Secretary's rulemaking authority to shipments having a value of not greater than \$250 each. Accordingly, in my warranty and repair work for foreign purchasers I presently am required to use customs brokers for services our company could perform itself just as well and at a substantially reduced cost. It has been my experience over the past five years that the cost of importation for repair is approximately 15 percent to 35 percent of our price to our foreign dealers. These costs are attributable, in large measure, to the required use of customs brokers. I consider these importation costs to be unduly and unnecessarily burdensome. They can be particularly burdensome to small business people attempting to enter international trade.

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I appreciate the opportunity the Subcommittee has given me to appear and testify in favor of Section 202 of H.R. 5047.

Senator RIBICOFF. Thank you very much.

Mr. Rosenbloom?

Mr. LUND. Is there time, Mr. Chairman, for a couple of comments Mr. Schonstedt wants to make?

Mr. RIBICOFF. Go ahead.

Mr. SCHONSTEDT. I would like to point out the fact that this bill was enacted in 1930. In 1935 I received my first job out of high school at \$10 a week. This meant that to earn \$250 I had to work a half a year. So \$250 in 1930 was a large sum. However, \$250 is not very much today.

Senator RIBICOFF. Is there anything else?

Mr. SCHONSTEDT. No.

Senator RIBICOFF. Mr. Rosenbloom?

STATEMENT OF MORRIS VICTOR ROSENBLOOM, DIRECTOR OF THE WASHINGTON OFFICE, NATIONAL CUSTOMS BROKERS & FORWARDERS ASSOCIATION OF AMERICA, INC.

Mr. ROSENBLOOM. Thank you, Mr. Chairman.

I would like to make our comments quite brief. We appreciate the chance to present our views on this particular bill, and we appreciate the opportunity that the committee provided.

Beyond that, I would just like to make one clarification. In our one-page summary, in the second item, where we are talking about reducing controls on U.S. goods returned at a value not more than \$10,000, which is correct as in the language of the bill it says not to exceed \$10,000, I think that it will be clearer if we use the words "up to," instead of "not more than," because to get the terminal point clearly before you.

As our little summary sheet indicates, there are couple of points that I would like to make in the few minutes I have.

There is a realistic likelihood of a large number of fraudulent importations that might come into this country, particularly from the Canadian and Mexican borders where this problem frequently expresses itself.

I want to comment on Mr. Schonstedt's remarks about the \$250 being established in 1930, which is quite right, but it is important to say it once again, and it is noted both in my statement and in item (e).

Many individuals labored long and conscientiously in developing Public Law 95-410, the Customs Procedural Reform and Simplification Act of 1978. In their wisdom, a proposed provision was eliminated at that time for raising the informal customs' entry procedures value limitation from \$250 to \$500. That was turned down because, again, it prompted more chance for loss of revenue to the Government.

So I really want to say that it was reconsidered as recently as 1978, and we don't really need to go to 1930.

I have attached some articles that I trust the committee staff will give attention to. There are one or two points that I would like to make from them.

Many shipments of U.S. origin are exported with the benefit of drawback of customs duties. Current regulations require repayment of drawback on reimportation. Unless there are stringent regulations to provide undeniable proof of reexportation after repair or modification, there would be substantial loss of revenue to the United States on any such merchandise not exported.

That leads to my point in exhibit B. We find that many shipments are dutiable, we did some analysis of this, and it is explained in exhibit B, from 4 percent to 20 ad valorem, with an average duty rate of 10 percent. With a \$10,000 limit under section 202, potential loss of revenue to the Government could run from \$400 to \$2,000 or more per entry.

Though it probably costs customs about \$50 more to process a formal entry than an informal entry, that cost must be weighed against the loss of several millions of dollars in duty to the U.S. Government.

To explain that—the formal entry procedure provides protection to the Government through the bond. There will be no bond with

an informal entry. That documentation is reviewed by trained customs commodity specialists before and after customs inspection.

Informal entry is not normally reviewed by the inspector, who generally does not have the technical expertise and the time to judge whether or not the goods would qualify.

So to sum up on that—elimination of protection of the formal entry can only result in abuses and loss of millions of dollars in badly needed revenue to the Government.

I want to make clear that this argument and decisionmaking as recently as 1978 was not aimed at people like Mr. Schonstedt who bring in musical instruments. The important point is that there are now and have been for some years many pieces of complex machinery and technological instruments and devices for the accomplishment which are really the ones that are brought in as an entry into this country. It is to make sure that those come in with the proper attention and control that the \$250 was maintained.

I think and I hope that our explanations, including an article by someone who has nothing to do with our business, which I have attached, entitled "American Goods Returned—Are you Sure?" by Bruce Leeds, import manager at Hughes Aircraft Co., and a former import specialist with Customs, represent facts and examples about the importance of proper identification of returned goods.

When I say that he has nothing to do with our business, I mean that he has nothing to do with customs brokers per se.

We have tried very much to present our basic facts in the papers, which have received the approval of our executive board, and the president of our association.

Thank you, Mr. Chairman.

[The statement follows:]

ONE-PAGE SUMMARY OF THE TESTIMONY OF MORRIS VICTOR ROSENBLUM, DIRECTOR OF THE WASHINGTON OFFICE, NATIONAL CUSTOMS BROKERS & FORWARDERS ASSOCIATION OF AMERICA, INC., (NCBFAA)

Purpose in testifying before the Senate Finance Subcommittee on International Trade:

1. To explain why our National Association is convinced that Section 202 (H.R. 5452) should be deleted by the Senate Committee on Finance from the Omnibus Bill, H.R. 5047. (The NCBFAA), however, does not wish to slow down enactment of the other tariff measures in the Omnibus Bill.)

2. Enactment of this proposed amendment to the Tariff Act of 1930, which would reduce controls on U.S. goods returned at a value up to \$10,000, could lead to serious consequences.

a. A major result would be the realistic likelihood of a large number of fraudulent importations.

b. There is no need for the bill. Existing laws, which are not a hardship on any commercial transaction, provide for and accomplish the same results.

c. The bill is misleading. The heading in effect prescribes that subject merchandise may be imported "under informal customs' entry procedures," whereas there is nothing in the stipulated section 49F(a) of the Tariff Act regarding "informal entry procedures."

d. The amendment provided by the bill would do away with effective control by Customs, and with the ability of Customs to rely upon a bond to insure collection of duties and compliance with the law and regulations.

e. Many individuals labored long and conscientiously in developing Public Law 95-410, the Customs Procedural Reform and Simplification Act of 1978. In their wisdom, a proposed provision was eliminated for raising the "informal customs' entry procedures" value limitation from \$250 to \$500. The \$10,000 limitation suggested in H.R. 5452 is basically no limitation at all.

f. Many shipments of U.S. origin are exported with the benefit of drawback of customs duties. Current regulations require repayment of drawback on reimporta-

tion. Unless there are stringent regulations to provide undeniable proof of re-exportation after repair or modification, there would be a substantial loss of revenue to the U.S.A. on any such merchandise not exported.

g. Such a bill could encourage fraud, collusion, and, at the very least, put an undue responsibility on the Customs inspectors.

3. The attached recently-published article entitled "American Goods Returned—Are You Sure?" (Exhibit A) merits attention. By Bruce H. Leeds, Import Manager of Hughes Aircraft Co. and a former senior import specialist with Customs, facts and examples are cited about the importance and proper identification of returned goods.

4. A summary statement (Exhibit B) deserves close consideration. The high magnitude of likely abuses and millions of dollars of loss to the U.S. Government:

a. Many such shipments returned are dutiable at from 4 percent to 20 percent ad valorem, with an average duty rate of 10 percent.

b. With a \$10,000 limit under Section 202, potential loss of revenue to the Government could run \$400 to \$2,000 and more per entry.

c. Though it probably costs Customs about \$50 more to process a formal entry than an informal entry, that cost must be weighed against the loss of several million of dollars in duty to the U.S. Government.

TESTIMONY OF THE NATIONAL CUSTOMS BROKERS & FORWARDERS ASSOCIATION OF AMERICA, INC.

Mr. Chairman and members of the Subcommittee, my name is Morris Victor Rosenbloom. I am President of American Surveys International and appear here today in my capacity as Director of the Washington Office of the National Customs Brokers & Forwarders Association of America, Inc. (NCBFAA).

This position statement is being presented on behalf of our President, William R. Casey, and it has received the unanimous endorsement of the Executive Board of the National Association.

At the outset, on behalf of the National Association, I should like to express appreciation to the members of the Subcommittee on International Trade for responding positively to our request that a hearing be held on this proposed amendment to the Tariff Act of 1930. As will be delineated in this summary statement, we are convinced that its enactment would not be in the best interests of this country, the Customs Service, the importing community, nor the general public.

Before proceeding with the specific points to be made about the proposed legislative measure, we believe that two relevant matters should be addressed.

The first is that it is not our wish to slow down enactment of the other legislative measures which have been included in Omnibus Bill H.R. 5047. We desire to draw attention only to one measure (H.R. 5452) that is not non-controversial nor—in the virtual removal of controls by Customs on U.S. goods returned valued at up to \$10,000—would it prove beneficial to the objective of advancing fair and equitable U.S. trade policies and procedures.

The second matter is to provide you with relevant background information about our National Association. It is the only nationwide organization composed of licensed customs brokers and ocean/air freight forwarding firms. A nonprofit organization, the original group was incorporated in 1897. Currently, the National Association has 22 regional and local affiliated associations of brokers and forwarders located in every major U.S. port of entry. Close liaison is maintained between the national, regional and local associations. We estimate the total number of licensed customs brokers, many of whom are employed by our members or affiliates, at more than 3,000 individuals. Through our combined membership we handle most of the general cargo imported into, as well as exported from, this country.

With respect to the proposed amendment to the Tariff Act, what may have been viewed as an innocuous bill at first glance by anyone not familiar with provisions of that Act, the Customs regulations and their implementation, it clearly is not innocuous. Rather, H.R. 5452 is a bill that could lead to serious consequences—one of which is the realistic likelihood of a large number of fraudulent importations.

The first question to be resolved should be: "Why is such a change necessary, or even desirable?" Representative J. William Stanton of Ohio, who introduced the bill in the House of Representatives, has a constituent who is involved in the movement of merchandise of U.S. origin exported from the U.S. and is subsequently returned to the U.S. for repairs and re-exportation.

Though it is not referred to in the introductory statement by the Congressman nor in the comments of the electronics manufacturer who provided supportive comments, the current law and regulations do provide for entry under either of the following methods:

1. Formal consumption entry, under the provisions for duty free entry of American Goods Returned. (T.S.U.S. item 800.00).

2. Temporary importation under bond. (T.S.U.S. item 864.05).

These provisions govern this situation in a satisfactory manner and, to the best of our knowledge, without undue hardship on anyone. They do avoid the objections to H.R. 5452 raised in this statement.

The very heading of the bill introduced in the House of Representatives by Congressman Stanton indicates the intent to permit release of merchandise "under informal customs' entry procedures." Informal entry procedures are outlined in 143.0 subpart C, 143.21 thru 143.28, of the Customs Regulations.

The existing nine provisions under Section 498(a) (19 U.S.C. 1498(a)) basically apply to non-commercial shipments, and/or shipments of limited value (not exceeding \$250), and/or shipments not intended for sale of imported in pursuance of a purchase. The basic point of an informal entry is that it does not require the posting of a bond to guarantee payment of any and all duties and to insure compliance with all Customs requirements. It is normally intended that examination, appraisalment, classification, and completion of all requirements may be accomplished simultaneously with the release of the merchandise.

H.R. 5452 apparently would provide that merchandise which is declared by the importer (or some agent of the importer, not necessarily a licensed customs broker) to be of U.S. origin, and claimed to be returned to the U.S.A. for repair or modification prior to reexportation—or for rejection or return, as subsequently amended by the House Committee on Ways and Means—may be released under an informal entry. Such action could be taken without bond being given for the authenticity of the declaration, nor with any requirement as to the time frame within which the exportation must be accomplished, nor with any provision for the Customs Service to ever be informed that it actually has been exported.

At this juncture, it is timely and beneficial to draw your attention to an article featured in the August 1980 issue of the American Import Export Bulletin, entitled "American Goods Returned—Are You Sure?" (Exhibit A). The informative article, written by Bruce H. Leeds, cites facts and illustrative examples pertaining to the importation of both personal effects and commercial merchandise. After reading his article in the Bulletin, I discussed it with Mr. Leeds, who is the Import Manager for Hughes Aircraft Company and formerly was a senior import specialist with the U.S. Customs Service. Mr. Leeds, the Hughes Aircraft Company and the Bulletin have granted permission to attach a copy of his article to this presentation.

Although it is recognized that Customs inspectors are being assigned more responsibility to determine values, and make judgment decisions as to classification and/or compliance requirements for imported merchandise, we believe it is inconsistent with Customs regulations, laws, and procedures to put such a burden on the on-line inspector, not to mention inappropriate for the protection of the revenues of the U.S.A. Especially is the foregoing of critical importance when goods crossing the Canadian and Mexican borders are considered.

We submit that the bill is not in the best interests of the U.S.A., the Customs Service, the importing community, nor the general public for the following reasons:

1. There is no need for the bill, as existing laws, which are not a hardship on any commercial transaction, provide for and accomplish the same results.

2. The bill is misleading in that the heading in effect prescribes that subject merchandise may be imported "under informal customs' entry procedures," whereas there is nothing in the stipulated section 498(a) of the Tariff Act regarding "informal entry procedures."

3. The amendment provided by the bill would do away with effective control by Customs, and certainly with the ability of Customs to rely upon a bond to insure collection of duties and compliance with the law and regulations.

4. Depending upon the rules and regulations prescribed by the Secretary of the Treasury, the bill would abolish effective Customs control of such imported merchandise. Alternatively, if by some means control were to be maintained, there would be absolutely no benefit to anyone with the enactment of the bill, as proper controls would entail the same or similar conditions provided under the existing provisions mentioned above.

5. There were many individuals who labored long and conscientiously in the development of Public Law 95-410, the Customs Procedural Reform and Simplification Act, which became effective on October 3, 1978. In their wisdom, a proposed provision was eliminated for raising the "informal customs' entry procedures" value limitation from \$250 to \$500. The \$10,000 limitation suggested in H.R. 5452 is basically no limitation at all. Many, if not all, of the importations involved could readily be split into shipments of less than \$10,000. If increase of limitation of value from \$250 to \$500 was not deemed wise, to permit entry of this type of merchandise

in a commercial transaction, without bond, up to a limit of \$10,000, is unwise and incongruous.

6. Many shipments of U.S. origin are exported with the benefit of drawback of customs duties. Current regulations require the repayment of the drawback on re-importation of such merchandise. Unless there are stringent regulations to provide undeniable proof of re-exportation after the repair or modification, there would be a substantial loss of revenue to the U.S.A. on any such merchandise not exported.

7. Such a bill could encourage fraud, collusion, and, at the very least, put an undue responsibility on the Customs inspectors.

8. Even if one assumes that there may be an importer's desire for, or a benefit to be derived from, such amendatory legislation, it is obvious that it is a special interest bill—one of extremely limited scope and fraught with potentially serious consequences.

Prior to concluding this presentation, I should like to point out an additional summary statement (Exhibit B) which merits consideration. I refer to a rundown of several specific reasons why enactment of the proposed measure would be unwise for the Federal Government, in addition to others referred to in this presentation. It was written with regard to the proposed amendment by Michael H. Samson, Director of Import Operations for the Fritz Companies, Inc., of San Francisco, California, and a member of the Customs Committee of our National Association. Set forth below is a quotation that indicates the magnitude of the likely abuses and the millions of dollars that doubtless would be lost to the Government if the Tariff Act were to be amended to conform to the provisions of the proposed bill: " * * * many of the shipments which are entered as 'Products of U.S. Origin' being returned for repair are valuable machines and instruments which are usually dutiable at from 4 percent to 20 percent ad valorem, with an average duty rate of 10 percent ad valorem. With a \$10,000 limit under Section 202, potential deprivation of revenue to the Government could run \$400 to \$2,000 and more per entry. Although it probably costs Customs about \$50 more to process a formal entry than an informal entry, this cost must be weighed against the potential loss of duty.

"The formal entry procedure provides protection to the Government through the bond. Formal entry documentation is reviewed by trained Customs Commodity Specialists either before or after Customs inspection. Informal entry documentation is normally reviewed only by the Customs Inspector, who generally does not have the technical expertise or often the time to judge whether or not the goods would qualify. Eliminating the protection of the formal entry can only result in abuses and loss of millions of dollars in badly needed revenue to the Government."

For the many reasons set forth in this presentation, it is respectfully requested that Section 202 (H.R. 5452) be deleted by the Senate Committee on Finance from the Omnibus Bill, H.R. 5047. Though approved in the House of Representatives as containing a number of non-controversial tariff bills, we submit that one of the proposed bills is clearly controversial. It is H.R. 5452 and should be removed from H.R. 5047 by the Congress of the United States.

American Goods Returned —Are you Sure?

by Bruce H. Leeds

American Goods Returned (AGR) enter the United States free of duty under tariff item 800.00. To many people, this appears to be one of the simplest tariff provisions with which to deal. The return of exported articles for warranty repairs may be some companies' only experience with Customs and importing. These may be relatively painless import transactions, but many times AGR shipments turn out to be quite difficult and troublesome. An importer's problems with such shipments are caused by defining exactly what AGR is and the documentation necessary to prove that the articles are truly AGR.

Documentation

Here is where an AGR importer may first encounter some difficulties. Section 10.1 of the Customs Regulations describes the documents to be filed in connection with an AGR entry under 800.00. First there is a declaration by the foreign shipper, which is probably of limited value because he may be able to state that the articles were originally exported from the United States, but not that they were made in the U.S. (about which more later). The foreign declarant must also state that the articles have not been advanced in value or improved in condition while abroad and to this extent the declaration may serve a purpose. The other document required by the Regulations is a CF3311, "Declaration for Free Entry of Returned American Products." This document should be signed by a person having knowledge of where the articles were made. Accordingly, a Customs broker should not be signing CF3311's on behalf of the importer unless he has very good information as to the origin of the articles. Customs has recently ruled that if an importer signs this

The author, Bruce H. Leeds, is presently the Import Manager for Hughes Aircraft Co. and formerly a senior import specialist with the U.S. Customs Service.

A common error is that all articles exported and then returned are duty-free.



Courtesy U.S. Customs Service

U.S. Customs will not accept a declaration of "no commercial value" on American goods returned.

form, it must be executed by an officer or employee holding a power of attorney. These documents may be waived if the Customs inspector is able to verify during his examination that the articles were made in the U.S. by reading a permanent label on the article which tells the place of manufacture.

Very often Customs will require another document to be filed with an AGR entry or bond posted for its production: A manufacturer's affidavit. This is a statement from the producer of the articles that they were made in the U.S. The affidavit is not really a bondable document, as it is not mentioned or required anywhere in the Regulations. Regardless of this fact, importers throughout the U.S. are being required to post a bond for manufacturer's affidavits and are frequently being assessed duty for failure to produce such affidavits. They have become a de facto requirement for AGR. The affidavit is relatively simple to obtain if the importer is also the manufacturer of the

articles. In many instances, though, the importer purchased the articles domestically from someone else. He will then have to contact the actual producer of the article and request affidavits from that company. If a variety of AGR articles are imported, this could be a burdensome and costly undertaking. In many cases it is less expensive to pay the duty and forego manufacturer's affidavits.

What is AGR?

Why must the importer go through this exercise of producing affidavits, declarations, etc.? A common misconception is that all articles exported from the U.S. and subsequently returned are duty-free. This is not necessarily true. Section 141.2 and the headnotes to Subpart B, Part 1, Schedule 8 of the Tariff Schedules both state that a foreign product is dutiable every time it is imported into the U.S., even if duty was paid on the previous importation. This means that foreign made articles cannot be entered as AGR. If you import Japanese transistors, pay duty on

(Continued on page 20)

them, export them and reimport them, you will pay duty on the transistors once again. There is no prohibition on multiple duty payments on the same article.

Isn't there an exemption for duty-paid foreign articles? Items 801.00 and 801.10 of the Tariff Schedules provide free treatment for duty-paid foreign articles; however these provisions have a number of restrictions attached. Item 801.00 applies to duty-paid foreign articles under lease to a foreign manufacturer and 801.10 covers such articles returned after rejection for not meeting sample or specification. Both provisions further stipulate the original importer, the exporter and the present importer all be the same party. If your shipment of duty-paid foreign articles doesn't meet these requirements, items 801.00 and 801.10 will not apply.

How about registering the articles with Customs when they are exported? Aside from the fact that registering every export may prove burdensome and expensive, registration is only effective when used in connection with a specific tariff provision which requires registration. Accordingly, tourists register their Japanese cameras and Swiss watches to qualify them for duty-free treatment as personal effects under item 813.10. Commercial articles may be registered to qualify for 806.20 (repairs or alterations) or 802.30 (fairs and exhibitions) when returned. Registering a duty-paid German computer, which is to be returned in basically the same condition as exported, will not save it from a second assessment of duty.

Substantial Transformation

How does something become a U.S. article? If it was wholly produced in this country, there is no problem. Should foreign materials be used in its production, there will be a question of "Substantial Transformation." The definition of this term may be determinative of whether a foreign article has been converted into a U.S. article.

The Supreme Court decision in *Anheuser-Busch Brewing Association v. United States*, 207 U.S. 556, dealt with the domestic processing of corks for beer bottles. In this case "Substantial Transformation" was defined as requiring that a new and different article be created, having a distinctive name, character and use. Thus, for a foreign article to become an American article, it must meet this test of substantial transformation. The meaning of this phrase and the words in it is not clear-cut. Customs appears to require that the article undergo a physical change; merely adding value is not

enough. For example: An importer receives a shipment of electronic microcircuits. He may subject them to any or all of the following processes, none of which will be considered substantial enough to transform the devices into products of the U.S.: (1) testing, (2) stabilization bake (annealing), (3) attaching a lid or (4) electronic programming. However, if the importer permanently mounts a Japanese-made microcircuit on a Canadian-made printed circuit board, the complete microcircuit-printed circuit board assembly will be a substantially transformed product of the U.S.

Customs is concerned only with physical changes to the articles which may improve them —

The U.S. Tariff Schedules also specify that articles made in the U.S. with the benefit of drawback or the use of a temporary import bond under tariff item 864.05 (temporarily imported for processing) do not qualify for item 800.00. Any imported components used in manufacturing may have been substantially transformed in this country, but the fact that the special tariff provisions of TIB or drawback were used will disqualify the product from treatment as AGR. At the very least, the importer of such articles brought back to the U.S. will have to repay the duty originally refunded or avoided.

Not Improved in Condition While Abroad

One of the conditions for AGR under item 800.00 is that the articles not be advanced in value or improved in condition while abroad. This means that an exported article cannot be returned in better condition than it was when exported. It does not necessarily mean that the article cannot be changed in condition at all.

Naturally, an article which returns in worse condition than when exported is no problem for AGR purposes. Should an article be enhanced in condition abroad but restored to its original condition prior to being returned to the U.S., it will qualify as AGR. Thus if a machine is improved in a foreign country but then deteriorates through time and use in that country to a state which is no better than its original condition, it may return as AGR. See *Sa. Puerto Rico Sugar Co. v. United States*, Abs. 36337.

Any changes which improve the U.S. article in the foreign country, even those which do not create a new or different article, may exclude the articles from treatment as AGR under item 800.00. The governing criterion is whether the exported U.S. product has been physically improved in any way. There is a series of decisions dealing with U.S. aircraft changed in foreign countries which illustrates this point. U.S. cargo planes returned as passenger planes are not AGR (*Air Carrier Supply v. United States*, CAD 647), nor are U.S. passenger planes returned as cargo aircraft (*Southern Air Transport, Inc. v. United States*, C.D. 4836). The fact that the changes may have been made to obtain a U.S. Civil Aeronautics Board (CAB) license will not save the plane from duty assessment (*Bogue Electric Mfg. Co. v. United States*, C.F. 2233). Even the construction of galleys in a U.S. passenger aircraft may deny it treatment as AGR (*McDonnell-Douglas v. United States*, C.D. 4692).

In other situations, operations which appear to enhance the value of the exported U.S. articles have been held not to be an advancement in value or improvement in condition. U.S. tomatoes, exported for sorting, grading and packing, were ruled to be AGR in *Border Brokerage Co. Inc. v. United States*, CD 4052, even though the sorted and graded tomatoes returned would certainly be more valuable and useable to the U.S. importer. Customs Internal Advice ruling 6577 held that U.S. ferrite core, exported for testing and segregation in the Far East, could be returned under item 800.00 as AGR instead of 806.20 as articles returned after alterations. Apparently Customs is concerned only with physical changes to the articles which may improve them — not improvements in marketability or utility resulting from foreign operations which do not physically alter the article.

Conclusion.

Now, are you really sure that what you are importing is AGR? Bear in mind that false declarations are violations of the Customs laws. If your documents state that an article is made in the U.S.A., and a Customs officer notices that they were actually made in some foreign country, your shipment could be subject to detention, seizure, duty assessment, penalty or any combination thereof. Customs assumes that you know what the law is. A prudent importer should find out before receiving AGR shipments and seek the advice of a Customs broker or attorney whenever necessary. ☉

Exhibit B

COMMENTS BY MICHAEL H. SAMSON, DIRECTOR—IMPORT OPERATIONS, FRITZ Cos.,
INC., AND MEMBER OF NCBFAA CUSTOMS COMMITTEE

LIKELY ABUSES AND LOSS OF MILLIONS OF DOLLARS IN NEEDED GOVERNMENT
REVENUE IF SECTION 202 OF H.R. 5047 IS ENACTED

1. Omnibus Bill, H.R. 5047, for the most part will benefit the general public, parties engaged in international trade and the Government. Unfortunately, Section 202, pertaining to a reduction in controls on American goods returned valued not over \$10,000, is not beneficial.

2. The Tariff Schedules and the Customs Regulations place several qualifications on U.S. goods which are being returned to this country if duty free entry is claimed. The goods cannot have been improved or otherwise advanced in value while abroad and drawback cannot have been claimed. Customs requires documentation for this; and on shipments valued over \$250, a formal entry backed by a Customs bond equal to the value of the shipment is required. This allows Customs to go back against the importer or, failing that, the bonding company to collect any duties which are found to be owing on liquidation. An informal entry is not backed by any bond and is generally considered finalized at the time of entry.

3. A chronic problem on these importations is incomplete and/or inaccurate documentation. Parties returning goods for repair normally do not export to the United States and are not familiar with the requirements. Importers are often equally ignorant. Both importer and exporter are usually more concerned with getting proper credit for return than they are in meeting reasonable governmental requirements. Therefore, values, actual origin of goods, whether or not goods were improved or otherwise advanced in value while abroad, and other information required to properly classify and value the goods for Customs purposes are often very inaccurate.

4. More and more exporters are obtaining duty drawback from the Government on these items, and under another provision of H.R. 5047 which we support, drawback claim rules are to be liberalized. It would be nearly impossible for the Government to verify on an informal entry whether or not drawback has been paid. Also, it could result in goods advanced in value while abroad by foreign labor, escaping payment of duty and competing unfairly with goods produced solely by American labor and business.

5. If it were just a matter of meeting bureaucratic requirements, we would not be very upset. However, many of the shipments which are entered as 'Products of U.S. Origin' being returned for repair are valuable machines and instruments which are usually dutiable at from 4 percent to 20 percent ad valorem, with an average duty rate of 10 percent ad valorem. With a \$10,000 limit under Section 202, potential deprivation of revenue to the Government could run \$400 to \$2,000 and more per entry. Although it probably costs Customs about \$50 more to process a formal entry than an informal entry, this cost must be weighed against the potential loss of duty.

6. The formal entry procedure provides protection to the Government through the bond. Formal entry documentation is reviewed by trained Customs Commodity Specialists either before or after Customs inspection. Informal entry documentation is normally reviewed only by the Customs Inspector, who generally does not have the technical expertise or often the time to judge whether or not the goods would qualify. Eliminating the protections of the formal entry can only result in abuses and loss of millions of dollars in badly needed revenue to the Government.

Senator RIBICOFF. Thank you very much.

I understand the problem.

Did you want to say something?

Mr. LUND. One more thing.

This change, of course, in the law is subject to rulemaking authority, which would certainly take care of the fraud matter. I understand that the Customs Service testified in the House and said that the fraud matter would not be any problem.

Senator RIBICOFF. I am aware of what took place.

Mr. ROSENBLUM. May I just respond quickly to that.

We checked on this testimony, and I think that it is only fair to say that an attorney for Customs did testify that they do not foresee any difficulties in administering the provision. That, I

think, is a direct quote. True, they don't because they are going to have less people involved.

Mr. LUND. I would like to be certain of whether they were speaking about the fraud aspect. If they did, Mr. Rosenbloom has more information than I.

Senator RIBICOFF. OK, gentlemen. I understand the problem.

The next series of hearings will come at 10:30, so we will stand in recess until 10:30.

[Whereupon, at 9:45 a.m., the subcommittee adjourned, to reconvene at 10:30 a.m., the same day.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATE OF FLORIDA,
DEPARTMENT OF CITRUS,
Lakeland, Fla., August 29, 1980.

MICHAEL STERN
Staff Director, Committee on Finance,
Washington, D.C. 20510

DEAR MR. STERN: This letter is being sent to you by representatives of the Florida citrus industry in response to your recent press release #H-44 dated August 4, 1980. The Florida citrus industry, representing approximately 18,000 growers, 50 major processors and 130 shippers, has received a copy of H.R. 5047 and has some major concerns with certain parts of this bill. Our major concerns with this bill relate to the following sub-sections of the press release: (a) H.R. 6687 and (1) H.R. 5464.

H.R. 6687 is an amendment to general headnote 3(a) of the tariff schedules of the United States (TSUS). Our primary concern with H.R. 6687 is that U.S. insular possessions could be used as duty-free entry conduits to the U.S. for foreign imports, and we believe this would have an adverse economic impact upon the Florida citrus industry in particular, and the proposal could be used as a mechanism to circumvent current tariff laws. The Florida citrus industry opposes any action which would permit additional expansion of imported citrus products duty-free access to the United States.

H.R. 5464 is an amendment to section 313 of the Tariff Act of 1930. This amendment would allow importers to attain duty drawback on imported products when said products were exported from the United States, even though the product has not been remanufactured or modified. In our opinions, this amendment would remove one of the basic reasons for the duty drawback privileges: "The creation of jobs, technology, etc." In view of this, the citrus industry opposes a change of this nature which may stimulate more imports without benefitting any United States interests.

We thank you for your careful consideration in reviewing this bill, and would request that you consider removing the provisions of these two above-mentioned amendments from the total package of H.R. 5047.

Sincerely,

W. BERNARD LESTER,
Executive Director,
Florida Department of Citrus.
BOBBY F. MCKOWN,
Executive Vice President,
Florida Citrus Mutual.
WARREN E. SAVANT,
Executive Vice President,
Florida Citrus Processors Association.
JAMES E. EMERSON,
Executive Vice President,
Florida Citrus Packers.

U.S. SENATE,
Washington, D.C., September 11, 1980.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a statement I would like included in the record in the Finance Committee consideration of H.R. 5047, the Miscellaneous Tariff and Customs Amendments bill. The Statement relays my concern and opposition to Section 201 of the bill.

I would appreciate your attention to my remarks, and hope that you will give them every consideration during the review of the Senate Finance Committee of H.R. 5047.

Sincerely,

LAWTON CHILES.

Enclosure.

The Florida citrus industry, in a letter to the Senate Finance Committee dated August 20, 1980, has registered their concern with Section 201 of H.R. 5464, the Miscellaneous Tariff and Customs Amendments bill. Opposition to Section 201 has been expressed by the Florida Department of Citrus, a state agency regulating the Florida citrus industry, the Florida Citrus Processors Association, an association of citrus processing entities representing almost 10 million tons of processed Florida citrus, Florida Citrus Mutual, a growers association of over 15,000 Florida citrus growers representing the production of almost 900,000 acres of Florida citrus, and the Florida Citrus Packers Association representing those packers of some 35 million boxes of Florida fresh citrus. I would like to joint with them in expressing my opposition to Section 201.

Section 201 would expand existing customs law and procedures to allow "drawback" or the refund of duties, on merchandise imported into the United States and then exported in the same condition as when imported, or destroyed under the supervision of U.S. Customs, within 3 years of the date of importation. As passed by the House of Representatives, a product would be considered to be in the same condition if incidental operations such as testing, cleaning, repacking and inspecting, were to be performed on the product. Under existing drawback law the imported merchandise must be subjected to a manufacturing process.

It seems to me that the expansion of the drawback law may pose a threat not only to the citrus industry, but to other domestic industries as well. I think the impact on the U.S. economy of expanding drawback to include articles in the same condition as when imported, has not been fully explored, nor have the implications this may pose to competition in the U.S. marketplace. An importer could bring in large quantities for foreign merchandise, sell what he could in the U.S. market, and then turn around and export the excess merchandise and receive the benefits of the drawback. While it is true that the merchandise sold in the United states would still be subject to the appropriate tariff, you are removing the risk involved in importing large quantities of products by allowing drawback on the excess. This may give a foreign owned company a competitive advantage over its U.S. counterpart, may encourage bad business judgements, and may depress domestic prices to the detriment of U.S. industry.

Section 201 may also have a detrimental effect on the use of bonded warehouses and foreign trade zones. By expanding the drawback to include articles exported in the same condition, there may be less incentive for importers to use customs bonded warehouses or foreign trade zones. This would have negative effect on the U.S. economy, and would result in the loss of U.S. jobs.

Finally, I have concern for the loss of revenues to the U.S. Treasury which will occur with the expansion of drawback. This particular point seems to have generated little interest to date, but is one which I feel should be more fully examined before changing existing law. It seems to me that the loss of revenue may be sizable.

In conclusion, the Florida citrus industry sees the possibility of a disruptive influence in their industry's supply and demand relationship should there be an increase in imports due to enactment of section 201. I urge the Committee to take these points into consideration in their evaluation of the bill.

PREPARED TESTIMONY OF KARL SPILHAUS, EXECUTIVE VICE PRESIDENT, THE
NORTHERN TEXTILE ASSOCIATION

This statement is submitted for the record in support of § 113 of H.R. 5047. The Northern Textile Association is headquartered in Boston, Massachusetts and repre-

sents textile manufacturers located principally in the Northeast but also in various other parts of the country. The Elastic Fabric Manufacturers Council of the Association includes the principal producers of warp knit elastic fabrics in the United States.

Members of the Northern Textile Association strongly support Section 113 of H.R. 5047 which temporarily suspends the current Column 1 duty on warp knitting machines. We believe that there is no longer a need for a tariff to be imposed on imports of these machines because there has been no domestic production of the warp knitting machinery used by our industry for the last five years. During this time significant advances have been made by foreign manufacturers of this equipment. The result is a new generation of machinery which will enable warp knit fabric mills to produce a more competitive product for both domestic and export markets. Attached to this statement is a list of the warp knit elastic fabric producers which are members of the Northern Textile Association.

The most recent U.S. Census of Manufacturers states that in 1977, 233 warp knit fabric plants located throughout the country employed 23,000 persons with a combined payroll of \$226 million. Today, many of these firms manufacture products for export as well as for domestic consumption.

While it is difficult to ascertain the number of Tricot and Raschel warp knitting machines now in use by these mills, we estimate approximately 10,700 machines are being used in the production of all warp knitted fabrics. The elastic fabric segment represents about 15 percent of the entire warp knit industry.

The existing U.S. duty on these machines of 6.7 percent ad valorem places our domestic warp knit mills at a severe competitive disadvantage with foreign producers. Those located in Western Europe, particularly, do not pay tariffs on such machines.

Our industry purchases machinery from producers located in five European countries. If we purchase these new, foreign-made machines, many of which sell at over \$60,000 per unit, we are penalized by the duty which amounts to from \$3,000 to \$5,000 per machine; this of course, must be reflected in the ultimate price of the product in the market place. If, on the other hand, we do not purchase this machinery, our products will not benefit from the design and manufacturing flexibility of this new generation of equipment.

This problem was recognized during the recently concluded Multilateral Trade Negotiations and the duty on warp knitting machines has begun a phased-in reduction from 7 percent in 1979 to 4.7 percent by 1987. This step, however, provides little relief and we firmly believe that there is simply no basis for any tariff whatsoever in view of the absence of any domestic manufacturer of this machinery. Given the state of the art, it would take a minimum of five years for a new U.S. machinery manufacturer to bring equipment on line which would be competitive with the latest foreign-produced machines. Technological development in this area is cyclical and the new phase now underway in Europe makes it highly unlikely that a U.S. manufacturer would undertake the expensive long-term commitment necessary to produce a competitive machine. In its hearing on the measure, the Subcommittee on Trade of the House Ways and Means Committee recognized this and recommended the three-year suspension provided in H.R. 5047. This will allow companies to begin their necessary equipment replacement programs over an extended period.

Enactment of H.R. 5047 will be beneficial to American manufacturers and consumers. Suspending the duty will encourage U.S. firms to replace outmoded equipment. Purchasing the new equipment without the penalty of a tariff will mean that a greater variety of products will be available to the consumer. Our products will be more competitive in both domestic and export markets.

In this way, purchases of these machines will stimulate both employment and exports. The U.S. warp knit elastic fabric industry has worked diligently to expand its share of foreign markets. Warp knit elastic fabrics are used in body-support garments, swimwear, and other apparel for sport and recreational uses as well as for health care and industrial fabrics. Between 1977 and 1979, exports of such fabrics made with man-made fibers alone increased by 90% reaching over \$6 million. Exports of special warp knit fabrics of other fibers and the apparel and made-up goods which are made with warp knit fabrics far exceed \$6 million.

The versatile warp knit fabrics, both elastic and non-elastic, are in demand by designers and manufacturers. U.S. manufacturers must be prepared to meet increased demands domestically and abroad. We believe that these considerations require removal of a tariff which no longer serves the purpose for which it was intended. We therefore, respectfully urge the Subcommittee to favorably recommend H.R. 5047 for expeditious passage by the full Senate Finance Committee.

WARP KNIT ELASTIC FABRIC MANUFACTURERS—NORTHERN TEXTILE ASSOCIATION

Charbert Fabrics Corp., Charles H. Cunliffe, President, Alton, R.I., New York, N.Y. 10016

Dan River, Inc., Warp Knit Division, Frank Gehring, Executive Vice President Marketing, Burlington, N.C., Mebane, N.C., New York, N.Y.

Darlington Fabrics Corp., Leonard J. Rautenberg, President, Westerly, R.I., New York, N.Y.

Elastic Fabrics of America, Leslie Negus, President, Fort Washington, Pa.

Fablok Mills, Inc., Irving Peck, President, Murray Hill, N.J., New York, N.Y.

Guilford Mills, Inc., George Greenberg, President, Greensboro, N.C., New York, N.Y.

Liberty Fabrics of New York, Inc., Michael Gottlieb, President, Gordonsville, Va., New York, N.Y.

Penn Elastic Co., Nils E. Benson, President, West Point, Pa.

H. Warshow & Sons, Inc., Alan W. Warshow, Chairman of the Board, Milton, Pa., Montoursville, Pa., Tappahannock, Va., New York, N.Y.

AMERICAN ELECTRONICS ASSOCIATION,
GOVERNMENT OPERATIONS OFFICE,
Washington, D.C., September 8, 1980.

MICHAEL STERN,
Staff Director, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. STERN: Enclosed is the statement of the Joint Industry Group in support of Section 201 of H.R. 5047 dealing with Customs duty drawback. We request that this statement be made a part of the September 9 hearing record on this legislation.

Thank you.

Sincerely,

JAMES F. WHITTAKER,
Manager, International Affairs
On behalf of Joint Industry Group).

Enclosure

STATEMENT OF THE JOINT INDUSTRY GROUP

SUMMARY OF POINTS CONTAINED IN THE JOINT INDUSTRY GROUP STATEMENT

The Joint Industry Group supports Senate passage of Section 201 of H.R. 5047 to amend Customs law (19 U.S.C. 1313) to expand the availability of drawback (refund) of duties paid on imported articles when they are subsequently exported without being used in the U.S.

Present law permits drawback only when imported articles are manufactured or produced in the U.S. and then exported. Section 201 would expand this law to allow drawback on articles exported in the same condition as imported or when articles are subjected to operations less than full manufacture or production.

Section 201 would thereby allow U.S. firms to use drawback instead of other, more costly, inefficient and cumbersome Customs procedures that are now required to avoid absorbing duty costs on exported articles that were previously imported but not subjected to full manufacture or production.

By expanding Customs Duty Drawback, Section 201 would increase the quantity and competitiveness of U.S. exports by allowing American firms to manage more efficiently their export and other international trade operations from a U.S. base.

By making U.S.-based export and trade operations more attractive, Section 201 would also generate increased jobs for American workers.

The Joint Industry Group urges the Subcommittee on International Trade to report favorably H.R. 5464, legislation to expand, improve and simplify the U.S. Customs duty drawback system. The provisions of H.R. 5464 are incorporated in the House-passed bill, H.R. 5047, referred to as "miscellaneous tariff measures."

The Joint Industry Group represents 14 industry organizations whose members have an ongoing interest in simplifying and improving U.S. Customs law. Attached is a list of the participating associations.

H.R. 5464 would amend U.S. Customs Law (19 U.S.C. 1313) to make drawback available to U.S. firms where it presently is not. It would thereby increase the volume and competitiveness of U.S. exports, and increase the number of U.S. jobs.

Current drawback law and other procedures

"Drawback" is the refunding of tariff duties, taxes, and fees paid for imported articles when they are subsequently exported rather than used in the country of importation. The theory underlying the granting of drawback is that it would encourage the production of articles for export in the United States, thus increasing our foreign commerce and aiding American industry and labor. Most countries have systems of drawback which vary in scope and nature. However, the U.S. drawback system, as compared with those of our chief trading partners (the EC countries, Canada, Japan and Australia), is more limited.

The U.S. drawback provisions are presently found in Section 313 of the Tariff Act of 1930, as amended. Drawback is allowed upon the exportation of articles manufactured or produced in the United States with the use of imported merchandise in an amount equal to the duties paid upon the merchandise so used, less 1 percent. Drawback is permitted also upon the exportation of an article manufactured in the United States with the use of domestic material which is of the same kind and quality as the imported material. Drawback is also allowed upon the exportation of merchandise not conforming to sample or specifications or shipped without the consent of the consignee upon which the duties have been paid, and which goods have been entered or withdrawn for consumption and returned to Customs custody for exportation within 90 days after release from Customs custody.

In essence, the U.S. drawback law requires that imported merchandise be subjected to a manufacturing process or be rejected as nonconforming. If a firm imports merchandise for anything other than manufacture or production, and wants to export, or be able to export them without absorbing the duty cost, he must resort to one of several other Customs mechanisms. These mechanisms are the Temporary Importation Bonds (TIBs), the Customs Bonded Warehouses, and the Foreign Trade Zones.

Difficulties with alternatives to "drawback"

There are a number of problems with using these procedures instead of drawback. First, a U.S. firm must know *at the time of importation* exactly where it intends to sell the goods and what it intends to do with the goods. Second, these procedures add to the U.S. firm's costs, and hence, export prices. Third, these procedures entail other restrictions on what a firm can do to meet the needs of its foreign and domestic customers.

The TIBs allow firms to import merchandise without paying any duty at all. However, it leaves the firms with little flexibility to deal with changing circumstances in the market. First, it requires that the firm identify precisely, at the time of importation, which goods in a particular import shipment will be exported. Second, the firm must export the merchandise within the statutory time period, usually one year. However, if that merchandise is not exported within that time period for whatever reason, a penalty equal to two times the otherwise applicable duty is levied against the importer. There are a myriad of different TIBs, all with their particular restrictions as to what the importer may do with the product. The following are examples of the utilization of TIBs: exhibition, repairing/altering/processing, samples to elicit orders, etc. We believe that TIBs are complicated and restrictive to a degree that discourages many companies, especially smaller ones, from using them. But, the real problem is that without clear advance knowledge of exactly which articles are to be exported and which will remain in the United States, the temporary importation bonds are not a practical mechanism.

Bonded Warehouses are also available to U.S. firms. Essentially, there are the following types of bonded warehouses: storage, manipulation, and manufacturing. They allow U.S. firms to import merchandise without having to pay duty. However, in many cases, the bonded warehouses are not practical alternatives for the following reasons: (1) The importer must know prior to importation exactly what he intends to do with the merchandise; (2) Once the merchandise is in the warehouse, he has limited access to it, and cannot remove the merchandise for any reason without paying duty on it, except when it is sent out for direct export; (3) The warehouses are expensive and users must rent space and pay the services of bonded warehousemen and customs employees who must supervise all activities with respect to the merchandise; (4) Each owner of these warehouses may restrict the type of operations that can be performed in the warehouse; and (5) A firm needs to have a proper bonded warehouse accessible to it, which is often not the case, especially outside major metropolitan areas.

Foreign Trade Zones (FTZ) are also available, but they entail basically the same types of restrictions encountered with the bonded warehouses: limited access, pre-planning costs, availability, etc. Availability is more of a problem with respect to

FTZs because there are only a limited number of FTZs in operation today across the country.

In addition to the problems discussed above with these alternative procedures, they provide no relief for the firm which imports merchandise for domestic sale, discovers there is no domestic demand for it, and has to return it to its foreign source, or sell it in another foreign country to avoid significant financial loss.

How H.R. 5464 would amend current law

H.R. 5464 would amend 19 U.S.C. 1313 to make drawback available in situations where a U.S. firm does something less than manufacture the imported article before its export, such as testing, cleaning, repacking, inspecting, and so on. Of course, the imported article could not be "used" in the United States and still qualify for drawback. It therefore, in most cases, would allow U.S. firms the choice of avoiding resort to the use of the cumbersome procedures discussed above; and it would give U.S. firms more flexibility in meeting domestic and foreign customer demands—without having to pay non-refundable duty on goods that are not used in the United States.

H.R. 5464 would provide for drawback on goods that are exported in the same condition as they were imported. It would also provide drawback on merchandise with respect to which incidental operations are performed, i.e., operations that do not amount to manufacture or production for purposes of qualifying for drawback under present law. Under the bill, such operations would not amount to a "use" of the article in the U.S. which would automatically eliminate the ability to get drawback.

Simply stated, the legislation would allow:

- (1) Exporters the option to do internally (and therefore more efficiently) certain operations that they cannot do under present law and still receive drawback;
- (2) Exporters to receive the drawback in those instances in which the merchandise imported was not used and they were unable to anticipate the need to export.

Benefits from H.R. 5464

The Joint Industry Group believes a number of significant benefits will result from enactment of H.R. 5464:

(1) *Increased Competitiveness of U.S. Exports.*—The bill would allow firms to more efficiently and effectively serve their foreign and domestic customers from a U.S. base. These cost savings translate into more competitive export prices. For example, firms would have the flexibility to export products (without having to absorb the duty cost) originally assigned to a U.S. inventory that are needed to serve their foreign customers and to compete in world markets. Likewise, firms could sell goods originally planned for export to domestic customers without paying a penalty as is now the case with TIBs. The bill would allow firms to export for return more economically inventory, or other imported goods for which there has turned out to be little domestic demand. It would allow firms to reduce their transportation (and hence energy) costs because they would be able to consolidate shipments of multiple items to a distribution or operations point in the U.S. without having to worry about the restrictions in TIBs, bonded warehouses, and foreign trade zones.

(2) *Increased Volume of U.S. Exports.*—To the extent more import/export operations are expanded in the U.S. rather than in other countries due to the increased drawback flexibility, exports would be expanded. Exports would also be encouraged because U.S. firms would not have to absorb the duty costs if they decide they need to export a good rather than sell it domestically.

(3) *Increased U.S. Jobs.*—By greatly simplifying and expanding the availability of drawback, the bill would encourage firms to establish, maintain, or expand their distribution centers and other operations here in the United States. This will, of course, mean more jobs for U.S. workers, especially in the areas of distribution.

(4) *Longer term increase in U.S. tax revenues.*—Through the increased economic activity that results in more taxable corporate and individual income.

Administration

We believe that this new law could be administered with little difficulty. The question of administrative ease would depend upon what documentation or procedures the Customs Service would require to document the importation, the subsequent exportation, and the fact that the merchandise was not "used" in the United States. Customs already administers the present drawback law through use of documentation and audit procedures. The expanded drawback system could be easily integrated into these existing administrative procedures.

Revenue impact

While it is too difficult to estimate the amount of revenues that may be lost or gained as a result of this legislation, we believe that whatever revenue losses there might be, will most likely be significantly offset by the revenues from increased economic activity.

We believe that in allowing more flexibility for export operations in the U.S., the bill would encourage the expansion of operations here in the U.S. This increased economic activity would produce greater taxable corporate and individual earnings which might otherwise be foregone.

In many cases, this legislation will result in firms paying some duty where presently they pay none at all, either because they use TIBs, bonded warehouses and/or foreign trade zones. The Treasury would retain 1 percent of the duty collected, and would, significantly, have use of these funds, interest free, for up to three years.

Attachment

THE JOINT INDUSTRY GROUP

The Air Transport Association of America which represents nearly all scheduled airlines of the United States.

The American Electronics Association which has more than 1200 electronics companies in 42 states. Its members are mostly small to medium in size, with more than half employing fewer than 200 people.

The American Importers Association representing over 1,100 companies, mostly small to medium in size, plus 150 customs brokers, attorneys and banks.

The Chamber of Commerce of the United States representing 89,000 companies, 1,293 trade associations, 2,600 state and local Chambers of Commerce and 43 Chambers of Commerce overseas.

The Cigar Association of America which includes 95 percent of all U.S. cigar sales and major cigar tobacco leaf dealers.

The Computer and Business Equipment Manufacturers Association including nearly forty members with 750,000 employees and \$45 billion in worldwide revenues. Members range from the smallest to the largest in the industry.

The Council of American Flag Ship Operators which represents the interests of the American Liner Industry.

The Electronics Industries Association, its 287 member companies, which range in size from some of the largest American businesses to manufacturers in the \$25-50 million annual sales range, have plants in every state in the Union.

The Foreign Trade Association of Southern California which represents 450 firms in Southern California in the import-export business.

The Imported Hardwood Products Association, an international association of 250 importers, suppliers and allied industry members. Members handle 75 percent of all imported hardwood products and range in size from small private businesses to the largest in the industry.

The International Committee of the Los Angeles Area Chamber of Commerce.

The Motor Vehicle Manufacturers Association, whose eleven members produce 99 percent of all U.S.-made vehicles.

The National Committee on International Trade documentation, which includes many of the major U.S. industrial and service companies.

The Scientific Apparatus Makers Association, manufacturers and distributors of scientific, industrial and medical instrumentation and related equipment.

The U.S. Council of the International Chamber of Commerce, a business policy-making organization which represents and serves the interests of several hundred multinational corporations before relevant national and international authorities.

McCLARY, SWIFT & Co., INC.,
Seattle, Wash., August 18, 1980.

MICHAEL STERN,
Staff Director, Committee on Finance,
Washington, D.C.

DEAR MR. STERN: The AIA bulletin No. 80-48 dated August 11, 1980, was received today, and we note that there is finally some mention of H.R. 5047, the House "Omnibus" bill.

We are quite concerned over a portion of the bill, namely, what used to be H.R. 5452, regarding the \$10,000 value for use on American Goods Returned to be entered on an "informal" basis.

Per the 4 attachments you may see from our position and arguments that at least this portion of the Omnibus bill is detrimental to all concerned and must not pass. We have gotten a good response, finally, from our elected representatives to both Congress and the Senate, and have stirred up many other Associations, including the National Customs Brokers Association (also finally!).

You might note, too, per the attached letter copy that we did write to the AIA on June 19th; presumably our letter and attachments at that time was transmitted to you. We have no way of knowing so by this letter we are sending for your appropriate activity on our behalf and others vitally concerned.

Thank you for your assistance and representation on this matter.

Very truly yours,

DANIEL McCLARY, *President.*

McCLARY, SWIFT & Co., INC.,
Seattle, Wash., June 19, 1980.

AMERICAN IMPORTERS ASSOCIATION,
New York, N.Y.

GENTLEMEN: We have not noticed anything in your bulletins regarding the congressional bill H.R. 5452. Are you aware of it? Copy attached.

We believe the matter is of vital importance to every Custom House Broker and importer that such does not pass.

Attached is a 3-page letter copy we wrote on May 28th, to our elected Senate and House representatives concerning the matter. We believe you should also be concerned.

Also attached are the only 2 responses we have received, the 1st from Senator Jackson (who appears to provide his usual rhetoric and lip service) and the other from Congressman Dicks who advises the bill seems to have been tacked onto H.R. 5047, which to our way of thinking provides for it to slip through on the coattails of 5047.

Our local Washington State Broker/Forwarder's Association contacted the National Brokers/Forwarder's Association who provided a poo-poo response from Mr. Brune; this to us is quite understandable and one of the very reasons we dropped our membership there many years ago and came to AIA for action and information.

Your comments please; we feel that representation and speed is of the essence!
Sincerely,

DANIEL McCLARY, *President.*

McCLARY, SWIFT & Co., INC.,
Seattle, Wash., May 28, 1980.

Re H.R. 5452 (as introduced by Mr. Stanton):

We have just received a copy of the referenced bill, H.R. 5452, and are most concerned, not only that such an item would be considered, but to the potential loss of service importers will receive; lack of control by the U.S. Customs Service thus paving the way for fines, penalties and forfeitures levied on the importer; loss of revenue to the U.S. Customs Service and the Treasury Department; and loss of revenue generated within Washington State and literally within every Customs port in the United States.

As recently as October 3, 1978, when H.R. 8149 became effective, one of the provisions to be included in this Bill was an item calling for the raising of the "informal" entry procedure to be \$500, rather than \$250. This provision was eliminated when the Bill was passed. The rationale was that for the U.S. Customs Service to effectively administer even this small value increase would require additional personnel to work directly with "the public". The public is simply not familiar with U.S. Customs procedures and this would involve much time and waste of manpower for the U.S. Customs to inform and literally teach the public how to make and carry out entry procedures. If a mere \$250 value increase could not be granted in H.R. 8149, most certainly a \$9,750 value increase cannot be granted.

Further, any importer, whether importing dutiable merchandise or merchandise of U.S. origin, of a large value, would be merely lining up behind those being taught how to make their own entries, thus causing serious delays and impeding the flow of commercial traffic. We easily foresee cargo jams at border crossing points, international airports, and ocean docks.

We suspect that enactment of H.R. 5452 could even provide entrapment to the importer attempting to enter goods valued up to \$10,000. In the importer's declaration and entry presented to the Customs officials, for simple lack of knowledge or inexperience, a mis-declaration or alteration of a document would induce punitive damages, fines and penalties, possibly even seizure, and if severe enough, a civil

lawsuit. No doubt you are familiar with the declaration of an arriving passenger from a foreign country; if everything has not been disclosed and declared, the passenger's goods are confiscated and Customs' damage action follows. You may even have witnessed this in your travels. Imagine the chagrin and embarrassment that may be caused a large importer such as a General Electric Company or a Boeing Aircraft Company (Seattle) or an Electro Development Corporation (Lynnwood) or a Physio Control (Redmond, recently purchased by a multi-national concern) or a United Air Lines, caused by a simple inadvertency on the part of a clerk. The names of U.S. manufacturers number in the hundreds of thousands. A small importer could be ruined in trying to "slip one by" to save a few dollars charged by a professional Customs Broker, one licensed by the Treasury Department to not only assist in protecting the Treasury's revenue but also to aid and assist importers.

A few years back, the Commissioner of Customs (circular ENT-3-AC, file AEL 133.11g) directed all Customs field offices to enforce the presentation of certificates of exportation, pursuant to Customs regulations. In effect, the Commissioner stated that a significant number of shipments were being imported and claimed as U.S. origin whereas in fact a portion of the imported article was composed of foreign components that had been previously imported to the U.S., and duty paid, and exported as part of a U.S. made object and that duty was refunded under drawback provisions. This bill H.R. 5452 opens wide the door for a tremendous loss of revenue to the U.S. Customs Service as well as an overwhelming temptation to misdeclare, or unknowingly declare, the total country of origin—which in turn brings about the damages, fines and penalties.

There is already a provision in the Customs regulations providing for the "informal" return of aircraft parts to an aircraft owner/operator, but such entry provisions are quite restrictive and still time consuming. Custom House Brokers for the small fee charged, are most commonly used by aircraft owner/operators even though "allowed" informal entry procedures. As we are located in a heavily oriented aircraft manufacturing area, and Seattle-Tacoma International Airport being a "crossroads", a "border crossing" point to 19 international airlines with others waiting for room to come in, a substantial portion of our business is American Goods Returned not only to Washington State manufacturers but also the entire nation. These are not simple entries by any stretch of the imagination.

Unless documentary proof is provided to U.S. Customs that the goods are of U.S. origin, duty is collected by means of surety bonds. If this bill is passed, the Customs Service has no recourse to collect lawful duties. The current regulations and paperwork are sometimes cumbersome and difficult but at least it works; it is an effective control.

With the potential loss of revenue to The Treasury, both State and Government programs will suffer. The Customs Service is already restricted as to adding manpower; retiring employees are not being replaced. This bill would call for additional inspectors to implement the provisions; if additional inspectors cannot be provided, certainly a loss of Government funds will not provide additional help.

And our business will suffer resulting in some unemployment, perhaps up to 20 percent of employees to be turned out and be added to the public assistance rolls. Our firm is only one of several hundred Customs Brokers, all of whom will suffer if this bill is passed.

For ourselves here in Seattle/Seattle-Tacoma Int'l Airport, and our colleagues along the Washington State border crossing points, we strongly urge that H.R. 5452 be tabled indefinitely if not defeated. Passage of this bill could only hurt Washington State!

Respectfully,

DANIEL McCLARY, *President.*

STATEMENT OF THE NATIONAL COMMITTEE ON INTERNATIONAL TRADE
DOCUMENTATION

Good morning, Gentlemen. My name is John D. X. Corcoran. I am testifying on behalf of the National Committee on International Trade Documentation (NCITD), the organization which originally assisted in the drafting of the "Same Condition Drawback" legislation, urged its introduction and testified in the House Committee for passage of the bill. The NCITD has presented all of its technical comments in the form of a written submission and much of that same material has been presented by the Joint Industry Group. My area of particular concern is the impact of that aspect of H.R. 5047 having to do with "Same Condition Drawback" on the capital machinery sector of America's participation in international trade.

After employment for two years in the Bureau of Customs and five years in the Bureau of Foreign Commerce of the Department of Commerce, I joined Ingersoll-

Rand Company in 1966. As Assistant Company Counsel and presently as Manager of Customs and Immigration, I have been keenly interested in the many significant pieces of international trade legislation which have been considered by the Senate Finance Committee, Subcommittee on International Trade.

The capital goods industry has made very effective contributions to the export-import merchandise balance of trade in recent years. For instance, the overall statistics relating to America's export-import merchandise balance of trade, according to the Census Bureau, disclose a deficit in 1979 of \$23.3 billion based on F.O.B. values. As contrasted with this area of strong concern, the Census statistics indicate that in 1979, the export-import merchandise balance of trade for capital goods registered a positive balance of payments of \$33.0 billion; surely an industry whose markets are worth protecting.

The ability of an exporter, after the export of machinery, to service the needs of his export customer is the lifeblood of his business. If the machinery exporter cannot readily supply the customer's complete list of required parts within a reasonable time after he places his order, or if the machinery exporter cannot adequately supply after-sale service for the equipment supplied, the customer will remember that fact. The customer must have conveniently available a complete line of his manufacturers, both complete machines, as well as spare and replacement parts so as to be able to ship at the earliest possible date. The excuse that a small portion of the customer's bill of materials must be back-ordered from an overseas distribution center is not an adequate substitute for service. When a customer's machine is inoperable in Brazil due to a requirement for parts and he places his order for the parts with his American manufacturer, he is not going to be satisfied that he can have repair parts 1 through 28, except that 3, 7 and 22 must be ordered from a European Distribution Center. Likewise, he will not consider that advice to be an adequate substitute for service.

At the present time, particularly with regard to small turnover parts which are manufactured outside the United States, in many cases the U.S. exporter will inventory the parts close to the overseas supplier because of the costs of ocean freight, Customs duties, transportation, warehousing and handling costs. If we had a "Same Condition Drawback" provision in our law, the exporter would be assured that he would be able to recover his import duties at the time of re-exportation from the United States. This would constitute a positive inducement to the exporter to maintain an inventory in the United States and closer to his Canadian and Latin American markets.

During the period of the Multilateral Trade Negotiations, during the pendency of the Roth-Ribicoff bill and with the now pending reorganization of the government's international trade functions, businessmen have been asking the question, "Do we want to fool around or do we want to compete in international markets?" The President, the Trade Expansion Council, the Secretary of Commerce, and others have been responding in a resounding voice that we want to engage in international trade. The passage and signing into law of H.R. 5047 will remove one more inhibiting factor to the maintenance of total flexibility in engaging in international trade.

STATEMENT IN SUPPORT OF H.R. 5047

This statement is filed in support of H.R. 5047 which proposes to continue the duty free entry afforded color couplers and coupler intermediates under Items 907.10 and 907.12 as an appendix to the Tariff Schedules of the United States (T.S.U.S.). (See Appendix I.)

T.S.U.S. Items 907.10 and 907.12 became effective December 12, 1977 and terminated June 30, 1980 (Public Law 95-206).

We would like to request continuation of the duty free status until June 30, 1982. Color couplers and intermediates are still not completely available domestically. While we are in the process of completing the transfer and start-up of manufacturing facilities at Rochester, N.Y., we will still find it necessary to import. This relief in production costs will also allow us to remain reasonably competitive in the color print paper market (domestic and severe import competition).

Color intermediates are organic chemical compounds which are used in the production of color couplers. A color coupler is a more advanced organic compound which is incorporated into photographically sensitized material and which reacts chemically with oxidized color developers to form a dye. Color couplers are used to make color photographic paper and color amateur film.

In late 1972, 3M entered the U.S. Color Print Paper market with manufacturing facilities located at Rochester, N.Y.

Color couplers, essential to the manufacture of color print paper are critical to 3M. Prior to market entry, 3M searched the U.S. market for couplers and found two

producers; Eastman Kodak and G.A.F., both of whom manufacture for their own use and not for resale.

As an alternative, 3M asked its Italian subsidiary (a major European photographic film manufacturer purchased by 3M in 1964) to develop and produce the required couplers. This was accomplished and 3M began importing color couplers in 1972.

In early 1973, high cost, an excessive duty rate (3¢ per pound plus 19 percent ad valorem) and continued unavailability in the U.S. market prompted 3M to initiate plans for a U.S. facility to produce color couplers. The recession and uncertain economic conditions in 1974 postponed investment because of the significant capital required. The dramatic increase in low priced imports of finished color print paper also threatened the stability of this highly competitive market and again, continued to delay the investment commitment. As a result of Public Law 95-206 which provided duty free entry of color couplers and intermediates, 3M proceeded with the design and construction of production facilities in Rochester, N.Y.

Our stated reasons for temporary duty suspension were:

Color couplers and intermediates were not available in the U.S. domestic market. The exorbitant 19 percent ad valorem plus 3¢ per pound rate of duty did not, therefore, protect a domestic industry.

Foreign competitors enjoyed a 5 percent rate of duty on color print paper. Imports of such paper had jumped dramatically.

A temporary suspension of duty on color couplers would allow 3M to more fairly compete against foreign imports of color print paper, and would permit significant capital investment required of 3M to construct a U.S. facility and employ additional U.S. labor in the production of color couplers.

We have since invested considerable monies in the design and construction of manufacturing facilities at Rochester, N.Y. We are manufacturing two of the three color couplers for color paper, namely CYAN and MAGENTA. By year end 1980, we will manufacture YELLOW.

There are two major intermediates required in the final manufacture of color paper couplers—#1039 and #1032. By 1982 we will manufacture one of the two intermediates and continue to import the other. There are no U.S. producers of these intermediates.

We plan to manufacture amateur color film in Rochester in 1981.

In the manufacture of color film, there are seven additional couplers required. None of these are available from U.S. sources. The couplers are: 2 cyan; 2 magenta; 1 yellow; 1 masking cyan; and 1 masking magenta.

We will begin to scale up the manufacture of some of these after 1981 but will continue to import from Italy until we are completely self sufficient at a later date.

Total effect will be an increase in employment of approximately 300 highly skilled permanent production workers. The manufacture of chemical and amateur color film will increase our exports to Canada, South America and the Western Pacific, now being supplied by our Italian subsidiary.

APPENDIX I.—TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED—1980—APPENDIX TO THE TARIFF SCHEDULES

Part 1.—Temporary Legislation

| Item | Stat. suffix | Articles | Units of quantity | Rates of duty | | Effective period |
|--------|--------------|---|-------------------|---------------|----------------|-----------------------------|
| | | | | 1 | 2 | |
| 907.10 | 1 | Cyclic organic chemical products in any physical form having a benzenoid, quinoid, or modified benzenoid structure (provided for in item 403.60, part 1B, schedule 4) to be used in the manufacture of photographic color couplers. | 1 | Free..... | No change..... | On or before June 30, 1980. |
| 907.12 | 1 | Photographic color couplers (provided for in item 405.20, part 1C, schedule 4). | 1 | Free..... | No change..... | On or before June 30, 1980. |

NATIONAL ASSOCIATION OF FOREIGN-TRADE ZONES,
Summerville, S.C., August 21, 1980.

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
Washington, D.C.

GENTLEMEN: The National Association of Foreign-Trade Zones has and will always be in favor of modifications to statutes that provide greater freedom in international trade. However, with respect to Sections 106 and 201 of H.R. 5047, the amendments sought would allow activity fully capable today of being accomplished in U.S. foreign-trade zones and, in fact, can be accomplished with greater ease than with the contemplated amendments. We are especially concerned because the transcripts of testimony we have seen before the Subcommittee on Trade of the House Ways and Means Committee and the U.S. House of Representatives Report accompanying H.R. 5047 are simply not technically accurate with respect to the characterization of U.S. foreign-trade zones.

The U.S. Foreign-Trade Zones Act was passed in 1934 to encourage operations in the United States rather than overseas with resultant investment and job creation in this country. Today there are some 58 foreign-trade zones and 8 subzones formally approved by the Foreign-Trade Zones Board throughout the United States. There are 55 U.S. Customs Port of Entry communities that have approved foreign-trade zones. The Board is authorized to establish a foreign-trade zone "in or adjacent to" a Customs Port of Entry. With a total of some 300 Ports of Entry, the foreign-trade zone program is equally available throughout the United States.

Some of the statements in U.S. House of Representatives Report No. 96-1109 accompanying H.R. 5047, with respect to Section 201—Same Condition Drawback—are not correct. In discussing alternate procedures instead of drawback at page 17 the report reads: For example a U.S. firm must know, at the time of importation, exactly where it intends to sell the goods and what it intends to do with the goods.

This is not accurate with respect to U.S. foreign-trade zone law. A firm admitting merchandise into a zone is not required to make any prior choice and may eventually export, import, or destroy all or any portion of the merchandise. The characterization of U.S. foreign-trade zones in the statement of the National Committee on International Trade Documentation before the Subcommittee on Trade of the Committee on Ways and Means in support of H.R. 5464, dated March 17, 1980, at page 9 (copy attached) is not correct. The description of U.S. foreign-trade zones in the statement of the Joint Industry Group before the Subcommittee on Trade Ways and Means Committee, U.S. House of Representatives on H.R. 5464, dated March 17, 1980, at pages 5-6 (copy attached) is also not correct. There are significant legal differences between temporary importation bonds and bonded warehouses on one hand and foreign-trade zones.

With respect to Section 201 of H.R. 5047—Same Condition Drawback, foreign-trade zones offer several fundamental advantages over the use of drawback procedures including the fact that no Customs duty is paid upon entrance into a zone therefore there is no need for recovering 99 percent of Customs duties already paid upon export, there are no time limits, and less documentation is required.

The Association is likewise concerned about Section 106 of H.R. 5047—Entry of Certain Valuable Wastes. The activity outlined in said amendment can now fully be accomplished in a U.S. foreign-trade zone without the need for a firm to place a bond with the U.S. Customs Service.

Foreign-Trade Zones have a unique place in U.S. law as economic development catalysts for particular communities. We are especially concerned because sections 201 and 106 of H.R. 5047 may have the effect of adversely impacting particular foreign-trade zones operations. Pursuant to the statute, there is a public interest in the establishment and success of U.S. foreign-trade zones which must be carefully weighed against the private interest of Sections 201 and 106 of H.R. 5047. Your serious consideration of these matters is hereby requested.

We appreciate the opportunity of making our views known.

Very truly yours,

MARSHALL V. MILLER, *President.*

STEPTOE & JOHNSON,
Washington, D.C., August 22, 1980.

MICHAEL STERN,
Staff Director, Senate Finance Committee,
Washington, D.C.

DEAR MR. STERN: We represent Mallinckrodt, Inc. of St. Louis, Missouri. Mallinckrodt is a company registered by the Drug Enforcement Administration to import opium and concentrate of poppy straw.

Mallinckrodt was advised earlier this week that the Senate Finance Committee was in the process of completing its review of H.R. 5047 and that if we had any comments, they should be communicated to you by today.

Section 104 of H.R. 5047 would permanently remove the duty on concentrate of poppy straw, which is used in the production of licensed medicinal narcotics. Mallinckrodt supports enactment of this provision.

Sincerely,

MICHAEL SANDLER.

STATEMENT OF MICHAEL J. KOWALSKY, PRESIDENT, CIGAR ASSOCIATION OF AMERICA, IN SUPPORT OF H.R. 7139

The Cigar Association of America urges favorable action on H.R. 7139, which would suspend the "Column 1" rate of duty on up to 2 million pounds of imported cigar wrapper tobacco (TSUS 170.10) for a period of one year. This temporary duty suspension would help alleviate a serious problem facing the American cigar industry caused by the recent outbreak of "blue-mold" disease in central America and the Connecticut Valley. The result will be a considerable shortfall in world production of wrapper tobacco, thereby forcing sharp price increases for this raw material. Both cigar producers and consumers throughout the United States will be adversely affected by such price increases until the "blue-mold" blight has run its course.

"Blue-mold" disease has currently affected about 15 percent of the Connecticut wrapper production, virtually destroyed all the Cuban production and severely affected production in Central America. See Attachment I. The resulting shortage in worldwide wrapper tobacco supplies will have a serious impact on U.S. cigar production over the next two years.

It should be noted that cigar wrapper tobaccos¹ are used exclusively in the manufacture of cigars. Wrapper tobacco represents between 27 percent and 37 percent of the factory cost of manufacturing a natural wrapper cigar. The U.S. imports about 1.6 million pounds, in addition to the 4 million pounds produced domestically, for manufacture of large cigars.² See Attachment II. Wrapper tobaccos from different growing areas have distinct flavor, coloring and textural characteristics associated with particular brands. Imported wrapper, which is usually sun-grown, is not generally interchangeable with domestic wrapper, which is shade-grown in the Connecticut Valley. In short imported wrapper is not a total substitute for domestic wrapper, but rather complements domestic wrapper in cigar production. Consequently, the temporary duty suspension would not adversely affect any U.S. wrapper tobacco growers.³

Moreover, the temporary duty suspension would in no way impair any agricultural price supports, since domestic cigar wrapper tobacco is not, nor has it ever been, under the price support program administered by the U.S. Department of Agriculture.

The one-year duty suspension provided in H.R. 7139 on imports of cigar wrapper tobacco (unstemmed) would help the U.S. cigar industry cope with an extreme cost-price squeeze occasioned by a temporary wrapper supply crisis—the outbreak of "blue-mold" disease. For that reason the Cigar Association of America, Inc.,⁴ believes, that H.R. 7139 merits favorable action by the Senate Finance Committee.

¹ TSUS Schedule 1 Part 13 Headnote 1 defines wrapper tobacco as "that quality of leaf tobaccos which has the requisite color, texture and burn, and is of sufficient size for cigar wrappers"

² Treasury defines a large cigar as "weighing over 3 lbs. per 1,000".

³ The Shade Growers Agricultural Association (P.O. Box 563, Glastonbury, CT), which represents over 80 percent of domestic cigar wrapper production, fully supports this legislation.

⁴ The Cigar Association of America, Inc., is a trade association located at 1120 19th Street, N.W., Washington, D.C. 20036 (telephone: 466-3070). Its members consist of cigar manufacturers which account for nearly 95 percent of all large cigars sold in the United States, as well as leaf dealers. The vast majority of cigar wrapper tobacco imported under TSUS 170.10 and 170.15 are imported by the Association's members.

ATTACHMENT I

Latin America

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111011 143757 R 0-00-01-029839

RATUIJAZ RUEVDL0736 3521430-UUUU--RUESBG RUESRS RUESGT RUEHME RUES.
AFAS

R 191430Z DEC 79
FM USDA FAS WASHDC
TO RUESBG/AMEMBASSY BOGOTA
TO RUESRS/AMEMBASSY CARACAS
TO RUESGT/AMEMBASSY GUATEMALA
TO RUEHME/AMEMBASSY MEXICO
TO RUESJO/AMEMBASSY SAN JOSE

BT
UNCLAS 18TH DECEMBER 1979
AG ATTACHE FM TOBACCO AND COTTON DIVISION
FASTO CIRCULAR 666
SUBJECT: TOBACCO FIELD BLUE MOLD

BECAUSE OF EXTENSIVE DAMAGE TO 1979 U.S. AND CANADIAN TOBACCO CROPS BY FIELD BLUE MOLD, AN EARLY WARNING SYSTEM HAS BEEN ESTABLISHED TO DETECT OUTBREAKS IN THE 1980 CROP. SOME EVIDENCE SUGGEST THE 1979 OUTBREAKS MAY HAVE ORIGINATED IN THE CARIBBEAN AREA. PLEASE SURVEY INDUSTRIES TO ASCERTAIN IF BLUE MOLD WAS PRESENT IN 1979 AND/OR IF IT IS PRESENT IN THE CURRENT CROPS. REPORT OUTBREAKS TO TOBACCO AND COTTON DIVISION BY TOPAS.

FASTO CIRCULAR 666
12-17-79/x73000

Check if confirmation copy needed

CLEARANCES

JOPrick

Mcannon

EDM...

Hemisphera

INCOMING TELEGRAM 2250 UTC FOREIGN: AGRICULTURE

TO RUEHC/SECSTATE WASHDC 9701
RUEVDFL/USDA FAS WASHDC
INFO RUESTE/AMEMBASSY TEGUICCALPA 4951
RUESAL/AMEMBASSY SAN SALVADOR 7087
RUESMG/AMEMBASSY MANAGUA 6734
RUESJO/AMEMBASSY SAN JOSE 6836

*COT
AO
Cannon
Mingard
Pace
Sea
APHIS
ASC S
ESC S*

BT
UNCLAS GUATEMALA 1642

TOFAS 48

ATTN: TOBACCO AND COTTON DIVISION

E.O. 12065: N/A
TAGS: EAGR GU
SUBJECT: TOBACCO FIELD BLUE MOLD OUTBREAKS HONDURAS

REF: TOFAS 45

1. MAJOR TOBACCO TRADE CONTACTS SURVEYED MARCH 6-7 INDICATE FOLLOWING: BLUE MOLD INFECTIONS FOUND BEGINNING ABOUT 25 FEBRUARY 1980 DURING COLD DAMP WEATHER IN HONDURAS. TRADE UNSURE WHERE IT STARTED BUT THIS INFO MAY COME OUT THROUGH FURTHER TRADE CONTACTS WITH FARMERS. EXTENT OF DAMAGE ROUGHLY ESTIMATED AT 1,000 ACRES, WITH OUTBREAKS NOTED IN MOST MAJOR TOBACCO AREAS. PRELIMINARY INFO INDICATES HAVANA TOBACCO PLANTS HAVE BEEN AFFECTED THE HARDEST. DRY WEATHER OF LAST WEEK, IF CONTINUES, COULD HELP CONTAIN PROBLEM AREAS. SO FAR IT APPEARS LEAF MOLD IS OF LIGHT OR AIR BORNE TYPE ATTACKING LEAVES RATHER THAN ROOT SYSTEMS.
2. CURRENT INFORMATION INDICATES OVER TEN MAJOR TOBACCO AREAS AFFECTED, ALTHOUGH EXTENT OF DAMAGE EACH AREA NOT YET KNOWN. AS EXAMPLE) IMPORTANT JAMAISTRAN VALLEY AFFECTED IN FOUR SEPARATE LOCATIONS ONE OF WHICH REPORTS 20 PERCENT LOSS IN SHADE TOBACCO, 5 PERCENT LOSS IN SUN TOBACCO, ALL CIGAR TYPE. WE ALSO HEARD OF INFECTIONS IN JALAPA VALLEY NEARBY IN NICARAGUA.
3. INFORMATION SOMEWHAT SPOTTY SINCE HONDURAS HAS NO COHESIVE TOBACCO ASSOCIATION OR OTHER INSTITUTIONAL ORGANIZATION FOR INFO EXCHANGE OR ACTION PROGRAM. TRADE PLANS CONSULT ADMIN CALLEJAS AND WITH OTHER TRADE MEMBERS ON THIS ISSUE WITH EYE TOWARD DEVELOPING ACTION PROGRAM WITH U.S. PARTICIPATION IF POSSIBLE.
4. TRADE SEEKS CURRENT UPDATE ON U.S. AND FOREIGN SITUATIONS ESPECIALLY CANADIAN EXPERIENCE RE METHODS, EFFICACY AND COSTS OF CONTROL PROGRAM IN CANADA RE RIDOMIL (SPRAY OR SYSTEMIC TYPES) OR ANY NEW MATERIALS APPROPRIATE TO COMBAT LEAF MOLD. INFORMATION NEEDED URGENTLY. ORTIZ

BT
#1642

Weekly RoundupTobacco

Blue-mold outbreaks are currently reported in both Honduras and Nicaragua. In Honduras, the infection began about the last week in February in most major tobacco areas during cold, damp weather. From early indications, the blue mold appears to be the light, air-borne, spore-type, which attacks the leaf rather than the root system and can be carried in the wind as far as 200 miles on a cloudy, cool and wet day. Approximately 1,000 acres are reported damaged in Honduras so far, with the Havana-type tobacco being hit the hardest. In the important Jamastran Valley trade, sources indicate a 20 percent loss in shade tobacco and a 5 percent loss in sun-cured tobacco.

In Nicaragua, a serious outbreak of blue mold is reported in burley and cigar types in the Jalapa Valley, affecting some 1,000 acres.

The industries in both Honduras and Nicaragua are importing Eidomil (a fungicide) to combat the disease; however, the disease can only be effectively controlled in the plant-bed stage and the tobacco crops in both of these countries are currently in later stages of production.

(Drafted by Samuel D. Smith, X73837)

Gordon H. Lloyd
Acting Director
Tobacco and Cotton Division
Commodity Programs, FAS
March 14, 1980

ATTACHMENT II

US Cigar Wrapper Tobacco (Type 61-Shade Grown)
 Domestic Production
 1977 - 1979

| | Production (FSW) | Disappearance (FSW) |
|------|---------------------|------------------------|
| 1979 | 4,100,000 | |
| 1978 | 3,800,000 | 4,700,000 |
| 1977 | 5,100,000 | 5,000,000 |

* Grown in the Connecticut Valley.

Source - US Department of Agriculture, Tobacco Situation, December 1979.

Wrapper Tobacco Imported For
 Consumption Into The US
 1977 - 1979
 (Reported Weight)

| | <u>Honduras/Nicaragua</u> | <u>Other</u> | <u>Total</u> |
|------|---------------------------|--------------|--------------|
| 1979 | 1,022,000 | 505,000 | 1,527,000 |
| 1978 | 952,000 | 672,000 | 1,624,000 |
| 1977 | 1,047,000 | 637,000 | 1,684,000 |

Source - US Bureau of the Census, IM-145.



AGRICULTURAL
EXTENSION
SERVICE

*North Carolina State University
School of Agriculture and Life Sciences*

Plant Pathology
3709 Hillsborough Street
N. C. State University Annex
Raleigh, N. C. 27607
Phone: (919) 737-2828

August 4, 1980

MEMORANDUM TO: Tobacco Leadership, Station Superintendents, University Personnel, Publicity and Others Interested in the Blue Mold Situation

REGARDING : 27th Warning Statement - Blue Mold Central - 1980

We are enclosing copy of the 27th Blue Mold Central Report. You will note that the disease is very active in eastern Kentucky, West Virginia and Ohio. Additional spread was also noted in Massachusetts and Connecticut. Active sporulation was observed in these five states.

Threat of damage continues for most states where Burley is produced [North Carolina, Kentucky, Virginia, Tennessee, West Virginia and Ohio] (Plan B). The disease continues to spread in shade-grown tobacco in Connecticut and Massachusetts (Plan B). Blue mold activity has subsided but the threat continues in Maryland and Pennsylvania, suggesting Control Plan C.

No additional control action is needed (Plan E) for the flue-cured area. Most coordinators are concerned regarding the high incidence of systemic blue mold.

No blue mold was reported from Tennessee (dark fired, dark cured), Wisconsin, Canada, New York, Minnesota or Missouri.

Please call Blue Mold Central [(919) 737-2828 or 733-2048] if you need additional information on this disease.

Sincerely,

Furney A. Todd
Professor of Plant Pathology
Extension Specialist

FAT/tr

Enclosure

1—Pr. 6 The Times-Picayune Saturday, March 15, 1980

Cuban Cigar Factories Closed; 26,000 Idled

By VIRGINIA HAMILL

(© 1980, The Washington Post)

Cuba's already ailing economy was hit a major blow Friday as the government laid off 26,000 workers and temporarily closed the country's cigar factories.

The move, which followed failure of 10 percent of the country's tobacco crop because of disease, and which did involve the loss of as much as \$9 million in badly needed tobacco export earnings, marked a further deterioration in some of the most dire economic difficulties since the 1959 revolution.

According to industry sources, Cuba exports about 125 million cigars abroad annually, primarily to Europe, where the premium brands can command

\$8 to \$10 a cigar at retail prices. The American trade embargo against Cuba prevents sale of the cigars in this country, although some find their way by a variety of routes.

One industry source said it will not be long before the shortage will begin to be felt.

Pre-revolutionary Cuba had a corner on the world cigar market, with an unrivaled reputation for quality and workmanship, according to Larry Garfinkel of Garfinkel Tobaccosists in Washington.

After the revolution, however, the quality of many Cuban brands dropped, in the view of some cigar connoisseurs, although Garfinkel said the top brands remain excellent as well as "expensive as can be."

Friday's closures came two months after Cuban President Fidel Castro tightened his control of key government ministries in an attempt to arrest the year-long decline of the economy.

Although Soviet economic aid to the country is said by State Department sources to total \$3 billion annually, this has not been insulation enough from inflation, low economic growth, declining foreign currency reserves and — Cuban officials themselves increasingly stress — low productivity tied to both management and labor inefficiency.

In addition, the country's key export crop, sugar, has been hit by disease and swine fever has reappeared in the eastern part of the country, Castro said in a speech last Saturday to the third congress of the Cuban Women's Federation.

Castro called for a "special effort for the (sugar) harvest in all the provinces during the months of March and April, and an extraordinary effort in May and June to finish the harvest and do the planting." He highlighted the importance of sugar to the island's economy, "especially now because the current high price of sugar can in part compensate for the effects of the various plagues, like in tobacco."

The U.S. Department of Agriculture estimated Cuba's 1977 tobacco crop at 43,000 metric tons, and the 1978 crop at 45,000 metric tons.

For 1979, when the first outbreak of blue mold disease hit the tobacco crop, the estimate was 30,000 metric tons.

Castro said the 1980 crop was about 5,000 metric tons.

In his speech, Castro said Cuba is suspending tobacco exports for this year and that some tobacco will be imported "to maintain the consumption levels for the population." Informed sources said Cuba already imports quantities of tobacco from Spain.

Blus mold can be effectively treated

with a Swiss fungicide, Ribemil, according to Harvey Spurr, professor of plant pathology at the University of North Carolina, who also conducts research for the U.S. Agriculture Department.

The chemical is expensive, however, and in short supply. The United States, which also was hit with blue mold last year, has been able to buy only enough to treat 40 percent of its crop, Spurr

said. Last year's U.S. and Canadian losses to the disease amounted to \$232 million.

NATIONAL MARITIME DAY

WASHINGTON (AP) — President Carter urged Americans to "honor our American Merchant Marine" on May 22 by displaying the U.S. flag.

Congress has designated that date as National Maritime Day.

Result of survey conducted August, 1980 by The Miniature Makers Society.

QUESTIONNAIRE

- How long have you been making miniatures? 1-5 yrs - 31%; 5-10 yrs. - 41%; 10-15 yrs. - 17%; 15-20 yrs. - 7%; 20-30 yrs. - 3%; 45 yrs. - 1%.
- Is this a family-owned business? 87% How many family members? Average - 1.9
- How many people do you employ other than family members? 25% employ others full time. 11.6% employ part time help.
- Approximately what percentage of your income is from miniatures? 37% - 100% of income.
- If you should leave miniatures, would you have to seek employment elsewhere to support yourself? Yes - 58.9
- Are you: self-employed - 90%
work for a dealer - 5%
sell to stores - 34%
sell at shows - 96%
mail-order - 58%
- Are you: retired - 78%
semi-retired 8%
full time 62%
part time 23% if so, do you have plans to become full time 12%
craftsman - 68%
manufacturer - 23% lecturer - 5%
writer of articles on miniatures - 18%
writer of books - 1%
- Age of owner
20-30 - 4% 30-40 - 27% 40-50 - 26% 50-60 - 31% over 60 - 13%
- Brief description of your miniatures and the media you work with. See bottom
Are they entirely handcrafted? 100% Mass produced? 1%
- Where do you make your miniatures?
home - 47%; studio - 11%; workshop - 12%
If you do not make your miniatures at home, list the square footage of your factory and warehouse.
23% have added to their homes for the miniature business. Average square footage added - 1,712.
- #9 - Media includes wood (42%); silver (1%); fabric (26%); clay (9%); wicker (1%); glass (1%); paper (5%); pottery (4%); metal (13%).

STATEMENT OF THE NATIONAL COMMITTEE ON INTERNATIONAL TRADE
DOCUMENTATION

OUTLINE OF COMMENTS

I. Introduction.—NCITD is interested in simplifying and improving international trade.

II. Position of NCITD.—NCITD supports H.R. 5464.

III. The present drawback law.—The present law permits a refund of duties when materials have been subjected to a manufacturing operation and in certain other cases but does not cover situations contemplated by H.R. 5464.

IV. Purpose of H.R. 5464.—The bill is intended to permit drawback on foreign merchandise which is imported, not used in the United States, and thereafter exported in the same condition as when imported, or destroyed under Customs supervision.

(a) Incidental use if permitted.

V. Benefits of the proposed law.—(1) It will lead to an increase in operations to be done in the United States on goods which are imported and will be re-exported; (2) It will increase the profitability of exporting surplus inventory or goods needed to complete a foreign order.

VI. H.R. 5464 versus present law.—(1) The objective of H.R. 5464 is consistent with present law; (2) Statutory provisions for entry under temporary importation bond or entry into bonded warehouse or foreign trade zone do not adequately cover all circumstances intended to be covered by H.R. 5464.

VII. Benefits to the United States.—(1) The bill is likely to lead to increased U.S. employment; (2) The bill is likely to improve the balance of payments posture through increased exports.

I. INTRODUCTION

Mr. Chairman and members of the Subcommittee on International Trade:

I am Joseph F. Donohue, Jr., a member of the law firm of Donohue and Donohue located at 26 Broadway in New York City. My firm specializes in U.S. Customs and international trade matters. The remarks herein were submitted on March 17, 1980 to the Subcommittee on Trade of the House Ways and Means Committee at which I was accompanied by Mr. John D. X. Corcoran, Manager of Customs and Immigration of the Ingersoll-Rand Company of Woodcliff Lake, New Jersey and Mr. John W. Van Buskirk, President of C. J. Holt & Co., Inc., a Customs brokerage firm in New York City which specializes in drawback matters.

We make this submission as members of the National Committee on International Trade Documentation (NCITD), which is a non-profit organization whose members include large and small companies involved in international trade. A list of the membership is appended to this statement. NCITD conducts research and makes recommendations directed to simplifying and facilitating international trade. Its subcommittee on drawback is particularly interested in assisting its members in problems in the drawback area, and coordinates its efforts with the U.S. Customs Service in any effort to increase the effectiveness and efficiency of the drawback program.

II. POSITION OF NCITD

NCITD supports H.R. 5464. As a matter of fact, as far back as 1977 the drawback committee discussed with the Customs Service the concept embodied by the bill and, as a result of these discussions, initiated steps to amend the drawback law. H.R. 5464 is a result of these efforts.

III. THE PRESENT DRAWBACK LAW

The present drawback law is set forth in Section 313 of the Tariff Act of 1930 (19 U.S.C. Sec. 1313). Briefly, drawback is a refund of duties which have been paid on imported materials. It will be granted upon a showing that imported material, or domestic material of the same kind and quality as the imported material, has been used in the production of an article in the United States which is subsequently exported. This is known as "manufacturing drawback". Also, duties will be refunded as drawback on an imported article which is subsequently exported because it does not conform to sample or specification or is shipped without the consent of the consignee. This is known as "rejected merchandise drawback". Additional provisions for drawback are applicable to specific types of merchandise but are not pertinent here.

There are numerous instances, however, when merchandise is entered for consumption and duty is paid thereon, and for any one of several reasons it is thereafter exported from the United States but does not qualify for drawback under the present law. H.R. 5464 is intended to permit the refund of duty in many of such cases.

IV. PURPOSE OF H.R. 5464

H.R. 5464 provides in substance, that if imported merchandise (1) is not "used" in the United States and (2) is subsequently exported in the same condition as it was in when it was imported, or is destroyed under Customs supervision, the duties, taxes or fees paid thereon will be refunded. Exportation must occur within 3 years after importation. The basic goal of the law is to permit a refund of duties on merchandise which is imported, not used in terms of its ultimate commercial objective, and is exported without having been changed in condition, or is destroyed under Customs supervision. The performing of incidental operations such as testing, packing and cleaning and other operations which do not amount to a manufacture or production operation under the present drawback law, would not constitute a "use" within the meaning of the statute. An "incidental" operation connotes an operation which is subordinate, or of minor significance to the article's intended ultimate purpose. For example, a particular chemical may be produced with the intention of selling it for use as a catalyst. Prior to sale it is imported in bulk and repacked. "using" it in the United States to be repacked would be a permissible use within the scope of this statute.

The exporter must also show that the merchandise was exported "in the same condition as when imported". This requires that the article not be changed in condition after importation and prior to exportation. The repacked chemical referred to above would not have changed in condition. However, an article which is imported in a solid state, for example, and exported as a liquid would not qualify.

V. BENEFITS OF THE PROPOSED LAW

1. *Increase in U.S. operations related to goods to be exported from the United States.*—This bill will permit merchandise to be imported, and assessed with duty, and then stored, tested, cleaned, repacked, inspected, labeled, or subjected to other operations. Upon exportation of the goods, the U.S. exporter will be entitled to recoup 99 percent of the duties paid. The disincentive to do these operations in the United States, resulting from the fact, that the U.S. company has to now absorb the duty or include it in the export price, will be removed, and the merchandise will be more competitive in foreign markets. Under the present law the options are two: either have the operations performed abroad and thus avoid U.S. duty liability, or import the merchandise and perform the operations here and bear the cost of the duty. (These operations can frequently be done in the United States through the use of a bonded warehouse or entry under temporary importation bond, but as will be explained later, there are costs and other restrictions that frequently make these avenues prohibitive or impractical.) If these tasks are done in the United States, there are advantages in the areas of service, shipping, distribution and quality control leading to a greater opportunity to increase export sales. The removal of the duty burden would foster such work in the United States leading to the need for additional facilities and manpower. The increase in employment, and income taxes resulting therefrom, is apparent.

2. *Encourage the exportation of surplus merchandise or goods needed to complete a foreign order.*—The bill would permit an importer with a surplus of inventory, or merchandise which he is not able to sell in the United States for any reason, to export the merchandise and enter it into the commerce of a foreign country at a price which is more competitive than it would otherwise be if he had to recoup duties previously paid. Frequently such a sale is made under conditions which are likely to result in a loss in any event, and the loss is heightened by the inability to recoup the Customs duties. It sometimes happens that a foreign company is unable to complete a foreign sale and may call upon its U.S. affiliate to fill the order with imported merchandise which has been put in its U.S. stock. The recovery of the duty already paid will make the export sale more attractive.

VI. H.R. 5464 VERSUS PRESENT LAW

As indicated earlier, in order to qualify for drawback under Section 313(a) or (b) the imported material, or a domestic substitute, must be used in a manufacturing operation. The operations which are intended to fall within the scope of H.R. 5464 are not manufacturing operations and therefore would not qualify for drawback under Section 313(a) or (b). Furthermore, under Section 313(c), the exporter must

show that the merchandise did not meet sample or specifications. A much broader category of merchandise than that covered by Section 313(c) is intended to fall within the scope of H.R. 5464. Thus, there is no remedy under the present drawback law to obtain a refund of duties upon the exportation of merchandise which meets sample or specifications but has not been subjected to a manufacturing operation.

We suggest that the broad purposes of H.R. 5464 are consistent with the general drawback objectives of encouraging U.S. industry towards greater manufacture and exportation. While it would not foster manufacturing operations, it nevertheless would foster other incidental operations in many cases, and the exportation of the merchandise to foreign markets in all cases. It will further help the U.S. exporter by providing additional flexibility within his marketing structure.

The proposal is also consistent with the concept behind temporary importation bonds, manipulating warehouses and foreign trade zones. Each of these devices permits the performance of certain operations in the United States without requiring the payment of duty as long as the article which is imported is ultimately exported. On first glance, it might appear that these are adequate alternatives and that the proposed law is unnecessary. A close analysis of the requirements of each of these avenues as well as the operations intended to be covered by the present law will indicate that they are not adequate.

For example, merchandise can be imported under a temporary importation bond for testing, processing, and other specified purposes if it is known at the time of importation that the imported article will be exported. A temporary importation bond cannot be used if, at the time of importation, there is not a bona fide intent to export the merchandise. Assume, for example, that a container of lightbulbs is to be imported for testing and that it is not known which ones, if any, will be exported. A consumption entry is filed. If, after importation, the importer decides to export 90 percent of the articles, he will have no vehicle to obtain the duty already paid. If, on the other hand, he posts the temporary importation bond and thereafter does not export the articles he is subject to a liquidated damages action in the amount of double the duties which would have been due. Thus, without a clear knowledge in advance of exactly which articles are to be exported and which will remain in the United States the temporary importation bond procedure is not a practical mechanism.

A bonded manipulating warehouse (19 U.S.C. Section 1562) may be a practical approach when the importer knows in advance that he will be subjecting the articles to certain operations and thereafter exporting them. The importer who determines after importation that he has an opportunity to sell the goods in a foreign market and who has not put them in a bonded warehouse would have no recourse to obtain the duties already paid. In addition, the need for Customs authorities to be present during certain parts of the manipulating operations and for the filing of documents, as well as the cost of bonding and providing adequate safety measures, subjects the importer to substantial charges which could outweigh the duty savings.

A foreign trade zone is subject to the same types of restrictions and costs as the bonded warehouse and the importer who does not have access to a foreign trade zone but thereafter exports the merchandise in the same condition in which imported would not be able to obtain the refund of duty.

It is apparent from the above that there is no inherent objection to refunding duties upon the exportation of the merchandise. The avenues currently available, however, are not adequate or practical for a large segment of the potential exporting community. H.R. 5464 would provide relief consistent with, but unavailable under, the present law.

VII. BENEFITS TO THE UNITED STATES

1. *Increase in U.S. labor.*—To the extent that certain operations currently done abroad would be transferred to U.S. facilities, there would likely be an increase in the domestic labor force needed to perform these jobs. A reduction in unemployment and increases in tax revenues could be anticipated.

2. *Improvement in the balance of payments picture.*—It is difficult to estimate the improved balance of payments picture. However, it seems clear that the proposal will serve as an incentive to exports, and to the extent that it does, the balance of payments posture will be improved.

VIII. CONCLUSION

We appreciate having had the opportunity to present our views on this proposed legislation and we are available for further discussion with the committee staff at any time if it will be helpful.

STATEMENT OF THE CONSUMERS FOR WORLD TRADE

Chairman Ribicoff and Members of the Committee, Consumers for World Trade (CWT), a national non-profit membership organization committed to open, competitive and fair trade, supports the elimination of duty on imported hardwood veneers as proposed in H.R. 6975. No threat would be posed to any American industry by such action as these imports are necessary to supplement an insufficient domestic supply.

Hardwood veneers are used primarily in the manufacture of plywood, furniture and kitchen cabinets, all items necessary in daily life.

Eliminating tariffs on hardwood veneers would be an anti-inflation measure beneficial to the American consumer as it would enable the domestic industry to keep costs and prices down and offer an adequate supply for the needs of the American public.

STATEMENT OF O. KEISTER EVANS, EXECUTIVE VICE PRESIDENT, IMPORTED HARDWOOD PRODUCTS ASSOCIATION

INTEREST OF THE ASSOCIATION

The Imported Hardwood Products Association is an international trade association representing active importers, overseas suppliers and allied industry members. A listing of our importing members is attached.

The imported hardwood industry and the domestic hardwood plywood industry have sought for some time to have duties removed from hardwood veneers. We are fully in support of H.R. 6975.

STATEMENT IN SUPPORT OF H.R. 6975

As a matter of information, H.R. 6975, to reduce permanently to zero the MFN duty on hardwood veneer, covers a variety of imported veneers, the most important being Philippine mahogany, which is used for cores and backs of domestically manufactured hardwood plywood. The current duty on Philippine mahogany is 7 percent. Duties on the other categories in question range from 1 percent to 5 percent. A copy of the appropriate tariff schedule is attached to this statement.

In extending our support for this legislation, we wish to bring to your attention the following points for consideration:

It is important to encourage the importation of hardwood veneers at reasonable prices since the U.S. supply of quality domestic hardwoods is not sufficient to meet the needs of the U.S. furniture, kitchen cabinet and domestic plywood industry.

At a time when inflation is of primary concern to all U.S. citizens, the elimination of these duties should reflect positively our effort to keep consumer costs down in the forest products industry.

A major consumer of imported hardwood veneers is the U.S. domestic hardwood plywood industry, which relies on imported veneers for the production of their product. In 1978, this industry produced 1.5 billion square feet of hardwood plywood. Lower costs of imported veneer will enable the hardwood plywood industry to keep costs and prices down which should reflect favorably in maintaining higher industry employment levels.

The Industry Sector Advisory Committee (ISAC 3), which served in an advisory capacity for lumber and wood products to the recently completed Multilateral Trade Negotiations, recommended that these duties should be eliminated. Unfortunately, such action was not possible due to the legal restraints of the Trade Act of 1974.

H.R. 6975 has been drafted by the U.S. Department of Commerce and has the support of the administration.

We believe that H.R. 6975 is timely and appropriate, and that all implications of the legislation are positive.

To further substantiate the support of our industry members for this legislation, I am enclosing copies of letters sent to the House Ways and Means Trade Subcommittee.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1980)

Page 128

SCHEDULE 2. - WOOD AND PAPER; PRINTED MATTER
Part 3. - Wood Veneers, Plywood, and Other Wood-Veneer Assemblies, and Building Boards

2 - 3 --
240.00 - 240.16

| Item | Stat. Suffix | Articles | Units of Quantity | Rates of Duty | | |
|--------|--------------|--|-------------------|---------------|--------------|-----------------|
| | | | | 1 | DDC | 2 |
| | | Wood veneers, whether or not face finished, including wood veneers reinforced or backed with paper, cloth, or other flexible material: | | | | |
| | | Not reinforced or backed: | | | | |
| 240.00 | | Birch and maple..... | | 1% ad val. | Free | 20% ad val. |
| | 20 | Birch (<i>Betula</i> spp.)..... | M-sq-ft. | | | |
| | 40 | Maple (<i>Acer</i> spp.)..... | M-sq-ft. | | | |
| 240.02 | 00 | Philippine mahogany (almon (<i>Shorea almon</i>), bagtikas (<i>Parashorea plicata</i>), red lauan (<i>Shorea negrosensis</i>), white lauan (<i>Pentacme contorta</i> and <i>P. nindanensis</i>), mayapis (<i>Shorea squarata</i>), tangile (<i>Shorea polysperma</i>) and tiasag (<i>Shorea</i> spp.); maranki (<i>Shorea</i> spp.); red saraya (<i>Shorea</i> spp.); and white saraya (<i>Parashorea</i> spp.)..... | M-sq-ft. | 7% ad val. | 4% ad val. | 20% ad val. |
| 240.03 | | Other..... | | 2% ad val. | Free | 20% ad val. |
| | 20 | Hardwood..... | M-sq-ft. | | | |
| | 40 | Softwood..... | M-sq-ft. | | | |
| 240.04 | | Reinforced or backed: | | | | |
| | | Decorative wood veneers, not face finished, or face finished with a clear or transparent material which does not obscure the grain, texture, or markings of the wood..... | | 5% ad val. | 3.2% ad val. | 33-1/3% ad val. |
| | 20 | Hardwood..... | M-sq-ft. | | | |
| | 40 | Softwood..... | M-sq-ft. | | | |
| 240.06 | | Other..... | | 2% ad val. | Free | 20% ad val. |
| | 20 | Hardwood..... | M-sq-ft. | | | |
| | 40 | Softwood..... | M-sq-ft. | | | |

IMPORTED HARDWOOD PRODUCTS ASSOCIATION—IMPORTING MEMBERSHIP

American Import Co., Long Island City, N.Y.; American Prefinish, Kirkland, Wash.; American International Hardwood Co. Stamford, Conn.

Balmac Forest Products (A Division of Balfour, Maclaine International, Ltd.) New York, N.Y.; Bateman Brothers Lumber Co., Inc., Philadelphia, Pa.; Biwood International, Memphis, Tenn.; Boise Cascade Corp., Portland, Oreg.; Borneo Sumatra Trading Co., Inc.; Rutherford, N.J.; Bryan Sales Co., Louisville, Ky.; Pat Brown Lumber Corp., Lexington, N.C.; Budres Lumber Co., Grand Rapids, Mich.

C. Itoh & Co. (America) Inc. New York, N.Y.; Cambrian Forest Products Inc. Pensacola, Fla.; Canadian Millwork, Inc., Canadian, Tex.; Cariboo-Pacific Corp., Tacoma, Wash., Celta Agencies, Inc., San Juan, P.R.; Clarke Veneers & Plywood, Jackson, Miss., Craig Lumber Corp., Memphis, Tenn.

Daewood International (America) Corp., Carlstadt, N.J.; DG Pacific (Division of DG Shelter Products Co.) Portland, Oreg.; Dean Hardwoods, Inc., Portsmouth, Va.; Dillion Forest Products, Bordentown, N.J.; Drewry International (Ply International Co.), Louisville, Ky.; Duratex North America, Inc.; New York, N.Y.

Froelich Co., High Point, N.C.; Fronville Commercial Co., Inc., Wilsonville, Oreg.; Frost Hardwood Lumber Co., San Diego, Calif.; Fujilumco (America) Inc., Los Angeles, Calif.

GF Co., San Diego, Calif.; Georgia-Pacific Corp., Portland, Oreg.; Gross Veneer Sales, Inc., High Point, N.C.

Harlan Pacific, Inc., Bellevue, Wash.; Hermitage Wood Products, Nashville, Tenn.; Holland Southwest Corp., Houston, Tex.; Hunter Trading Division of Balfour, Maclaine International, Ltd., New York, N.Y.

ICD Group, Inc., New York, N.Y.; Insular Lumber Sales Corp., Philadelphia, Pa.; Interboard International Corp. (Eucatex, S.A.), Fort Lauderdale, Fla.; International Wood Products, Inc., Memphis, Tenn.

K & L International Corp., Inglewood, Calif.; Kaibab Industries, Phoenix, Ariz. Lane Stanton Vance Lumber Co., Industry, Calif.; Litco (Leatherstocking International Trading Co., Inc.), Hartwick, N.Y.

John Lynn & Associates, Inc., Eugene, Oreg.

Macleath Hardwood Co., San Francisco, Calif.; Maclea Sales Co., Baltimore, Md.; Mann & Parker Lumber Co., New Freedom, Pa.; McCausey Lumber Co., Detroit, Mich.; Alan McIlvain Co., Philadelphia, Pa.; Mitsubishi International Corp., New York, N.Y.; Mitsui & Co. (U.S.A.), Inc., New York, N.Y.; Moldingcraft Corp., Bowling Green, Va.; Monroe Lange Hardwood Imports Division (Macrosee Industries Corp.), Massapequa, N.Y.; Montclair Trading Inc., Montclair, N.J.

Nickey Brothers, Inc., Memphis, Tenn.; Northland Corp., La Grange, Ky.

Robert S. Osgood, Inc., Los Angeles, Calif.

O'Shea Lumber Co., Cockeysville, Md.; Overseas Hardwoods Co., Mobile, Ala.

Pacific Wood Products Co., Carson, Calif.; Pacsun International, Inc., Torrance, Calif.; Palmer & Parker Co., Inc., Tewksbury, Mass.; Pan Pacific Overseas Division (Pan American Trade Development Corp.), New York, N.Y.; Penberthy Lumber Co., Los Angeles, Calif.; Ply*Gem Manufacturing Corp., New York, N.Y.; Plywood Detroit, Inc., Warren, Mich.; Plywood & Door Manufacturers Corp., Union, N.J.; Plywood Panels, Inc., New Orleans, La.; Price & Pierce International, Inc., Memphis, Tenn.

Ralli Timber, Inc., Tacoma, Wash.; Robinson Lumber Co., Inc., New Orleans, La.

Samdari International Corp., Portland, Oreg.; Southern Inc., Wilmington, N.C.; Russell Stadelman & Co., Memphis, Tenn.; States Industries, Inc., Eugene, Oreg.; Sumitomo Corp. of America, New York, N.Y.; Sumwood, Inc., Los Angeles, Calif.; Stanton Swafford Co., Inc., San Pedro, Calif.; Swaner Hardwood Co., Inc., Burbank, Calif.; Swett International Corp., Arcata, Calif.

Transpacific Wood, Inc., Burlingame, Calif.; Tumac Lumber Co., Inc., Portland, Oreg.

U.S. and Foreign Trading Corp., Fort Lee, N.J.; United International, Inc., Portland, Oreg.

Van Keulen & Winchester Lumber Co., Grand Rapids, Mich.; Vanply, Inc., Charlotte, N.C.

Welsh Forest Products, Inc., Memphis, Tenn.; Wesco Sales Co., Stayton, Oreg.; Weyerhaeuser Co., Tacoma, Wash.; Otto Wolff America Inc., Houston, Tex.

Wood International, Inc., New York, N.Y.; Wood Markets, Portland, Oreg.

PACIFIC WOOD PRODUCTS Co.,
Carson, Calif., April 15, 1980.

Hon. CHARLES A. VANIK,
Chairman, House Ways and Means Committee,
Subcommittee on Trade,
Washington, D.C.

DEAR CONGRESSMAN VANIK: I would like to enthusiastically endorse and support H.R. 6975 which is before your committee for hearing.

Pacific Wood Products Company is a member of the Imported Hardwood Products Association and has been active in the imported wood products industry for over 25 years.

The domestic hardwood plywood manufacturing industry in this country relies very heavily on the use of imported veneers in the manufacture of US produced plywood paneling. With an increasing shortage situation of quality hardwood veneer supplies in the US, our American industry must rely on imports from overseas to meet the needs of the plywood industry and furniture and cabinet production. Removal of the import duties proposed by H.R. 6975 will benefit both the American wood product industries and the ultimate consumers by bringing products at lower prices.

I urge you to support the bill before you.

Very truly yours,

WILLIAM V. DAVIDSON,
Secretary & General Counsel.

TRANSPACIFIC WOOD, INC.,
Burlingame, Calif., April 14, 1980.

Hon. CHARLES A. VANIK,
Chairman, House Ways and Means Committee,
Subcommittee on Trade,
Washington, D.C.

DEAR CONGRESSMAN VANIK: This letter is in reference to H.R. 6975 to eliminate duty on hardwood veneers. Our Company is solely dependent on the importation of forest products from various producing countries and the sales of these products in the United States.

Our domestic buyers are extremely concerned with the growing shortage of quality hardwoods in the United States. The imports from other countries are necessary to meet these shortages in order to supply the needs of United States industries such as, the furniture, kitchen cabinets and the domestic plywood manufacturers. These industries would definitely incur curtailments in their production and reduced employment if foreign hardwood veneers were not available.

At a time when everyone is concerned with inflation at all levels, the elimination of duties on hardwood veneers should reflect positively in the efforts to keep consumer cost down in the forest products industry. The United States hardwood-plywood manufacturers rely heavily on imported veneer components for core and back veneer in the manufacturing of plywood with a domestic hardwood face.

The duties on hardwood veneers would have been removed during the recent trade negotiations had it been legally possible. We are active members in the Imported Hardwood Products Association, and we strongly support the passing H.R. 6975.

Very truly yours,

JOHN P. BENNETT,
Vice President.

PLYWOOD PANELS, INC.,
New Orleans, La., April 14, 1980.

Hon. CHARLES A. VANIK,
Chairman, House Ways and Means Committee,
Subcommittee on Trade,
Washington, D.C.

DEAR CONGRESSMAN VANIK: Plywood Panels Inc. is a medium sized, independent processor of plywood. We employ about 200 people. Among the many industries benefiting from our existence, we are a substantial customer to the ocean freighting industry. Last year we imported about 60,000 tons of cargo through seven ports—

Vancouver, Washington, Los Angeles, California, Galveston, Texas, New Orleans, Louisiana, Charleston, South Carolina, Norfolk, Virginia, and Camden, New Jersey.

In 1979, we shipped with independent truckers nearly 5,000 truckloads of product from one of our two manufacturing locations (New Orleans, La. and Norfolk, Va.) to points in all states east of the Rocky Mountains.

We have for many years been actively involved in trade activities such as the MTN, Customs Modernization, and Customs Valuation. We have had active company representation on ISAC No. 3 for most of its existence.

Mr. Vanik, the purpose of this letter is to express our unequivocal support of H.R. 6975—The Veneer Bill to eliminate the duty on hardwood veneer.

We believe you have knowledge of all the reasons why the duty on hardwood veneer should be eliminated. We are also quite confident that you will have encountered no opposition to this proposal. Elimination is supported by Government, ISAC #3, the Imported Hardwood Products Association, the Hardwood Plywood Manufacturers Association, the National Forest Products Association, and the constituents these groups represent.

Mr. Vanik, we sincerely appreciate the efforts of you and Congressman Ford of Tennessee to get this matter before your committee.

Sir, we respectfully solicit your full support to see H.R. 6975 is favorably enacted. We would be pleased to be of any assistance you require to this end.

Sincerely,

L. R. HAAN, *President.*

MONROE LANGE HARDWOODS,
Massapequa, N.Y., April 15, 1980.

HON. CHARLES A. VANIK,
*Chairman, House Ways and Means Committee,
Subcommittee on Trade,
Washington, D.C.*

DEAR SIR: Our company is a member of the Imported Hardwood Products Association, Inc. We are supplying imported veneers to the U.S. Hardwood/Plywood manufacturers and others in the wood manufacturing trade utilizing this product.

It is our confirmed opinion that by eliminating the duty on these imported hardwood veneers we will be serving the best interest of the U.S. Plywood, Kitchen Cabinet, Furniture and related trades, due to the fact that there is a world-wide shortage of Hardwood Veneers. By enabling the consuming industries to obtain these veneers at the lowest possible price, it will reduce the inflationary trend of prices and also serve the needs of these consuming industries so that they will have a higher production and employment picture.

We, therefore hope that H.R. 6975 will be passed by the House, and remain
Very truly yours,

MONROE M. LANE, *President.*

C. G. ITOH BUILDING PRODUCTS CO., INC.,
New York, N.Y., April 10, 1980.

HON. CHARLES A. VANIK,
*Chairman, House Ways and Means Committee,
Subcommittee on Trade,
Washington, D.C.*

DEAR CONGRESSMAN VANIK: We are a New York based corporation, actively engaged in the importation and distribution of wood products from overseas sources.

As a active member of the Imported Hardwood Products Association, Inc. of Alexandria, Va. we are writing you urging your support in passing H.R. 6975.

If we are able to eliminate the duty on imported hardwood veneers we may be able to offset some of the heavy price increases brought into our industry by inflation.

We are all aware of the growing shortage of good hardwoods in the United States. If we hinder the import of foreign sources, we will accelerate the already too rapid consumption of our domestic material, and contribute to the depletion of our hardwood reserves which can only force prices upward.

In closing we urge you to do everything possible to pass this important piece of legislation.

Very truly yours,

HARRY BUCKLEY, *Vice President.*

APRIL 14, 1980.

HON. CHARLES A. VANIK,
*Chairman, House Ways and Means Committee,
Subcommittee on Trade,
Washington, D.C. 20515*

GENTLEMEN: This letter is to advise you of our support of H.R. 6975 to eliminate the duty on hardwood veneers.

Our company is an active member of the Imported Hardwood Products Association with the executive offices located in Alexandria, Virginia. We have been active in the imported hardwood business for over thirty years.

There is an ever increasing shortage of high quality domestic hardwood timber to meet the requirements of veneer manufacturers throughout the United States. Also, because the quality of the second and third growth timber is inferior to the original virgin stands, it is necessary to cut an ever increasing numerical number of logs in order to obtain the same identical amount of defect free veneer. This puts a further strain on the domestic hardwood timber supply.

Naturally, this creates a larger demand for the quality domestic trees available which, in turn, increases the asking price from the timber owner, the end result being more inflationary factors being put into the economic picture.

Also, about ninety-eight percent of the imported hardwood veneer is produced in developing countries and the elimination of this duty would encourage our veneer buyers to place larger volumes of business with firms in these developing countries, which, in turn, would benefit all concerned.

We strongly urge your recommending that this bill be voted into law.

Yours very truly,

F. H. WALL, Jr., *President.*

STATEMENT OF RUSSELL C. STADELMAN, PRESIDENT, RUSSELL STADELMAN & CO.,
MEMPHIS, TENN.

As an importer of hardwood veneers, I wish to submit the following statement in full support of H.R. 6975, to reduce permanently to zero the MFN duty on hardwood veneer.

I have been involved in the importation of hardwood veneers from S.E. Asia since 1947, and during that time have made approximately 30 trips to the Philippines and other countries of S.E. Asia. We are a small business, as are most of the other importers of these hardwood veneers. We maintain buying offices in Manila, Philippines, and Kuala Lumpur, Malaysia. There are less than 100 small companies engaged in the importation of these veneers.

The current shortage of high grade hardwoods, which will undoubtedly accelerate in the future, can only be alleviated by the import of needed hardwood veneers from countries like the Philippines. These imports are not replacing domestic materials, but are badly needed to supply the needs of our hardwood plywood, furniture, and kitchen cabinet industries. These imports are needed by our domestic industry to provide employment in the further fabrication into finished products for the production of hardwood, plywood, kitchen cabinets, furniture, and homes.

The present application of excessive duties by U.S. Customs indirectly results in higher cost hardwood plywood, furniture and homes for the average U.S. Citizen. While these duties are excessively high on Philippine (Lauan) veneer, the duties on similar veneer from other countries is much lower, or non-existent.

We note the current efforts to give "most favored nation" status to some imports from former enemy nations. It appears that it would be about time that we support efforts to favor our friends, like the businessmen in the Philippines and other developing countries. This action will encourage our friends, result in lower costs for the U.S. consumer, and will be in the public interest. In the case of the forest products industry, whose average profit is less than 4 percent, the elimination of this duty is most important.

MEMORANDUM IN SUPPORT OF THE BILL BY BETH C. RING OF FREEMAN, MEADE, WASSERMAN, & SCHNEIDER ON BEHALF OF ALLIS-CHALMERS POWER SYSTEMS, INC., ASEA, INC., CHICAGO PNEUMATIC TOOL CO., COGENEL, INC.

SUMMARY

This Statement is submitted in support of passage of H.R. 5464 on behalf of certain major international companies which, among other operations, import heavy mechanical, electrical and transportation equipment classified in parts 4, 5 and 6 of Schedule 6 of the Tariff Schedules of the United States. Many of these products are utilized in large-scale energy projects located throughout the United States. It is respectfully requested that the committee's Report on H.R. 5464 make it clear that "drawback" is not to be denied merely because an importer is unable to document that the imported merchandise was in a defective or damaged condition upon importation.

The inclusion of such clarifying language in the Report would be of particular importance to United States companies which use power generation, power transmission and related energy equipment. The requested language would not cause any adverse consequences to the competitive United States producers.

COMMENT

To qualify for drawback under H.R. 5464, a claimant for drawback would be required to establish that the merchandise is exported in the same "condition as when imported". American Companies which import heavy, high-technology energy equipment face very special problems in verifying the condition of sensitive equipment "when imported" because the condition of such large-scale equipment cannot be determined until after delivery and assembly at the ultimate site in the United States.

High technology equipment (such as large power transformers, generators, and high-voltage circuit breakers) frequently weigh several hundred tons and cost several million dollars. This type of equipment must be transported by ships and railcars which are specially equipped (at significant cost) with sensors and specialized shock absorbers. Thus the condition of the equipment "as when imported" within the meaning of the bill is often unknown until the massive unit reaches its ultimate destination and is made operational. If the unit is discovered to be damaged or defective and must be re-exported, a claim for drawback will only be sustained if it can be proven that the damage or defect was the "condition as imported" rather than a condition arising in transit to the job site after importation. It is simply not possible to uncover the existence of any defect or damage which would justify re-exportation until the equipment is imported, transported to the site, and installed.

In the event an American company could not prove that a defect was present upon importation, H.R. 5464 would likely require the denial of drawback since "strict" (and not merely "substantial") compliance with the drawback laws and regulations is a precondition to drawback. *Carl Matusek Shipping Co., Inc. et al. v. United States*, 51 Cust. Ct. 8, C.D. 2406 (1963).

Under the "strict compliance" doctrine, the Customs Service has, in the past, denied drawback pursuant to the present Section 313(c)¹ for failure to prove the commercially "unprovable".

Two examples of problems actually encountered by heavy equipment importers dramatically illustrate the kind of commercial nightmares which have occurred under the present drawback law. One company imported a transformer which revealed no indication of physical damage upon importation. After arrival at the installation site, it was discovered that the transformer had been damaged at some point in transit. In attempting to sustain a claim for drawback, the importer enlisted the help of a team of engineers and technical personnel to ascertain exactly when and where in the transportation process the damage had actually occurred. At the same time, the Customs Service sought the assistance of technical personnel at

¹ Under Section 313(c), drawback is allowed only upon a positive showing by the claimant that the merchandise failed to conform to "samples or specifications". Such a showing is made by submitting a copy of the purchase order, the sample or specification against which order was made and related documentation. (Section 22.32(b), Customs Regulation; 19 C.F.R. 22.32(b)). See also *Swan Tricot Mills Corporation v. United States*, 63 Cust. Ct. 580, 535, C.D. 3948 (1969). If a drawback claimant does not establish the fact that the merchandise fails to conform to specifications, or otherwise fails in any manner to comply with the regulations, drawback is denied. *Swan Tricot, Supra*. Even wartime restrictions which precluded a claimant from timely exportation did not relieve the claimant from his obligation to comply strictly with the law and regulations, *Roman Trading Co., Inc. v. United States*, 27 Cust. Ct. 84, C.D. 1344 (1951).

the Interstate Commerce Commission and the Federal Maritime Commission in order to determine whether the type of damage to the transformer would ordinarily result during transit from the United States port of importation to the erection site. Since neither the importer nor the Customs Service could ascertain the point of damage, the application for drawback was ultimately denied.

In the second situation, four identical pieces of equipment were manufactured abroad. Two were shipped to the United States, and two remained in the country of origin. One of the units which remained in the country of origin blew up after installation abroad. It was discovered that the accident resulted from a manufacturing defect which was common to all four units. The importer attempted to obtain drawback upon the re-exportation of the equipment to the country of origin on the ground that the equipment contained a dangerous manufacturing defect. Since the two units which entered the United States entered at different ports, the two respective drawback petitions were decided separately by different Customs officials. The Customs Service at one port ruled that the importer did not have to actually install the unit and have it explode in order to sustain a claim for drawback. At the other port, the claim for drawback was initially denied, and was only allowed after extensive argument with the Customs Service.

The proposed language of H.R. 5464 will again create extremely difficult questions of proving the condition of the merchandise "when imported".

Because of the Committee's legislative priorities, we support passage of H.R. 5464 as introduced. However, we request that in its Report, the Subcommittee expressly address the problem of proving the condition of merchandise "when imported". Specifically, we request that the Subcommittee expressly recognize that it may not be possible to ascertain the imported condition of large-scale technical equipment until after it has been delivered to the job site and that the administrative regulations should not be interpreted in such a manner as to deny a claim for drawback where it is unfeasible to document the condition of merchandise when imported.

Support for this position may be found in *Lansing Company, Inc. v. United States*, 77 Cust. Ct. 92, C.D. 4675 (1976), in which drawback under Section 313(c) was permitted upon the exportation of certain defective zippers. In that case, the Government opposed the drawback claim because the plaintiff did not submit purchase orders or specifications to Customs Service officials. The Court allowed the plaintiff's claim but resorted to a legal "fiction" to establish the non-conformity of the merchandise: " . . . when purchasing merchandise, there is no stronger specifications . . . than that which says that *delivered* merchandise will function for the purpose it is designed and intended." (*Supra*, at 95, emphasis added)

Similarly, in *Johnson Motors, Inc. v. United States*, 53 Cust. Ct. 241, Abs. 68702 (1964), certain of a number of imported motor scooters which had been purchased following the testing and sampling of prototype models were subsequently found by the importer and its customers to be defective. In upholding the plaintiff's claim for drawback, the Customs Court concluded that the motor scooters did not conform to the foreign exporter's prototype sample. No showing was made as to when the defect arose. Despite the liberal intent of the *Lansing* and *Johnson* cases, the Customs Service has required "strict compliance" with the drawback laws and regulations and has resisted drawback allowances where difficult questions of proof exist.

We believe that further support for the requested language is found in proposed Section 313(j)(2). This section permits "incidental operations" not amounting to a "use", such as "testing". There is no requirement that the testing take place under Customs Service supervision or within Customs custody at all. There is no prohibition against the transportation of imported merchandise to a job site for "testing".

Therefore, we respectfully urge that the transportation of imported merchandise to a job site for testing be specifically recognized as consistent with a statutory finding of being in the "same condition as when imported," and that where such merchandise is found to be defective, its exportation under the proposed amendment would result in the allowance of drawback.

STATEMENT OF MYRON SOLTER AND DAVID SIMON, ON BEHALF OF THE BOARD OF FOREIGN TRADE OF THE REPUBLIC OF CHINA (TAIWAN)

This statement in support of H.R. 6673, providing for the temporary suspension of duties on water chestnuts and bamboo shoots for three years, is submitted on behalf of the Board of Foreign Trade of the Republic of China (Taiwan) by Myron Solter, Esquire and David Simon, Esquire, whose address is Suite 610, 1900 L Street, N.W., Washington, D.C. 20036. Messrs. Solter and Simon are duly registered as attorneys representing the Board of Foreign Trade, pursuant to 22 U.S.C. 612. The Board of

Foreign trade is an agency of the Ministry of Economic Affairs of the Republic of China (Taiwan).

This statement is summarized as follows:

1. The tariff treatment of water chestnuts and bamboo shoots is summarized.
2. The significance of these products vis-a-vis the agricultural economy of Taiwan is explained.
3. The non-existence of a domestic U.S. industry is established.
4. Support for the bill is reiterated.

It is the position of the Board of Foreign Trade that duties on water chestnuts and bamboo shoots should be temporarily suspended because there is no domestic industry that requires tariff protection; because the extension of duty-free treatment under the Generalized System of Preferences (GSP) to water chestnuts has been ineffective; and because the suspension of duties would provide the opportunity for price reductions in these commodities to ultimate consumers.

1. *Tariff Treatment Of Water Chestnuts And Bamboo Shoots.*—Water chestnuts are currently classified under TSUS item 141.70 if packed in brine or pickled. The headnote to TSUS Schedule 8, Subpart C ("Vegetables, Packed in Salt, in Brine, Pickled, or Otherwise Prepared or Preserved") defines "in brine" as follows: "[T]he term 'in brine' means provisionally preserved by packing in a preservative liquid solution such as water impregnated with salt or sulphur dioxide, but not specially prepared for immediate consumption."

In regard to their tariff history, the Tariff Commission Tariff Classification Study refers specifically to water chestnuts: "Canned waterchestnuts have also been given a separate tariff status as item 141.70. Waterchestnuts make up the largest item of trade in the basket provision of paragraph 775 which has not otherwise been given separate tariff treatment in the revised schedules. Since trade is increasing and a domestic industry is being established, it is believed that separate treatment is justified" (U.S. Tariff Commission, Tariff Classification Study, Explanatory and Background Materials, Schedule 1, page 114 (1960)).

As will be explained below, the domestic industry never materialized, and there is now no commercial U.S. production of water chestnuts, nor is there likely to be such production during the three-year period of the proposed duty suspension.

The pre-MTN column 1 tariff rate for canned water chestnuts imported under TSUS item 141.70 was 17.5 percent ad valorem; the column 2 rate was (and remains) 35 percent ad valorem.

The staged duty reductions on item 141.70, effective on and after January 1 of each year, are as follows (44 Fed. Reg. 72347, 72445 (December 13, 1979)):

Ad valorem duty

| Year: | Percent |
|-----------|---------|
| 1980..... | 14.5 |
| 1981..... | 11.5 |
| 1982..... | 8.5 |
| 1983..... | 7. |
| 1984..... | 7. |
| 1985..... | 7. |
| 1986..... | 7. |
| 1987..... | 7. |

Finally, water chestnuts entered under TSUS item 141.70 have received duty-free treatment under the Generalized System of Preferences since the implementation of GSP (see 40 Fed. Reg. 52275, 52279 (November 26, 1975)). Concomitantly, however, imports from Taiwan have, from 1976 to date, been denied duty-free treatment as a result of the competitive need limitations (*id.*). Because Taiwan supplies nearly all the water chestnuts imported by the United States, the extension of GSP on these articles has had little impact on U.S. imports.

While the GSP designation of water chestnuts has had little economic impact, it does establish that imports of these goods meet the legal requirements for duty-free treatment under the GSP. Hence the domestic industry is not import sensitive in the context of the GSP (in fact, there is no domestic industry; see *infra*), and the probable economic effect of duty-free treatment has been determined to be non-injurious pursuant to section 503 of the Trade Act of 1974.

Frozen water chestnuts, as distinguished from those packed in water, are imported under basket categories of the TSUS. If whole, frozen water chestnuts are imported under item 137.8482, the successor to item 137.8680 (44 Fed. Reg. 72347, 72358 (December 13, 1979)). If sliced, they are imported under item 138.4060, the successor to item 138.5060 (*id.*). These tariff items cover, respectively, whole and

sliced "vegetables, fresh, chilled or frozen * * * other." There is no separate breakout for water chestnuts *eo nomine*.

The tariff categorization of bamboo shoots, unlike that of water chestnuts, was altered as a result of the MTN. Prior to January 1, 1980, these articles were imported under the basket provision of TSUS item 141.81 ("Vegetables (whether or not reduced in size), packed in salt, in brine or otherwise prepared or preserved * * * other"). The column 1 duty rate on those items was 17.5 percent ad valorem; the column 2 rate was 35 percent ad valorem.

As a result of the MTN, a new tariff category, TSUS item 141.78, was provided for "bamboo shoots in airtight containers." The column 2 rate remains at 35 percent, while the column 1 rates are staged as follows (44 Fed. Reg. 72347, 72445 (December 13, 1979)):

Ad valorem duty

| Effective date: | Percent |
|-----------------|---------|
| 1980..... | 14.5 |
| 1981..... | 11.5 |
| 1982..... | 9. |
| 1983..... | 9. |
| 1984..... | 9. |
| 1985..... | 9. |
| 1986..... | 9. |
| 1987..... | 9. |

These articles are not eligible for duty-free treatment under GSP nor has any petition been received requesting such treatment.

Frozen bamboo shoots, being a product that is sliced or otherwise reduced in size, are imported under basket category 138.4060, discussed *supra*.

Canned bamboo shoots were broken out in the tariff schedules as a result of the USDA policy to require a product-specific breakout when tariff concessions were sought by our trading partners on basket provisions during the multilateral trade negotiations.

2. *Significance Of Exports Vis-A-Vis Taiwan.*—Bamboo shoots and water chestnuts, with a venerable heritage of use in Chinese cooking, are significant agricultural products for Taiwan's food export sector. In 1978, canned water chestnuts comprised 3.04 percent of Taiwan's canned food exports by quantity and 2.02 percent by value.¹ At the same time, canned bamboo shoot exports constituted 19.57 percent of canned food exports by quantity and 7.32 percent by value. Bamboo shoots were the largest single canned food export from Taiwan, by quantity, in 1978, in spite of their relatively short pack season (from May through September).

The data in Table No. 1 indicate the magnitude of the relevant industries and their exports to the United States. Significantly, the growth rate of these exports to the United States has been lower than the growth rates of total exports of these articles. Thus, between 1975 and 1978, total exports of water chestnuts from Taiwan grew by 82.8 percent, while U.S.-bound exports grew by 73.9 percent; these exports to the United States, moreover, suffered a 10 percent decline in 1979 versus 1978. Equally disturbing, total exports of bamboo shoots increased by 129.4 percent between 1974 and 1978, while U.S.-bound exports grew by only 35.5 percent.

TABLE 1.—TAIWAN'S EXPORTS OF BAMBOO SHOOTS AND WATER CHESTNUTS

[By quantity; thousands of standard cases]

| Year | Total exports | | | U.S. exports | |
|-----------|---------------|-----------------|---------------|-----------------|---------------|
| | Canned foods | Water chestnuts | Bamboo shoots | Water chestnuts | Bamboo shoots |
| 1975..... | 14,319 | 372 | 1,909 | 348 | 467 |
| 1976..... | 18,386 | 666 | 3,034 | 589 | 566 |
| 1977..... | 19,025 | 872 | 3,543 | 733 | 790 |
| 1978..... | 22,376 | 680 | 4,380 | 605 | 633 |
| 1979..... | NA | NA | NA | 545 | 733 |

¹ Unless otherwise noted, data on Taiwan's water chestnut and bamboo shoot industries are obtained from Taiwan Cannery Association, *Taiwan Exports of Canned Food 1978* (1979).

In view of these less-than-optimal growth rates in exports to the United States, we would urge that the proposed duty suspension, which would obviously benefit the Taiwan export industry, should be implemented—unless there are countervailing considerations such as protection of a U.S. industry to be considered. As will be shown below, there are no such countervailing considerations herein.

In regard to the role of these products in the U.S. market, it is possible to quantify U.S. imports of water chestnuts, but bamboo shoots were not broken out in the tariff schedules prior to January 1, 1980, and are therefore not quantifiable. In 1979, imports of water chestnuts from Taiwan constituted 89.5 percent of total water chestnut imports by quantity (21.2 out of 23.7 million pounds) and 92.2 percent by value (\$7.6 million out of \$8.2 million). The next largest source, Mainland China, supplied 7.6 percent by quantity and 5.0 percent by value.

3. *There Is No Domestic Industry.*—Following discussions with officials of the Department of Agriculture and knowledgeable sources in private industry, we are advised that there is no commercial domestic production of canned or frozen water chestnuts or bamboo shoots.

For some years during the 1969's and early 1970's, a domestic pack for those items was attempted. However, it proved impossible at the time to mechanize the peeling of the skin of the water chestnuts and the fibrous outer portion of the bamboo shoots, and the cost of labor for these operations made non-mechanized production prohibitively expensive in the United States.

Moreover, we are also informed that research into such mechanization has been discontinued. There is therefore no likelihood that a domestic industry will be created during the next three years, i.e., during the proposed duty-suspension period.

As a result, imports of these goods do not compete with any domestic production thereof. Moreover, imports do not compete with substitution products, simply because there is no adequate substitute for these highly specialized ingredients of Chinese cuisine.

4. *Conclusion.*—In conclusion, the Board of Foreign Trade of Taiwan supports the enactment of H.R. 6673 providing for the temporary suspension of duties on water chestnuts and bamboo shoots for three years. It is submitted that there is no U.S. industry, either extant or nascent, to be protected by the current tariffs barrier, and that there is therefore no reason to continue these duties, which increase the cost of goods without increasing their value.

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

SUPPLEMENTAL STATEMENT

Pursuant to Section 2 of the Foreign Agents
Registration Act of 1938, as Amended

MAR 22 1980

For Six Month Period Ending _____
(insert date)

Name of Registrant
BHEGMAN, ABELL, SOLTER & KAY

Registration No.
1970

Business Address of Registrant
1900 L Street, N. W.
Washington, D. C. 20036

I - REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

| | | |
|-----------------------|------------------------------|-----------------------------|
| (1) Residence address | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (2) Citizenship | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (3) Occupation | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

(b) If an organization:

| | | |
|--------------------------|------------------------------|--|
| (1) Name | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (2) Ownership or control | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (3) Branch offices | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

2. Explain fully all changes, if any, indicated in Item 1.

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name

Position

Date Connection
Ended

II - FOREIGN PRINCIPAL

8. Has your connection with any foreign principal ended during this 6 month reporting period?
 Yes No

If yes, furnish the following information:

Name of foreign principal

Date of Termination

-
9. Have you acquired any new foreign principal¹ during this 6 month reporting period? Yes No

If yes, furnish following information:

Name and address of foreign principal

Date acquired

-
10. In addition to those named in Items 8 and 9, if any, list the foreign principals¹ whom you continued to represent during the 6 month reporting period. Taiwan Mushroom Packers United Export Corporation (TMPUEC), Taiwan Asparagus Cannery Export Corporation (TACEC), Taiwan Footwear Exporters Corporation (TFEA), Board of Foreign Trade (BOFT), Taiwan Electric Appliance Manufacturers Association (TEAMA), and China Steel Corporation (CSC).

III - ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9, and 10 of this statement? Yes No

If yes, identify each such foreign principal and describe in full detail your activities and services:

See Attachment

¹ The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)).

A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 200.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity² as defined below?

Yes No

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

See answer to number 11 above.

-
13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals?

Yes No

If yes, describe fully.

² The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a) RECEIPTS - MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise?

Yes No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.³

| <i>Date</i> | <i>From Whom</i> | <i>Purpose</i> | <i>Amount</i> |
|-------------|------------------|----------------|---------------|
| 10/1/79 | DOPT | Retainer | \$ 70,000 |
| 3/18/80 | TMPUEC | Retainer | 30,000 |

\$100,000

Total

14. (b) RECEIPTS - THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁴ other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal?

Yes No

If yes, furnish the following information:

| <i>Name of foreign principal</i> | <i>Date received</i> | <i>Description of thing of value</i> | <i>Purpose</i> |
|--------------------------------------|--------------------------|--|----------------|
|--------------------------------------|--------------------------|--|----------------|

³ A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).

⁴ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

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15. (a) DISBURSEMENTS - MONIES

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement? Yes No (2) transmitted monies to any such foreign principal? Yes No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

| Date | To Whom | Purpose | Amount |
|----------|-----------------|------------------|-----------|
| 10/16/79 | Carderock Corp. | BOFT - Telexes | \$ 291.09 |
| | | CSC - Telexes | 27.52 |
| 11/16/79 | Carderock Corp. | BOFT - Telexes | 128.44 |
| | | CSC - Telexes | 3.06 |
| | | TMPUEC - Telexes | 24.46 |
| 3/21/80 | Carderock Corp. | BOFT - Telexes | 618.07 |
| | | CSC - Telexes | 68.37 |
| | | TMPUEC - Telexes | 67.27 |
| | | BOFT - Telephone | 10.08 |

\$1,238.36

Total

15. (b) DISBURSEMENTS - THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value³ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes No

If yes, furnish the following information:

| <i>Date disposed</i> | <i>Name of person to whom given</i> | <i>On behalf of what foreign principal</i> | <i>Description of thing of value</i> | <i>Purpose</i> |
|----------------------|-------------------------------------|--|--------------------------------------|----------------|
|----------------------|-------------------------------------|--|--------------------------------------|----------------|

(c) DISBURSEMENTS - POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value³ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes No

If yes, furnish the following information:

| <i>Date</i> | <i>Amount or thing of value</i> | <i>Name of political organization</i> | <i>Name of candidate</i> |
|-------------|---------------------------------|---------------------------------------|--------------------------|
| 2/21/80 | \$250.00 | Carter/Mondale Campaign Committee | |

V - POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes No

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

17. Identify each such foreign principal.

³ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

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18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda?

Yes No

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following:

Radio or TV broadcasts Magazine or newspaper articles Motion picture films Letters or telegrams
 Advertising campaigns Press releases Pamphlets or other publications Lectures or speeches

Other (specify) _____

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups:

Public Officials Newspapers Libraries
 Legislators Editors Educational institutions
 Government agencies Civic groups or associations Nationality groups

Other (Specify) _____

21. What language was used in this political propaganda:

English

Other (specify) _____

22. Did you file with the Registration Section, Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period?

Yes No

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes No

24. Did you file with the Registration Section, Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act?

Yes No

VI - EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

- (a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

Exhibit A⁶ Yes No

Exhibit B⁷ Yes No

If no, please attach the required exhibit.

- (a) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period?

Yes No

If yes, have you filed an amendment to these exhibits? Yes No

If no, please attach the required amendment.

⁶ The Exhibit A, which is filed on Form OBD-67 (Formerly DJ-306) sets forth the information required to be disclosed concerning each foreign principal.

⁷ The Exhibit B, which is filed on Form OBD-65 (Formerly DJ-304) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

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26. EXHIBIT C

If you have previously filed an Exhibit C⁸, state whether any changes therein have occurred during this 6-month reporting period.

Yes No

If yes, have you filed an amendment to the Exhibit C? Yes No

If no, please attach the required amendment.

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements, been filed by all of the persons named in Items 5 and 7 of the supplemental statement?

Yes No

If no, list names of persons who have not filed the required statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) his (their) personal knowledge.

(Type or print name under each signature)

(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

MYRON SOLTER

ALAN RAY

Subscribed and sworn to before me at Washington, D. C.

this 7th day of April, 19 80

(Signature of notary or other officer)

⁸ The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause shown upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, Department of Justice, Washington, D.C. 20530.)

ATTACHMENT - ANSWER TO QUESTION 11

Activities on behalf of BOFT:

Myron Solter and/or David Simon did the following:

A. Activities regarding the Generalized System of Preferences:

9/24/79 Appeared before the Trade Policy Staff Committee of the United States Special Trade Representative (STR) in GSP cases #79-7, 8, 23, 24, 25, 26, 27, 28, 30, 31, 35, 36, 54, 55, 56, 62, 71, 79, 80, and 81, proceedings of record. No foreign principals testified or appeared. We supported GSP for each of the listed petitions.

10/16 Letter to Sandra O'Leary, STR GSP Committee re General Operations of the GSP Program (no case number). No foreign principal was directly involved. We advocated the retention of GSP for Taiwan.

12/11 Telcon with Melissa Coyle, STR, re general operations of GSP.

B. Skateboard Investigation (Stevenson v. US ITC CCPA No. 79-12), a proceeding of record:

10/3/79 Presented oral argument.

1/9/80 Filed Petition for Rehearing.

No foreign principal was directly involved. We supported the ITC finding of invalidity.

C. Leatherwear Investigation, ITC investigation No. TA-201-40, a proceeding of record:

11/2/79 Appeared at ITC at preliminary conference.

11/6-7 Appeared at Leatherwear hearings before the ITC.

11/26 Submitted brief to ITC.

2/6/80 Met with Richard Heimlich and Tim Bennett (STR), Joel Spiro (State Department), and William Merkin (Commerce Department).

2/7 Met with Tom Sheldon and Alexander Sierck (Justice Department) and William Barreda (Treasury Department).

2/11 Telcon with Tom Sheldon (Justice Department).

2/14 Telcon with William Barreda (Treasury Department).

2/19 Telcon with Tom Sheldon (Justice Department); and submitted leatherwear brief to STR.

2/25 Letter to Tim Bennett (STR); telcons with Joel Spiro (State Department) and Tom Sheldon (Justice Department).

2/27 Letter to Tim Bennett, STR.

2/28 Telcon with Tim Bennett, STR.

3/3 Telcon with Ann Hughes, STR.

3/4 Met with Ann Hughes, STR.

- 3/10 Telcons with Tom Sheldon (Justice Department); William Barreda (Treasury Department); and Ann Hughes (STR).
- 3/13 Telcon with Tom Bennett, STR.
- 3/18 Telcon with Joel Spiro, State Department.
- 3/18 Letter to Stuart Eizenstate, White House, Domestic Policy Advisor.

No foreign principal was directly involved. One manufacturer testified at the public hearing before the ITC and attended the meetings of February 6 and 7. We advocated a denial of relief by the President.

D. Nuts & Bolts J-List Petition, a proceeding of record before the Bureau of Customs:

- 11/9/79 Presented a brief to the Bureau of Customs.
- 12/10 Telcon with Sam Orandel, Customs

No foreign principal was directly involved. We advocated retention of J-List status.

E. Non-Electric Cookware, ITC Investigation No. TA-201-39, a proceeding of record:

- 11/26/79 Telcon with Karen Alleman at the STR.
- 12/3 Submitted brief to the STR.
- 12/5 Met with Tom Sheldon, Justice Department, and with William Merkin, Commerce Department.
- 12/6 Met with Richard Heimlich and Karen Alleman (STR), Frank Vukmanic and Mary Beasley (Treasury Department), and Joel Spiro and George Gowan (State Department).

No foreign principal was directly involved. We advocated a rejection of relief by the President.

F. Christmas Tree Lamps an inquiry to the STR (no case number):

- 12/4/79 Telcon with Melissa Coyle. No foreign principal was directly involved. We advocated re-extension of GSP on this item.

G. Bicycle Tires & Tubes Countervailing Duty Appeal (Customs Court Docket No. 79-3-00423), a proceeding of record:

- 2/12/80 Telcon with Leonard McNeill, Customs.
- 2/15 Letter to Leon McNeill, Customs.
- 2/27 Telcon with Robert Seely, Commerce Department.
- 2/28 Telcon with Robert Seely, Commerce Department.
- 3/7 Telcon with Robert Seely, Commerce Department.

No foreign principal was directly involved. We advocated affirmation of the Treasury Department negative determination.

H. Color Television Receivers, ITC Investigation No. TA-203-6, a proceeding of record:

- 2/14/80 Attended prehearing conference at ITC.
- 2/28 Submitted Prehearing Brief.
- 3/5-6 Appeared at ITC hearing.
- 3/17 Submitted Brief to ITC.

No foreign principal was directly involved. We advocated termination of OMA's.

I. Temporary Duty Suspension for Bamboo Shoots and Water Chestnuts, a proceeding of record, HR 6673, before the Trade Subcommittee of the House Ways and Means Committee:

- 3/14 Submitted statement in support of HR 6673.
- 3/17 Testified before the Trade Subcommittee.

No foreign principal was directly involved. We supported HR 6673.

Activities on behalf of the China Steel Corporation:

Myron Solter and/or David Simon did the following:

- 2/28/80 Telcon with John Nolan, Commerce Department (no case number).
- 3/12 Met with Linda Pasden, John Kugleman, Commerce Department, re China Steel dumping situation.
- 3/18 Telcon with John Nolan, Commerce Department, re CSC sales of nuclear-grade plate.
- 3/19 Telcon with Linda Pasden and John Nolan at Commerce Department re CSC nuclear plate.

No foreign principal was directly involved. These were informational meetings concerning CSC's response to Department of Commerce questionnaires and concerning possible sales of nuclear-grade plate by CSC in the United States.

Activities on behalf of TMPUEC:

- 2/19/80 Submitted letter to Food and Drug Administration re food labeling investigation, pursuant to 44 Fed. Reg. 75990 (12/21/79).

No foreign principal was directly involved. A letter from the Taiwan Food R&D Institute was submitted describing certain shortcomings of the proposed FDA rule.

FREEMAN, MEADE, WASSERMAN & SCHNEIDER

Before The

UNITED STATES SENATE
COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE

* * * *

IN THE MATTER OF H.R. 5047

CONCERNING THE
TEMPORARY SUSPENSION OF DUTY ON "COLOR
COUPLERS" AND "COLOR INTERMEDIATES"
IMPORTED FOR USE IN THE MANUFACTURE OF
PHOTOGRAPHIC SENSITIZED MATERIAL

* * * *

SUBMISSION ON BEHALF OF
AGFA-GEVAERT, INC.

Freeman, Meade, Wasserman
& Schneider
551 Fifth Avenue
(212) 697-6464

Of Counsel

New York, New York
August 20, 1980

Philip Yale Simons
Louis Schneider

I. INTRODUCTION

This memorandum is submitted on behalf of Agfa-Gevaert, Inc., of Teterboro, New Jersey, an importer and a United States manufacturer of photographic products. Our client supports H.R 5047 as reported out of the Committee on Ways and Means, U.S. House of Representatives and favors the continuation of the duty-free treatment of all "color couplers" and "color intermediates". The suspension of duty for these photographic chemicals is also supported by Minnesota Mining and Manufacturing Company, St. Paul, Minnesota, a United States manufacturer of photographic products.¹

II THE TARIFF CLASSIFICATION OF COLOR COUPLERS AND COLOR INTERMEDIATES

Except for the effective date, H.R. 5047 is identical to the language of the Tariff Schedules of the United States ("TSUS") which provided for photographic color couplers and color intermediates. Tariff Schedule item 907.10 provided for color intermediates:

Cyclic organic chemical products
in any physical form having a
benzenoid, quinoid, or modified
benzenoid structure (provided
for in item 403.60, part 1B, schedule
4) to be used in the manufacture of
photographic color couplers.....Free

1

Testimony of Edwin A. Dubose before the Committee on Ways and Means, U.S. House of Representatives, March 17, 1980.

Tariff Schedule item 907.12 provided for color couplers:

Photographic color couplers (provided
for in item 405.20, part 1C, schedule
4).....Free²

III DESCRIPTION OF COLOR COUPLERS AND COLOR INTERMEDIATES

Color intermediates are organic chemicals which are used to produce color couplers. The term "color couplers" is a term of art in the photographic industry and describes those color-forming chemicals which react with certain other chemicals during the development process. The function of color couplers in photographic products is set forth in detail in the attached Exhibit.

IV HISTORY OF H.R. 5047

H.R. 5047, as introduced¹ by Representative Frenzel, provided for color couplers and color intermediates as follows:

- 913.00 Color couplers used in the manufacture of photographic sensitized material.
- 913.10 Color intermediates used in the manufacture of photographic sensitized material.

Testimony before the Ways and Means Committee established that this language could limit the scope of the tariff provisions then in existence and exclude certain products

² The duty-free treatment for chemicals classified under items 907.10 and 907.12, TSUS, ended June 30, 1980.

which were covered by the then existing law.³ Since this was not the intention of the proposed legislation, the Committee on Ways and Means recommended continuation of the language of TSUS items 907.10 and 907.12:

The Committee made a technical amendment in the bill as introduced to merely change the expiration date of the duty suspension in the two items currently in the Appendix to the TSUS rather than creating two new items with different descriptions. The amendment ensures that the duty suspension will continue to apply to⁴ existing product coverage as intended.

V CONCLUSION

We urge the Committee on Finance to adopt H.R. 5047 as reported out of the Committee on Ways and Means. Enactment of this legislation as reported would ensure that duty suspension would apply to all color couplers and color intermediates, and that products classified under items 907.10 and 907.12, TSUS, would be provided for under the proposed legislation.

³ Testimony of Philip Yale Simons before the Committee on Ways and Means, U.S. House of Representatives, March 17, 1980.

⁴ H.R. Rep. No. 96-1109, 96th Cong., 2d Sess. (1980) at 12.

THE FUNCTION OF COLOR
COUPLERS IN COLOR PHOTOGRAPHY

by

Philip Yale Simons, Esq.

INTRODUCTION

This memorandum will describe the basic concepts of color image formation in color photography. More specifically, it will describe the manner in which color couplers form the image in a color film and color print paper.

The chemistry of color films and print papers is a complicated area of science and technology, and it cannot be easily explained in non-technical language. In this memorandum chemical descriptions are kept to a minimum, and the descriptions of the processes involved are primarily phenomenological.

Basic Concepts

There are several basic concepts that apply to image formation in all color films and papers.

All color found in nature can be produced by the combination of the three primary colors, red, blue and green. Reproduction of these colors in photographic products is accomplished by the "overlapping" of separate layers of complimentary colors: magenta, yellow and cyan (i.e., blue-green)

Color paper, like color film, is comprised of three emulsion layers coated on a photographic base (See, Exhibit I). This three layer structure is often referred to as a

"tri-pack" structure. One emulsion layer is sensitive to red light, another to green light and the third to blue light. Each emulsion layer contains silver halide crystals. Silver halide crystals are the image recording medium. Crystals which are exposed to light form "latent image centers"; crystals which are not exposed to light remain unaffected. During development, the exposed crystals in latent image centers are converted to metallic silver by developing agents; the unexposed crystals are not affected by the chemical solution. In black and white prints metallic silver forms the image; in color papers the silver acts in the manner explained below.

Silver halide crystals are only sensitive to blue light unless "sensitized to other colors". Therefore, certain sensitizing dyes, which are absorbed onto the surface of the silver halide crystals, are added to the "red" and "green" emulsion layers. [For silver halide crystals to become sensitive to green light, an orthochromatic dye is added, whereas a panchromatic dye is added to make emulsion crystals sensitive to red light.] Thus when color paper or film is exposed to light the crystals in the "red" emulsion layer react only to red light, the crystals in the "green"

emulsion layer react only to green light, and the crystals in the "blue" emulsion layer react only to blue light.¹

Color images are formed in color paper and film by the action of substances known as "color couplers". These are chemical compounds which react with other chemicals during photographic development to form permanent dyes. With most color negatives, the color couplers are placed in the emulsion layers of the film. [A cyan (blue-green) color coupler is added to the red-sensitive emulsion layer, a magenta (purple) color coupler is added to the green-sensitive emulsion layer and a yellow color coupler is added in the blue sensitive layer.]²

On the other hand, with color print papers or "reversal" films, the color couplers can be placed either in the film, the paper or the processing solutions. For ex-

¹ In addition to the emulsion layers, there are various other intermediate filtering layers which absorb ultraviolet radiation as well as certain portions of the visible spectra to prevent overexposure of underlying emulsion layers.

² Cyan, magenta and yellow dyes have special absorption properties which allow the dyes to absorb (block) one part of the spectrum and transmit (allow to pass) other portions. Cyan dye absorbs red light and transmits blue and green light, magenta dye absorbs green and transmits blue and red, and yellow dye absorbs blue and transmits green and red. The combination of magenta and cyan appears blue, the combination of yellow and cyan appears green and the combination of yellow and magenta appears red. Thus, each of the primary colors, (red, blue and green) is associated with complementary absorbing dyes (cyan, magenta and yellow)

ample, Ektachrome film contains color couplers in the emulsion layers, while Kodachrome films use color couplers in the processing solutions. [A cyan color coupler is added to the red-sensitive emulsion layer, or the developer which develops the red layer, a magenta color coupler is added to the green-sensitive emulsion layer or the developer which develops this layer, and a yellow color coupler is added in the blue sensitive layer or the developer which develops this layer.]

Further, films and papers which contain color couplers in the emulsion layers can be processed in a developer which contains a color coupler or a "fix-bleach" solution which contains a color coupler. Use of color couplers in this manner improves color reproduction.³

During development of color photographic film and paper, a "developing agent" in the photographic developer reacts only with those silver halide grains which have been exposed to red, green or blue light. This reaction changes ("reduces") those grains to metallic silver. As this reaction takes place oxidation products are released, and the color couplers in each layer "couple" (or condense) with the oxidized developing agent to form a cyan, magenta or yellow dye image in the respective layers.

³ See, U.S. Letters Patent 2,998,314.

Thus, color images in color photographic films and papers are dye images.⁴

Color Development Reactions

Color development reactions are divided into two classes: Autocoupling development involves the reaction of the developer oxidation product with itself to form a dye and primary color development involves the reaction between the oxidized developing agent and a second component called the color "coupler" or "former" to form a dye.⁵

The subdivision of color development reactions is widely recognized by the photographic industry. In The Theory of the Photographic Process (3rd Ed.), supra, at page 384, which is considered to be the "bible" of photographic chemistry, this subdivision is defined as follows:

⁴ This is in contrast to most black and white photographic products in which the image is metallic silver produced by the reaction of exposed silver halide emulsion grains with the developing agent to reduce the silver halide to silver metal. In color photographic films and papers the developed metallic silver is removed in a bleach or bleach-fix step in the development process after the color dye image is formed.

⁵ C.E.K. Mees, The Theory of the Photographic Process (2nd Edition, 1954), at page 584; See also, C.B. Neblette, Photography: Its Materials and Processes (6th Ed., 1972); The Theory of the Photographic Process (3rd Edition, C.E.K. Mees and T.H. James, Editors, 1966) at page 384; and L.F.A. Mason, Photographic Processing (1975) at pages 237-238.

"In most of the chromogenic systems just discussed, the dyes are formed by the oxidizing action of the exposed silver halide from only one component, the developing agent [citation omitted]. This type of dye formation has been called primary color development. The process in which an oxidized developing agent forms the dye by coupling with itself or with its reduced form is referred to as autocoupling color development."

Photographic color systems based on an autocoupling mechanism have not been practical in the past, but photo-products manufactured continue to investigate this area for practical application.

A. Dye Formation by Autocoupling

Dye image formation by autocoupling color developers occurs when an oxidized developing agent couples with itself to form a dye. Dye image formation by this method has been known for over 80 years.⁶

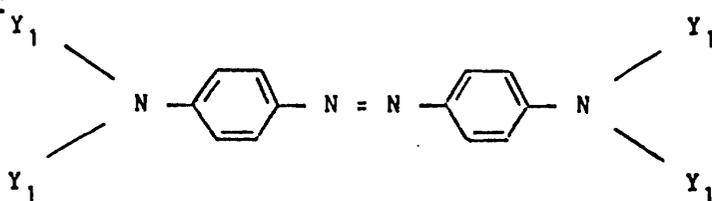
Phenlyenediamines and derivatives thereof are known as weak developing agents. However, under certain conditions these compounds autocouple to form dyes. Gerbaux was the first to establish that p-phenlyenediamines would form dyes under oxidizing conditions when, in 1949, he showed that in

⁶ Supra note 5.

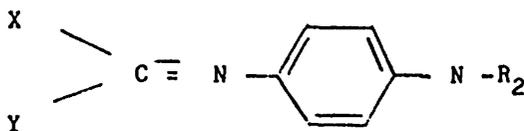
alkaline solutions N, N-bisubstituted p-phenylenediamines form an azo dye.⁷

Under certain conditions, autocoupling and primary color development may occur simultaneously. In a classic study of the electrochemical and dye-forming properties of p-phenylenediamine compounds, R.L. Bent *et al.* have shown that under alkaline conditions (at a pH of 11.0) p-phenylenediamine compounds couple with a primary color coupler, while at the same time autocoupling to form an azo dye.⁸

⁷ R. Gerbaux, Bull. Chem. Soc. Beleges, 58, 498 (1949). An azo dye is one which has the -N=N- group as the chromophore group in its molecular structure. The structure of typical a p-phenylenediamine azo dye is:



This structure is different than a dye formed by primary autocoupling which has the -C=N- group as the chromophore group. The molecular structure of a typical non-azo dye is:

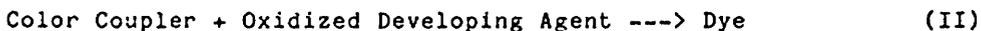
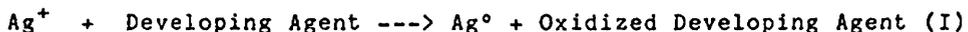


⁸ R.L. Bent, J.C. Desslock, F.C. Duennebier, D.W. Fassett, D.B. Glass, T.H. James, D.B. Julina, W.R. Ruby, T.M. Snell, J.H. Sterner, J.R. Thirtle, P.W. Vittum and A. Weissberger; J. Amer. Chem. Soc. 73, 3100 (1951).

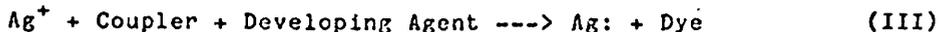
B. Primary Color Development

Most commercial color print papers and film utilize the primary color development mechanism to produce color images. In this reaction the color coupler reacts with oxidized developer (formed when the exposed silver halide emulsion grain is reduced by interaction with the developing agent).

The reaction mechanism to form a dye, in general terms, is:



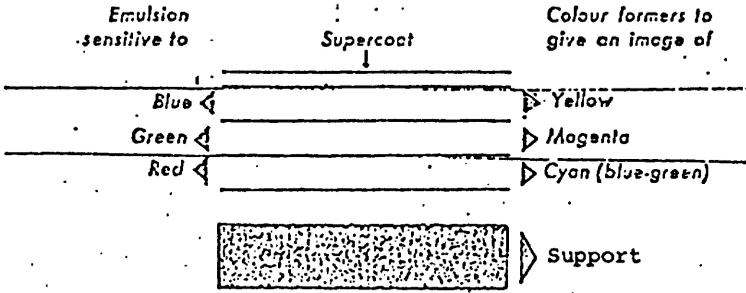
In the first step, represented by Equation I, the developing agent reduces silver halide grains in the emulsion to metallic silver in the area of exposure. During this reduction process the developing agent oxidizes. Subsequently, and as represented by Equation II, the oxidized developer agent reacts (or couplers) with another molecule (the color "former" or "coupler") to form a dye. The overall reaction is represented as:



After development the film or paper is "bleached" and "fixed" to remove metallic silver and unexposed silver

EXHIBIT I

CROSS SECTION OF
A TYPICAL COLOR FILM OR PAPER



halide, leaving only the dyestuffs created by the reactions. The image thus obtained in color print paper and film is composed of dyestuffs only.

There are hundreds of chemical compounds which will function as color couplers during primary color development. However, the identity of the color couplers which are used in commercial products is a closely guarded trade secret. Color couplers are produced by photographic product manufacturers for internal consumption and these chemicals are not commercially available. Further, the color couplers used by one photographic manufacturer in its products are not suitable for use in a competitor's products. A fairly complete list of the chemical and structural formulae of many common color couplers, and the reaction mechanism to form the dye image is given in Mees, supra.

STATEMENT OF THE JOINT INDUSTRY GROUP

The Joint Industry Group urges the Subcommittee on International Trade to report favorably H.R. 5464, legislation to expand, improve and simplify the U.S. Customs duty drawback system. The provisions of H.R. 5464 are incorporated in the House-passed bill, H.R. 5047, referred to as "miscellaneous tariff measures."

The Joint Industry Group represents 14 industry organizations whose members have an ongoing interest in simplifying and improving U.S. Customs law. Attached is a list of the participating associations.

H.R. 5464 would amend U.S. Customs Law (19 U.S.C. 1313) to make drawback available to U.S. firms where it presently is not. It would thereby increase the volume and competitiveness of U.S. exports, and increase the number of U.S. jobs.

CURRENT DRAWBACK LAW AND OTHER PROCEDURES

"Drawback" is the refunding of tariff duties, taxes, and fees paid for imported articles when they are subsequently exported rather than used in the country of importation. The theory underlying the granting of drawback is that it would encourage the production of articles for export in the United States, thus increasing our foreign commerce and aiding American industry and labor. Most countries have systems of drawback which vary in scope and nature. However, the U.S. drawback system, as compared with those of our chief trading partners (the EC countries, Canada, Japan and Australia), is more limited.

The U.S. drawback provisions are presently found in Section 313 of the Tariff Act of 1930, as amended. Drawback is allowed upon the exportation of articles manufactured or produced in the United States with the use of imported merchandise in an amount equal to the duties paid upon the merchandise so used, less 1 percent. Drawback is permitted also upon the exportation of an article manufactured in the United States with the use of domestic material which is of the same kind and quality as the imported material. Drawback is also allowed upon the exportation of merchandise not conforming to sample or specifications or shipped without the consent of the consignee upon which the duties have been paid, and which goods have been entered or withdrawn for consumption and returned to Customs custody for exportation within 90 days after release from Customs custody.

In essence, the U.S. drawback law requires that imported merchandise be subjected to a manufacturing process or be rejected as nonconforming. If a firm imports merchandise for anything other than manufacture or production, and wants to export, or be able to export them without absorbing the duty cost, he most resort to one of several other Customs mechanisms. These mechanisms are the Temporary Importation Bonds (TIBs), the Customs bonded Warehouses, and the Foreign Trade Zones.

DIFFICULTIES WITH ALTERNATIVES TO "DRAWBACK"

There are a number of problems with using these procedures instead of drawback. First, a U.S. firm must know *at the time of importation* exactly where it intends to sell the goods and what it intends to do with the goods. Second, these procedures add to the U.S. firm's costs, and hence, export prices. Third, these procedures entail other restrictions on what a firm can do to meet the needs of its foreign and domestic customers.

The TIBs allow firms to import merchandise without paying any duty at all. However, it leaves the firms with little flexibility to deal with changing circumstances in the market. First, it requires that the firm identify precisely, at the time of importation, which goods in a particular import shipment will be exported. Second, the firm must export the merchandise within the statutory time period, usually one year. However, if that merchandise is not exported within that time period for whatever reason, a penalty equal to two times the otherwise applicable duty is levied against the importer. There are a myriad of different TIBs, all with their particular restrictions as to what the importer may do with the product. The following are examples of the utilization of TIBs: exhibition, repairing/altering/processing, samples to elicit orders, etc. We believe that TIBs are complicated and restrictive to a degree that discourages many companies, especially smaller ones, from using them. But, the real problem is that without clear advance knowledge of exactly which articles are to be exported and which will remain in the United States, the temporary importation bonds are not a practical mechanism.

Bonded Warehouses are also available to U.S. firms. Essentially, there are the following types of bonded warehouses: storage, manipulation, and manufacturing. They allow U.S. firms to import merchandise without having to pay duty. However, in many cases, the bonded warehouses are not practical alternatives for the following reasons: (1) The importer must know prior to importation exactly what he

intends to do with the merchandise; (2) Once the merchandise is in the warehouse, he has limited access to it, and cannot remove the merchandise for any reason without paying duty on it, except when it is sent out for direct export; (3) The warehouses are expensive and users must rent space and pay the services of bonded warehousemen and customs employees who must supervise all activities with respect to the merchandise; (4) Each owner of these warehouses may restrict the type of operations that can be performed in the warehouse; and (5) A firm needs to have a proper bonded warehouse accessible to it, which is often not the case, especially outside major metropolitan areas.

Foreign Trade Zones (FTZ) are also available, but they entail basically the same types of restrictions encountered with the bonded warehouses: limited access, pre-planning costs, availability, etc. Availability is more of a problem with respect to FTZs because there are only a limited number of FTZs in operation today across the country.

In addition to the problems discussed above with these alternative procedures, they provide no relief for the firm which imports merchandise for domestic sale, discovers there is no domestic demand for it, and has to return it to its foreign source, or sell it in another foreign country to avoid significant financial loss.

HOW H.R. 5464 WOULD AMEND CURRENT LAW

H.R. 5464 would amend 19 U.S.C. 1313 to make drawback available in situations where a U.S. firm does something less than manufacture the imported article before its export, such as testing, cleaning, repacking, inspecting, and so on. Of course, the imported article could not be "used" in the United States and still qualify for drawback. It therefore, in most cases, would allow U.S. firms the choice of avoiding resort to the use of the cumbersome procedures discussed above; and it would give U.S. firms more flexibility in meeting domestic and foreign customer demands—without having to pay nonrefundable duty on goods that are not used in the United States.

H.R. 5464 would provide for drawback on goods that are exported in the same condition as they were imported. It would also provide drawback on merchandise with respect to which incidental operations are performed, i.e., operations that do not amount to manufacture or production for purposes of qualifying for drawback under present law. Under the bill, such operations would not amount to a "use" of the article in the U.S. which would automatically eliminate the ability to get drawback.

Simply stated, the legislation would allow: (1) Exporters the option to do internally (and therefore more efficiently) certain operations that they cannot do under present law and still receive drawback; (2) Exporters to receive the drawback in those instances in which the merchandise imported was not used and they were unable to anticipate the need to export.

BENEFITS FROM H.R. 5464

The Joint Industry Group believes a number of significant benefits will result from enactment of H.R. 5464:

(1) *Increased Competitiveness of U.S. Exports.*—The bill would allow firms to more efficiently and effectively serve their foreign and domestic customers from a U.S. base. These cost savings translate into more competitive export prices. For example, firms would have flexibility to export products (without having to absorb the duty cost) originally assigned to a U.S. inventory that are needed to serve their foreign customers and to compete in world markets. Likewise, firms could sell goods originally planned for export to domestic customers without paying a penalty as is now the case with TIBs. The bill would allow firms to export or return more economically inventory, or other imported goods for which there has turned out to be little domestic demand. It would allow firms to reduce their transportation (and hence energy) costs because they would be able to consolidate shipments of multiple items to a distribution or operations point in the U.S. without having to worry about the restrictions in TIBs, bonded warehouses, and foreign trade zones.

(2) *Increased Volume of U.S. Exports.*—To the extent more import/export operations are expanded in the U.S. rather than in other countries due to the increased drawback flexibility, exports would be expanded. Exports would also be encouraged because U.S. firms would not have to absorb the duty costs if they decide they need to export a good rather than sell it domestically.

(3) *Increased U.S. Jobs.*—By greatly simplifying and expanding the availability of drawback, the bill would encourage firms to establish, maintain, or expand their distribution centers and other operations here in the United States. This will, of course, mean more jobs for U.S. workers, especially in the areas of distribution.

(4) *Longer term increase in U.S. tax revenues.*--Through the increased economic activity that results in more taxable corporate and individual income.

ADMINISTRATION

We believe that this new law could be administered with little difficulty. The question of administrative ease would depend upon what documentation or procedures the Customs Service would require to document the importation, the subsequent exportation, and the fact that the merchandise was not "used" in the United States. Customs already administers the present drawback law through use of documentation and audit procedures. The expanded drawback system could be easily integrated into these existing administrative procedures.

REVENUE IMPACT

While it is too difficult to estimate the amount of revenues that may be lost or gained as a result of this legislation, we believe that whatever revenue losses there might be, will most likely be significantly offset by the revenues from increased economic activity.

We believe that in allowing more flexibility for export operations in the U.S., the bill would encourage the expansion of operations here in the U.S. This increased economic activity would produce greater taxable corporate and individual earnings which might otherwise be foregone.

In many cases, this legislation will result in firms paying some duty where presently they pay none at all, either because they use TIBs, bonded warehouses and/or foreign trade zones. The Treasury would retain 1 percent of the duty collected, and would, significantly, have use of these funds, interest free, for up to three years.

Attachment.

THE JOINT INDUSTRY GROUP

The Air Transport Association of America which represents nearly all scheduled airlines of the United States.

The American Electronics Association which has more than 1,200 electronics companies in 42 states. Its members are mostly small to medium in size, with more than half employing fewer than 200 people.

The American Importers Association representing over 1,100 companies, mostly small to medium in size, plus 150 customs brokers, attorneys and banks.

The Chamber of Commerce of the United States representing 89,000 companies, 1,293 trade associations, 2,600 state and local Chambers of Commerce and 43 Chambers of Commerce overseas.

The Cigar Association of America which includes 95 percent of all U.S. cigar sales and major cigar tobacco leaf dealers.

The Computer and Business Equipment Manufacturers Association including nearly forty members with 750,000 employees and \$45 billion in worldwide revenues. Members range from the smallest to the largest in the industry.

The Council of American Flag Ship Operators which represents the interests of the American Liner Industry.

The Electronics Industries Association, its 287 member companies, which range in size from some of the largest American businesses to manufacturers in the \$25-50 million annual sales range, have plants in every state in the Union.

The Foreign Trade Association of Southern California which represents 450 firms in Southern California in the import-export business.

The Imported Hardwood Products Association, an international association of 250 importers, suppliers and allied industry members. Members handle 75 percent of all imported hardwood products and range in size from small private businesses to the largest in the industry.

The International Committee of the Los Angeles Area Chamber of Commerce.

The Motor Vehicle Manufacturers Association, whose eleven members produce 99 percent of all U.S.-made vehicles.

The National Committee on International Trade Documentation, which includes many of the major U.S. industrial and service companies.

The Scientific Apparatus Makers Association, manufacturers and distributors of scientific, industrial and medical instrumentation and related equipment.

The U.S. Council of the International Chamber of Commerce, a business policy-making organization which represents and serves the interests of several hundred multinational corporations before relevant national and international authorities.

PEGLERS INC.,
Corte Madera, Calif., August 12, 1980.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

MR. CHAIRMAN: The above-cited measure was approved by the House of Representatives on July 21, 1980 with at least two-thirds of the membership voting in favor of such approval.

It is earnestly requested that you take the necessary steps to have your Senate Finance Committee and Senate also vote to approve this measure this year.

We realize that this current Congress is rapidly drawing to a close, and that all pending measures will die with it if not enacted. However, this bill is strictly a trade measure which will certainly stimulate business at a time when business is being hard hit by a Depression and inflationary pressures.

We are primarily interested in the "drawback" provisions of Section 201 which would give U.S. firms more flexibility in meeting customer demands without having to pay non-refundable duties on imported merchandise that is not used within the U.S. Thus, exporters would receive drawback in those instances in which the merchandise imported was not used and the need to export could not be anticipated.

The principle of drawback already exists in current customs law but it lacks flexibility. For example, under present drawback provisions, if a firm imports merchandise for anything other than use in the manufacturing process and wants subsequently to export the imported product without absorbing the duty cost, it must resort to one of several other customs procedures, such as a temporary importation bond, a customs bonded warehouse, or a foreign trade zone.

During the House Ways and Means Hearings, it was brought out that there are a number of problems with using these alternative procedures instead of the desired drawback. For example, a U.S. firm must know at the time of importation, exactly where it intends to sell the goods. These procedures also entail other restrictions on what a firm can do to meet the needs of its foreign and domestic customers.

Under this proposed Section 201, the drawback provision would only be operable provided the merchandise was never used in the U.S. and was in substantially the same condition as when imported. Routine maintenance would be permitted, such as testing, cleaning, repacking and inspecting the merchandise itself. The imported merchandise, however, could not be used to test other merchandise.

We feel that this measure would not only be of great assistance to business in a period of great economic stress but that it would also meet any and all standards of equitable practice and be fair to the country as a whole at the same time.

Inasmuch as there has been substantial business conducted in this area so far during the current calendar year, it is recommended that this pending measure be amended to make it retroactive to January 1, 1980 provided that such a revision would not unduly delay the legislative process.

The U.S.A. operates at a disadvantage in this area in comparison with our international competitors in Europe and Asia. You have an opportunity to redress this situation and provide a much needed stimulus to our economy.

Sincerely yours,

M. J. GRAHAM, *President.*

TRANS-GLOBAL METALS, INC.,
San Rafael, Calif., August 12, 1980.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: The above-cited measure was approved by the House of Representatives on July 21, 1980 with at least two-thirds of the membership voting in favor of such approval.

It is earnestly requested that you take the necessary steps to have your Senate Finance Committee and Senate also vote to approve this measure this year.

We realize that this current Congress is rapidly drawing to a close, and that all pending measures will die with it if not enacted. However, this bill is strictly a trade measure which will certainly stimulate business at a time when business is being hard hit by a Depression and inflationary pressures.

We are primarily interested in the "drawback" provisions of Section 201 which would give U.S. firms more flexibility in meeting customer demands without having to pay non-refundable duties on imported merchandise that is not used within the

U.S. Thus, exporters would receive drawback in those instances in which the merchandise imported was not used and the need to export could not be anticipated.

The principle of drawback already exists in current customs law but it lacks flexibility. For example, under present drawback provisions, if a firm imports merchandise for anything other than use in the manufacturing process and wants subsequently to export the imported product without absorbing the duty cost, it must resort to one of several other customs procedures, such as a temporary importation bond, a customs bonded warehouse, or a foreign trade zone.

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We feel that this measure would not only be of great assistance to business in a period of great economic stress but that it would also meet any and all standards of equitable practice and be fair to the country as a whole at the same time.

Inasmuch as there has been substantial business conducted in this area so far during the current calendar year, it is recommended that this pending measure be amended to make it retroactive to January 1, 1980 provided that such a revision would not unduly delay the legislative process.

Very truly yours,

MICHAEL L. GEIGER, *President.*

J. C. PENNEY CO., INC.,
Washington, D.C., August 22, 1980.

Re H.R. 5464—Drawback of Customs Duties

Hon. ABRAHAM RIBICOFF,
Chairman, Subcommittee on International Trade, Committee on Finance, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR RIBICOFF: J. C. Penney Co., Inc. ("Penney's") supports H.R. 5464, a bill "to amend the Tariff Act of 1930 in order to permit drawback for imported merchandise that is not used in the United States and exported or destroyed under Custom supervision."

The bill would permit a drawback of 99 percent of the duty paid on imported merchandise under certain conditions. These conditions are that the merchandise not be used in the United States and, within a 3-year period beginning on the date of importation, the merchandise be exported in the same condition or destroyed under Custom supervision.

Under current law "same condition drawback" is not allowed. Accordingly, when importers such as Penney receive defective merchandise and would prefer to return the merchandise to the foreign supplier, it is not possible to obtain a complete refund of the duties paid upon importation. Under H.R. 5464 as proposed, this would become possible as long as the merchandise was not altered in the United States and as long as it was exported within a 3-year period.

Penney believes that "same condition drawback" should be part of U.S. law and urges that the Subcommittee approve it.

Respectfully submitted,

JOHN B. PELLEGRINI, *Senior Attorney.*

PREPARED STATEMENT OF DR. THEODORE JULA, SENIOR RESEARCH GROUP LEADER,
THE POLAROID CORP.

Mr. Chairman, the Polaroid Corporation is grateful for this opportunity to submit our views in support of H.R. 5047. Although Polaroid is primarily known as a manufacturer of innovative photographic products, many of the materials that are used to manufacture our cameras and film are also being improved and undergoing change.

One of these materials is the subject of Section 108 of H.R. 5047—trimethylene glycol di-p-aminobenzoate, also referred to as TMAB. Originally introduced in the

House of Representatives as H.R. 6278 by Congressman James Shannon of Massachusetts, Section 108 would suspend until June 30, 1983, the import duty on TMAB.

I. USES AND DESCRIPTION OF TRIMETHYLENE GLYCOL DI-P-AMINOENZOATE

TMAB is a safe, non-toxic, diamine curing agent which has been tested and found suitable for use by the cast urethane industry in the manufacture of a wide range of industrial, consumer and military products, ranging from roller skate wheels to nuclear weapons to the gears on heavy machinery to coatings on Polaroid Land camera parts.

TMAB was developed by Polaroid as a safe alternative for the known carcinogen, 4,4'-methylene bis (2-chloroaniline), commonly known as "MOCA". MOCA is currently in widespread use by the urethane industry throughout the United States—an industry composed primarily of small processors. MOCA is subject to regulatory standards of the states of Michigan and California, and will be subject to regulatory standards expected to be issued in late 1980 or early 1981 by the Occupational Safety and Health Administration.

In fact, in 1973 OSHA did publish a standard setting a zero exposure limit for MOCA, which could have effectively banned its use. This standard, however, was overturned on procedural grounds in an appeals court. The court did uphold OSHA's responsibility to impose exposure limits in light of the scientific data on the carcinogenicity of MOCA. California on its own adopted the OSHA exposure levels and many processors expect other states to follow suit. Michigan recently imposed a standard several times more restrictive than the California/OSHA standard.

TMAB is considered by industry sources to be the closest substitute for MOCA now available. E. I. Du Pont, the inventor and, until recently, the largest MOCA manufacturer in the world, evaluated TMAB and publicly assessed it as the only satisfactory MOCA replacement they had seen (see Attachment A). In the process of manufacturing polyurethane products, MOCA (the curing agent) is combined with a urethane prepolymer to form an intermediary product, cast urethane elastomer. This is a liquid then cast by the processor into its final form. The prepolymer used with MOCA is derived from toluene diisocyanate (TDI). This combination is known as the TDI system.

An alternative case elastomer system is MDI, employing methylene diisocyanate as the prepolymer with other curing agents. Although the MDI system results in a polyurethane product, it is not directly interchangeable with the end product of the TDI system. MDI polyurethanes display inherent inferior physical (strength) properties to TDI polyurethanes. They are also much more difficult to process and work with, and yield losses are significant in comparison with TDI polyurethanes. In addition, many processors are reluctant to change from the TDI to the MDI system because of the latter's increased need for process control.

The Chemical Abstract Number for trimethylene glycol di-p-aminobenzoate is 57609-64-0. Its trademark name is Polacure No. 740M, and is also known as 1,3-propanediol-di-para-aminobenzoate.

II. SOURCES OF PRODUCTION

A. Trimethylene Glycol Di-p-Aminobenzoate (TMAB)

There are currently no commercial producers of TMAB in the United States. Polaroid developed it in test quantities only and does not have existing capacity or raw material position to manufacture it commercially. TMAB is presently manufactured by only two companies in the world, both located in Europe. They are A.B. Bofors of Sweden and Dynamit Nobel A.G. of West Germany. Their activity with TMAB has been at Polaroid's request after Polaroid was unable to develop a domestic source.

In addition, availability of the two chemical raw materials is also limited. The two chemicals necessary for the production of TMAB are p-nitrobenzoic acid and trimethylene glycol (1,3-propanediol) is manufactured in volume at only two companies in the world, both located in Europe. The p-nitrobenzoic acid is currently manufactured by three firms, one in Sweden, one in West Germany, and E. I. Du Pont Corporation in the United States. Du Pont has told Polaroid that its capacity for producing this acid is severely limited, and it will not be able to meet the long term volume requirements necessary for production of TMAB. Du Pont now buys some of its p-nitrobenzoic acid from the European manufacturers to fill its own requirements.

As noted above, Polaroid does not have existing capacity or raw material position to manufacture TMAB in commercial quantities. Because the production of this chemical is inherently more expensive than that for MOCA and its future market is uncertain, the company has determined that investment in production facilities in

the U.S. is not warranted at this time. Polaroid made an extensive search of American firms and was unable to find another U.S. chemical company which could undertake commercial production of TMAB at costs even competitively close to the quotations received from the European firms. Even Du Pont stated they could not make it economically due to lack of capacity and non-competitive costs on their captive production of the key raw material.

In order to meet and to develop a U.S. market demand for TMAB, Polaroid has decided to try initially to market this curing agent imported from one of the two European companies. For the commercial volumes needed during the first several years of market introduction, both Dynamit Nobel and A.B. Bofors have indicated they would use existing manufacturing capacity in West Germany and Sweden, respectively.

We plan to begin marketing TMAB in the United States shortly. The initial volume of trade is anticipated to be between 80,000 to 125,000 pounds of TMAB for fiscal year 1981, with potential for increasing to 200,000 to 400,000 pounds per year for fiscal years 1982 and 1983. The potential market for this chemical within the United States by the end of fiscal year 1983 could exceed 5 million pounds per year if the OSHA standards to be announced essentially preclude the use of MOCA. Once volumes over 1,500,000 pounds per year are projected, it would justify building a domestic facility dedicated to production of TMAB. It would take approximately 18 months to get such a facility operational.

The cast urethane industry needs a MOCA substitute due to carcinogenicity of MOCA and due to cessation of MOCA manufacturing in the U.S., both by Du Pont and by Anderson Development Company in Michigan, closed down by order of the Michigan Department of Natural Resources. Several hundred processors have evaluated samples of TMAB and most have found it equal or superior to MOCA and have stated they would switch if supply is assured and if the economic penalty is not too severe. Some users are not cost sensitive and would be willing to pay a premium price within reason.

If demand in the United States proves sufficient to require greater manufacturing capacity, Dynamit Nobel and A.B. Bofors have both stated that they would be interested in expanding their plant facilities in the United States to carry out first the final manufacturing steps for TMAB, and eventually the initial manufacturing steps and the manufacture of the required raw materials (see Attachments B and C respectively).

This would result in expanded employment opportunities in the U.S., both in the construction and operation of the new facilities, directly creating an estimated 40 jobs, and indirectly an even greater number. In addition to providing the U.S. chemical industry with the capability to produce TMAB, the new facilities could also contribute to production in the U.S. of chemicals now economically available only from foreign sources.

B. 4,4' Methylene bis (2-Chloroaniline) (MOCA)

There are now no domestic producers of MOCA. The E.I. Du Pont Corporation ceased production and sale of it in December of 1978. The last remaining domestic producer, Anderson Development Company of Adrian, Michigan, was shut down in mid-1979 under order of the Michigan Department of Natural Resources for violations of environmental laws directly associated with the production of MOCA.

Industry sources estimate that inventories of domestically-produced MOCA are depleted, and all quantities of this toxic curative agent now being sold in the United States are imported. Japan is the principal source for these imports.

Because it is a known carcinogen, industry analysts project that worldwide production of MOCA will eventually be drastically reduced, if not completely phased out. Major U.S. manufacturing firms, such as General Motors and Goodyear, have discontinued its use, turning instead primarily to inferior polyurethane products. There is considerable concern among polyurethane processors that a worldwide shortage of the curing agent could develop. This reinforces the need for quick passage of H.R. 5047.

III. COSTS OF PRODUCTION

Cost is the major factor that will determine the success of efforts to introduce TMAB in the U.S. market. This curing agent is inherently more expensive to manufacture than MOCA because raw material costs are approximately twice those for MOCA and the TMAB manufacturing process has three steps versus two for MOCA. This cost factor will be especially crucial during the introductory years until sufficient demand has been established to gain the manufacturing efficiencies of scale and permit the establishment of dedicated, high volume U.S. manufacturing facilities. As noted above, Polaroid has determined that the least expensive sources of TMAB at this time are the two European producers. They both have existing

capacity to manufacture introductory commercial volume, and both are basic producers of the key raw material, p-nitrobenzoic acid.

A major additional component of the cost of this product imported into the United States is the tariff. Under the revised chemical tariffs negotiated during the Multilateral Trade Negotiations, TMAB is now imported under TSUS Item No. 405.09, at an increased rate of duty—15.6 percent ad valorem, plus 1.7 cents per pound. (TMAB was previously imported under TSUS Item No. 403.6065 at a rate of 12.5 percent ad valorem, plus 1.7 cents per pound. It should be noted that this duty increase was not intentional. It results because TMAB, although produced only in test quantities in the U.S., was registered by Polaroid in compliance with the Toxic Substances Control Act and therefore included in a basket category of products manufactured in the United States subject to a higher rate.)

MOCA is currently selling in the U.S. at the rate of several million pounds per year at prices to users of about \$3.00 per pound. The potential market for TMAB within the United States is in the range of 8 to 10 million pounds per year, providing competitive pricing could be eventually offered.

If the U.S. import duty is temporarily suspended, it is anticipated that TMAB can be introduced commercially at a price close to \$6.50 per pound. If the duty suspension is not granted, initial pricing will definitely exceed \$7.50 per pound (probably in the \$7.50 to \$8.00 per pound range), and it is doubtful that commercialization would proceed. In high volume and produced in a plant in the United States, a commercial price for the curing agent of under \$5.00 per pound can be estimated.

Suspension of the duty would, therefore, encourage the use of this alternative to the known carcinogen, MOCA. It would also reduce the inflationary impact on processors who decided to purchase TMAB in place of MOCA.

IV. REVENUE EFFECT OF SUSPENSION OF DUTIES ON TRIMETHYLENE GLYCOL DI-P-AMINOBENZOATE

Based upon our present best estimates of the level of importation of TMAB we expect to achieve for fiscal years 1981 through 1983, the ranges of duty payments involved if import duties were to be paid at an assumed cost of \$5.00 per pound, would be approximately: 1981—\$64,000 to \$100,000; 1982—\$159,000 to \$319,000; and 1983—\$159,000 to \$319,000.

Because TMAB has not been imported in quantity in the past, there will be no loss of revenue to the U.S. government as a result of the suspension of import duties. Indeed, if relief from import duties is not granted, it will probably not be economically feasible to import this material.

V. SUMMARY OF ARGUMENTS FOR SUSPENSION OF DUTIES ON TRIMETHYLENE GLYCOL DI-P-AMINOBENZOATE

In conclusion, the Polaroid Corporation respectfully urges the Committee to approve this legislation to suspend the duties on trimethylene glycol di-p-aminobenzoate until June 30, 1983, for the five reasons outlined below. The time frame should be sufficient to determine whether there is a viable market for this curing agent in the United States, ultimately leading to construction and operation of a manufacturing plant in the United States, both for the end chemical TMAB and for its key raw material, p-nitrobenzoic acid.

A. It would facilitate introduction and use in the United States of the best available alternative for a known carcinogen, of which a shortage may be looming. TMAB is inherently more expensive to produce than the known carcinogen MOCA, for which it is a direct substitute. TMAB is currently available on competitive terms from only two European firms, and the duty is a major factor in the cost of the curing agent.

Consequently, this bill would help promote use in the U.S. cast urethane industry of a safe, non-toxic curing agent.

B. It would reduce the inflationary effect on the cast urethane industry of substituting TMAB for MOCA. Chemical companies who choose to purchase the more expensive TMAB will incur increased costs, which would then be passed on to consumers. The duty suspension bill would help alleviate the impact of this increase.

C. It would not injure U.S. producers or workers. Because there are no domestic producers of either TMAB or MOCA, neither chemical firms in the United States, nor their employees, would be harmed by the proposed suspension of duties. In fact, it would reduce exposure by many hundreds, and eventually thousands, of U.S. workers to a known carcinogen.

D. It could lead both to the creation of jobs in the United States and to increased capability of the American chemical industry. If there proves to be a viable market

in the United States for TMAB, both European producers have indicated they would definitely consider expanding their U.S. production facilities to meet the demand. This would create new jobs during both the construction and operation of the new facilities.

E. It would have no immediate direct effect on revenues of the U.S. government. Because TMAB is not now imported into the United States in any quantity, suspension of the import duty would not result in an immediate direct loss of revenue.

Again, we appreciate the opportunity to present our views to the Committee and appreciate your consideration of Section 108 of H.R. 5047. Because the time remaining in this session is short, we urge the Committee to take rapid action on the legislation and ensure that its noncontroversial character is maintained.

[Attachment A]

E. I. DU PONT DE NEMOURS & Co., INC.,
ELASTOMER CHEMICALS DEPARTMENT,
Wilmington, Del., July 26, 1979.

Mr. RICHARD E. BROOKS,
Manager, Commercial Development,
Polaroid Corp., Cambridge, Mass.

DEAR DICK: I understand from your letter of July 6, 1979 that you are proceeding to submit an application for duty suspension for TMAB (Polacure® No. 740M) urethane curative. I feel this is a sound action since the price of 4,4' methylene bis (2 chloroaniline), the competition, is substantially lower than that projected for TMAB. As you know, we have studied the manufacturing economics of TMAB and found that due to market uncertainties, lack of available capacity and the need for substantial investment, it was not prudent to consider domestic manufacture of this material.

Since we terminated MOCA® production in December of 1978, Anderson Development Company had been the only domestic manufacturer of 4,4' methylene bis (2 chloroaniline) until it was shut down by the State of Michigan Department of Natural Resources. Since Anderson is shut down, only foreign sources of this material remain. However, capacity is less than demand and I feel domestic urethane processors will feel this shortage during the third quarter.

Previously we have stated that TMAB comes as close to being a MOCA substitute as any material we have evaluated. Economics undoubtedly will be a major hurdle and any relief you can obtain which would minimize the inflationary impact of TMAB's pricing vs. 4,4' methylene bis (2 chloroaniline) would be most helpful in establishing a market for TMAB.

Sincerely yours,

MARVIN T. KUYPERS,
Marketing Manager, Urethane Products.

[Attachment B]

DYNAMIT NOBEL AKTIENGESELLSCHAFT,
SPARTE CHEMIKALIEN,
Troisdorf-Oberlar, July 24, 1979.

Re. Polacure.

Dr. SHELDON A. BUCKLER,
Senior Vice President,
Polaroid Corp., Cambridge, Mass., U.S.A.

DEAR DR. BUCKLER: Pursuant to the many discussions which have taken place between Polaroid and Dynamit Nobel with regard to your interest in having us produce "Polacure" for you, we would like to repeat and confirm our present and likely future situation.

As you know, we are a producer of one of the key raw materials for Polacure, para-nitro benzoic acid, and we can supply PNBA out of existing capacity at rather economical prices. Furthermore, we have developed our own European source for TMG, the second key raw material for polacure, on a commercially attractive basis.

As you know, we have in our west German plants existing capacity for an initial introductory production of TMAB (polacure) with favorable economics for a quantity of up to about 75,000 lbs per year. With moderate additional investments we believe that we can increase our capacity to a level of approx. 750,000 lbs per year.

In order to accomplish the best long-term economics, that is when the sales volume has reached the required magnitude of approx. 4-5 million pounds per year,

we would be interested in investing in new, dedicated manufacturing facilities in the U.S. This production would most likely be done in our new plant site, in Mobile/Alabama via our associated company Kay-Fries, Inc., member Dynamit Nobel group. We would anticipate that this changeover would initially start with the final manufacturing steps and as justified by the economics of volume growth, would be expanded to include the initial manufacturing steps as well as the manufacture of required raw material.

We are looking forward to continuing the fine cooperation and relationship between us and remain with

Best regards,

DR. HOFFMANN.

[Attachment C]

BOFORS LAKEWAY, INC.,
Muskegon, Mich., March 12, 1980.

DR. SHELDON A. BUCKLER,
Senior Vice President,
Polaroid Corp., Cambridge, Mass.,

DEAR DR. BUCKLER: Pursuant to our discussions and past limited, trial production of Polacure curative for Polaroid, we wish to confirm our current situation and future plans to you.

Bofors Nobel Kemi, Karlskoga, Sweden, is the world leader in production of p-Nitrobenzoic acid (PNBA), the key raw material for Polacure curative. We have capacity in our Swedish plant to economically produce initial commercial volumes of Polacure curative, up to 220,000 lbs. per year, using PNBA transferred from our Swedish production at attractive economics. As you know, the second raw material, Trimethylene Glycol, is produced only in Europe by both Shell (U.K.) and Degussa AG in West Germany and is commercially available to us.

A.B. Bofors purchased Lakeway Chemicals, Inc., Muskegon, Michigan in October of 1977 for purposes of establishing U.S.A. production of chemicals previously made only in Sweden. This transfer of production is currently in progress and these plans include the future construction of an oxidation plant to produce PNBA in the U.S.A. to serve the U.S. market as well as export PNBA from the U.S. Should the volume of Polacure grow sufficiently during the next two years, our plan would be to also build a dedicated Polacure plant in Muskegon for an initial capacity of 1.5 million pounds per year using PNBA from the Muskegon Plant mentioned above.

The best economics for Polacure in a volume situation would be achieved by the dedicated plants described above, both located in Muskegon. Initial commercialization, however, has the best economics using existing capacity and PNBA currently in Sweden.

We look forward to a continued cooperation on Polacure and an expanded business relationship with Polaroid in meeting Polaroid's chemical requirements.

Best regards,

HOKAN CEDERBERG,
Vice President, Marketing and Sales.

STATEMENT OF SETH M. BODNER, EXECUTIVE DIRECTOR, NATIONAL KNITTED
OUTERWEAR ASSOCIATION

The National Knitted Outerwear Association, New York, N.Y., represents more than 400 domestic manufacturers of knitgoods. These manufacturers produce about 85 percent of all U.S. made sweaters.

In the person of Seth M. Bodner, Executive Director of the National Knitted Outerwear Association, the organization is here today to testify in support of H.R. 7047.

Since flat bed weft knitting machines are a primary tool of the domestic sweater producer and since none of these machines in needle-beds wider than 20 inches is now produced in the United States, import duties on the machinery impose an added burden to domestic manufacturers who have already been hard hit by heavy importation of the finished product, the sweater. Dropping the duties on machinery would reduce the price of the equipment to the sweater producer who would then be better able to purchase new machines and compete on a world-wide basis more successfully.

I am Seth M. Bodner, Executive Director of the National Knitted Outerwear Association, a not for profit corporation headquartered in New York City that

represents domestic sweater producers who manufacture about 85 percent of all U.S. made sweaters. These firms are located throughout the country including California and the Southern tier of States, although the heaviest concentration is in the Northeast, particularly in New York, New Jersey, Pennsylvania and New England.

With me today is Mr. Ivan Gordon, President of Gloray Knitting Mills, Inc., Robesonia, Pa. We are here to testify in support of H.R. 7047.

Modern equipment that is more versatile, more efficient and faster producing is one of the keys to operating successfully. For domestic sweater producers this means both the ability to meet fast changing fashion requirements and to compete more effectively against imports. The domestic sweater industry has been one of those most hard hit by imports, with more than 50 percent of all sweaters available for sale over the retail counters today produced offshore. (Tables attached.)

To produce sweaters domestic manufacturers use what are known as sweater-strip machines. These include both circular machines (ones that have a cylindrical needlebed and produce goods in tubular form) and those that have a flat or horizontal needlebed and produce open-width fabrics. With the advent of new technical developments, particularly micro-computer operated electronic controls, flat bed weft knitting machines are now becoming the principal vehicle for domestic sweater knitters.

Flat bed weft knitting machines include V-bed flat machines, flat bed purl or links machines and flat bed machines with rotating yarn carriages. These machines are used to produce a variety of knitted garments including sweaters and sweater-shirts, plain and pleated skirts, dresses in a wide range of silhouettes, infants' wear, scarves, gloves, mittens and headwear, among other items.

It is estimated that 6,500 flat bed weft knitting machines are in place in U.S. plants today. Compared to other items, imports of flat bed machines are relatively small. In 1979, 868 V-bed flat knitting machines were reported imported by the Bureau of the Census with a value of \$3.1 million. Many of those units were low-cost table-mounted toy and homecraft knitting machines not used by the domestic industry.

Today, none of the flat bed weft knitting machines employed by the domestic industry is produced in this country. Nor have any been produced in this country in the last decade, at least.

Only one company in this country produces a flat bed machine. But that firm, Lamb Knitting Machine Corp., produces a highly specialized unit with needlebeds no wider than 20 inches that is designed to turn out borders and trims, not sweater-strips. This company has not produced a sweater-strip machine in the past 20 years and, as far as we know, has no intention of doing so in the foreseeable future. We agree fully with proposals to exclude these items from the coverage of the bill.

The flat-bed knitting machines used by the domestic industry are primarily from Germany, Italy, England, Japan and Switzerland. This means that the domestic sweater producer is being penalized twice by imports. First, by the finished product that now dominates the local marketplace, and secondly by duties that push up the price of much needed equipment.

The cost of that equipment has deterred domestic manufacturers from purchasing the very machines they need to become competitive with off-shore producers, both to recapture part of the domestic market by being able to knit goods in greater variety more quickly, and to put them in a position of competing abroad by being able to turn out quality goods at competitive prices, certainly with those in Europe.

New flat bed machines range in cost from about \$40,000 for simpler, mechanically operated models to about \$75,000 for the more sophisticated, micro-computer operated machines. Related equipment can run these costs to as much as \$100,000.

By eliminating the duties on flat bed weft knitting machines wider than 20 inches, we now have an opportunity to alleviate the domestic industry of part of its burden. The savings per machine at the current duty rate for most favored nations would be between \$2,000-\$8,000. Those savings, the distributors for the foreign machinery manufacturers have assured us, would be passed on to their customers, the domestic sweater knitters.

We are in favor of passage of H.R. 7047 because we believe the effects will be entirely beneficial to the industry and the nation. By dropping the duties the machines would carry a reduced price-tag that would help domestic knitters to justify their purchase. By installing new equipment that is faster, more versatile and more efficient, domestic mills will be in a stronger position to gain new sales both at home and abroad. By increasing their volume, domestic mills would be in a better position to expand their productive capacities, hire more workers and purchase more equipment. Passage of this bill would act as a much-needed, well-timed boost to the domestic industry.

IMPORTS FOR CONSUMPTION—KNITTING MACHINES

| | Quantity | | | | | Value (thousands of dollars) | | | | |
|---|---------------|---------------|---------------|---------------|--------------|------------------------------|---------------|---------------|---------------|---------------|
| | 1979 | 1978 | 1977 | 1976 | 1975 | 1979 | 1978 | 1977 | 1976 | 1975 |
| Circular: | | | | | | | | | | |
| Double knit ¹ | 281 | 795 | 823 | 778 | 462 | 6,923 | 15,867 | 18,681 | 17,414 | 10,676 |
| Single knit ² | 392 | 391 | 289 | 182 | 111 | 5,474 | 4,762 | 3,203 | 1,629 | 1,038 |
| Sweater strip and garment length ³ | 26 | 205 | 151 | 66 | 57 | 712 | 2,473 | 3,288 | 1,585 | 1,118 |
| Other..... | 296 | 493 | 170 | 57 | 209 | 5,581 | 3,237 | 1,669 | 1,108 | 2,235 |
| Total..... | 995 | 1,884 | 1,433 | 1,083 | 839 | 18,690 | 26,339 | 26,841 | 21,736 | 15,067 |
| V-Bed flat..... | 868 | 612 | 919 | 435 | 655 | 3,128 | 5,479 | 8,519 | 7,026 | 5,947 |
| All others ⁴ | 12,962 | 10,924 | 13,601 | 13,333 | 5,997 | 15,939 | 17,846 | 8,163 | 9,321 | 4,627 |
| Total..... | 14,825 | 13,420 | 15,953 | 14,851 | 7,491 | 37,757 | 49,664 | 43,523 | 38,083 | 25,641 |

¹ Cylinder and dial for making yard goods.² Open-top cylinder for making yard goods.³ Includes both double cylinder and cylinder and dial machines.⁴ Includes warp and hand knitting machines.

Source: Bureau of the Census.

Prepared by: National Knitted Outerwear Association.

IMPORTS FOR CONSUMPTION—SWEATERS, ALL FIBERS

| | Quantity (thousands of dozens) | | | Value (thousands of dollars) | | |
|------------------------------|--------------------------------|---------------|---------------|------------------------------|----------------|----------------|
| | 1979 | 1978 | 1977 | 1979 | 1978 | 1977 |
| Man-made: | | | | | | |
| Men's and boys..... | 1,314 | 2,433 | 1,707 | 59,948 | 103,302 | 68,925 |
| Women's, girls, infants..... | 6,642 | 7,032 | 7,415 | 248,648 | 285,776 | 277,728 |
| Total..... | 7,956 | 9,465 | 9,122 | 308,596 | 389,076 | 346,653 |
| Wool: | | | | | | |
| Men's and boys..... | 527 | 676 | 576 | 54,313 | 65,578 | 51,276 |
| Women's, girls, infants..... | 1,129 | 1,221 | 1,931 | 90,895 | 104,530 | 131,194 |
| Total..... | 1,656 | 1,897 | 2,507 | 145,208 | 170,108 | 182,470 |
| Cotton: | | | | | | |
| Men's and boys..... | 115 | 84 | 68 | 7,400 | 5,398 | 3,532 |
| Women's girls, infants..... | 342 | 257 | 174 | 19,947 | 11,592 | 6,819 |
| Total..... | 457 | 341 | 242 | 27,347 | 16,990 | 10,351 |
| All fibers: | | | | | | |
| Men's and boys..... | 1,956 | 3,193 | 2,351 | 121,661 | 174,278 | 123,733 |
| Women's, girls, infants..... | 8,113 | 8,510 | 9,520 | 359,490 | 401,898 | 415,741 |
| Total..... | 10,069 | 11,703 | 11,871 | 481,151 | 576,176 | 539,474 |

Source: U.S. Bureau of the Census.

Prepared by National Knitted Outerwear Association.

DOMESTIC PRODUCTION—SWEATERS

(Thousands of dozens)

| Year | Men's | Boy's | Women's, misses, and juniors' | Girls', childrens', infants' | Total |
|-----------|-------|-------|-------------------------------|------------------------------|--------|
| 1970..... | 3,220 | 688 | 5,251 | 1,472 | 10,631 |
| 1971..... | 3,535 | 740 | 5,149 | 1,530 | 10,954 |
| 1972..... | 3,792 | 750 | 6,464 | 1,460 | 12,466 |
| 1973..... | 4,424 | 843 | 6,975 | 1,500 | 13,742 |
| 1974..... | 4,624 | 695 | 6,309 | 1,545 | 13,173 |

DOMESTIC PRODUCTION—SWEATERS—Continued

(Thousands of dozens)

| Year | Men's | Boys' | Women's, misses, and juniors' | Girls', childrens', infants' | Total |
|------------|-------|-------|-------------------------------------|------------------------------------|--------|
| 1975..... | 3,321 | 483 | 6,572 | 1,287 | 11,663 |
| 1976..... | 3,046 | 417 | 6,133 | 1,082 | 10,673 |
| 1977*..... | 3,283 | 603 | 6,567 | 1,499 | 11,952 |
| 1978*..... | 3,327 | 606 | 5,887 | 1,071 | 10,891 |
| 1979E..... | 2,355 | 500 | 6,398 | 1,161 | 10,414 |

*—Data for 1977 and 1978 is not directly comparable to prior years due to new additions to the Census Survey excluded from prior years.
E—Estimated, based on monthly shipments of men's and women's, misses' and juniors' sweaters.

Source: U.S. Bureau of the Census.

Prepared by: National Knitted Outerwear Association.

AMERICAN FEDERATION OF LABOR &
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., August 10, 1980.

HON. ABRAHAM RIBICOFF,

Chairman, Subcommittee on International Trade, Senate Finance Committee, Dirksen Senate Office Building, U.S. Senate, Washington, D.C.

DEAR CHAIRMAN RIBICOFF: Enclosed for inclusion in the record are the comments of the AFL-CIO on four trade bills, H.R. 7047, H.R. 7004 (S. 2509), H.R. 5452 and H.R. 5827 which have been incorporated in H.R. 5047 containing miscellaneous tariff measures.

Also enclosed for inclusion in the record are the comments of the AFL-CIO on H.R. 7139.

The written comments are provided in accordance with your August 4, 1980, press release.

Sincerely,

RAY DENISON,
Director, Department of Legislation.

Enclosures.

We are concerned about duty suspension in general. Unless there is a very great reason for suspending the duties, we would urge that such action not be at this particular time. The continued assault of imports during a recession adds to U.S. present and future problems. Additionally, the AFL-CIO wishes to comment on the following bills for consideration.

1. H.R. 5047

(j) H.R. 7047 would suspend temporarily the duty on certain flat knitting machines until June 30, 1983. The AFL-CIO sees no reason to gratuitously effect a unilateral reduction in tariffs at this time. Many of the U.S. trading partners are increasing their trade barriers. It is inappropriate for the U.S. to reduce its barriers during this period of high imports and slowing exports.

(k) H.R. 7004 (S. 2509) would suspend temporarily the MFN duty on warp knitting machines until June 30, 1983. The employment effects of this measure have not been adequately examined or justified by its proponents. What is clear is that a unilateral change of this nature would give our trading partners a "free ride"—a tariff cut with no reciprocal lowering of foreign trade barriers.

(m) H.R. 5452 would permit products of U.S. origin to be re-imported into the U.S. under informal customs' entry procedures, the stated purpose of the bill is excellent and would ordinarily receive our support. We recognize that U.S. exporters of products should be allowed to bring them back to the U.S. for repair or adding special devices without going through lengthy customs procedures. But we do not believe the language of the statute is specific enough to preclude the misuse of this bill for item 806.80 and 807 of the Tariff Schedules. Those are provisions which encourage foreign assembly or processing of goods exported from the United States. Therefore, we oppose H.R. 5452 until this is clarified.

(o) H.R. 5827, would amend the Foreign Trade Zones Act of 1934, by permitting the Foreign-Trade Zones Board to submit its annual report to the Congress by April 1 of each year rather than on the first day of each regular session of Congress. The

AFL-CIO urges that the Congress review the relevance of this dated law for foreign trade zones rather than merely change the submission date for the Board's annual report.

4. H.R. 7139 would suspend for one year the duty on wrapper tobacco. This bill is important to affiliates of the AFL-CIO, because jobs depend on importing the items in question. Unusual circumstances in the condition of tobacco lead us to support the bill. The workers in the industry tell us that the tobacco they would normally use has been affected by mold and created a shortage. The import price has been driven up. It is very important to import the tobacco in order to hold their jobs. We, therefore, support H.R. 7139.

BERRY & SANDSTROM,
Washington, D.C., August 13, 1980.

Re H.R. 7173, a Bill to Reduce Permanently to Zero the Duties on Certain Yarns of Silk.

Mr. MICHAEL STERN,
Staff Director, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: On behalf of the American Tie Fabric Association, I am submitting this written testimony to the Subcommittee on International Trade of the Senate Committee on Finance in order to place in the public record the strong support which the Association has for H.R. 7173, a bill to reduce permanently to zero the duties on certain yarns of silk. The American Tie Fabric Association represents domestic manufacturers of silk and other tie fabrics, used to produce men's neckwear.

The Association, which is made up of factories located primarily in the Northeastern United States, has over the past ten years been seriously injured by increased imports of silk and other tie fabric imported into the United States. The industry's share of the market has declined from 92 percent to 25 percent during the last 10 to 12 years. The number of manufacturers has decreased from 32 to 10 since 1968, with a concomitant loss of employment.

While the industry, through renovation and modernization of equipment, etc., has been able to maintain a 25 percent share of the U.S. market in the past year or two, its condition is still highly sensitive. Therefore, any increase in its basic raw material costs could provide serious problems to the industry. H.R. 7173 would reduce permanently to zero the duties on silk yarns classified under TSUS items 308.40 and 308.50. Failure to pass the bill, would require the reimposition of the column one and column two rates of duties at approximately 10 percent to 40 percent respectively, which are currently suspended. In fact, the existing duty suspension expired officially on June 30, 1980. The reimposition of duties would increase the costs of silk yarns used by the members of the American Tie Fabric Association to produce silk tie fabric. Such additional increase in the cost of raw materials to the domestic tie fabric producers could further jeopardize their position vis-a-vis their foreign competitors.

For these reasons, the Association strongly supports the permanent reduction of duties to zero on these classifications of silk yarns and urges the Committee to act expeditiously and favorably on the bill. It is crucial that the bill pass the Congress of the United States prior to the end of this session in order that duties are not reimposed on these silk yarn items.

In appreciation of your consideration

Sincerely yours,

MARK SANDSTROM.

PREPARED TESTIMONY OF F. A. MEISTER, PRESIDENT OF THE AMERICAN FOOTWEAR INDUSTRIES ASSOCIATION—EVALUATION OF IMPORT RELIEF OBTAINED PURSUANT TO THE TRADE ACT OF 1974

INTRODUCTION AND SUMMARY

The American Footwear Industries Association (AFIA) is a trade association whose members account for approximately 90% of domestic non-rubber footwear production and a substantial number of suppliers to the industry. As one of the few domestic industries granted import relief under the "escape clause" provisions of the Trade Act of 1974, we are in a unique position to provide this Subcommittee with an evaluation of relief obtained pursuant to the Act.

In June 1977, the domestic non-rubber footwear industry was granted import relief consisting of (1) Orderly Marketing Agreements with Taiwan and Korea, and (2) assurances from the Administration that other countries would not be permitted to surge to make up for the rollback on Taiwan and Korea.

However, the continued growth in imports through 1979 indicates that the domestic footwear industry and its workers have not received the relief to which we legally are entitled. While the Orderly Marketing Agreements with Taiwan and Korea have resulted in a reduction in non-rubber imports from those countries, other foreign suppliers quickly negated that rollback by increasing substantially their footwear shipments to the United States. Despite assurances to the industry and to the Congress that other countries would not be permitted to make up for the rollback on Taiwan and Korea, the Administration failed to take effective action against such surges, with the result that last year imports reached record levels. The declines which occurred in domestic production and employment set new records—a loss of over 15,000 jobs and 24 million pairs compared to 1976. This, in spite of the import relief program.

This points out a fundamental weakness of import restraints negotiated with only selected suppliers, as opposed to global quotas. Shifts in trade, especially in a "portable" industry such as footwear, will render them ineffective unless the Administration acts quickly and forcefully to halt surges from third countries by exercising its authority to take unilateral action.

BACKGROUND

The non-rubber footwear industry possibly is the most import-threatened industry in the United States, as evidenced by two unanimous injury findings by the International Trade Commission (ITC). After the second injury finding in February, 1977, as a result of a Senate Finance Committee resolution to re-open the case, President Carter directed Ambassador Strauss to negotiate Orderly Marketing Agreements with appropriate foreign suppliers. While the OMA's fell far short of the industry's expected global import relief program, we were assured that the Administration would effectively control Taiwan and Korea through the OMA's and other potential surge countries by tough unilateral action, if the need arose. Indeed, in announcing the program on April 1, 1977, the President stated: "Only problems as extreme as those faced by the American shoe industry could force me to seek even modest mandatory limits on imports." OMA's with Korea and Taiwan then were negotiated to control non-rubber footwear imports for four years, from June 28, 1977 to June 30, 1981.

Additionally, the industry and Congress were given assurances that imports from countries other than Korea and Taiwan would not surge to "grab away" the rollback on Taiwan and Korea. With negotiated restraints on only two countries (out of more than 70 foreign suppliers), such assurances were the key underpinning of our industry's and the Congress' acceptance of the import relief program.

THE IMPORT RELIEF PROGRAM HAS FAILED TO CONTROL THE GROWTH IN FOOTWEAR IMPORTS

The Administration, however, failed to effectively enforce the import relief program, with the result that imports continued to increase through 1979. Despite the dramatic growth in imports from third countries—most notably from Hong Kong, Italy, the Philippines, and Singapore—the Administration in no instance exercised its authority to take unilateral action, as provided for in Section 203 (g)(2) of the Trade Act of 1974, to curb such growth.

As the following table indicates, the rollback in imports from Taiwan and Korea—a rollback intended for the domestic industry—was more than offset by substantial increases in imports from the rest of the world. Imports from Taiwan and Korea dropped by 50 million pairs between 1976 (the base year for the OMA's) and 1979; but imports from other countries increased by an astounding 85 million pairs during this period—resulting in a net increase of 35 million pairs.

NONRUBBER IMPORTS

(Millions of pairs)

| | 1976 | 1979 | Net change 1979/1976 |
|--------------------|-------|-------|-------------------------|
| OMA countries..... | 199.7 | 149.3 | -50.4 |
| Taiwan..... | 155.7 | 124.9 | -30.8 |

NONRUBBER IMPORTS—Continued

(Millions of pairs)

| | 1976 | 1979 | Net change 1979/1976 |
|----------------------|--------|-------|-------------------------|
| Korean..... | 44.0 | 24.4 | -19.6 |
| Other countries..... | 170.3 | 255.3 | +85.0 |
| Hong Kong..... | 6.6 | 22.1 | +15.5 |
| Italy..... | 47.2 | 97.1 | +49.9 |
| Philippines..... | .4 | 13.2 | +12.8 |
| Singapore..... | (*) | 5.6 | +5.6 |
| All Others..... | 116.1D | 117.3 | +1.2 |
| Grand total..... | 370.0 | 404.6 | +34.6 |

* Less than 50,000 pairs.

Despite an import "relief" program in place since mid-1977, imports in 1979 captured 51 percent of our market. This represents a growth in import penetration compared to the 47 percent in 1976—the year in which imports reached the disastrous levels that prompted President Carter to grant import relief to the industry in the first place! Such dismal statistics hardly are an indication of an effective import relief program.

The dramatic surge in imports has had a devastating effect on the domestic footwear industry. Production fell from 422.5 million pairs in 1976 to 398.5 million pairs in 1979, the lowest level of production since 1935! Employment dropped from 164.2 thousand workers to 148.9 thousand in that same time period, a loss of 15,300 jobs.

While imports are in fact down this year from 1979 and 1976 levels, this reflects more a downturn in total market demand than any moderation in imports. We believe that this is a temporary situation brought on by the current unfavorable economic climate and that, as conditions improve, imports will continue to capture more and more of the domestic market. Even now, imports held 49 percent of the market in the first five months of 1980 (the most recent data available), compared to 47 percent in 1976. It is estimated that they will capture half (50.1 percent) of the market for the full year. Compare this to statistics for other "import-impacted" industries, autos at 29 percent, steel at 16 percent.

Despite the decline in total non-rubber imports this year, we are witnessing a surge in imports from the People's Republic of China (PRC), which is of serious concern to our industry. Given that country's potential as a major and excessive exporter of footwear, it is critical that preventive action be taken so that import growth from the PRC can be controlled before it becomes a major surge country. While its total non-rubber imports are still at relatively low levels, they nevertheless are surging this year; in the first five months of 1980, the PRC exported more non-rubber footwear to the U.S. than in all of 1979. Another alarming trend evidenced in the statistics is the number of higher-priced leather shoes entering our market from this new-start country. PRC is obviously intending to enter this segment of our market from the very beginning, a market often categorized as the "guts" of the domestic industry. Further, it has already increased exports in the rubber/fabric category of our import schedule, a category which encompasses all types of footwear—from sneakers and other athletic types to men's and women's casuals to slippers. PRC could well capture 10 percent of this import category this year, a substantial increase over 1977 (1.2 percent), 1978 (1.7 percent) and 1979 (5.7 percent). It is important to note that this rubber/fabric category is not subject to the import restraint program, and thus is especially vulnerable to import surges.

More importantly, China has an obvious capacity to overwhelm our market, which is the largest open market in the world, with its footwear. Attached for your review is a copy of the submission made by AFIA in this regard to the Ways and Means Committee on November 9, 1979, on China's potential as a major exporter of footwear to the U.S.

Throughout 1978 and 1979, the domestic footwear industry provided numerous, extensive and timely warnings to the Administration that imports were surging far beyond acceptable levels and that tough, immediate enforcement actions must be taken. For example, as early as May, 1978, we alerted the Administration to the surge in imports from Hong Kong, the first country to show a significant rise in imports following implementation of the Orderly Marketing Agreements. However,

it was not until November, 1978, that a Certificate of Origin program went into effect, designed to halt transshipments through Hong Kong. In the meantime, imports from Hong Kong were permitted to grow to an alarming 28 million pairs in 1978, compared to only 6.6 million pairs in 1976. Last year imports from Hong Kong declined only moderately (to 22.1 million pairs) and are projected to remain close to these levels (23 million pairs) this year. Clearly, in the one instance when an agreement was negotiated to curb imports from a surge country, the action taken by the Administration was too little and too late.

Unfortunately, the Administration very belatedly realized that the import relief provided to the domestic footwear industry has not been effective. On February 29, 1980 (more than 2½ years into a 4-year import relief program), the White House issued a statement recognizing that footwear imports were excessive and must be reduced substantially by all "appropriate" measures. Further, despite our warnings, the Administration belatedly recognized the need for more timely import data. In its February 29 release, the White House stated that "monitoring of footwear imports will be intensified in an effort to obtain better and more timely forecasts of import trends." Clearly, intensive monitoring to provide advance indication of potential surges from individual countries is absolutely critical in order to take preventive, rather than after-the-fact action; and the Administration must be prepared to take early forceful action to halt growth in imports.

It is because of the failure of the import relief program to date (3 of the 4 years of the program have elapsed) that the industry has decided to petition for an extension of the import relief program under S. 203 of the Trade Act of 1974. Our petition will be filed with the International Trade Commission this fall.

CONCLUSION

The foregoing points out the failure of the President's import relief program to provide effective import relief for the domestic footwear industry and its workers—relief to which the industry legally is entitled. This failure fundamentally was due to the lack of effective enforcement of the program by the Administration, as evidenced by its unwillingness to exercise its legal right under the Trade Act of 1974 to take unilateral action against surge countries.

By imposing numerical controls on only two (out of more than 70) foreign suppliers, rather than controlling imports from the entire world through the global quotas for which the industry fought, the integrity of the import control program for footwear could have been maintained only if the Administration was willing to take tough action against each country that surged.

Lack of effective enforcement of our import relief program has rendered it ineffective, as shifts in trade resulted in a dramatic growth in imports from third countries which offset declines in imports from the OMA-controlled countries of Taiwan and Korea.

