On page 21 of Mr. Christopher's statement, reference is made to those segments of the plastics industry which are acutely import sensitive. The American button industry clearly falls into this category and, therefore, requires the full measure of protection, both direct and indirect, now afforded by our tariffs.

As the members of the Committee on Ways and Means well know, the American button industry has been particularly hard-hit by imports in recent years having been the victim of two avoidance devices which practically nullified the button tariff. The first of these involved the direct importation of "buttons without holes" at the substantially lower button blank rate of duty. No sooner had this loophole been closed by the enactment of legislation that the importers began shipping "buttons without holes" to the Virgin Islands, drilling the holes there, and entering the finished button into the United States completely free of duty. Recognizing its manifest unfairness, Congress moved to enact further legislation to do away with this practice. However, much damage was done and, indeed, between 1963 and 1967, approximately fifteen button producers were forced out of business as a direct result of the "buttons without holes" tariff loopholes. Even today, the industry has yet to recover fully from the effects of these avoidance devices and we are advised of as many as three more impending failures.

A. TARIFF PREFERENCES FOR LESS DEVELOPED COUNTRIES

One of the primary reasons why our industry is so sensitive to imports is that a substantial portion of button production costs are attributable to labor. With the much cheaper labor available in less developed countries plus the added benefit of a special tariff preference here, undue advantage could be taken of the domestic industry. This could be done with a relatively modest investment or no investment at all as we understand that there are producers of button-making machinery in Europe and, perhaps, Japan who would be willing to assist prospective operators in setting up production facilities in less developed countries. The probable net result, as applied to buttons, would be facilities dominated *de facto* by interests located in developed countries making convenient use of the less developed country's cheaper labor and tariff preferences. It can hardly be argued that this would prove to be of any real, long-term economic value to the less developed country, which we understand would be one of the underlying considerations in support of a preferential tariff policy.

Apart from this, the granting of U.S. tariff preferences for buttons and button blanks produced in less developed countries would be inconsistent with the treatment afforded those commodities by our Government in the recently concluded "Kennedy Round". Recognizing the need for adequate tariff protection, our Government substantially spared polyester and acyrlic buttons and button blanks from tariff reductions. Tariff cuts on these commodities were approximately 20 percent rather than the full 50 percent which was permissible under law. This constituted clear acknowledgment that the domestic industry requires added protection against imports even from our trading partners in GATT, all of whom are highly industrialized and have much less of a labor cost advantage. Were preferences now to be granted to less developed countries, the relief given to buttons and button blanks in the "Kennedy Round" would have proven to be a futile gesture from tne standpoint of our industry.

Before closing on this subject, we wish to again make it clear that the Button Division is not opposed to the basic concept of granting tariff preferences to less developed countries in and of itself. We are simply taking this opportunity to advise the Committee that such a policy, as applied to buttons and button blanks, would without a doubt, prove damaging, perhaps even disastrous to our domestic industry. We, therefore, urge that the Committee and Congress take this fully into account with respect to any proposals which may be submitted either now or in the future aimed at establishing preferential tariffs for products of less developed countries.

B. IMPORT QUOTAS ON WEARING APPAREL

Of course, my statement thus far has related solely to the importation of buttons as such. The industry is presently faced with a problem which we believe to be much more severe which is their importation on wearing apparel. We estimate that buttons imported in this manner have grown successively from approximately 6,800,000 gross in 1963, to 7,775,000 gross in 1964, to 9,360,000 gross in 1965, to 10,485,000 gross in 1966, and to an astounding 11,820,000 gross in 1967.