



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

**Before the
DEPARTMENT OF THE TREASURY, CUSTOMS SERVICE
Washington, D.C. 20229**

In the Matter of

**Country of Origin Marking Rules for Textiles and Textile Products
Advanced in Value, Improved in Condition, or Assembled Abroad**

**Comment of the
FEDERAL TRADE COMMISSION**

I. Introduction

The Federal Trade Commission (FTC or Commission) welcomes this opportunity to present its views on the country-of-origin textile labeling issues raised in this proceeding.

As the Department of the Treasury, Customs Service (Customs) noted in its solicitation of comments, the products that will be affected by its proposed change in origin marking requirements must still be labeled in accordance with the Textile Fiber Products Identification Act and the FTC's rules implementing the Act.⁽¹⁾ The Commission submits this comment to clarify the application of the country-of-origin marking requirements of the Act and its rules to these textile products.

Customs proposes to change the interpretation of its country-of-origin marking requirements for textile goods made in the U.S. and then shipped to other countries for further processing. Currently, it is Customs' position that textile goods made in the U.S., and then shipped to a foreign country for further processing that advances them in value, should be marked as made in the foreign country where the goods were advanced in value.⁽²⁾ Customs proposes to change this position so that it would no longer apply to such textile goods for country-of-origin marking purposes, although it would continue to apply for duty assessment and quota purposes. In this respect, the ordinary textile rules of origin, prescribed in 19 U.S.C. § 102.21, as interpreted by Customs, would apply.

II. Textile Act Origin Disclosure Requirements

The Act requires that textile products be labeled to show the country of origin, whether domestic or foreign.⁽³⁾ The Commission's rules implement the statutory requirement, explain how it applies to products made in part in the U.S. and in part in another country, and provide examples of proper labeling.⁽⁴⁾

Imported products must name the country where they were manufactured or processed. Products made in the U.S. of materials also made in the U.S. should be labeled as "Made in USA," or words to that effect. Products made in the U.S. of imported materials should disclose both the U.S. manufacturing and the imported component -- for example, "Made in USA of imported fabric" or "Knitted in USA of imported yarn." Similarly, textile products partially manufactured in a foreign country and partially manufactured in the U.S. should be labeled to show the manufacturing process both in the foreign country and in the U.S. -- for example, "Imported cloth, finished in USA," "Sewn in USA of imported components," or "Made in (foreign country), finished in USA." The rules state further that for purposes of determining how a particular product should be labeled, a manufacturer needs to consider the origin

of only those materials that are covered under the Act (*i.e.*, those made of textile fibers) and that are one step removed from that manufacturing process (*i.e.*, a fabric manufacturer must identify imported yarn; a garment manufacturer must identify imported fabric).

The issue raised by the proposed change in Customs' interpretation of its origin marking requirements is whether textile products made in the U.S. and then sent abroad for some additional finishing process, which does not result in a change in origin under Customs' requirements, can be labeled simply "Made in USA" or whether the additional foreign processing also must be disclosed on the label. In many cases, the foreign processing is sufficiently minimal that disclosure would not be necessary for compliance with the Act and rules. Such processes would include: various kinds of washing or wet processing (stone washing, enzyme washing, acid washing, sizing, starching, etc.); dyeing or bleaching; application of ink designs (heat transfer or screen printing); pressing (including permapressing and similar processes to make apparel wrinkle free); repairs or alterations; tagging or labeling; closure of single-component knit products (such as hosiery); adding or changing buttons; and boarding (adding cardboard to give a garment shape). These processes, although they enhance the value of the goods, do not alter the basic identity or character of the product.

The addition of ornamentation or decorative trim that involves adding textile fibers to a textile product (by embroidery, for example) is addressed by the rules.⁽⁵⁾ If such trim or ornamentation either (a) does not exceed 15% of the surface area of the item, or (b) does not exceed 5% of the product's fiber weight, it is exempt from the rules' fiber content disclosure requirement. If exempt from fiber content disclosure, it is also exempt from origin disclosure if added in another country. If the decorative trim or ornamentation is more than 15% of the surface area and more than 5% of the product's fiber weight, and is applied in another country, the foreign processing would have to be disclosed (for example, "Made in USA, embroidered in Mexico").

In those situations where the foreign processing is more than minimal finishing of an already finished article, disclosure of the foreign processing would be required.⁽⁶⁾ For example, if components of a garment are manufactured in the U.S., but the garment is assembled elsewhere, both aspects of the origin would have to be disclosed (*e.g.*, "Assembled in Mexico of U.S. Components").

III. Conclusion

The Commission hopes that this comment will clarify the requirements of the Textile Act and rules as they apply to products manufactured domestically and finished abroad. If further clarification is needed, questions can be addressed to the Textile Program, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, D.C. 20580.

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Endnotes

(1) 15 U.S.C. § 70 *et seq.* (the Act). The FTC is an independent administrative agency responsible for safeguarding the interests of consumers and maintaining competition. One of the Commission's responsibilities is enforcement of the Act. It accomplishes this through the administration and enforcement of the Rules and Regulations under the Textile Fiber Product Identification Act, 16 C.F.R. Part 303.

(2) Customs interpretation is pursuant to authority set forth in 19 C.F.R. § 12.130(c) and Chapter 98, Subchapter II, U.S. Note 2(a), Harmonized Tariff Schedule of the United States.

(3) 15 U.S.C. § 70b(b)(4) & (5).

(4) 16 C.F.R. § 303.33.

(5) 16 C.F.R. §§ 303.12 and 303.26.

(6) 16 C.F.R. § 303.33(a)(4).