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U.S. Textile Policy and the Textile Lobby

A Case Study by Donald M. Anderson

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U.S. TEXTILE POLICY AND THE TEXTILE LOBBY

SUMMARY

U.S. concern with low cost textile imports goes back some fifty years, but multilateral arrangements to regulate the trade date from 1961 with the Short Term Agreement. Currently, the international textile trade is governed by the Multifiber Arrangement (MFA), first put into effect in 1974. The MFA is designed to permit orderly growth of textile imports into the developed countries while avoiding market disruption.

The U.S. has experienced import surges in recent years due in large measure to the disparity between high labor costs in the United States as compared with foreign, particularly Asian producers. However, other problems such as the strong U.S. dollar, the introduction of non-MFA controlled fibers, the use of various devices to avoid bilateral quotas and fraud have also contributed to the problem. The U.S. industry has responded with efforts to automate and otherwise make itself more efficient and competitive, spending over 1 billion dollars a year for the past ten years. The apparel industry is also engaged in an effort to automate but still remains a labor intensive industry.

The import surge has produced demands for greater protection for the industry and resulted in the passage last fall of the Textile and Apparel Trade Enforcement Bill which President Reagan vetoed, saying that it would result in retaliation by textile producing countries and would cost Americans jobs in other industries. The American Fiber Textile and Apparel Coalition (AFTAC) is continuing to press its case for greater protection and an organization, the Fiber, Fabric and Apparel Coalition for Trade (FFACT), initially formed to lobby for the bill is now working to override the veto.

The anti-protectionist retailers and importers are represented by the Retail Industry Trade Action Coalition (RITAC), which seeks to further liberalize import restrictions and prevent sharp quota reductions which would result from the textile bill. In addition, a new organization, the American Fair Trade Council, was founded last year to work against the textile bill and has now become a permanent part of the anti-protectionist lobbying effort.

The U.S. Government's role is to steer a course between these two interest groups while bearing in mind our economic and political relations with the textile producing countries. The U.S. has thirty-six bilateral agreements governing textile trade under the MFA. The body that administers these agreeements is the Committee for the Implementation of Textile Agreement (CITA), which is made up of representatives from the Departments of State, Commerce, Labor and Treasury and the Office of the U.S. Trade Representative. In response to the recent surges in imports the CITA has sharply increased the number of calls for consultation under the bilateral agreements.

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INTRODUCTION

This paper examines the U.S. textile industry and American textile policy making from both a historical perspective and the industry's current problems. The textile industry is one of the most protected of U.S. industries and, at the same time, it is one of the industries most threatened by foreign imports. Since textiles are one of the most basic industries, nearly every nation, regardless of its state of development, seeks to maintain an indigenous production capability regardless of relative competitive advantage. This has led to international arrangements in fibers, textiles and apparel which are a derogation from the normal GATT rules prohibiting members from treating imports from a particular GATT member any less favorably than imports from any other GATT member.

The study looks at the history of how we reached the present Long Term Arrangement and the United States' leading role in that effort. The industry's current problems and its efforts to cope with them are analyzed, including the role and organization of the U.S. Government for dealing with the textile problem. Since lobbying efforts on both sides of the protectionism issue have a major impact on the decision making process, the paper describes their organization and efforts.

This paper is not an attempt to reach value judgements about the wisdom of U.S. policy or the validity of the positions taken by the diverse viewpoints represented in the textile debate. Rather, it is an attempt to describe and analyze the issues from a hopefully balanced perspective and draw some conclusions about prospects for the near term future. As such, it is hoped that the study might prove useful to someone interested in understanding the basic elements of the textile controversy in preparation for an assignment where familiarity with the issue and the sometimes arcane jargon of the trade would be useful.

HISTORICAL BACKGROUND

The textile, fiber and apparel industries are among the oldest and most basic elements of the U.S. economy, providing employment for about two million people, nearly half of whom are women and a fourth members of minority races. The industry generates a larger share of the Gross National Product than the automobile industry, the primary metals industry, petroleum refining or aerospace. The industry is nationwide: 36 states have textile plants; 45 states produce apparel; and 48 states produce cotton. It is one of the most protected of U.S. industries, and at the same time it is one of the most threatened by foreign competition.[1]

The U.S. concern with textile imports goes back some fifty years when an agreement limiting textile exports was negotiated with Japan. These restraints were soon obviated by growing anti-Japanese sentiment and the rising threat of war. The U.S. did not have to confront the textile problem again until 1955 when limits were again negotiated with Japan.

The next major development took place early in the Kennedy Administration when he announced his "Seven Point Program" for the textile industry. Three of the seven points were of major importance for textile trade policy:

(1) The Agriculture Department was directed to recommend action to eliminate or offset the raw cotton price differential.

(2) Presidential assurance was given that a textile industry application for import quotas under the escape clause or national security provisions of the Trade Agreements Extension Act would "be carefully considered on its merits."

(3) The State Department was directed to convene an early conference of textile importing and exporting countries to develop an international agreement governing textile trade.[2]

The remaining four points called for liberalization by the Treasury Department of depreciation allowances on textile machinery, an expanded Commerce Department research effort, a Small Business Administration emphasis on cotton textile equipment financing, and Congressional enactment of an adjustment assistance program for import-injured industries.

At U.S. initiative a textile conference was convened in Geneva on July 17, 1961, which produced the first multi-national agreement to govern the textile trade. The agreement, called the Short-Term Arrangement on Cotton Textiles (STA), covered the year October 1, 1961, to September 30, 1962, and provided that countries already restricting cotton textile imports from low-wage countries would liberalize those restrictions; that to avoid market disruption in non-restricting countries the low-wage countries would agree to control exports as needed, but not to levels below those attained in the year ended June 30, 1961. The importing country was granted the unilateral right to impose restrictions if the exporting country refused to control exports.

The STA was followed in 1962 by the Long-Term Arrangement for Cotton Textile Trade (LTA). Contrary to industry's demands, the LTA was again limited to cotton textiles, leaving woolen and man-made fibers uncontrolled, and it did not contain a "global ceiling" limiting overall growth in textile imports, but rather depended upon quantitative restraint actions in specific categories when imports in those categories threatened market disruption in the U.S. Under Article 4 of the LTA the U.S. negotiated bilateral agreements with nearly all of its major suppliers over the next two years.

A major review of the LTA took place in 1967, but it continued to be limited to cotton fibers. Extending the LTA to include man-made fibers and wool was initially opposed by both the Europeans and by Japan. Negotiations with Japan became so acrimonious that they threatened our overall bilateral relations. In the end, the United States had to make the overt threat of restricting Japanese trade and a strategic linkage to the return of Okinawa before the Japanese relented and agreed to restrain their exports.[3] Negotiations for a bilateral agreement with Japan were

finally concluded on October 15, 1971, after President Nixon imposed a ten percent across-the-board import surcharge and threatened to invoke the "Trading wih the Enemy Act" to unilaterally restrain imports of textiles and apparel. The bilateral restraints negotiated with Japan, Hong Kong, Taiwan and South Korea resulted in a sharp drop in imports in 1972, and a corresponding surge in Asian exports to Europe, making them more amenable to a multilateral agreement controlling man-made fibers and wool as well as cotton.

A new agreement, the Multi-Fibers Arrangement (MFA), was negotiated and went into force on January 1, 1974. Valid for four years, the MFA was renewed in 1978 and 1982 as MFA II and MFA III. A new round of negotiations for MFA IV will begin shortly. The stated purpose of the MFA and its renewals is to permit the expansion and liberalization of world trade in textiles, while ensuring that trade is conducted in an orderly, equitable and non-disruptive fashion. It constitutes a mutually agreed exception to the most favored nation (MFN) principle under Article I of the GATT which prohibits a signatory from treating imports from a particular GATT member any less favorably than imports from any other GATT member. This authority to negotiate bilateral restraint agreements is a recognition of the importance, the volatility and, the potential for disruption of the international trade in textiles.

The textile industry is unique in that it frequently does not follow the normal economic development model. Developing countries frequently look to the textile industry as the initial rung on the ladder to industrial development. Traditionally a less capital intensive, low wage industry, the developing countries could exploit their low labor costs to competitive advantage. As countries move up the ladder of development and experience rising labor costs they should be replaced by those countries at an earlier stage of development enjoying a similar competitive advantage. However, this process inevitably results in dislocations, and given the importance of the textile industry, including the strategic importance to a country such as the U.S., this has not happened. Nearly every country in the world protects its textile industry in some fashion, leading to a worldwide glut of textile products and intense competition.

CURRENT PROBLEMS

Import penetration of the domestic U.S. textile industry has accelerated sharply, more than doubling in the past six years. In 1984 the textile and apparel trade deficit of the United States was more than $16.2 billion, an increase of 53 percent over 1983, and accounted for 13 percent of the nation's overall merchandise trade deficit. Employment in the textile mill and apparel products industries declined 21 percent from January 1974 to December 1984, resulting in a loss, according to industry sources, of over half a million jobs. The following chart illustrates the growth in apparel imports over the past twenty years and the geographic distribution of those imports. (Chart 1) A number of factors have contributed to the rise in textile imports into the United States.

CHART 1

U.S. Imports of Cotton, Wool & Man-Made Fiber Apparel from Selected Countries 1964-1984 (Millions of SYE)

	1964	1968	1974	1978	1980	1982	1983	1984
Hong Kong	168	321	369	695	628	690	761	815
Taiwan	36	148	422	608	670	748	867	936
Korea	11	144	294	458	494	576	643	684
People's Republic of China	0	0	8	63	166	357	430	444
Subtotal	215	613	1,093	1,824	1,958	2,371	2,701	2,879
% of Total	38%	53%	56%	63%	68%	70%	69%	61%
Japan	197	313	164	170	82	76	96	138
% of Total	35%	27%	8%	6%	3%	2%	3%	3%
Philippines	44	43	102	158	148	161	177	234
India	—	—	27	77	69	73	106	131
Indonesia	—	—	—	—	5	38	46	129
Singapore	—	23	90	85	71	82	89	128
Sri Lanka	—	—	1	10	43	59	66	108
Thailand	—	—	42	46	35	53	66	106
Dominican Republic	—	—	6	35	59	76	76	94
Mexico	—	13	91	91	92	56	60	86
Haiti	—	—	41	53	58	54	60	68
Macao	—	—	12	37	43	43	50	61
Subtotal	—	—	412	592	623	695	793	1,145
% of Total	—	—	21%	20%	21%	20%	20%	24%
All Other Countries	—	—	268	315	221	240	297	560
% of Total	—	—	15%	11%	8%	8%	8%	12%
Total All Countries	561	1,153	1,937	2,901	2,884	3,382	3,894	4,722
	100%	100%	100%	100%	100%	100%	100%	100%

SOURCE: Office of Textiles and Apparel, Department of Commerce

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THE U.S. ECONOMY

The strong U.S. dollar is frequently cited as an important factor in our overall trade deficit situation, including the deficit in our textile trade. A close examination of exchange rates suggests, however, that the strong dollar, while very likely an important factor in the growth of imports from Europe, is less significant in import growth from the developing world, particularly Asia, since many of those countries' currencies are closely tied to the U.S. dollar. And it is from these countries, of course, that we import the large bulk of our textile and apparel products. The yen-dollar ratio was significant, however, in the U.S. competitive position vis-a-vis textile fabric exports to Asia, although other factors also contributed to Japan's advantage. Probably more significant has been the strong recovery of the U.S. economy following the recession of 1979-82, while most European economies were still stagnant.

Contributing to this shift of exports to the United States was a decision taken by the EEC countries to sharply restrict imports from the developing countries in connection with the renewal of MFA II. During the negotiations for MFA II the United States favored a simple four year extension of the existing agreement, but the EEC argued for a more restrictive agreement. The EEC position prevailed, and a major feature of the 1977 document extending the MFA was the inclusion of the "reasonable departures" clause, which allowed signatories to negotiate "jointly agreed reasonable departures from particular elements (of the MFA) in particular cases."[4] This language provided importing countries with the ability to depart from the six percent quota growth rate and other provisions of the MFA when necessary to resolve specific problems. "Reasonable departures" was designed basically to recognize a practice that had developed within some bilaterals in cases of particularly sensitive product categories. It enabled the EEC countries to restrict growth considerably more sharply than the U.S. However, due to LDC pressures the reasonable departure provisions were deleted from MFA III, but the EEC, by negotiating bilateral restraint agreements, continued to hold imports to lower levels than the U.S. These two factors then, the sluggish European economy and more restrictive policies have resulted in a major shift of exports to the United States.

RESTRUCTURING THE U.S. TEXTILE INDUSTRY

The U.S. textile industry has responded to the surge of textile imports in a variety of ways. In the fiber and fabric industries there have been tremendous investments in plant modernization and the use of labor saving devices. Over the past ten years the industry has invested over one billion dollars annually in capital improvements, representing over 80 percent of retained cashflow, and significantly higher than the average for U.S. industry in general.[4] Open-end spinning and shuttleless-loom weaving are probably the technologies of prime interest today. However, direct-feed carding is also a major labor saving device, permitting the fiber to move through the entire spinning process virtually without handling. These devices also have important health implications, and were installed, at least in part, to meet requirements developed by OSHA to reduce cotton dust levels.

The introduction of these new technologies has placed a particular burden on the smaller, frequently family-owned mills, who must either proceed with modernization more slowly or are simply unable to meet the costs of the new equipment while the larger mills can computerize the entire production process, ensuring maximum output. This has, in some cases, resulted in plant closings or consolidation of manufacturing operations. In addition, however, automation has not proven to be an unmixed blessing. Given the capital intensive nature of the spinning and weaving operation, mills have tended to seek large runs of fabrics. While this may not be a problem in fabrics such as denims for jeans, a number of apparel manufacturers complained about inflexibility and demands for excessively large runs by the U.S. fabric producers. In particular, companies such as Esprit de Corp. and The Gap, which specialize in fashion products for the youthful American sportswear market have said that they rely almost exclusively on foreign suppliers because they cannot get the variety of product and responsiveness to fashion changes in the U.S. market.

The introduction of automated spinning and weaving equipment as well as plant consolidations have resulted in significant reductions in manpower requirements, making these industries among the most efficient in the world.[5] Obviously, plant consolidations and automation have also contributed to the decline in employment in the textile industry, and while estimates vary widely, one analyst stated that it could account for as much as 50 percent in some segments of the industry. Nevertheless, it is generally agreed that import penetration remains the single most important factor in the decline in employment. One of the most heavily impacted is the knit apparel industry. The following chart from 1979-1985 illustrates the point.

PRODUCTION WORKER EMPLOYMENT AND AGGREGATE WEEKLY HOURS
APPAREL (KNIT AND WOVEN),* UNITED STATES, 1979-1985

YEAR	PRODUCTION WORKERS	AGGREGATE WEEKLY HOURS
1979	1,082,700	38,243,000
1980	1,053,700	37,455,000
1981	1,030,700	36,697,000
1982	952,200	32,893,000
1983	942,900	33,995,000
1984	962,800	34,883,000
1985*	921,000	32,828,000

* 1985 estimated on the basis of data for the first 9 months of 1985.

SOURCE: U.S. Bureau of Labor Statistics

Industry concern currently is focused less on imported yarns and fabrics than on imported made up garments which have more than doubled in the past six years and now claim between 40 and 50 percent of the U.S. market. The spinning and weaving industries,

while retaining much of the market in the furnishings sector, are increasingly losing customers in the U.S. apparel industry due to imports. The garment industry, a significantly more labor intensive area, has attempted to meet the import challenge through labor saving devices of its own. The average wage earned by a U.S. garment worker, according to the International Ladies Garment Workers' Union (ILGWU), is $6.50 an hour plus fringe benefits, which is lower than the $9.38 an hour average for all U.S. manufacturing workers, but is substantially higher than the $1.18 an hour earned by Hong Kong garment workers and many times higher than the estimated $.16 an hour earned by garment workers in the People's Republic of China.[5] In addition, the industry is increasingly concerned with new entrants in the field such as Sri Lanka and Bangladesh.

Although the apparel industry has made efforts to automate its production, it remains a labor intensive process. One effort to overcome this problem is the Tailored Clothing Technology Corporation (TC2),[6] which is a research and development program funded by the textile and apparel industries and the Department of Commerce, based at the Massachusetts Institute of Technology. Its major purpose is to find new ways to further automate the production of garments and improve the efficiency of the industry more generally. Although still in the developmental stage, TC2 has already produced four machines which will be field tested this year, and in 1985 Congress authorized an additional $3.5 million for research. Interestingly, the initial impetus for TC2 came from the Amalgamated Clothing and Textile Workers Union, some of whose workers may well be displaced by automation. Apparently, the union feels that it must take the lead in efforts to reduce labor costs if it is to seek U.S. Government assistance in limiting apparel imports. Just as automation in the fabric industry has proved costly and is therefore limited to the larger mills, so too will apparel automation probably be limited to larger garment manufacturers.

Another approach was the formation of the "Crafted with Pride in America Council" which reportedly has spent a sizable portion of its $10 million budget on advertising to encourage consumption of U.S. made apparel[7] and is also engaged in efforts to streamline production. Industry sources noted with satisfaction that Wal-Mart chain of retail stores had made a decision to stock only made in America apparel and are hopeful that the new country of origin labeling requirements will encourage more consumers to buy U.S. products. The industry thus far has put millions of dollars into these campaigns. However, the impact of these efforts is difficult to assess at this stage, and the results, in any case, will take some time to be realized.

TEXTILE IMPORT FRAUD

As competition in the textile trade has intensified, there has been an increasingly serious problem with fraudulent use of textile quotas and duty rates. The U.S. Customs Service estimated that the total dollar value of textile and apparel commodities

imported in violation of existing agreements is approximately $450 million.[8] In 1983 the Customs Service created a Commercial Fraud Investigations Center and established special task forces known as "Operation Tripwire" in New York and Los Angeles to detect fraudulent imports of textiles and woven apparel, among other products. "Operation Tripwire's" textile operations resulted in fines and penalties exceeding $2 million. However, "Operation Tripwire" was not made permanent, and Customs Service budget stringencies, coupled with the huge volume of imports entering the country, make all but the most cursory inspection of shipments impossible.

A number of efforts have been made to control the shipments of textiles at the source. For example, one scheme, devised by the Taiwan authorities to control fraudulent or counterfeit visas issued for textile shipments is the Automatic Visa Verification System (AVVS). Under this system every visa issued for a shipment of textile products is sent by satellite over the INFONET system to U.S. Customs. Customs therefore has the details and can verify the shipment before it reaches the point of entry. The system apparently has been effective in reducing fraudulent shipments from Taiwan.

COTTON PRICE SUPPORT PROBLEMS

Adding to the American textile producers' competitive disadvantage in recent years has been the discrepancy between the price of domestic cotton and the world price for cotton. Under Article 22 of the Agricultural Adjustment Act, which dates back to the 1930's, there is an import ceiling of approximately 30,000 bales of imported cotton out of a total domestic U.S. consumption of some six million bales. In some years, when the domestic price is competitive with world prices, even that small quota is not filled. However, with a current target price of $.81 per pound and a loan rate of $57.3 per pound the price of domestic cotton has been hovering at about $.65 per pound to the textile manufacturer. Normally, foreign producers tend to price their cotton at a few cents below the U.S. price, but in recent years there has been a surge in cotton production globally, particularly in China and Pakistan. This has put foreign cotton producers in competition with each other and driven the world price of cotton down. At present, the spread is roughly $.45 per pound world price versus $.65 per pound for U.S. textile producers, a substantial disadvantage. The Agricultural Adjustment Act is due to expire on August 1 of this year, however, and the new law enacted by Congress, the Food Security Act of 1985, will replace it. The new law, while it retains the same target price system, contains more flexible loan and deficiency payment provisions which will enable U.S. textile producers to purchase cotton at approximately world prices. Some mill owners, however, have expressed concern about the impact that the Gramm-Rudman-Hollings bill and other budget stringencies may have on supports under the new agricultural legislation.

UNCONTROLLED FIBER IMPORTS

While the MFA controls shipments of cotton, woolen and man-made fiber products, it does not cover other fibers such as linen, silk, jute and ramie. Until recently there was no competing U.S. industry in these fibers, and consequently no quota protection against disruption of markets was felt necessary. Technological advances, such as the reduction in the coarseness of ramie fibers, have made garments made from these materials a growing factor in the market, accounting for about nine percent of all textiles and apparel shipped into the United States. For example, imports of sweaters from Hong Kong in 1984 totalled 4 million 967 thousand dozen, nearly double the quota available. However, of that number, nearly 2.4 million dozen, 48 percent of the total, were made of non-MFA fibers and were therefore not subject to quota. During 1984 imports of apparel not subject to quota restraints under the MFA rose by 140 percent; imports of linen and ramie rose by over 400 percent. This loophole in the control mechanism also offers obvious opportunities for fraud and mislabeling. For example, sweaters have been imported as 55 percent linen or ramie when the chief value is cotton, a much less expensive fiber. Imports of non-MFA fiber products tend to be concentrated in East Asia, especially Hong Kong and the PRC, since China is the leading producer of ramie. The following chart indicates the rate of growth over the past year.

MAJOR NON-MFA FIBER APPAREL SUPPLIERS
January-December 1985

Country	MFA Apparel YTD/84	MFA Apparel YTD/85	& Chg	Non-MFA Apparel YTD/84	Non-MFA Apparel YTD/85	& Chg
Hong Kong	814.3	824.9	1.3	108.8	230.0	230.0
Korea	684.7	672.3	-1.8	80.7	156.6	94.2
China	444.5	421.7	-5.1	17.0	61.9	264.9
Taiwan	931.1	958.6	2.9	21.8	41.5	90.1

Major Products/Country

	1984	1985	% Change	% Share
Non-MFA Sweaters	166.5	340.2	104.3	63.4
Hong Kong	33.2	135.2	307.2	
Korea	15.5	81.6	426.5	

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EFFECTS OF FLEXIBILITY

China, Hong Kong, Korea and Taiwan, the "Big Four", increased their shipments by 25.2 percent between 1982 and 1983 despite being subject to tighter restrictions in their bilateral agreements with the United States than other countries. One of the reasons for this increase is the use of "flexibility" provided for in the MFA and the bilateral agreements. Flexibility, subject to certain restraints, allows countries to expand their shipments by transferring quota from one category to another, borrowing quota from a succeeding year, or carrying forward unused quota from the prior year. The use of flexibility varies widely by country and product category, with little use being made of its potential in the majority of instances. An unusual example of how flexibility can be used, however, took place in 1983, when China used flexibility on 16 product categories to exceed its quotas by 531,000 dozen of various apparel products and 175,000 dozen gloves.[9]

U.S. GOVERNMENT'S ROLE

The U.S. Government is currently a party to thirty-six bilateral agreements under the MFA, permitting it to regulate base levels and growth rates in an effort to provide an orderly expansion of the market, while avoiding domestic market disruption. Although U.S. performance has generally been more liberal than that of the other developed countries and the minimum MFA guidelines, our international textile relations have been subject to increasingly heavy pressure for more restrictive measures. The most recent measure to restrict trade is the Textile and Apparel Trade and Enforcement Act of 1985 (commonly referred to as the Jenkins Bill), which passed easily in both houses of Congress this fall but was vetoed by President Reagan on December 17, 1985. The bill, which would have rolled back textile imports by 35-40 percent, was opposed by other segments of U.S. industry and agriculture who feared foreign retaliation in response to U.S. cutbacks in textiles. Some of the most effective opposition was concentrated on the West Coast, where trans-Pacific trade is a major factor in those states' economies. The bill naturally was also opposed by importers and apparel retailers whose profits would be hard hit by such serious restrictions. The textile lobby expressed extreme displeasure and disappointment at the President's decision, and efforts are underway to override the veto.

In his veto message to Congress, the President acknowledged the difficulties being experienced by the American textile industry as a result of imports, but stated that "the economic and human costs of such a bill run far too high -- costs in foreign retaliation against U.S. exports, loss of American jobs, losses to American businessmen, and damage to the world trading system upon which our prosperity depends."[10] In response to the textile interests' concerns, the President directed that import levels be investigated and a report be prepared on corrective measures that might need be taken to improve existing enforcement measures. The President also directed that $100 million be made available for retraining and relocation of workers displaced as a result of textile imports.

One effect of the growing protectionist sentiment in the United States and pressures from Congress has been an Administration effort to place more and more textile imports under restraint. The U.S. mechanism for the conduct of textile policy is the Committee for the Implementation of Textile Agreements (CITA). The committee is made up of representatives from the Departments of State, Commerce, Labor and Treasury and the Office of the U.S. Trade Representative. The committee is chaired by the Commerce Department's Deputy Assistant Secretary of Textiles and Apparel, and Commerce provides staff work and statistical data for the Committee. CITA may call for quota consultations whenever it determines that imports of a certain textile category from a country or territory are causing, or appear likely to cause, disruption in the U.S. market. In 1985, 120 calls were issued, resulting in almost all cases in the imposition of a quota.[11] This increased number of calls has resulted in serious complaints from a number of textile exporting countries who claim that the calls are unjustified. If an exporting nation feels that a call is unjustified, it can bring the matter to the Textile Surveillance Body (TSB) in Geneva, operating under the auspices of the GATT. The TSB can issue advisory opinions, but has no enforcement powers.

CITA's activities are overseen by another body, the Textile Trade Policy Group (TTPG), which was set up by Presidential Memorandum of June 5, 1975. It is chaired by USTR and composed of Under Secretaries of Agriculture, Commerce, Labor, State and Treasury. The Textile Trade Policy Group advises on general matters concerning international textile trade policy, establishes procedures and policy guidance under which the U.S. takes unilateral action under the MFA, develops policy proposals with respect to the negotiation of bilateral and multilateral textile trade agreements, and authorizes and provides for such negotiations. In practice, this body has met rather infrequently and then largely to settle disputes which cannot be resolved at the CITA level. Increasingly, policy issues are handled by the Cabinet level Economic Policy Council (EPC) or its predecessor, the Trade Policy Committee (TPC), headed by the USTR.

Industry has argued that the present system is ineffective since the data made available to CITA comes too late to prevent surges in the market, and by the time quota limitations are negotiated with the exporting country in accordance with the MFA, already unacceptably large bases have been established. Some industry spokesmen argue that the only viable solution to the quota problem is a system of "global quotas" setting worldwide limits on textile categories, since when one exporting country is restrained the business simply moves to other non-quota countries or those having more liberal quotas.

In July, 1983, the President established an interagency White House Working Group to review implementation of the textile import program. The Working Group prepared an overview of the current situation in the textile industry and developed options for improved administration of the textile program. As a result of one of the group's recommendations, the President, on May 9, 1984, issued Executive Order 12475 authorizing special Customs regulations to deter circumvention of the textile and apparel quota program, including a revised "Rule of Origin" for textiles and textile products pursuant to policy guidance from CITA. On March 5, 1984,

final regulations were promulgated, including a revised, codified rule of origin. A number of apparel exporting countries and territories, in particular Hong Kong, had increasingly engaged in the practice of knitting panels in nearby low-wage countries and then shipping them to a country having large quotas to be sewn together. The value added in the assembly process permitted the garment to be imported into the U.S. under that country's quota. The rule of origin severely tightened the requirements for certification of origin and had a serious impact in some apparel sectors, particularly knit sweaters. While this has had a restraining effect on some countries, ingenious efforts by major exporting centers have frequently produced ways to overcome the problem. In the case of Hong Kong, for example, when it became impossible to import panels from China for assembly in Hong Kong, it imported the sophisticated automatic knitting machinery necessary to produce the panels locally. In addition, it shifted into blends of ramie and linen which are uncontrolled. As one Hong Kong official maintained, "The only country that benefitted from the rule of origin was Japan. It sold a lot of automatic knitting machinery."

The Customs Service is the arm of the U.S. Government responsible for the enforcement of quota regulations and the collection of tariffs. Faced with static or dwindling resources and growing responsibilities in such areas as narcotics interdiction and the control of illegal technology transfers, the Customs Service faces an almost impossible task. Customs inspects less than three percent of all containerized merchandise that enters the United States, and containerized material now accounts for more than 70 percent of U.S. seaborne commerce. In addition, the volume and complexity of regulations has steadily increased. Customs must keep abreast of new categories for established exporters and new country quotas for new entrants to the textile market. Of the 14,000 separate products listed in the Tariff Schedule of the United States, over 3,400 or about 25 percent are textile and apparel products.[12]

THE TEXTILE LOBBIES

The debate over the degree of protection which should be afforded the U.S. textile and apparel industries is heavily influenced by a large and well funded lobbying effort. The protectionist viewpoint is spearheaded by the American Fiber Textile and Apparel Coalition (AFTAC), encompassing twenty-one organizations representing both management and labor. The following list indicates the range of membership in AFTAC.

Amalgamated Clothing & Textile Workers' Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet and Rug Institute
Clothing Manufacturers Association of U.S.A.
International Ladies' Garment Workers' Union
Knitted Textile Association
Luggage and Leather Goods Manufacturers of America, Inc.

Man-Made Fiber Producers Association
National Association of Hosiery Manufacturers
National Association of Uniform Manufacturers
National Cotton Council
National Knitwear & Sportswear Association
National Knitwear Manufacturers Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association
United Hatters, Cap and Millinery Workers' Union
Work Glove Manufacturers Association

As an umbrella organization, AFTAC has a relatively small budget and staff of its own. It tracks any U.S. Government action that may impact on the industry and coordinates industry positions for testimony before Congress and for representations to the executive branch. It is particularly effective with the legislative branch, given the geographic composition of its membership, with the weaving and spinning industries concentrated in the mid-South and the apparel industry located in the industrial Northeast. In addition, the farmers and ranchers who produce raw materials for the industry, primarily cotton and wool, bring some western Congressmen into the coalition, and the petrochemical industry is also a natural ally.

On the manufacturing side the two major lobbying organizations are the American Textile Manufacturers Institute (ATMI) for the fabric industry, and the American Apparel Manufacturers Association (AAMA) for the garment industry. Both maintain offices in Washington, D.C., and have professional staffs to do economic analysis and engage in lobbying activities on the Hill. ATMI, for example, is thirty-seven years old, has two hundred member companies, and represents some 85 percent of the total U.S. fabric production.[13] The ATMI occupies a leadership position in the AFTAC, and its Executive Vice President serves also as Secretary of AFTAC. It has led the drive for stricter quotas and more rigorous enforcement of the MFA provisions.

The AAMA membership represents some 70 percent of U.S. capacity for apparel manufacturing and produces nearly all lines of apparel.[14] Its Apparel Political Education Committee does extensive research into import trends in the garment industry. It has been a key player in pressing the Administration to fulfill a committment made by President Reagan to relate the growth of textile imports to the growth of the U.S. domestic market.

The labor side of the coalition is also headed by two major players, the Amalgamated Clothing and Textile Workers' Union (ACTWU) and the International Ladies' Garment Workers' Union, both based in New York. The ACTWU dates its origins back to the organizing struggles of 1910-1914 and now claims a membership of approximately half a million workers in the apparel, textile, shoe, service and retail trades.[15] The present organization is a result of a 1976 merger between the Textile Workers' Union and the Amalgamated Clothing Workers' Union followed by the affiliation of several, smaller specialized unions. The ACTWU tends to predominate in such

fields as men's and women's suits and other more tailored products. The U.S. remains dominant in the production of men's suits for the U.S. market, so the union has not fared as badly as some other sectors of the industry. As previously noted, however, ACTWU is one of the leaders in the effort to automate the garment manufacturing process in order to remain competitive.

The ILGWU represents over 230,000 workers engaged in the production of women's and children's apparel and accessories.[16] This sector of the industry is particularly vulnerable since it is comprised of hundreds of relatively small companies. No single entrepreneur controls more than one percent of the market. It is also an industry where fashions change rapidly and product runs therefore tend to be relatively small. It is therefore highly vulnerable to low priced import competition. The ILGWU has taken one of the strongest protectionist positions and is one of the leading opponents of the export-led development model for Third World Countries.

A new organization, the Fiber, Fabric and Apparel Coalition for Trade (FFACT), was formed last year specifically to lobby for the Textile and Apparel Trade Enforcement Act (the Jenkins bill) and is composed essentially of the membership of AFTAC. FFACT, with a budget of two million dollars was a leading element in the fight to get the Jenkins bill passed, and with the President's veto it was recently decided to continue this organization in an effort to override the veto. As a part of its lobbying effort FFACT commissioned a study detailing the protectionist measures practiced by nearly all of the textile exporting countries themselves.

The anti-protectionist lobby, while it probably represents more people and greater financial resources than the protectionists, has traditionally been less effective in its lobbying efforts. It is also headed by an umbrella organization, the Retail Industry Trade Action Coalition (RITAC). Its membership list is indicative of the coalition's interests:

Retail Companies

Associated Dry Goods Corporation
Associated Merchandising Corporation
Balliet's, Inc.
BATUS Retail Group
Carter Hawley Hale Stores, Inc.
Dayton Hudson Corporation
Edison Brothers Stores, Inc.
Federated Department Stores, Inc.
J. C. Penney Company, Inc.
K Mart Corporation, Inc.
Proffitt's Inc.
R. H. Macy & Co., Inc.
Sears, Roebuck and Co.
Selber Bros., Inc.
Spiegel, Inc.
Tandy Corporation
The May Department Stores Company, Inc.

Walgreens
Zale Corporation
Zayre Corp.

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Associations

American Retail Federation
Association of General Merchandise Chains, Inc.
Direct Selling Association
National Association of Chain Drug Stores
National Mass Retailing Institute
National Retail Merchants Association
National Shoe Retailers Association
Volume Footwear Retailers of America, Inc.

RITAC is based in Washington, D.C., and acts for its membership much as AFTAC does for the textile industry. For example, when the announcement of the new "Rule of Origin" threatened to cause chaos for the retailers' Christmas apparel buying, RITAC, with its constituent members, took the matter to court. They argued that the action was taken without affording an opportunity for public comment and that the regulation violated the terms of the MFA. While RITAC did not succeed in overturning the new regulation, it did succeed through political pressure in gaining the adjustment in the timing of its entry into force to avoid potentially serious losses for the retail industry.

RITAC argues that the textile industry must be brought into the mainstream of foreign trade and not continue to be treated as a special case. It considers the MFA ineffective and calls for a gradual phasing out of the agreement. The retailers further argue that the textile industry in the United States is not as bad off as it claims and is making substantial profits. This was partially borne out late last year when former ATMI President James Martin said, "Regardless of whether the Textile and Apparel Trade Enforcement Bill passes or not, the next twelve months should be more profitable than the last."

A new organization, the American Fair Trade Council (AFTC), was formed last year specifically to fight the Jenkins Bill. Largely a West Coast organization, it was initially founded by Esprit de Corp and the Gap, two of the United States' largest apparel importers. It subsequently added other members, and with a limited budget of $500,000 set up a Washington lobbying office. The AFTC adopted a number of attention getting devices to make its case. For example, just before the vote on the Jenkins Bill a shirt was delivered to every member of Congress along with an information packet containing the slogan "The Textile Bill Rips the Shirt off America's Back."[17] The AFTC also worked closely with several West Coast Congressional opponents of the Jenkins Bill and probably deserves partial credit for the fact that the bill, after peaking with over 290 supporters in the House, enough to override a veto, slipped back to 225.

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The anti-protectionist lobbies are natural allies of the major textile and apparel exporting countries, some of whom employ lobbying organizations themselves. Hong Kong, for example, operates at two levels. The Hong Kong office officially represents the colony from the Chancery of the British Embassy, and employes a firm largely to provide economic analysis to support its anti-protectionist stance. The Hong Kong Trade Development Council, based in New York, has hired an organization for direct lobbying against the Jenkins Bill.

CONCLUSIONS

There is little doubt that the U.S. textile industry, and particularly the apparel sector, has been hurt by the growth in imports from low-wage textile exporting countries. Predictions of the industry's imminent demise, however, are probably exaggerated. The number of calls on specific categories has accelerated sharply over the past year, and at present some 80% of all trade is under control. In addition, the Administration is exerting heavy pressure on the "Big Three", Taiwan, Hong Kong and Korea, for practically zero growth levels. The MFA will probably be renewed in substantially the same form as in the past, but presently uncontrolled fibers such as jute, linen and ramie are likely to be brought under the MFA. Economic factors also appear favorable for the textile industry. The declining strength of the U.S. dollar should make European imports less competitive, and prospects for some increase in U.S. fabric exports would appear likely. A stronger economy in Europe should also take some of the pressure off the U.S. market when coupled with more stringent U.S. controls on imports.

Problems remain, however, for the textile industry. As the controls are tightened on the major exporters there will likely be continued growth from LDC countries such as Bangladesh, Sri Lanka and Indonesia. There will be substantial political pressure to permit growth from these sources, and the incentive for more experienced textile producers to shift their investment into these areas will be great. To meet the continuing challenge of low-wage exporting countries the U.S. industry recognizes that it must increase its flexibility and responsiveness. However, this runs counter to the drive for increased automation and efficiency. The industry must find a way to resolve this dilemma.

Mergers and leveraged buyouts are likely to continue as the industry seeks to make itself more competitive. While this will help the industry as a whole, plant closings, particularly in smaller mill towns, will have an adverse social impact, and continued calls for protection can be anticipated. Nevertheless, although the industry may push hard to override the President's veto of the Jenkins Bill this fall when election pressures will be greatest, if there are no further surges in imports, and textile producers are showing a reasonable profit, chances for success would not appear good.

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