

Technology Entrepreneurship: HDCS 4370
Quiz #6: The US Textile Industry
Chapters 6 & 7

Dr. Adomaitis

Alexandria Lewis-Hawthorne (name)

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press.

Please answer to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count.

a. In relation to the textile industry, where was the apparel industry located? When was the formation of the Apparel industry? What were considered “inside-shops” versus “outside shops”? (2 pts)

(pg 96, paragraph 1) The apparel industry was located in New York City and formed during the end of the nineteenth century and the early twentieth century.

(pg 97, paragraph 1) Inside shops were considered to be firms where producers designed, manufactured, and sold garments. Outside shops were considered to be run by contractors, who probably did both the cutting and assembly or just the assembly work, needed to produce a range of garments planned and designed by different manufacturers.

So inside shops do all stages of production where outside shops only did the cutting and assembly or just assembly, but involved different manufacturers in their stages of production.

b. Define *runaway* shop. How did *runaway shops* affect the apparel industry? How did the International Ladies’ Garment Workers’ Union (ILGWU) make union contract shops honor their

contractual obligations? (2pts)

A textile mill. Runaway shops were created for the sole purpose of avoiding unionization. They were relocations made by its owners to run away from union labor regulations or state laws.

(pg 101, paragraph 4) With their strategy, the ILGWU applied the union contract in runaway shops which required union manufacturers who left towns proceed to pay employ union contractors and union wages.

(pg 99, paragraph 3) The union's control over the labor force began to diminish as the labor contract was challenged by runaway shops. Companies moved outside of authority to the South. In turn this led to job losses and wage reductions. New York lost its importance as the center of U.S. apparel production.

(pg 102, paragraph 1) The ILGWU proposed the National Labor Relations Board or the courts to impose their contractual relationship with the offending manufacturer or contractor.

c. What was the result when U.S. importers, retailers, and manufacturers decided to contract work to East Asian producers? Why did U.S. importers, retailers, and manufacturers decide to contract work to the East rather than to U.S textile mills if foreign competition was already problematic? (2pts)

The U.S. saw that the cost was cheaper in East Asia and therefore decided to contract work to them.

(pg 103, paragraph 2) U.S. importers, retailers, and manufacturers decided to contract work to the East because Eisenhower's administration put in place a new East Asian foreign policy that reduced textile tariffs. This encouraged Japanese textile imports.

(paragraph 3) The U.S. ended up going to Japan with samples and contracted with Japanese manufacturers to produce them. Japanese import growth rates were more than the domestic production rate.

(pg 104, paragraph 1) The result brought a lot of imported apparel. Producers in Hong Kong and Taiwan produced large quantities of low cost women's and children's clothing for export to the U.S.

(pg 105, paragraph 1) Sweatshops had also become widespread in result when the U.S. decided to contract work to East Asian producers. As stated, "So called American Entrepreneurs" set up factories in foreign countries.

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press. (cont.)

d. Define MFA? What was the purpose of the MFA? How did the NIC (Newly Industrializing Countries) of Hong Kong, Taiwan & South Korea keep abreast of the changes in foreign policy and manage an increase in imports? (2pts)

MFA, Multifibre Agreement was basically a worldwide agreement that governed trade in textiles and garments; set quotas on the textiles and clothing developing countries could export to developed countries.

(pg 110, Trade Protection) The MFA was brought about to slow down the rate of import growth and lessen the flow of imports to U.S. consumers and retailers. The Multifibre Agreement stated themselves that their purpose was to advance the economic and social development of developing countries. They also wanted to obtain a significant increase in their export earnings from textile products and be able to supply for a greater share for them in world trade in these products.

(pg 111, paragraph 2) MFA's main function was to level the needs of developing countries for export markets among the needs of the U.S. and other industrialized countries to control the rate at which imports of textiles and apparel widened

(pg 111, paragraph 3) Kennedy tried regulating imports from Hong, Taiwan and South Korea with the Short-Term and Long-Term Arrangements. His Seven Point Program was put

into action at the request of the American Cotton Manufacturers' Institute, which was to regulate cotton textiles only and apparel made from them. They were very popular in Japan and was being produced and used to manufacture clothing in Hong Kong, Taiwan, and South Korea. The U.S government went ahead with its program of tariff reductions, which brought the "polyester revolution" which dramatically increased imports.

e. How did the Reagan administration view foreign trade policy? What were some of the social transformations that the U.S. had endured in the 1970's that effected foreign trade policy? What was the effect on apparel imports? Imports from The People's Republic of China (PRC)? (2pts)

(pg 119, paragraph 1) During Reagan's administration, the protectionist agenda was no longer a driving force of trade policy. It was replaced by the neoliberal agenda (free market).

(pg 121, paragraph 2) The Reagan administration encouraged imports from the People's Republic of China and rejected major protectionist legislation. The Protectionists had other plans and led Reagan to a new agreement which ended up facilitating the process of trade liberalization for textiles and apparel.

(paragraph 3) Between 1960 and 1980, apparel imports expanded quickly, especially during Reagan's presidency, growing faster than ever before.

(pg 123, paragraph 1) Reagan ordered restraint on textile and apparel imports from countries including the People's Republic of China. Hong Kong, South Korea, and Taiwan reduced their imports leading to an increase in China's textiles and apparel exports. This shifted U.S. imports from HK, South Korea, and Taiwan to the People's Republic of China.

(paragraph 3) Reagan lessened textile and apparel quotas for Asian countries. He used an institutional framework that was designed to enforce the MFA with an approach that was consistent with his trade liberalizing objectives and consistent with the expansion of trade in textiles and apparel.