

Fashion Economics: FM 4339  
Quiz #6: The US Textile Industry  
Chapters 6 & 7  
Dr. Adomaitis

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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)**

In relation to the textile industry the apparel industry was located in New York City and according to Rosen “ The U.S. apparel industry developed during the end of the nineteenth century and the early twentieth century”. ( Rosen, 2002, Pg. 96 P.1). Inside shops were considered to be smaller businesses where the producers had designed, manufactured, and sold their garments as opposed to outside shops that were run by contractors that either did the assembly or cutting that was required in order to produce different types of garments. Much like the textile industry the apparel industry was very much competitive where the profits were based upon employment structure.

**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 runaway shop is essentially the relocation of operations by the owner or employer to try and avoid labor unions. In this instance, manufacturers had begun to move to lower-wage and nonunion areas that were outside of New York City. In turn, this meant that in the city apparel workers were losing their jobs and their wages were being reduced. Eventually, this would lead to a strike in November of 1958 where “ the (ILGWU) had a large concentration of organized workers and they demanded a fifteen percent wage hike” (Rosen, 2002, Pg.99, Par.2). Ultimately this strike appeared to settle the matter. Still, after that the unions' hold over the labor force steadily began to slip away. The International Ladies’ Garment Workers Union had made the contract shops honor their obligations by requiring union manufacturers who had moved out of

town to continue to pay their union wages as well as employ union contractors. The ILGWU had also appealed to the National Labor Relations Board in order to enforce these contractual relationships.

**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 result of U.S. importers, retailers, and manufacturers deciding to contract work to East Asian products led to the reemergence of sweatshops where the U.S. would be able to take advantage of the lower labor costs. Meanwhile, unionized producers would find themselves competing with non-unionized producers not only in the South but also offshore at a fraction of the cost. The U.S importers and manufacturers decided to contract work over to the east because “ Its impact was not analogous to competition from the runaway shops that moved south. Industry and trade union leaders may have seen low-wage southern competitors at that point as more of a direct threat to the industry’s health and to the strength of the labor-management contract. Yet this did not blind them to the new challenge posed by Asian contracting” (Rosen 2002, Pg.105, Par.1).

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 is the Multifibre Arrangement whose purpose was to “slow down the rate of import growth and to moderate the flow of imports to U.S retailers and consumers and manage trade in textile products” (Rosen, 2002, Pg.110, Par.2). Kennedy’s short and long term arrangements were implemented in order to regulate imports from Taiwan, Hong Kong, and South Korea. Also, his seven-point program was enacted in order to create a quota regime that regulated cotton textiles.

**e. How did the Reagan administration view foreign trade policy? What were some of the social transformations that the U.S. had endured 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)**

The Reagan administration was marked as a turning point in foreign trade policy. His administration challenged the credibility of trade protection as well as subverted the power of the trade protectionists. Eventually, this would lead to the termination of GATT and make way for the World Trade Organization. Some social transformations that the United States had to endure in the 1970s was "Two oil crises, a worldwide recession, a dramatic growth of foreign investment in the United States and a crisis in U.S manufacturing that was leading to a "new international division of labor" which was contributing to the deindustrialization of America." (Rosen, 2002, Pg.120, Par.1). Although Reagan's administration had enforced quota regulation this did not stop the administration from encouraging imports from the People's Republic of China. Apparel imports had expanded rapidly from the years 1960-1980 more than ever before.