

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

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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)

The development of the textile industry and the apparel industry occurred at different times. Just recently both had a clear history, a distinct type of production and special traditions. “America’s textile industry had its roots in early-nineteenth century New England and in the South” (Rosen, 2002, pg. 96, par. 1). The U.S. apparel industry matured during the end of the nineteenth century but also the beginning of the twentieth century.

Reporters and journalist alike has written about the conditions textile workers faced in the past working in the South. Now the working conditions of the garment factories in the lower east side became a topic of documentation. “While the labor struggles of the 1930’s had failed to organize the southern textile industry, similar struggles in the clothing industry succeeded, leading to a progressive set of labor management relationships and trade unionism in the New York City apparel industry” (Rosen, 2002, pg. 96, par. 1). Later on, the rules of the New Deal had laid the foundation for a evolving and unionized garment industry. By the early 1950’s, the labor alliance established by the New Deal and Democratic Party had allowed organization of unions to occur in New York, New Jersey and Pennsylvania.

Like found in history, the apparel industry has been formed in the United States and anywhere that has a small, heritage firm. “There were “inside shops” producers who designed, manufactured and sold garments and “outside shop” run by contractors who might do either the cutting and assembly, required to produce a variety of garments planned and designed by different manufacturers” (Rosen, 2002, pg. 97, par. 1). Like the textile industry, the apparel industry was rather competitive and barely profitable. Profit and productivity depended too much on labor repressive employment structure. However, the textile industry was clearly

hostile to the labor movement, the apparel industry being unionized led to a different labor- management cooperation.

- 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)

Runaway shops are an apparel industry plant moved by the owner from its main location to a different location to escape labor union regulations or its state laws. The relocation of apparel firms to the South was created to weaken the labor-management agreement that the ILGWU and apparel industry had made very successful. "By the 1950's apparel producers were being invited by the governments of small southern towns, desperately in need of jobs, to set up shop" (Rosen, 2002, pg. 100, par. 4). However, in these antiunion towns, local elites who showed support for a low-wage environment, triumphed over the political scene and discovered ways to get union organizers to leave town. As many apparel producers left town to the South, the North began to fall apart.

In the 1950's, the ILGWU took some serious efforts to enforce the union contracts for shops that had run away. "In one of these cases, that of a New York manufacturer who removed to a small rural southern community, the firm was prepared to honor its contractual obligation but was prevented from doing so" (Rosen, 2002, pg. 101, par. 2). The owner of the firm tried to carry out their contract with the union by acknowledging the wage commitment to the new labor workers. According to reports in New York Times, the ILGWU had a campaign of violence out against them. Later, the scene organizers appeared in an unsuccessful attempt to rally workers.

- 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)

In the 1950's, U.S. producers left for Japan and contracted with their manufacturers to produce cotton blouses for export in the United States. These blouses were sold for only one dollar and comparable blouses sold in America went for three to four dollars. "These blouses were imported to the United States as early as 1947, when they began to enter the U.S. markets" (Rosen, 2002, pg. 103, par. 3). By 1954, 171,000 cotton blouses were exported to America from Japan. Just a year later, the number went to four million dozen.

The newly established import competition during the late 1950s was just a two percent of the U.S. retail market in textiles and apparel. "He argues that its impact was not analogous to competition from runaway shops that moved south" (Rosen, 2002, pg. 105, par. 2). Industry leaders did see low-wage southern competitors as a threat directly to the industry's health and a strength of the labor

management contract. Furthermore, this didn't stop them from seeing the challenges established by Asian contracting.

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)

The MFA which stands for Multifibre Arrangement went to effect from 1974 to 1994; it is a political compromise with unique interest groups. The industry it's in has been described as overly protected and responsible for a unique system of import protection not available in other cities during that time. "These special trade regimes for textiles and apparel, however, was not designed to protect textiles or apparel producers from the expansion of low-wage imports" (Rosen, 2002, pg. 110, par. 3). They were responsible for slowing down the import growth rates and to control the flow of imports to the U.S. retailers and consumers. The real goal of the Multifibre Arrangement was to manage trade.

President Kennedy had the initial quota regime for textiles and apparel that was regulated by the Short-Term and Long-Term Arrangement from these newly industrializing countries. The Seven-Point Program was made mainly at the order of American Cotton Manufacturers', it established a quota regime that only had cotton textiles and apparel regulated. "There were no quotas for textiles and apparel made with the newly developed and increasingly popular man-made fibers, which in the 1960's and early 1970's was being produced in Japan and used to manufacture clothing in Hong Kong, Taiwan and South Korea" (Rosen, 2002, pg.111, par. 3). The American government then continued with the reduction of tariffs and the polyester revolution of the 1970's noticeable increased imports of trade that was created with man-made fibers.

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)

Reagan's administration questioned the lawfulness of trade protection and weakened the power of the trade protectionist. "During his administration, the protectionist agenda was eliminated as a force in the formation of trade policy and replaced by the neoliberal agenda" (Rosen, 2002, pg. 119, par. 1). Reagan then began to enforce a new free trade agenda as a result. Reagan started with the Caribbean Basin Economy Recovery Act that basically paved the way for a new type of trade in America and investment in Latin America.

By the 1980's there has been several social transformations. There were two oil crises, a global recession, an elaborate growth of foreign-born investment in the United States and a turning point in American manufacturing that lead to a new global division of labor. "...an overvalued dollar was leading to growing imports of products like autos, steel electronic equipment and apparel from America's new industrial competitors" (Rosen, 2002, pg. 120, par. 1). This was the United States first trade deficit since 1917.

Reagan advocated for the administer of quota regulation and debated on reductions in the quota of East Asian apparel exporters. After all, Reagan's administration also played politics with the Multifibre Agreement, reinforced imports from the People's Republic of China and disapproved major protectionist legislation. "The power of the protectionist, however led Reagan to a new compromise with the textile interests, but one that ultimately furthered the process of trade liberalization for textiles and apparel" (Rosen, 2002, pg. 121, par. 3). During Reagan's presidency apparel imports grew rapidly between 1981-1988. The value of apparel imports was 7.75 billion in 1981 and tripled to 22.4 billion by 1988.