

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

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MUSARAT MERCHANT

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)

- While America’s textile industry had its roots in early-nineteenth-century New England, and later in the South, the U.S. apparel industry developed during the end of the nineteenth century and the early twentieth century in New York City. (Pg. 96, 1st para).
- Historically, the industry had been composed, in the United States as elsewhere, of small, family-owned firms. There were “inside shops”—producers who designed, manufactured, and sold garments—and “outside shops,” run by contractors who might do either the cutting and assembly, or only the assembly work, required to produce a variety of garments planned and designed by different manufacturers. (Pg. 97, 1st para).

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)

- By the end of the 1950s the period of peace and prosperity for apparel workers had come to an end. In November 1958 a strike was called in seven northeastern states where the ILGWU had a large concentration of organized workers. The strikers demanded a 15 percent wage hike. (Pg. 99, Para 2).
- The settlement of the strike appeared to restore the power of the ILGWU, but after that the union’s hold over the labor force began to slip away as the labor contract was challenged by “runaway” shops. (Pg. 99, Para 3).

- The ILGWU did make some serious efforts in the 1950s to enforce the union contract in 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 obligations but was prevented from doing so. The owner of the firm made an initial effort to fulfill his contract with the union by honoring the wage commitment to the new workers. **(Pg. 101, Para 2).**

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)

- U.S. apparel producers had never suffered from low-wage import competition before World War II, not even from Europe. In fact, before it became policy, U.S. apparel manufacturers and both apparel unions had supported free trade. Theirs was a position based largely on principle—on the internationalist ideals embedded in social-democratic traditions. Low tariffs for consumer products also meant lower cost goods for American workers. **(Pg. 103, Para 1)**
- By the 1960s, producers in Hong Kong and Taiwan had also begun to mass-produce low-cost women’s and children’s clothing for export to U.S. markets. These products typically sold to bargain-basement retailers in cities of the American South. Much of the imported apparel was the result of the new practices by U.S. importers, retailers, and domestic apparel manufacturers who had begun to contract work to East Asian producers.²³ Such enterprising American importers, retailers, and apparel manufacturers became the first direct foreign competitors of U.S. apparel producers, most of whom were still making clothing for the American market at union wages in the New York City area. Thus, unionized producers suddenly found themselves competing with non-union, low-wage producers not only in the South but also offshore at a fraction of the cost of U.S. producers. (Pg. 104, Para 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 (keep up with) the changes in foreign policy and manage an increase in imports? (2pts)

- The full form of the MFA is Multi-Fibre Arrangement which is described as, “a unique system of import protection” that governed the world trade in textiles and apparel from 1974 through 1994, imposing quotas on the amount developing countries could export to developed countries. **(Pg. 110, Last Para).**
- The main purpose of the MFA was to “mandate trade” or “to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products.” Its purpose was also “to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide for a greater share for them in world trade in these products.” **(Pg. 110 – 111, Last Para).**
- With a quota limit, they / NIC (Newly Industrializing Countries) of Hong Kong, Taiwan & South Korea recognized that the higher value of apparel products, as compared to textiles, would make it more profitable to export apparel, and they began to focus on apparel exports. **(Pg. 112, 1st Para, bottom part)**

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)

- As president, Ronald Reagan made it increasingly difficult for workers to receive benefits. In the Job Training Partnership Act of 1982, he tightened the eligibility criteria, allowing the administration to reduce funding for the compensation, retraining, and relocation allowances programs. The number of workers certified as eligible to receive support went from 88 percent to 14 percent. Between 1981 and 1987 smaller amounts of funding remained available; this funding was used largely for job retraining and relocation assistance rather than for income assistance. **(Chapter 6, Pg. 115, Para 1).**
- Reagan supported the enforcement of quota regulation and negotiated reductions in the quota of East Asian apparel exporters. However, his administration also played politics with the MFA, encouraged imports from the People's Republic of China, and vetoed major protectionist legislation. **(Chapter 7, Pg. 121, 3rd Para.)**

- Apparel imports had expanded rapidly between 1960 and 1980. During the years of Reagan's presidency, 1981–88, they grew faster than ever before. (**Chapter 7, Pg. 121, 4th Para.**)
- However, the People's Republic of China was becoming a threat to the U.S. textile industry. Nixon had "reopened" China in the early 1970s. The PRC had not joined the Multifibre Arrangement, but China nevertheless had signed a trade agreement with the United States in 1980 and a second one in 1983, treaties that reversed a thirty-year period of cold war hostility and reopened U.S. markets to Chinese exports. (**Chapter 7, Pg. 122, 1st Para.**)
- Like other industrialized countries, the PRC found ways to manipulate the quota regime. However, unlike other countries, China's government during this period unofficially encouraged exporters to use fake visas to send illegal shipments of clothing to the United States, which led to the growth of low-cost Chinese textile and apparel products. (**Chapter 7, Pg. 122, 3rd Para.**)