

Fashion Economics: FM 4339
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.

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)

As mentioned in Rosen's book, the apparel and textile industries were developed separately. Ellen says in the book that the beginning story of the apparel industry was back in early-nineteenth-century New England. However, later it found its root in the South. The United States had an American apparel and textile industry located in New York City during the nineteenth century and early twentieth century. The manufacturers making apparel were immigrants from different countries such as Southern Italy and Eastern Europe. It can be easily said that immigrants had a huge role in developing the apparel industry (Rosen, 2002, p.96, par.2).

According to the facts of history, there were two different types of shops, "inside-shops" and "outside shops." The "inside-shops" were composed of small, family-owned firms that had the main task of designing, manufacturing, and selling items. On the other side, "outside shops" had the contractors as heads responsible for cutting and assembly or just assembly work focused on planning, designing, and producing garments (Rosen 2002, p.97, par.1). Whether it was an "outside shop" or "inside shop," they were both productive and competitive in the industry.

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)

According to Ellen Rosen, right after the union's hold over the labor forces started to slip away as "runaway" shops challenged the labor contract. The meaning behind the runaway shops was the relocation to the industrialized world. Runaway shops were assigned to the textile industry, and they helped employees move from one location to another to escape government labor regulations, extremely low wages, and state laws. Rosen also mentions that this was one of the

best ways for clothing manufacturers to search for new opportunities and low relatively low-wage labor (Rosen, 2002, p.98, par. 3). As a result, they started moving out of towns, and this movement helped end unionization.

There were several ways in which runaway shops affected the apparel industry. According to the book, it was connected to several difficulties in organizing apparel and textile manufacturers and contractors in the South. They were far away from the producers who guided them, and this was the main reason why at the beginning, there was a lack of critical mass producers (Rosen, 2002, p.100, par. 2, 3). Manufacturers and contractors also had difficulties affording a union contract. Furthermore, the success of the union's election is one of the reasons why runaway shops impacted the apparel industry. Finally, the apparel industry lacked the necessary capital to hire workers under a union contract.

The International Ladies' Garment Workers' Union (ILGWU) came up with a strategy that would consider enforcing the union contract in runaway shops, which would make them follow all the rules and regulations required by the Union (Rosen, 2002, p.101, par. 4). In addition to that, manufacturers and contractors who moved to the South still had to pay union wages and employ contractors who were in the union.

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 the foreign competition was already problematic? (2pts)

According to the book, in the early 1950s, the United States textile and apparel manufacturers and producers decided to go to Japan with a massive amount of cotton blouses. The main goal was to start producing the apparel for export in the United States. They were sold at meager prices when on the other side, the exact product has been sold at a higher price. As time passed, by 1954, Japan increased from 171,000 to 4 million in just one year. The result came out as the growth rate of Japanese imports, which was “ higher than the domestic production rate.”

The main reason why the United States importers, retailers, and manufacturers decided to contract work to the East rather than to the United States textile mills was to help reduce costs from apparel manufacturers and retailers (Rosen, 2002, p.105, par.1). In addition, this kind of arrangement helped retailers and business owners to find ways of cheaper exporting and assembling low-wage apparel purchases.

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)

From 1974 to 1994, MFA was a framework for bilateral and Multifibre agreements. MFA created limitations on import, which industries described as an overprotected of the unique system of import protection unavailable to other sectors (Rosen, 2002, p.110, par.3). According to the book, the primary purpose of such agreements was to manage and control trade. The officially stated goal of MFA says that its primary purpose was to reach the maximum expansion of the trade industry. The goal of MFA was to elevate developing countries' economic and social growth, which would guarantee a significant increase in export revenues from textile and apparel products and provide a more substantial share in world trade in these products.

MFA put several regulations on trades. The Newly Industrializing Countries (NICs) such as Taiwan, Hong Kong, and South Korea had limits that permitted them from exceeding certain export levels. While NICs had significant power and remained one of the largest suppliers, NICs countries started working on expanding their exports, which led to substantial growth in the export levels (Rosen, 2002, p.110, par.1). When all the regulations and restrictions were set up, NIC had agreed with the Association of Southeast Asian Nations (ASEAN) countries to export products to the United States and follow the limits of the foreign policy.

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)

According to the book, during Ronal Reagan's presidency, his administration the protectionist agenda was abolished as a force in the formation of trade policy (Rosen, 2002, p.119, par.1). Instead, the protectionist agenda got changed by a completely different, the neoliberal agenda. As a consequence, Reagan started to enforce the new free trade agenda.

Some of the social transformations that the United States endured affected foreign trade policy. Structural adjustment was one of them. As Ellen Rosen mentions in her book, some producers had an immense desire to grow apparel imports. They decided to embrace industrial restructuring, hoping that it would make their domestic production capabilities more competitive with low-wage imports (Rosen, 2002, p.116, par.2). However, the action was not successful.

While textile and apparel imports in NICs countries represented more than 80% of the United States textile and apparel imports, on the other side, the People's Republic of China became a subject matter for the United States textile industry. However, the textile protectionists claimed that the countries from the big three (South Korea, Taiwan, and Hong Kong) were no longer

poor, and they were not included among the undeveloped countries (Rosen, 2002, p.122, par.1). .
For this reason, there was no need for them to have a particular quota assurance to promote
America's security in Asia

References

Rosen, E. I. (2002). *Making sweatshops: The Globalization of the U.S. apparel industry*.

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