

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)

During the nineteenth and early twentieth centuries, the textile industry was based in New York City. Immigrants from Europe and Southern Italy helped to create the garment business. According to the book, "little manufacturing and contracting enterprises initially came to the United States during the era from 1880 to 1920," with Jews and Italians being the most common proprietors. (Rosen, 2002, p.96, par.2). The garment business began in New England in the nineteenth century, and it eventually spread to the South and finally to New York City. As previously stated, between the years of 1880 and 1920.

There were two sorts of stores in the garment industry: "inside-shops" and "outside shops." Inside the stores were family-owned businesses that would develop, design, and sell clothing in exchange for a profit. Outside shops, on the other hand, were stores that would accept designs from a number of manufacturers and cut and assemble a range of outfits. (Rosen 2002, par.1, p. 97) For example, a "outside shop" and the car industry are similar in that they both acquire various parts and assemble them in a facility.

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 a business associated with the textile and clothing industries that relocates outside of New York to avoid government regulations and high labor costs. "Clothes makers discovered new chances and incentives to seek out low-cost labor, motivations that were stronger than the value of pay stability," Rosen mentions in the book. (Rosen, 2002, par. 3 on p.98). After the garment industry and contractors relocated to the south, the runaway shops had a variety of

effects on the apparel sector. The International Ladies Garment Workers' Union decided that "runaway shops" would be required to abide by the Union's rules and regulations. This would imply that they must continue to pay "union salaries and employ union workers." (Rosen, p.101, p.4). Moreover, industries who fail to comply with these requirements will be forced to pay an overdue fine to the union for violating the labor contract.

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 United States faced a significant challenge from Eastern Asian manufacturers as a result of the free trade agreement's backing. Contracts for imports from Japan were negotiated in the 1950s for "samples of cotton blouses" for half the price charged in the US. In just one year, the number of cotton blouses shipped by Japan jumped from 171,000 to 4 million. As a result, Japanese garment free trade "was higher than the local production rate," posing a serious danger to the US apparel sector. (Rosen, 2002, par. 4, p.103) Importers, retailers, and manufacturers in the United States opted to outsource work to the East in order to cut prices for stores and manufacturers as much as feasible. As a result, many business owners were able to "contract with East and Asia to assemble low-wage garments" thanks to free trade agreements. Based on what Rosen mentioned in the book, "Even allowing for the various current import duties and the cost of transportation, we could undersell the domestic market by anywhere from 20 to 30 percent." (Rosen, 2002, p.106, par.1) This is the reason why manufacturers decided to presume work in East Asia.

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, or Multi Fibre Arrangement, is a "overprotected" industry that benefits from a "special system of import protection not available to other industries." (Rosen, 2002, par. 3, p.110). It was in place from 1974 to 1994, and it put limits on the amount of textiles that could be exported from developing nations like East Asia. The MFA was created with the goal of securing a significant rise in exports. In addition, gain free trade while reducing the amount of items imported into the United States. To be able to protect the garment industry as well as home textiles. Observing that imports are outnumbering domestic manufacturing in the United States. (Rosen, 2002, par. 3, p.110) Because of MFA laws, Newly Industrializing Countries were only allowed to boost their exports by 6% every year. However, these restrictions made it such that nations were not limited to a certain number of exports until they exceeded a specified quantity set by the government.

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 affected foreign trade policy? What was the effect on apparel imports? Imports from The People's Republic of China (PRC)? (2pts)

Due to its authority to sustain trade protection, Ronald Reagan's administration weakened the vision of foreign trade policy. During Reagan's presidency, however, he made a point of abandoning foreign policy in favor of a "new free trade agenda." (Paragraph 1 of Rosen, 2002, p.119) "Structural changes" in the garment and textile industries were among the social transformations that the United States underwent throughout the 1970s. To be able to compete with developing country imports. The lack of innovative technologies that should have been used in the apparel industry had an impact on apparel imports. Unlike clothing imports, the textile sector flourished as a result of increased technology, which allowed them to decrease taxes and create items faster. The garment business had to rely on contracting production and the employment of women's low-wage labor, as Rosen points out (Rosen, 2002, p.116, par. 3-4). South Korea, Taiwan, and Hong Kong are three of the world's most populous countries. Because they import over 80% of their textiles to the United States, the Big Three are the most important successors to the United States. However, the MFA concluded that in order to advance America's security in Asia, these countries would not require a set quota.