

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

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1. 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)

Rosen explains the history of the textile and apparel industries. The textile industry was established in the early eighteenth century in New England and later expanded in the South (Rosen, 2002, p.96, par 2). In relation to the apparel industry, developed later around the late eighteenth and early twentieth century, located in New York City. Immigrants from both Eastern and Southern Italian, specifically Jewish and Italian communities, brought their tailoring expertise to New York City from 1880 to 1920. This was significantly important as this started the rise of factories and manufacturing technologies which form the creation of the apparel industry.

The US apparel industry emerged in the late nineteenth and early twentieth centuries. This development was spurred by advancements in technology such as the sewing machine and the factory system (Rosen, 2002, p. 96, par. 1). This led to the establishment of factories and the mass production of garments, marking the beginning of the modern apparel industry. In recent years, the apparel industry has faced growing scrutiny over issues such as labor rights, environmental sustainability, and ethical sourcing practices. The apparel industry sparked the development of supporting industries like textile mills, transportation, and marketing.

There were two types of garment in by dustry, both establishments were categorized into two types of stores called the “inside-shops” and “outside shops”. Inside-shops were independent garment producers, while outside shops were part of a larger supply chain, contributing their expertise to the production process for multiple manufacturers (Rosen, 2002 p.97, par 2). The inside-shops were producers who handled all aspects of garment production in-house. They designed, manufactured, and sold garments under their own brand or label. Rather than, outside shops were contractors who specialized in specific parts of the garment production process. The garment industry utilized a two-tiered system, “inside shops” which handled complete production, and “outside shops”. which contributed to the process as contractors.

2. 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 manufacturing business that relocates its operations, often abruptly, to a different area where labor costs are significantly cheaper (Rosen, 2002, p.98, par 4). The purpose of a runaway shop is to reduce production costs and increase profits for the company by relocating to a region where labor, regulations, or taxes are more favorable. By moving to areas with weaker labor laws or anti-union environments, companies could exert more control over wages, working conditions, and labor organizing efforts. While runaway shops aimed to boost profits for companies, they often come at the expense of worker's rights and economic stability in the regions affected by the relocation.

Runaway shops contributed to the decline of unions in the apparel industry, as companies specifically targeted regions with weak or non-existent labor organizations. Despite lower labor costs, abandoning areas with established unions and higher wages. This led to massive job losses leaving workers with few options (Rosen, 2002, p.96, par 4). The threat of relocation also weakened worker's bargaining power, runaway shops contributed to the decline of unions in the apparel industry. This created a downward spiral in labor standards, as manufacturers constantly sought out the cheapest possible production locations.

The ILGWU focused on organizing workers into a powerful union, giving them bargaining power to negotiate stronger contracts. The ILGWU ensured that contracts remained in effect even after manufacturers relocated (Rosen, 2002, p.101, par. 5). As a result, manufacturers that moved to places with laws such as the right to work or live in urban areas with strong anti-union laws were still obligated to pay union wages and employ union contractors. The ILGWU threatened and sued companies that violated the contract. The ILGWU negotiated a compromise which offered southern manufacturers temporary immunity from unionization efforts in exchange for guaranteeing wages above the minimum.

3. 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 decision by the United States importers, retailers, and manufacturers to contract work to East Asian producers transformed American apparel. The trend towards outsourcing production to cut costs, as apparel is cheap in places like Hong Kong and Taiwan flooded the US market, particularly within the discount retail sector (Rosen, 2002, p.104, par. 2). East Asian countries like China and Vietnam saw significant growth in apparel production. American consumers benefited from low-cost production, resulting in significant job losses in the domestic textile and apparel industries. This shift fueled economic growth and industrial development in East Asia, contributing to a growing US trade deficit.

The United States manufacturer turned to East Asia for production, despite facing strong foreign competition. Wages in East Asian countries were a fraction of US wages, making production significantly cheaper (Rosen, 2002, p.103, par 3). East Asian producers also offered faster turnaround times and more flexibility in adapting to changing apparel trends, giving them an additional advantage over US textile mills. Years of foreign competition weakened the domestic industry, further influencing this decision, and potential government incentives. To stay competitive in the flooded market, with increasingly cheaper apparel imports, many United States retailers and apparel companies felt the need to shift to East Asia.

4. 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 also known as the Multifiber Arrangement was an international agreement designed to manage the trade of clothing and fabric products. It aimed to balance between the developing nations to increase their exports and the need for established industrial nations to control the growth of these imports (Rosen, 2002, p.111, par. 3). The MFA used a system of discussions and agreements between importing and exporting countries to determine specific limits on the types and amounts of textiles that could enter a particular market. The negotiations acted as a way to establish specific rules for what kinds of textile products could be sold in the U.S. market and the maximum amount allowed. This gave the U.S the influence to manage other countries' developments through quotas.

The MFA objective was designed to manage the global trade of textiles and clothing production. The MFA purpose for the U.S. was to protect its domestic textile and apparel industry (Rosen, 2002, p.112, par. 5). Additionally, the MFA intended to manage the pace of imports flow into the US market, slowing the growth to protect domestic industries from a sudden, destabilizing flood of trades. These policies opened the door for developing nations. They allowed them to increase their textile exports, driving economic growth, and gain a larger share in the global textile trade.

The NICs of Hong Kong, Taiwan, and South Korea faced challenges of shifting foreign policy and increasing imports. Once imports from these countries exceeded specific thresholds, quota limits were negotiated with a maximum annual increase of six percent (Rosen, 2002, p.111, par. 4). This situation presented challenges for the NICs of Hong Kong, Taiwan, and South Korea. They faced loss of market share to ASEAN producers, and had to adapt to textile and apparel production sites. ASEAN countries did not face import quotas and had cheaper labor than NICs like Hong Kong, Taiwan & South Korea. This allowed NICs to take advantage of lower costs in ASEAN countries while managing import demand in United States markets.

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 generally pursued a policy of promoting free trade and reducing barriers to international commerce. The administration believed in the benefits of opening up markets and economic cooperation with other nations (Rosen, 2002, p.115, par. 2). This approach was part of Reagan's broader economic philosophy, which emphasized deregulation, lower taxes, and limited government intervention in the economy. The administration recognized the importance of strategic trade policies to counter the Soviet Union and its allies during the Cold War. The administration recognized the importance of strategic trade policies to counter the Soviet Union and its allies during the Cold War. Reagan and his executive branch favored a more open and competitive global trading system while also advocating for American interests in international trade negotiations.

During the 1970s, the U.S. experienced significant change that impacted foreign trade policy. This reduced eligibility, alongside budget cuts, significantly decreased the entire funding available for compensation, retraining, and relocation assistance (Rosen, 2002, p.115, par. 3). Women apparel workers were traditionally young and not married, often leaving their jobs when they got married to become homemakers. Rosen argues, as workers in the apparel industry began losing their jobs in large numbers during the middle to late 1970s, the economic situation for American families worsened due to wages flatlining. A considerable number of these women were married to men. In order with women losing their apparel industry jobs, many families had to adapt to a new dynamic of women becoming the primary head of households.

Rosen describes the period between the 1960s and 1980s where the U.S saw a rise in apparel imports from other countries. Specifically during the Reagan presidency, clothes cost less because they were made in countries where people receive low-wages (Rosen, 2002, p.116, par. 3). This jeopardized American businesses, despite the lost cost of apparel being significantly less and manufactured in the United States. The apparel being imported meant the U.S spent more

from other countries than its current revenue. This worried investors like Washington politicians, Wall Street and the United States.

Imports from the People's Republic of China refer to goods and products brought into a country from China. Reagan navigated a complex economic landscape where domestic textile interests demanded protection from low-cost imports, particularly from China (Rosen, 2002, p.121, par. 4). To manage these conflicting pressures, Reagan employed a multifaceted strategy. He appeased domestic producers by reducing import quotas from established East Asian competitors. Reagan strategically utilized the Multifibre Arrangement, an international trade agreement, to balance these competing interests.

References:

Rosen, E. I. (2002). *The Globalization of the U. S. Apparel Industry: Making Sweatshops*.
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