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

**Dr. Adomaitis**

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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 apparel industry in the United States was primarily located in New York City, particularly during the late nineteenth century and early twentieth century. This development was distinct from the textile industry, which had roots in New England and later expanded to the South. "The labor struggles of the 1930s resulted in successful unionization efforts within the apparel industry, particularly in New York City (Rosen, 2002, p. 96, p.3)." This led to the establishment of progressive labor-management relationships and trade unionism. By the mid-twentieth century, the apparel industry in New York City was thriving and largely unionized, thanks in part to the policies of the New Deal and postwar prosperity.

The formation of the apparel industry began at the end of the nineteenth century and continued into the early twentieth century. "The majority of apparel manufacturers hailed from southern Italy and eastern Europe. Jewish and Italian immigrants, who later became proprietors of small manufacturing and contracting enterprises, arrived in the United States primarily between 1880 and 1920 (Rosen, 2002, p. 96, p.2)." The formation of the apparel industry in the United States unfolded during a significant period of immigration. This immigration wave occurred toward the end of the nineteenth century and persisted into the early twentieth century. As immigrants from these regions arrived in the United States, many of them settled in urban areas, especially New York City. Among these immigrants were individuals skilled in tailoring and sewing, bringing with them a rich tradition of craftsmanship in garment making.

"Inside shops" and "outside shops" were common terms used to differentiate between different types of businesses within the apparel industry. “Traditionally, the sector consisted mainly of small, family-run businesses, both in the United States and globally. These encompassed "inside shops," where garments were designed, manufactured, and sold directly, and "outside shops," operated by contractors who handled tasks such as cutting and assembly, or solely assembly work, for a range of garments designed by various manufacturers (Rosen, 2002, p. 97, p.2).” Inside shops referred to producers who designed, manufactured, and sold garments all under one roof. These shops had control over the entire production process. On the other hand, outside shops were run by contractors who might undertake either the cutting and assembly or only the assembly work required to produce garments designed by various manufacturers. These contractors often worked with multiple manufacturers and specialized in specific stages of the production process.

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)

The saying "runaway shops" refers to clothing manufacturers relocating their operations to lower-wage, nonunion areas, typically outside of major urban centers like New York City. “Clothing manufacturers discovered fresh prospects and motivations to pursue low-wage labor, which proved more compelling than the importance of maintaining stable wages (Rosen, 2002, p. 98, p.3).” This migration had significant implications for the apparel industry, leading to job losses and wage reductions in regions like New York as production shifted to areas offering tax breaks, cheap financing, and a union-free environment, such as rural communities, Puerto Rico, Los Angeles, and particularly the South. The movement of apparel firms to these regions weakened the labor-management accord established in the Northeast, challenging the power of unions like the International Ladies’ Garment Workers’ Union (ILGWU).

To address the challenge posed by runaway shops, the ILGWU sought to enforce union contracts even in relocated factories.” The resolution of the strike seemed to rejuvenate the influence of the ILGWU (Rosen, 2002, p. 99, p.4).”. However, following this, the union's grip on the workforce started to weaken as labor contracts faced challenges from "runaway" shops.” In some cases, manufacturers agreed to honor their contractual obligations but faced opposition from local communities and workers, leading to violent confrontations. In other instances, the ILGWU employed creative strategies, such as financing the purchase of unionized plants in nonunion territories or granting temporary immunity from union organizations to manufacturers agreeing to pay above-minimum wages. Despite efforts to enforce union contracts through legal channels like the National Labor Relations Board (NLRB) or the courts, runaway manufacturers often found ways to evade unionization.

The International Ladies' Garment Workers' Union (ILGWU) enforced union contracts in several ways to ensure that union contract shops honored their obligations. One method involved leveraging the strong cultural ties and values shared among the Jewish and Italian immigrants who dominated the apparel industry. “The ILGWU made concerted efforts in the 1950s to enforce union contracts in shops that had relocated. In one instance, a New York manufacturer moved operations to a small rural southern community. Despite this move, the company was willing to uphold its contractual commitments (Rosen, 2002, p. 101, p.2).” The ILGWU utilized its organizational power and influence to negotiate agreements with manufacturers, requiring them to adhere to union standards, including wage levels and labor conditions. Through collective bargaining and agreements, the ILGWU established contractual obligations that manufacturers had to fulfill, ensuring fair treatment of 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)

When U.S. importers, retailers, and manufacturers decided to contract work to East Asian producers, it resulted in a significant shift in the dynamics of the apparel industry. Rather than relying solely on domestic production, U.S. producers began outsourcing work to East Asian countries like Japan, Hong Kong, and Taiwan. “Before World War II, apparel producers benefitted from inexpensive cotton textile imports from Japan. However, as they started encountering issues like runaway shops and labor disputes, Eisenhower's administration introduced a new policy to decrease textile tariffs, encouraging more imports from Japan. These imports even included some low-wage apparel items made by Japanese workers in shops that partnered with American producer's commitments (Rosen, 2002, p. 103, p.3).” This decision was driven by several factors. Firstly, the East Asian producers offered significantly lower labor costs compared to U.S. textile mills, making production more cost-effective. Secondly, the relaxation of textile tariffs as part of the East Asian foreign policy encouraged Japanese textile imports, further incentivizing U.S. producers to contract work to these regions. Additionally, the entrepreneurial spirit of American importers, retailers, and manufacturers led them to explore new opportunities for cost savings and increased profit margins by tapping into the cheap labor available in East Asia. This shift marked the emergence of East Asian producers as direct competitors to U.S. apparel producers, challenging the traditional labor practices and unionized workforce in the United States.

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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)

According to Rosen, MFA also known as the Multifibre Arrangement from 1974 to 1994 is the system of quotas governing textiles and apparel, the Short-Term and Long-Term Arrangements in the early 1960s (Rosen, 2002, p. 110, p.3)." The Multifibre Arrangement (MFA) was a quota system for textiles and apparel aimed at managing trade rather than protecting producers from low-wage imports. Its purpose was to slow down the growth of imports and regulate their flow to U.S. retailers and consumers. The MFA sought to balance the export needs of developing countries with the import regulation needs of industrialized nations. Negotiations between importing and exporting nations set import quotas, allowing the United States to influence the export volumes of developing countries and their policies.

The MFA aimed to moderate the increase of imports from developing countries like Taiwan, Hong Kong, and South Korea. "Initially, ASEAN countries had no quotas and lower labor costs compared to Newly Industrializing Countries (NICs) like Hong Kong, Taiwan, and South Korea. This led producers in NICs to outsource production to ASEAN nations for exporting to the United States (Rosen, 2002, p. 113, p.1)." The quota regime regulated only cotton textiles and apparel made with cotton, leaving out products made with man-made fibers. However, the "polyester revolution" of the 1970s led to an increase in apparel imports made with man-made fibers, prompting the negotiation of the Multifibre Arrangement in 1974 to cover textiles and apparel composed of man-made fibers. "Producers in ASEAN countries quickly started increasing their exports. As the number of locations for making clothes expanded, the number of exports grew faster than expected. Overall US imports rose at a quicker rate than the growth in local demand, making up a bigger portion of what people were buying domestically (Rosen, 2002, p. 113, p.1)." Exporting nations, including those in East Asia, found ways to get around quota limits, like improving products, expanding exports, negotiating for immediate needs, or using dishonest tactics. Asian producers focused more on exporting apparel, realizing it was more profitable than textiles. This shift led to more exports of higher-quality fashion items and workwear. MFA rules allowed local producers to request protection from import issues, but enforcement agencies could only respond by limiting quota increases for the next year. New exporting nations initially had no quota restrictions until their exports surpassed certain levels, with a maximum yearly increase of 6 percent. Initially, ASEAN countries had no quotas, so producers in places like Hong Kong, Taiwan, and South Korea outsourced production to them for exports to the US. This led to a rise in apparel imports, surpassing local demand and making up a bigger part of local consumption.

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)

During Ronald Reagan's presidency, foreign trade policy with an emphasis on free market principles and deregulation, made it harder for workers to receive benefits, leading to reduced support for displaced workers.
"During Ronald Reagan's presidency, changes were made to worker benefits, particularly through the Job Training Partnership Act of 1982. This act introduced stricter eligibility criteria, leading to a significant reduction in the number of workers eligible to receive support, dropping from 88 percent to just 14 percent (Rosen, 2002, p. 115, p.2)." Despite efforts to provide training and assistance, studies show that displaced apparel workers, especially women, were underserved and often reemployed at lower wages.

One significant change was the stagnation of wages and family incomes. By the mid to late 1970s, as significant layoffs commenced in this sector, wages and family incomes in the United States had started to plateau (Rosen, 2002, p. 115, p.4)." This economic stagnation affected mature female apparel workers, who were often middle-aged women seeking paid employment to support their families or themselves. Many of these women were married to men who were also at risk of job displacement. Consequently, these families faced the prospect of stagnating or reduced earnings, with limited opportunities for reemployment at wages comparable to their previous income levels. These social and economic challenges highlighted the need for policies to address issues such as job displacement, income stagnation, and limited reemployment opportunities, shaping discussions around foreign trade policy during this period. The shift in demographics, with more married women entering the workforce, created additional challenges for families reliant on apparel industry jobs.

The effect on apparel imports was substantial, with offshore production increasing significantly. As apparel producers sought to improve their competitiveness with low-wage imports, they embraced industrial restructuring, particularly in the 1960s when textile producers modernized their facilities. However, while textile producers benefited from technological advancements and increased consolidation, apparel producers struggled to incorporate technology effectively. "Apparel imports kept rising. After the Jenkins-Hollings bill was vetoed, both Republican and Democratic administrations geared up for more trade liberalization efforts. This set the stage for the expansion of an international textile, apparel, and retail complex. In the next chapter, we'll delve into how this change unfolded during the Reagan years (Rosen, 2002, p. 118, p.4)." Despite efforts to automate apparel manufacture, the industry remained reliant on labor-intensive processes, hindering significant productivity gains. The introduction of quick-response and flexible manufacturing techniques in the 1980s initially showed promise, but the industry continued to rely on low-wage labor. This reliance, coupled with technological limitations, led to the expansion of apparel production in numerous countries worldwide. Consequently, between 1974 and 1981, the US trade deficit in apparel reached $7 billion, reflecting a significant shift in domestic production and the loss of hundreds of thousands of jobs in the textile and apparel industries.

Reference

Rosen, E. (2002). Making Sweatshops. LaVergne: University of California Press.