

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”?

It was located in New York City, and the formation of the apparel industry was in the late 19th and early 20th centuries (Rosen, 2002, Pg.96, Par.1).

“Inside-shops” means they are not only design and manufacture clothing but also sell clothing; “outside shops” means it operated by contractors and they are doing the cutting or assembly work, and need to do plans on garments (Rosen, 2002, Pg.97, Par.1).

- 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?

Runaway shop means a shop was moved from its original location to another location. The move of textile mills from the Northern America to the Southern America in the previous chapter (Chapter 5) is an example of a runaway shop. The runaway shops bring a huge impact on the apparel industry located in the North and the apparel industry that used to be located in place X but then relocate to place Y. Runaway shops will reduce the number of workers in Place X, thus increasing the unemployment rate in place X. It will also affect the wages of garment factory workers who work in place X, which will be lower than before. Rosen explains, “Apparel wages in New York City declined even more.” (Rosen, 2002, Pg.99, Par.1).

ILGWU went on strike to attract public attention and pressure the union contract stores to raise wages for garment workers. In the end, the union contract shop relented, offering an 8% raise, though not agreeing with the strikers’ demand for a 15% raise (Rosen, 2002, Pg.99, Par.2). At the time, the presence of runaway shops gave ILGWU one more excuse to get the union contract shops to meet their contractual obligations, and ILGWU got the union contract stores to pay for runaway shops. For those factories that want to move to other places still have to pay the employee wage (Rosen, 2002, Pg.101, Par.4). And the ILGWU also used a legal approach to make them fulfill their contractual obligations.

- 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?

The result is that there are more garment products made in other countries than domestically produced products. And lots of garment products were imported from other countries like China, Japan, and Korea to the U.S. It can be said that the U.S. was more rely on garment products import at that time and the apparel imports rate have been increased (Rosen, 2002, Pg.103, Par.4). Not only in the past people can found the label on their clothes stated made in other countries than made in the United States but also now, the most common countries people can see now on their clothes label are China and Vietnam.

Even if American textile mills are competitors to those in East Asia, the reason for choosing Southeast Asia is inseparable from manufacturing costs. Textile mills in Southeast Asia are less costly to manufacture than American textile mills (Rosen, 2002, Pg.103, Par.3).

- 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 is Multifiber Arrangement, it is about the quota limit for exporting from one country to another country. MFA exists for several purposes. Purpose one is related to the previous question (question c), as the United States has experienced a surge in the rate of textile imports. The new scheme is designed to alleviate this problem. The second purpose is to help the economy of developing countries improve by importing textiles from them (Rosen, 2002, Pg.110, Par.3).

Hong Kong, Taiwan, and South Korea have learned the importance of product quality through foreign policy changes. They learned that good quality products would attract more consumers' attention. It also keeps up with trends in the United States (such as this year's popular colors, clothing styles, etc.). They decide what to produce or export according to the trends that trending in the U.S. at that season or at that time (Rosen, 2002, Pg.112, Par.2).

- 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)?

The Reagan administration was at odds with trade protectionism, preferring the idea of trade liberalization. This can be seen in his cancellation of the agenda about trade protectionism (Rosen, 2002, Pg.119, Par.1).

The transformation is that after the founding of the People's Republic of China, the textile industry developed tremendously in the PRC, which had a negative impact on the U.S. textile industry, which led to the U.S. reopening the Chinese

market (Rosen, 2002, Pg.122, Par. 2). The impact is that the import target of American textile products has changed.

After the new policy was signed, China's textile industry began to "freely" play. Has been unable to reach an agreement with the United States. And China is still sticking to its ideas and trying to implement them. But the United States does not support these practices. The farce ended with a reduction in China's export quotas (Rosen, 2002, Pg.123, Par.2).