# ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES: INDUSTRY'S ASSESSMENT

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## INTRODUCTION

"International monetary crises have shown the interdependence of the world's economies and the importance of the monetary mechanisms that adjust the expanding flow of world trade" (8). The United States is much less dependent on international trade, in relation to Gross National Product, than are other Western nations; but even so, imports into the United States have caused considerable economic dislocation and pressure for protection, especially in the case of textiles and apparel (8).

The domestic textile and apparel industry has become increasingly concerned over its vulnerability to import penetration, and since the 1950 s it has been seeking Government assistance in the form of import controls and foreign limitations on exports (22).

The most current major protective agreement for the textile and apparel industry is the MFA (Multi-fiber-Arrangement), officially entitled "Arrangement Regarding International Trade in Textiles," an extension of the General Agreement on Tariffs and Trade. The main text consists of seventeen pages, but additional bilateral agreements between countries are further extensions of the basic MFA. Provisions for bilateral agreements were included in the MFA as a means of eliminating the risks of market disruption in the importing countries, but these agreements are required to be more liberal than the basic MFA provisions (12). The current extension of the MFA will expire on December 31, 1981, and international negotiations concerning another extension or modification of the agreement are now taking place. There are many problems that must be solved. Not only are there differences on major key points of the agreement, but some propose that the language and procedures are too technical and complex, and that some of the bilateral agreements are inadequate and do not achieve the basic purpose of the MFA. Thus, evaluations of the MFA seem appropriate in order to give a clearer understanding of the strengths and weaknesses of the agreement in terms of its effect on the United States textile and apparel industry.

Therefore, the purpose of this research is to determine whether the United States textile and apparel industry supports renewal of the MFA in 1981. If so, what changes will that industry expect in a new MFA?

Industry and labor both have pushed for protectionist measures in international textile and apparel trade, and price has been a very significant factor in promoting these measures. Partly because of lower wages, the foreign goods can be brought to the United States at prices that are often far below those for which a domestic producer could sell, even if the sale was made at cost with no profit. With United States plants closing, labor called for protective measures because of loss of jobs due to imports.

The United States textile and apparel industry has been adversely affected by imports since the mid-fifties. When Japan had recovered from World War II and began shipping large amounts of cotton into the United States, the United States textile and apparel industry demanded protection. In 1956 President Eisenhower urged that Japan impose voluntary restraints, and then in 1961 President Kennedy negotiated the Short Term Arrangement on Cotton Textile Products. This Arrangement was replaced a year later with the Long Term Arrangement on Cotton Textile Products.

There was a rapid increase in the textile and apparel trade deficit from 1966 through 1972, a result of the growth of man-made fiber imports. The International Ladies' Garment Workers' Union calculated that imports of men's and women's apparel rose from 6 percent in 1961, to 20 percent in 1970, and to 25 percent in 1971. In some categories the penetration of imports into the United States market was higher--87 percent for sweaters and 51 percent for women's and children's blouses (16).

After 1972, a substantial shift in product mix occurred, with man-made yarn a primary factor in the decline of SYE (square yard equivalent) of textiles, and apparel the primary factor in growth. Man-made yarn, primarily flat and textured polyester, and man-made fiber textiles accounted for most of the peak in the total SYE reached in 1972, and the subsequent decline to the low of 1975.

The unemployment rate for garment workers increased from 5.9 percent in 1969 to 9.7 percent in 1971, higher than the national unemployment average. A recession had an impact on plant closings during that time, but the garment unions also blamed imports (16).

Since 1972, the dollar value of some products such as man-made yarn was relatively low and the dollar value of apparel was much higher, making the average dollars per SYE increase substantially more than would occur as a normal effect of inflation.

In 1976, textile imports increased sharply over those of 1975, even though the United States had bilateral agreements with eighteen countries. On a customs value basis, imports in 1976 were $4.438 billion, a large increase over the $3.144 billion of 1975. Imports have generally maintained or increased their market share since 1972 at the expense of domestic production. According to Benson McWhite of Milliken and Company, this was caused by a planned approach on the part of exporting countries to maximize the value of their exports with the multi-arrangement system of quantitative controls (12).

On an overall basis, no clear up or down trend is discernable regarding the quantity of United States textile and apparel imports during 1973-1979. However, apparel imports increased during the period, while fabric and yarn imports showed a general downtrend (23).

United States producers' shipments of all textiles and apparel rose from $69 billion in 1976 to $102 billion in 1979, representing an average annual increase of 14 percent. However, output increased by only about 2.5 percent annually during this period. Imports rose from $4.9 billion in 1976 to $7.2 billion in 1979, an average annualized increase of 14 percent. Although exports increased during the period, reaching $3.8 billion in 1979, the textile trade deficit rose from $2.6 billion in 1976 to $4.4 billion in 1978 and was $3.4 billion in 1979. Virtually all the deficit incurred during 1976-1979 was accounted for by apparel (23).

The MFA became effective for four years on January 1, 1974, and was renewed for an additional four years through

December 1981. By the end of 1981, participating countries must reach agreement with regard to further renewal of the agreement and determine any modifications to be made to its current provisions, if there is not to be a lapse in MFA authority.

Some of the significant aspects of the MFA were reviewed by Benson C. McWhite (12) of Milliken and Company. He made several points about MFA. Firstly, the basic objectives of MFA are expansion of trade, reduction of barriers to such trade, and progressive liberalization of world trade in textile products. At the same time the MFA is to ensure the orderly and equitable development of this trade to avoid disruptive effects on individual markets and lines of production. Secondly, a principal aim in the implementation of MFA is to further the economic and social development of developing countries, substantially increasing their export earnings from textile products and providing a greater share for them in world trade of textile products. Thirdly, actions taken under MFA should be accompanied by the pursuit of appropriate economic and social policies in a manner consistent with national laws and systems. Actions taken should also be required by changes in the pattern of textile trade and should be in the comparative advantage of participating countries. These policies should encourage businesses which are less competitive internationally to move progressively into more viable lines of production, or into other sectors of the economy, and to provide increased access to markets for textile products from developing countries. Fourthly, the basic quantity limitations on imports start with a twelve-month base period preceding MFA and continue with not less than a 6 percent annual compounded growth rate. Unused quotas or "overhangs" are generally permitted to carry over in the bilateral agreements, allowing imports to absorb the major share of the recovery following a recessionary period. This effect was quite evident in the 1976 increases in imports relative to domestic production. Fifthly, there are complex provisions in the MFA and bilateral agreements for dealing with market disruptions. These provisions are difficult to invoke on a legal basis, however, because of the complexities of preparing a case and the general inertia of the government agencies. Also, political subtleties become involved, which tend to inhibit market disruption cases.

There are many ways in which loopholes in MFA have permitted imports to increase and disrupt the domestic textile and apparel industry. McWhite (12) gave several examples. Firstly, bilateral agreements in some cases have allowed considerably more than 6 percent compound growth rate. Mexico's growth rate was 34 percent for the period 1976-1978.

Secondly, the 807s are official designations for apparel imports made from components cut in the United States which are sewn abroad. The United States tariffs are levied solely on the foreign value added. In 1975, these accounted for 46 percent of the dollar value of United States apparel imports. Thirdly, overhangs are carry-overs of unused quotas which permitted a rapid rise in 1976--an increase of 34 percent in one year. Another way in which dramatic increases may occur is through category switching and by borrowing from future annual quotas.

Fourthly, the four largest exporting countries (Japan, Hong Kong, Taiwan, and South Korea) accounted for nearly 60 percent of all imports in 1975 and 1976. McWhite (12) pointed out that considering the aims and objectives of the MFA with respect to developing countries, one might question the treatment of these four countries as "developing nations." In 1970, Korea, Taiwan, and Hong Kong exported $603 million worth of textiles and apparel to the United States, a 646 percent increase in just one decade (2). Should provisions be made in the MFA to regulate the flow of imports from the major suppliers--Korea, Taiwan, and Hong Kong?

In relation to the current 6 percent annual growth rate, according to a study by Data Resources Incorporated, (4), a continuation of the current 6 percent annual growth of textile imports will result in 385,000 lost jobs in the United States textile-apparel industries by 1985. This will cause another one million job losses in the general economy.

When the MFA renewal was negotiated in December 1977, most concerns wanted changes made. The United States delegation prevented a total collapse of the MFA by sponsoring a protocol (a code of diplomatic etiquette and precedence). Representatives of more than 80 percent of the world's textile trade signed the transition which extended the trade agreements for four years through 1981. Features of the protocol included:

1. Recognition that difficulties in implementing MFA had arisen for some countries and that modifications are needed

2. Agreement that problems should be resolved through negotiations

3. Consent that the European Economic Community (EEC) be allowed to solve problems bilaterally

4. Agreement to refrain from taking measures outside of the MFA provisions before exhausting MFA's relief measures

Some of the problems that remain include the following items. First, the United States industry needs slower growth rates because the domestic market is growing at a slower pace. Specifically, apparel imports should be cut back to a growth rate consistent with the domestic market, according to the industry. Representatives of the domestic textile and apparel industry believe that the 6 percent growth rate is unrealistic in view of the 1.5 percent growth of the United States apparel market (2). Secondly, the United States textile and apparel industry also needs a limit set on the rate at which a country can use up left-over unfilled quotas or "overhang." Thirdly, some in the United States industry would like a quota system on end-use markets, intended to protect specific markets where import penetration is already high. Fourthly, within the protocol, the United States developed a compromise formula which allowed EEC to negotiate within "reasonable departures" of the MFA's provisions. Many developing countries object to these exceptions and would like to return to the original framework of the MFA with more time and scope restrictions. Fifthly, the EEC would like to replace the 6 percent annual growth rate for imports with a method which recognizes the state (condition) of the individual country's textile activity. Sixthly, some countries like Brazil, India, Yugoslavia and Rumania, considered growing exporters, would like to have the current 6 percent growth rate considered a "floor" as well as a "ceiling." Seventhly, the United States industry has called for a "global approach," believing that the MFA should allow a multi-country approach under which groups of countries are assigned a total quota for particular products. Eighthly, the United States textile and apparel industry has also proposed that the bilateral agreements negotiated under the MFA provide a surge mechanism. This mechanism would guarantee that when a United States import drop occurs in any one year, the exporting country's shipments would not rise by more than a previously set percentage the following year (21).

Where would the United States textile and apparel industry be without MFA and its bilateral agreements? According to many industry leaders, it would be in serious trouble. This is so because our market is open and free. The United States has reasonable tariffs, requires no import licenses, and has no currency restrictions (17). By contrast, foreign countries require import licenses and in addition, some have restrictive currency controls and prohibitive tariffs.

Leon Seidel (17) answered the question from the point of view of industry people attending the 1978 Annual Convention of the Knitted Textile Association: Where would the United States textile and apparel industry be without the agreements and what is the condition of the industry with them? The answer included several points. Firstly, no nation can withstand the impact of free trade. Canada is an example. While Canada does have import restrictions at this time, these restrictions are only to assist the liquidation of their textile industry, and to dispose of 200,000 employees in an orderly manner. Secondly, dollar devaluation on the world market is helping to solve the import problem; garment orders are easier to get from retailers than before the MFA. Thirdly, the feasibility of counteracting textile-apparel imports with exports is poor; off-shore targets for our textiles are too well protected by tariffs, quotas, and other restrictions.

After having lived with the MFA for almost eight years, how then does the industry feel about the agreement? Has the MFA met any of its objectives? Does the industry support renewal of the MFA in 1981? If so, what revisions will the industry expect in negotiating for renewal? Does the industry believe that the MFA is necessary to the health of the textile and apparel industry in the United States? What are some of the economic and political implications involved with MFA renewal?

## Need for Study

The MFA will be considered for renewal in December 1981. There are many problems that must be solved. Not only are there differences on major key points of the agreement, but some consider that the language and procedures are too technical and complex. Some also consider that the bilateral agreements are inadequate and do not achieve the basic purpose of the MFA. Thus, an evaluation of the attitudes of the industry toward the MFA is appropriate in order to give a clearer understanding of the strengths and weaknesses of the agreement in terms of its effect on the United States textile and apparel industry.

## Purpose of Study

The purpose of this study was to determine whether or not the United States textile and apparel industry supports renewal of the MFA in December 1981, and if so, what are some of the changes it will expect?

# CHAPTER II

## BACKGROUND OF TEXTILE TRADE AGREEMENTS

The development of textile trade agreements, beginning with early efforts to control imports will be discussed. Since the 1950 s, the United States textile and apparel industry has been seeking assistance from the government in the form of import controls and foreign limitations on exports.

In the early 1950s, this United States industry began realizing major competition from increased cotton textile imports from Japan. These imports mainly consisted of women's and children's cotton blouses, and velveteen and gingham fabrics. The International Trade Commission identified three other major factors that concerned the domestic industry during that time:

1. The changing of demand patterns following World War II
2. The development of textile industries in Latin America, which had been traditional markets for United States exports
3. The importation of man-made fiber textiles, particularly rayon, which was becoming extremely competitive with cotton textiles

These factors motivated the industry to seek protective action against imports (22).

Negotiations in Geneva between the United States and Japan brought about a reciprocal trade agreement which became effective September 10, 1955. These negotiations were undertaken following Japan's acceptance into the General Agreement on Tariffs and Trade (GATT).

The amendment to the Trade Agreements Extension Act provided the United States Tariff Commission with the authority to conduct investigations to determine whether imports (on which trade agreement concessions had been granted) were entering the United States in such great quantities as to cause or threaten serious injury to domestic industries producing like or directly competitive articles. Because of this authority, the domestic industry filed four escape-clause petitions with the United States Tariff Commission between January and June of 1956, in an effort to obtain some protection from Japanese imports (22).

These escape clauses provided tariff relief to industries injured as the result of tariff concessions. Problems arose because the concessions in question did not become effective until September 1955, and since concessions rarely have an immediate effect on imports, any import injury was not readily determined on a wide scale in 1956. The United States Tariff Commission recommended a modification of the tariff for only cotton velveteens. Japan, then, announced their intention to voluntarily control exports of cotton textiles, thus, President Eisenhower decided against accepting the Commission's recommendation. The Commission, as a result of Japan's announcement and the President's decision, decided to dismiss the petition on women's and girls' cotton blouses and cotton ginghams. On the fourth petition, which concerned cotton pillowcases, the Commission found that escape-clause relief was not necessary (22).

The domestic industry made major appeals to both the executive branch and to the Congress of the United States Government for quotas on imports of textiles and textile products. These appeals, however, were not consistent with both the United States foreign economic policy position and the commercial policy. The United States, having been the major supporter of the GATT and an outspoken opponent of quantitative restrictions used for protective purposes, was committed to trade expansion under the General Agreement on Tariffs and Trade. In addition, the United States had also been one of Japan's supporters in Japan's efforts to join the GATT. A temporary solution to the problem was brought about by Japanese voluntary export controls (22).

Japan instituted a series of internal restrictions on some of its cotton exports to the United States in late 1955, according to the International Trade Commission. This was followed by additional restrictions and adjustments. On January 16, 1957, Japan revealed the details of a five-year program of controls on its exports of cotton textiles and cotton textile products to the United States. This program, which was to cover calendar years 1957-1961, established an annual aggregate limit of 235 million square years on Japanese exports of cotton textiles to the United States. The export ceilings were reviewed annually by the United States and Japan, in order to make adjustments that were necessary, because of changed conditions. Due to these annual reviews, the annual quota was revised several times; however, limitations in 1961 were only 5 percent larger than during 1957. The annual aggregate limit was divided into five major groups and the group limits could not be exceeded by more than 10 percent (22).

Japan's voluntary export controls caused significant changes for the major suppliers of cotton textiles to the United States. Italy also began limiting exports of cotton velveteens to the United States during 1957 and continued voluntary limitations for many years (22).

Figure 1 (compiled from official statistics of the United States Department of Commerce) shows the decline in Japan's share and the increase in Hong Kong's share of total imports of cotton textiles into the United States.

Fig. 1. Textiles, wholly or in chief value, of cotton: Percentage distribution of United States general imports, by sources, 1958-1961. (22)

| Source | (In percent) 1958 | 1959 | 1960 | 1961 |
|---|---|---|---|---|
| Japan | 62.7 | 42.9 | 25.9 | 33.7 |
| Hong Kong | 13.8 | 28.1 | 27.5 | 25.4 |
| All other | 23.5 | 29.0 | 46.6 | 40.9 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

There was a reduction in cotton textile exports in 1957 and in 1958 because of both the Japanese export control program and a business recession in the United States. In 1958, however, Hong Kong became the major source of the increase in cotton textile imports. In 1958, United States imports of cotton textiles from Hong Kong totaled 67.9 million square yards, in 1959, they increased to 206.3 million, and in 1960, to 289.7 million (22).

There were other countries that increased their exports of cotton textiles to the United States, but quantities involved were relatively small. Figure 2 shows the annual United States imports of cotton textiles from nine countries for 1958, 1959, and 1960 (22).

Fig. 2. Textiles, wholly or in chief value, of cotton: United States general imports, by specified sources, 1958-1960. (22)

(In millions of equivalent square yards)

| Source | 1958 | 1959 | 1960 |
|---|---|---|---|
| Portugal | 1.1 | 4.2 | 65.6 |
| Spain | 1.2 | 10.1 | 61.2 |
| Egypt | 0.9 | 2.0 | 54.9 |
| India | 3.2 | 28.1 | 52.7 |
| France | 3.1 | 14.7 | 38.0 |
| Republic of China | 0.2 | 11.1 | 23.0 |
| Pakistan | 0.4 | 8.6 | 16.1 |
| Republic of Korea | 4.8 | 8.3 | 13.7 |
| Hong Kong | 67.9 | 206.3 | 289.7 |

Total United States imports of cotton textiles increased from 491.5 million square yards in 1958, to 719.6 million in 1959, and to 1.1 billion in 1960, according to a study for a hearing by the United States Senate (22). It was reported in the study that 1960 fabric imports were two and one-half times those in 1958, and that during the same period, imports of textile products increased by two-thirds, with yarn imports increasing 800 percent (22).

The Agricultural Act of 1956, enacted on May 28, 1956, granted the President authority to:

1. negotiate agreements limiting exports from foreign countries or imports into the United States of textiles or textile products whenever he determined such action appropriate

2. issue regulations governing the entry or withdrawal from warehouses of any such commodity, product, textiles, or textile products to carry out any such agreement

3. control imports of textiles and apparel from non-participating countries when such agreements account for a significant part of world trade in the articles with respect to which the agreement was concluded (18)

The domestic textile industry continued to petition the United States Tariff Commission for import relief through quotas, but the executive branch was opposed to restriction through specific legislation. Unsuccessful attempts were made to get Hong Kong to establish voluntary controls as Japan had done, and even if Hong Kong had taken measures to control their exports to the United States, another shift of import sources was likely, just as happened in the case of Japan and Hong Kong (6). Thus, steps to approach a large number of countries became necessary in order to establish consistent relief.

Initial multilateral steps were attempted through the General Agreement on Tariffs and Trade. In November 1959, the United States approached the Contracting Parties, in Tokyo, with the subject of market disruption due to sudden large increases of imports from low-wage countries (22). Wool textile imports were rising rapidly, and man-made fiber textiles were becoming a significant factor in both domestic and foreign trade. With this situation in mind, but not limited thereto, the Contracting Parties to the General Agreement of Tariffs and Trade meeting in Tokyo in 1960, agreed to the following definition of market disruption by imports:

"These situations (market disruptions) generally contain the following elements in combination:

(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources

(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country

(iii) there is serious damage to domestic producers or threat thereof

(iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices

In some situations other elements are also present, and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption" (6).

The advantage of multilateral consultations was recognized in some cases. Thus a permanent committee of the

Contracting Parties, designated as the Committee on Avoidance of Market Disruption, was established for coordinating and supervising such consultations (22).

The Committee on Avoidance of Market Disruption did not solve the import problems of the United States textile and apparel industry. Industry witnesses appeared before the Platform Committees of both major parties in 1960, and during that campaign, both presidential candidates, then Vice President Richard M. Nixon and Senator John F. Kennedy, addressed themselves to the problem of textile imports.

On October 3, 1960, Vice President Nixon, after endorsing the overall national reciprocal trade policy, stated:

> But I emphatically do not believe that this national trade policy means marking certain industries, such as the textile and garment industries, as expendable. It doesn't make sense to me to require one or a few industries to bear the whole burden that foreign policy decisions may require. Nor does it make sense to me that an industry like cotton textiles bear an inequitable burden as a result of efforts to adjust wartime agricultural policies to peacetime needs.
>
> To the end of assisting the textile and garment industries and their workers to meet the problems ahead, I am determined to explore every constructive line of action (6).

On August 31, 1960, Senator Kennedy made public a letter to then Governor Ernest F. Hollings of South Carolina. In that letter Senator Kennedy stated:

> I agree . . . that sweeping changes in our foreign trade policies are not necessary. Nevertheless, we must recognize that the Textile and Apparel industries

> are of international scope and are peculiarly susceptible to competitive pressure from imports. Clearly the problems of the Industry will not disappear by neglect nor can we wait for a large scale unemployment and shutdown of the Industry to inspire us to action. A comprehensive industry-wide remedy is necessary (6).

In February 1961, a new cabinet committee was appointed by President Kennedy. This committee was to study the current problems of the textile and apparel industry in the United States and to make recommendations for dealing effectively with those problems (22). The Secretary of Commerce was the Chairman of that committee.

On May 2, 1961, a few months after his inauguration, President Kennedy announced at the White House a seven-point program of assistance to the United States textile industry (6).

According to a report by the International Trade Commission (22), the seven points were as follows:

1. The Department of Commerce was directed "to launch an expanded program of research, covering new products, processes and markets . . . in cooperation with both union and management groups"

2. The Treasury Department was asked to review existing depreciation allowances on textile machinery with a view to their revision; it was intended that such revisions, in combination with investment incentive credit proposals of the administration, would encourage modernization of the industry

3. The Small Business Association was directed "to assist the cotton textile industry to obtain the necessary financing for modernization of its equipment"

4. The Department of Agriculture was directed "to explore and make recommendations to eliminate or offset the costs between domestic and foreign textile producers"

5. The President expressed his intention to "send to the Congress a proposal to permit industries seriously injured or threatened with serious injury as a result of imports, to be eligible for assistance from the Federal Government"

6. The President directed the Department of State "to arrange for calling an early conference of the principal textile exporting and importing countries . . . (to) seek an international understanding which will provide a basis for trade that will avoid undue disruption of established industries"

7. The President also noted that "an application by the textile industry for action under existing statutes, such as the (GATT) escape clause or the national security provision of the Trade Agreements Extension Act, (will) be carefully considered on its merits"

Point six of the President's Seven-Point Program was the basic step in establishing a multilateral international arrangement for textiles.

The conference mentioned in point six met in Geneva, in July 1961, and negotiated the Short-Term Arrangement for Cotton Textile Trade (STA) to cover the period October 1, 1961, through September 30, 1962. During that time a Long-Term Arrangement (LTA), based on the principles of market disruption mentioned earlier, was to be agreed upon (6).

These two arrangements were called the "Arrangements Regarding International Trade in Cotton Textiles." They were drafted with the following sixteen countries participating: Australia, Austria, Canada, India, Japan, Pakistan, Portugal, Spain, Sweden, the United Kingdom, the United States, Belgium, France, Germany, Italy, and the Netherlands.

The "Arrangements Regarding International Trade in Cotton Textiles" consisted of:

1. A statement of principles and objectives

2. The text of a short-term arrangement for the 12-month period October 1, 1961, to September 30, 1962

3. Provisions establishing the preliminary machinery for the implementation of a long-term arrangement (22)

The principles and objectives were as follows:

1. It recognized the need for cooperative and constructive action for the development of world trade; it also recognized the disruption which had taken place in the cotton-textile markets of some countries

2. It expressed the desire of the participants "to deal with these problems in such a way as to provide growing opportunities for exports of these products, provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production" (22)

The Short-Term Arrangement began as follows: "Pending a long-term solution the participating countries agree to deal with immediate problems relating to cotton textiles through international action designed, at the same time:

(i) to significantly increase access to markets where imports are at present subject to restriction

(ii) to maintain orderly access to markets where restrictions are not at present maintained

(iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets" (22)

Section 1A provided that, "A participating country, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country to restrain, at a specified level not lower than the level prevailing for the twelve-month period ending 30 June 1961, its total exports of any category of cotton textiles causing or threatening to cause such disruption, and failing agreement within thirty days, the requesting country may decline to accept imports at a level higher than the specified level. In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion. Nothing in this arrangement shall prevent the negotiation of mutually acceptable bilateral arrangements on other terms" (22).

This agreement was intended to be used sparingly, and only to avoid disruption of domestic industry resulting from an abnormal increase in imports. If the exporting country was unwilling to exercise the restraint, the importing country could impose import restrictions, at the same minimum level, thirty days after the initial request. During this time, the exporting country could request consultations. Provisional action could be taken before the expiration of the thirty-day period if critical circumstances were involved. The Short-Term Arrangement also permitted mutually acceptable bilateral agreements (22).

Section 1B stated that: "A country requested to restrain its exports to a specified level may exceed the specified level for any category by 5 percent provided that its total exports to the requesting country of the categories of products subject to restraint do not exceed the aggregate for all the categories" (22).

Article 1C provided for the restraint of a particular item in a category when that item is causing a concentration of imports which causes or threatens market disruption (22). Article 1D stated that "Participants agree to take action to prevent circumvention or frustration of this short-term arrangement by non-participants, or by trans-shipment, or by substitution of directly competitive textiles". Under Article 1E, it was agreed that participating countries, who were at that time maintaining quantitative restrictions on cotton textile imports, would from 1 January 1962, significantly increase access to their markets by countries, the exports from which were then restricted (22).

The duration of the agreement was defined in Article 1F. It also stated that the provisions of section E enter into force not later than January 1, 1962. Article 1G provided for consultation in the event that problems arose from the arrangement's application.

A provisional Cotton Textile Committee was created and instructed to:

1. undertake work looking toward a long-term solution to the problems in the field of cotton textiles on the basis of the guiding principles set out in the Preamble to the Arrangement

2. collect all useful data for this purpose

3. at an early date, not later than April 30, 1962, make recommendations for a long-term solution (22)

The discussions and consultations on the long-term solution were to be multi-lateral and aimed at action consistent with the basic principles of GATT.

On February 9, 1962, negotiations for the Long-Term Arrangement Regarding International Trade in Cotton Textiles were concluded on an <u>ad referendum</u> (subject to approval) basis by representatives of nineteen Governments including the fifteen that had already adhered to the Short-Term Arrangement, according to the International Trade Commission (22). These negotiations were concluded in Geneva by representatives of the following governments: Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portugal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States, and the member states of European Economic Community (Belgium, France, Federal Republic of Germany, Italy, Luxembourg, and the Netherlands).

The goals of the Long-Term Arrangement were an extension of the Short-Term Arrangement. The Long-Term Arrangement continued the attempt to balance the need for increased access to the developed markets for exports from developing countries. This was done to promote the economic expansion and development of the developing countries, and at the same time attempt to prevent market disruption in importing countries (22).

Article 1 specified that "the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international co-operation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles." It also provided that the arrangements would not affect any country's rights and obligations under the General Agreement on Tariffs and Trade, and that they were "not to be considered as lending themselves to application in other fields."

Article 2 provided for increased access to markets where quantitative restrictions on imports of cotton textiles were in force, and Article 3 defined procedures for restraint requests and actions by an importing country. The International Trade Commission pointed out three major differences between Article 3 and the main provisions of Article 1A of the Short Term Arrangement:

1. The minimum level to which exports could be restrained was to be based on a "rolling average calculation" rather than on a fixed base period, as under the Short-Term Arrangement

   The minimum level was determined by the level of actual imports in the relevant cotton textile category from the requested country during the first twelve months of the fifteen months preceding the initial request for restraint

2. The consultation period, during which only provisional action could be taken even in the event of critical circumstances, was extended from thirty to sixty days

3. Because they covered more than one year, the arrangements contained provisions for an annual percentage increase in the minimum level to which imports could be restrained (22)

Article 4 stated, "Nothing in this Arrangement shall prevent the application of mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement. The participating countries shall keep the Cotton Textiles Committee fully informed on such arrangements, or the parts thereof, which have a bearing on the operation of this Arrangement."

Article 5 provided that, "The participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement." Article 6 defined measures for avoiding circumvention of the Arrangement by trans-shipment or re-routing, substitution of directly competitive textiles and action by non-participants.

Article 7 stated, "In view of the safeguards provided for in this Arrangement, the participating countries shall, as far as possible, refrain from taking measures which may have the effect of nullifying the objectives of this Arrangement." It also provided for consultation, for reference to the Cotton Textiles Committee, and for possible action under the provisions of Article XXIII of the GATT entitled, "Nullification or Impairment," which established a formal basis for consultation concerning the impairment of a benefit arising under the GATT or the impediment of an objective of the agreement. According to the International Trade Commission, "If bilateral consultations do not resolve the problem, the article provides that the Contracting Parties acting jointly may investigate and make an appropriate ruling. The Contracting Parties have the authority to suspend the application of concessions under the GATT to a contracting party found at fault."

The composition and functions of the Cotton Textiles Committee were described in Article 8:

1. It was to be composed of representatives of the participating countries

2. It was to undertake studies on trade in cotton textiles as the participating countries would decide

3. It was to collect the statistical and other information necessary for the discharge of its functions

4. It was to take referrals on divergences of view as to interpretation and application of the arrangements

5. It was to make an annual review of the operation of the arrangements from their inception

6. It was to meet no later than a year before the expiration of the arrangements in order to consider whether they should be extended, modified, or discontinued

"Cotton textiles" were defined in Article 9 for the purposes of the arrangements as including "yarns, piece-goods, made-up articles, garments, and other textile manufactured products, in which cotton represented more than 50 percent (by weight) of fiber content, with the exception of handloom fabrics of the cottage industry." Article 10 provided that for the purposes of this Arrangement, the term "disruption" refers to situations of the kind described in the Decision of the Contracting Parties of 19 November 1960, which was previously mentioned.

Article 11 defined the requirements for acceptance to the agreement by Governments which are party to the GATT and by those not party to the GATT. Article 12 concerned the Arrangement's entry into force. Article 13 stated, "Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day of which written notice of such withdrawal is received by the Executive Secretary of GATT."

Article 14 specified that the Arrangement would remain in force for five years. Article 15 provided that the Annexes to this Arrangement constitute an integral part of this Arrangement.

More than thirty governments participated in the Long-Term Arrangement. It was a unique international agreement in that it controlled trade but provided for growth at the same time. The Long-Term Arrangement was renewed in 1967, during the Johnson Administration, and in 1970, during the Nixon Administration.

During the Kennedy and Johnson Administrations and the first Nixon Administration, there had been various unsuccessful Government initiatives to extend coverage of the Long-Term Arrangement beyond cotton products as the import penetration in wool textiles approached 30 percent and man-made fiber products became dominant in the United States textile and apparel industry (6). By 1969, United States imports of man-made fiber products exceeded imports of cotton goods, and it became clear that man-made fiber and wool textile products, as well as blends, must be covered in an international agreement (18).

On August 21, 1968, Richard Nixon, then a presidential candidate, sent a telegram to every Republican member of Congress who had sponsored import control legislation. The telegram included the following pledge:

> As President, my policy will be . . . to assure prompt action to effectively administer the existing Long-Term International Cotton Textile Arrangement.
> Also, I will promptly take the steps necessary to extend the concept of international trade agreements to all other textile articles involving wool, man-made fibers and blends. (16)

During President Nixon's first term, bilateral agreements were negotiated with Japan, Taiwan, Hong Kong, and South Korea covering imports of products manufactured from man-made fiber and wool. Efforts were also begun to attain agreement in GATT on a general multifiber textile arrangement to follow the cotton Long-Term Arrangement which was scheduled to expire in 1973 (6).

President Nixon outlined four basic objectives that reflected foreign policy of that time. These objectives were to be used in United States trade negotiations in Tokyo in 1973:

> First, we desire to continue the forty year movement toward freer trade, to achieve for Americans the benefits of expanding world commerce.
> Second, we seek to overcome problems in the trade field which have become a source of friction between the United States and our major trading partners. In this sense, the trade negotiation is one part of a broader effort to build a stable and lasting peace.

> Third, we want to reform some of the present trading guidelines and practices which reduce trading opportunities for U.S. producers, as well as those of other countries, and which favor some at the expense of others.
>
> Fourth, and finally, we, along with other industrialized nations, are seeking ways to improve trading relationships with the less developed countries and with differing economic and political systems. (20)

On December 20, 1973, the General Agreement on Tariffs and Trade Textile Negotiating Group, meeting in Geneva, agreed to a comprehensive multilateral arrangement to regulate world trade in man-made fiber, wool and cotton textiles. The new arrangement had been under negotiation since July 1973, and was effective from January 1, 1974, for a four-year term. The Arrangement, which was considered a major accomplishment within the GATT, involved over fifty countries with divergent interests in textile trade. No countries had reservations regarding the arrangement (19).

The United States had trade agreements with twenty countries when the Long-Term Arrangement expired. The new arrangement, called the "Arrangement Regarding International Trade in Textiles," became its successor. This arrangement is more commonly called the "Multi-fiber Arrangement" or simply "MFA."

# CHAPTER III

## ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

The MFA is the most current major protective agreement for the textile and apparel industry. The main text consists of seventeen pages but additional bilateral agreements between countries are further extensions of the basic MFA. Provisions for bilateral agreements were included in the MFA as a means of eliminating the risks of market disruption in the importing countries, but these agreements are required to be more liberal than the basic MFA provisions (12).

The Preamble to the MFA is as follows:

> Recognizing the great importance of production and trade in textile products of wool, man-made fibres and cotton for the economies of many countries, and their particular importance for the economic and social development of developing countries and for the expansion and diversification of their export earnings, and conscious also of the special importance of trade in textile products of cotton for many developing countries;
>
> Recognizing further the tendency for an unsatisfactory situation to exist in world trade in textile products and that this situation, if not satisfactorily dealt with, could work to the detriment of countries participating in trade in textile products, whether as importers or exporters, or both, adversely affect

prospects for international cooperation in the trade field, and have unfortunate repercussions on trade relations generally;

Noting that this unsatisfactory situation is characterized by the proliferation of restrictive measures, including discriminatory measures, that are inconsistent with the principles of the General Agreement on Tariffs and Trade and also that, in some importing countries, situations have arisen which, in the view of these countries, cause or threaten to cause disruption of their domestic markets;

Desiring to take co-operative and constructive action, within a multilateral framework, so as to deal with the situation in such a way as to promote on a sound basis the development of production and expansion of trade in textile products and progressively to achieve the reduction of trade barriers and the liberalization of world trade in these products;

Recognizing that, in pursuit of such action, the volatile and continually evolving nature of production and trade in textile products should be constantly borne in mind and the fullest account taken of such serious economic and social problems as exist in this field in both importing and exporting countries, and particularly in the developing countries;

Recognizing further that such action should be designed to facilitate economic expansion and to promote the development of developing countries possessing the necessary resources, such as materials and technical skills, by providing larger opportunities for such countries, including countries that are, or that may shortly become, new entrants in the field of textile exports to increase their exchange earnings from the sale in world markets of products which they can efficiently produce;

Recognizing that future harmonious development of trade in textiles particularly having regard to the needs of developing countries, also depends importantly upon matters outside the scope of this Arrangement, and that such factors in this respect include progress leading both to the reduction of tariffs and to the maintenance and improvement of schemes of generalized preferences, in accordance with the Tokyo Declaration;

Determined to have full regard to the principles and objectives of the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT) and, in carrying out the aims of this Arrangement, effectively to implement the principles and objectives agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the Multilateral Trade Negotiations;

THE PARTIES TO THIS ARRANGEMENT have agreed as follows:

Article 1 stated the basic objectives of the Arrangement:

> The basic objectives shall be to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. In the case of those countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production, account should be taken of the avoidance of damage to those countries minimum viable production of textiles. (21)

The principal aim was also stated in Article 1:

> A principal aim in the implementation of this Arrangement shall be to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products. (21)

Article 2 provided that all existing unilateral quantitative restrictions, bilateral agreements, and any other quantitative measures in force which have a restrictive effect shall be noted in detail by the restraining participating country, upon acceptance of or accession to this Arrangement, for the Textiles Surveillance Body (TSB).

The TSB shall circulate the notifications to the other participating countries for their information. (The expressions "participating country," "participating export country" and "participating importing country," wherever they appear in this Arrangement, shall be deemed to include the European Economic Community.) Article 2 also stated that measures or agreements which are not notified by a participating country within sixty days of its acceptance of, or accession to, this Arrangement shall be considered to be contrary to this Arrangement and shall be terminated. Procedures are specified as to how such measures can be brought into conformity with the MFA.

Article 3 deals with new restrictions on trade in textile products:

> Unless they are justified under the provisions of the GATT (including its Annexes and Protocols) no new restrictions on trade in textile products shall be introduced by participating countries nor shall existing restrictions be intensified unless such action is justified under the provisions of this Article.
>
> The participating countries agree that this Article should only be resorted to sparingly and its application shall be limited to the precise products and to countries whose exports of such products are causing market disruption as defined in Annex A taking full account of the agreed principles and objectives set out in this Arrangement and having full regard to the interests of both importing and exporting countries. Participating countries shall seek to preserve a proper measure of equity. They shall endeavour to avoid discriminatory measures where market disruption is caused by imports from more than one participating country and when resort to the application of this Article is unavoidable, bearing in mind the provisions of Article 6. (21)

Provisions for critical circumstances are provided for in Article 3:

> In highly unusual and critical circumstances, where imports of a textile product or products during the period of sixty days referred to . . . above would cause serious market disruption giving rise to damage difficult to repair, the importing country shall request the exporting country concerned to co-operate immediately on a bilateral emergency basis to avoid such damage, and shall, at the same time, immediately communicate to the Textiles Surveillance Body the full details of the situation. The countries concerned may make any mutually acceptable interim arrangement they deem necessary to deal with the situation without prejudice to consultations regarding the matter. . . . (21)

Article 4 reminds that:

> 1. The participating countries shall fully bear in mind, in the conduct of their trade policies in the field of textiles, that they are, through the acceptance of, or accession to, this Arrangement, committed to a multilateral approach in the search for solutions to the difficulties that arise in this field.
>
> 2. However, participating countries may, consistently with the basic objectives and principles of this Arrangement, conclude bilateral agreements on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption (as defined in Annex A) in importing countries and disruption to the textile trade of exporting countries, and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries.
>
> 3. Bilateral agreements maintained under this Article shall, on overall terms, including base levels and growth rates, be more liberal than measures provided for in Article 3 of this Arrangement. Such bilateral agreements shall be designed and administered to facilitate the export in full of the levels provided for under such agreements and shall include provisions assuring substantial flexibility for the conduct of trade thereunder, consistent with the need for orderly expansion of such trade and conditions in the domestic market of the

importing country concerned. Such provisions should encompass areas of base levels, growth, recognition of the increasing interchangeability of natural, artificial and synthetic fibres, carry forward, carryover, transfers from one product grouping to another and such other arrangements as may be mutually satisfactory to the parties to such bilateral agreements.

4. The participating countries shall communicate to the Textiles Surveillance Body full details of agreements entered into in terms of this Article within thirty days of their effective date. The Textiles Surveillance Body shall be informed promptly when any such agreements are modified or discontinued. The Textiles Surveillance Body may make such recommendations as it deems appropriate to the parties concerned. (21)

Categories and quotas are discussed in Article 5:

Restrictions on imports of textile products under the provisions of Article 3 and 4 shall be administered in a flexible and equitable manner and over-categorization shall be avoided. Participating countries shall, in consultation, provide for arrangements for the administration of the quotas and restraint levels, including the proper arrangement for allocation of quotas among the exporters, in such a way as to facilitate full utilization of such quotas. The participating importing country should take full account of such factors as established tariff classification and quantitative units based on normal commercial practices in export and import transactions, both as regards fibre composition and in terms of competing for the same segment of its domestic market. (21)

Article 6 outlines the obligations of the participating countries to pay special attention to the needs of the developing countries (22).

1. . . . In the case of developing countries whose exports are already subject to restrictions and if the restrictions are maintained under this Arrangement, provisions should be made for higher quotas and liberal growth rates. . . .

2. In recognition of the need for special treatment for exports of textile products from developing countries,

> the criterion of past performance shall not be applied in the establishment of quotas for their exports of products from those textile sectors in respect of which they are new entrants in the markets concerned and a higher growth rate shall be accorded to such exports, having in mind that this special treatment should not cause undue prejudice to the interests of established suppliers or create serious distortions in existing patterns of trade. (22)

Article 7 states that the participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement (21). Article 8 provides that the participating countries agree to avoid circumvention of this arrangement by trans-shipment, rerouting, or action countries not participating in the MFA (22).

Article 9 states:

> 1. In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking additional trade measures which may have the effect of nullifying the objectives of this Arrangement.
> 2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation. (21)

Article 10 provides that:

> 1. There is established within the framework of GATT a Textiles Committee consisting of representatives of the parties to the Arrangement. The Committee shall carry out the responsibilities ascribed to it under this Arrangement.

2. The Committee shall meet from time to time and at least once a year to discharge its functions and to deal with those matters specifically referred to it by the Textiles Surveillance Body. It shall prepare such studies as the participating countries may decide. It shall undertake an analysis of the current state of world production and trade in textile products, including any measures to facilitate adjustment and it shall present its views regarding means of furthering the expansion and liberalization of trade in textile products. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.

3. Any case of divergence of view between the participating countries as to the interpretation or application of this Arrangement may be referred to the Committee for its opinion.

4. The Committee shall once a year review the operation of this Arrangement and report thereon to the GATT Council. To assist in this review, the Committee shall also be transmitted to the Council. The review during the third year shall be a major review of this Arrangement in the light of its operation in the preceding years.

5. The Committee shall meet not later than one year before the expiry of this Arrangement in order to consider whether the Arrangement should be extended, modified or discontinued. (21)

Article 11 requires that the Textiles Committee shall establish a Textiles Surveillance Body to supervise the implementation of this Arrangement. It will consist of a chairman and eight members to be appointed by the parties to this Arrangement on a basis to be determined by the Textiles Committee so as to ensure its efficient operation. The Textiles Surveillance Body will be considered as a standing body and will meet as necessary to perform the functions required of it under this Arrangement (22).

According to Article 12, for the purposes of this Arrangement, the expression "textiles" is limited to tops, yarns, piece-goods, made-up articles, garments and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, man-made fibres, or blends thereof, in which any or all of those fibres in combination represent either the chief value of the fibres or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product (21). However, should conditions of market disruption be found to exist for such products, the provisions of the articles of the Arrangement will apply (22).

Article 12 also stated that this Arrangement shall not apply to developing country exports of handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or to traditional folklore handicraft textiles products, provided that such products are properly certified under arrangements established between the importing and exporting participating countries concerned (21).

Article 13 required that this Arrangement be deposited with the Director-General to the Contracting Parties to the GATT. It shall be open for acceptance, by signature or otherwise, by governments contracting parties to the GATT or having provisionally acceded to the GATT and by the European Economic Community.

Article 13 also states:

> Any government which is not a contracting party to the GATT, may accede to this Arrangement on terms to be agreed between that government and the participating countries. These terms would include a provision that any government which is not a contracting party to the GATT must undertake, on acceding to this Arrangement, not to introduce new import restrictions or intensify existing import restrictions, on textile products, in so far as such action would, if that government had been a contracting party to the GATT, be inconsistent with its obligations thereunder. (21)

Article 14 provided that the Arrangement would enter into force on January 1, 1974. However, the provisions of Article 2, paragraphs 2, 3 and 4 would enter into force on April 1, 1974.

Any participating country may withdraw from this Arrangement upon expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General to the Contracting Parties to the GATT, according to Article 15.

Article 16 provided that this Arrangement would remain in force for four years. Article 17 specified that the Annexes to this Arrangement constitute an integral part of this Arrangement.

Annex A discussed the factors that cause market disruption which generally appear in combination:

(i) a sharp and substantial increase or imminent increase of imports of particular products from particular sources. Such an imminent increase shall be a measurable and shall not be determined to exist on the basis of allegation, conjecture or mere possibility arising, for example, from the existence of production capacity in the exporting countries;

(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country. Such prices shall be compared both with the price for the domestic product at comparable stage of commercial transaction, and with the prices which normally prevail for such products sold in the ordinary course of trade and under open market conditions by other exporting countries in the importing country. (21)

Annex A also stated that in considering questions of "market disruption" account shall be taken of the interests of the exporting country, especially in regard to its stage of development, the importance of the textile sector to the economy, the employment situation, overall balance of trade in textiles, trade balance with the importing country concerned and overall balance of payments.

Annex B specifies that Article 3 limitations on imports shall usually not be less than the level of imports during the twelve-month period terminating two months prior to a request for consultation. When restraint levels remain in force for additional twelve-month periods, limitations shall be increased by not less than 6 percent unless evidence clearly indicates that market disruption will recur. It also indicates that a lower positive growth rate may be decided upon through consultation. Provisions are made for carryforward and carryover of prior and succeeding year limitations (22).

According to the International Trade Commission, the MFA has not and cannot solve all the problems of international trade. It does give participating countries a means of negotiating agreements to solve or ease trade problems (22).

A draft protocol extending the MFA until December 31, 1981, was opened for signature on December 15, 1977. The protocol recognized that "certain importing and several exporting countries have encountered practical difficulties in the implementation of the provisions of the MFA." It also envisioned consultations and negotiations within the framework of the MFA which include "the possibility of jointly agreed reasonable departures from particular elements in particular cases." (22) Because of the acceptance of this protocol, the MFA was extended until December 31, 1981.

The interagency committees are responsible for policy and administration of the United States textile and apparel trade agreements program. Policy decisions are made by the Textiles Trade Policy Group, which is chaired by the United States Trade Representative (USTR), and consists of Under Secretaries of State, Treasury, Commerce, Agriculture, and Labor. The Committee for the Implementation of Textile Agreements (CITA), which consists of representatives from the Departments of Commerce (the chairman), Agriculture, State, Labor, and Treasury, and the Office of the United States Trade Representative (a nonvoting member), has the responsibility for implementing the United States textile and apparel trade policy. Section 204 of the Agricultural Act of 1956 provides the President with the authority to enter into textile trade agreements (1).

Figure 3, published by the American Apparel Manufacturers Association, shows a scheme for the United States and international authority to enter into bilateral trade agreements, and the organizational structure of the United States trade agreements program (1).

The decisions of the Textiles Trade Policy Group include establishing procedures for CITA's actions regarding United States right and obligations under MFA, and developing policy proposals for, and authorizing the negotiation of, bilateral and multilateral trade agreements (23).

The Committee for the Implementation of Textile Agreements is responsible for the implementation of United States textile and apparel trade agreements and unilateral actions under section 204 of the Agricultural Act of 1956 and Articles 3 and 6 of the Multi-fiber Arrangement. This

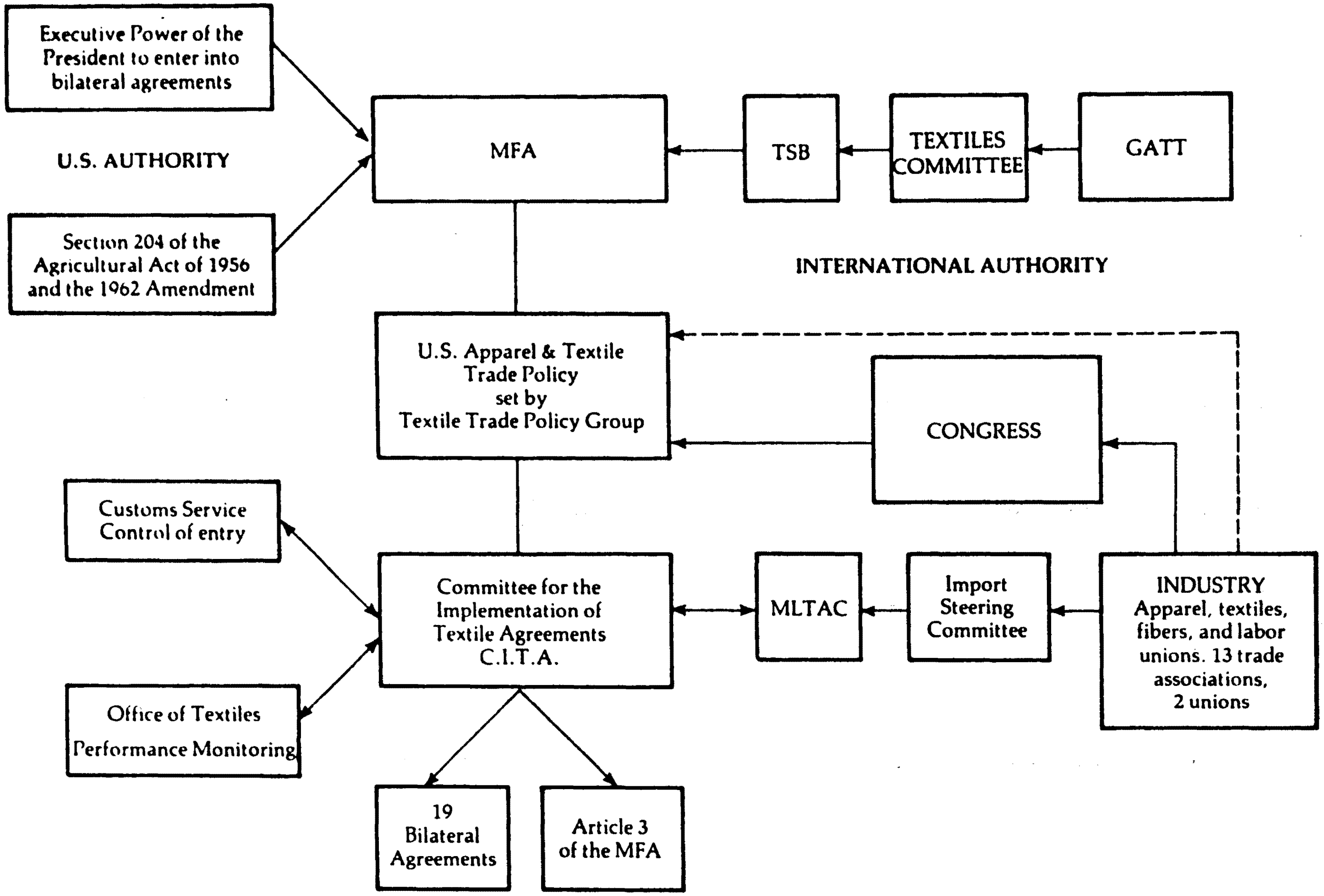


Fig. 3. Administration of Bilateral Agreements (1).

responsibility involves negotiating agreements with foreign suppliers, including the determination of any aggregate, group, or specific limits, consultation levels, and whether and when to request consultations with an exporting country in order to avoid market disruption in the United States (23).

CITA directs the administration of the United States textile import program. The day-to-day monitoring operations are conducted by the Office of Textiles and Apparel, Department of Commerce, with assistance from the United States Customs Service. Overall monitoring of quotas is complex because provisions regarding flexibility, types of restraints, and periods covered vary considerably in the bilateral agreements (23).

The personnel who administer the trade agreements program are generally provided by the member agencies of CITA. The Commerce Department's Office of Textiles and Apparel (OTEXA), under the direction of CITA, performs the daily functions of administering operations under the Multifiber Arrangement, including monitoring imports by product categories. The United States Customs Service assists in this task to assure imports comply with provisions of the agreements (23).

Teams from various agencies negotiate new bilateral agreements under the direction of the United States Trade

Representative. Existing agreements can also be renewed or modified by negotiation. In new agreements, restraint levels are sought that are as close as possible to the most recent trade levels for heavily impacted product categories (23).

The United States requests consultations with the exporting country or countries when imports of a certain category are causing market disruption. Hopefully, the consultation will bring about limits on categories which previously had not been subject to specific restraints. If the consultations do not bring about an agreement, the exporting country is required to establish a limit on procedures set forth in the agreement (23).

The United States Trade Commission reported that agreements with Hong Kong, the Republic of Korea, and Taiwan have recently been amended to provide greater control over and to reduce surges in imports from these sources. They are cooperating by providing reports on exports authorized to be shipped to the United States. Provisions are made in the bilateral agreements which give the exporting country a certain degree of flexibility to increase specific quotas. There are frequent adjustments of this type, initiated by the exporting country (23).

Presently the United States has bilateral agreements limiting textile imports from twenty-two sources, twenty of which were negotiated under the provisions of the MFA. During 1976-1979, four-fifths of total imports of cotton, wool, and manmade-fiber textiles into the United States were from countries having bilateral agreements. Agreements negotiated under the MFA and those negotiated with non-MFA signatories (Taiwan and the People's Republic of China) exist pursuant to the provisions of section 204 of the Agricultural Act of 1956. The terms for Taiwan and China are similar to those under the MFA despite the fact that these two countries are not signatories to the Arrangement. The International Trade Commission pointed out that while coverage of most of the agreements is quite comprehensive, some place specific import limits on only a few categories. China has specific controls on only eight categories; the Dominican Republic, on four categories; Haiti, on twenty-one categories. Brazil limits exports on cotton products only, although manmade-fiber products are subject to consultation. Japan limits through consultation only, with specific limits having resulted from consultation (23).

The bilateral agreements provide for limitations on about 5.0 billion square yards equivalent of textiles, on either a specific or a consultation basis. The agreement limitations range from a low of 800,000 square yards equivalent, in the agreement with Yugoslavia, to 1.1 billion square yards equivalent in the agreement with Hong Kong. Agreements with Taiwan and the Republic of Korea have limitations equaling between half a billion and a billion square yards equivalent. Ten of the bilateral agreements limit exports from 100 million to 500 million square yards equivalent, while eight have limitations of less than 100 million square yards equivalent each (23).

The industry has input into CITA through the Import Steering Committee and more specifically through the Management-Labor-Textile Advisory Committee (MLTAC). The MLTAC, appointed by the Secretary of Commerce, meets monthly with CITA to advise on important trends and developments (1). The Import Steering Committee is representative of the United States Textile/Apparel Steering Group which consists of representatives of textile, apparel, and fiber companies, trade associations, and textile and apparel unions. This group coordinates their ideas regarding textile trade policy and presents those ideas to CITA.

The MLTAC is made up of representatives from the groups that are members of the import steering committee. Representatives from the American Textile Manufacturers Institute, the American Apparel Manufacturers Association, the Manmade Fiber Producers Association, the Amalgamated Clothing and Textile Workers Union, the International Ladies Garment Workers Union, individual companies, and consumers are included among the membership of the Import Steering Committee and the MLTAC.

The views of the Import Steering Committee are presented both publicly and privately. The Management-Labor-Textile Advisory Committee meets with members of CITA each month to discuss problems and progress under the Multi-fiber Arrangement on bilaterals, unilateral actions, and other factors such as developments in industry and market conditions (23).

Other input from the private sector is made by representatives of retailers, importers, importer associations, and other related parties. Importers/Retailers Trade Advisory Committee (IRTAC) and CITA are involved in joint meetings that provide a public forum for discussing problems and progress related to the bilaterals and to unilateral actions. During 1979 and 1980, IRTAC expanded in size and representation. The members began taking a more active role in advising the TTPG and CITA on problems involved in MFA (23). Views on exporting, particularly with regard to trade barriers and export market expansion for fibers, textiles, and apparel are presented by the Exporters Trade Advisory Committee.

Industry and labor representatives are not permitted to attend the negotiating sessions for negotiating or changing bilaterals. However, selected members are available to answer questions or give advice, whether or not the negotiations are in the United States or abroad (23).

Input on broad policy matters, such as renewal of the Multi-fiber Arrangement, is made by a small group representing the textile, apparel, and fiber industries and unions. This group meets with the TTPG to present their position. A group of these representatives provided advice which was considered by the TTPG in formulating the Carter administration's textile program, which was intended to provide tighter control of imports and to assist the domestic industry in becoming more economically viable.

In some cases, a select industry group meets with the United States House of Representative's Textile Caucus or with United States Senators to provide information on the conditions in the textile, apparel, and fiber industries and to discuss problems involved with the MFA (23).

The Committee for the Implementation of Textile Agreements may seek to negotiate new bilateral agreements with those countries that are deemed important-enough sources of textiles and/or apparel to justify import restraints. This must be done in accordance with provisions of the MFA, or under the authority of section 204 of the Agricultural Act of 1956.

The United States negotiating position is usually based on: 1) information developed on trends in United States imports from each country, 2) the potential for greater imports, and 3) other related factors. The Chief Negotiator for Textile Trade Matters, a nonvoting member of CITA, is responsible for all negotiations with other countries to conclude bilateral agreements and to amend the agreements. The negotiating team consists of representatives of the Departments of Commerce, Labor, and State. From time to time a representative of the Department of State is in charge of other teams and, as necessary, the Departments of Commerce and Labor (23). CITA predetermines the negotiating positions; however, these positions are subject to modification as a result of the actual negotiation with the textile exporting country.

Most of the bilateral agreements involve aggregate, group, and category restraint levels. Generally, specific limits are requested where import penetration is high. When a minimum or designated level is reached in most categories, the United States will request consultation. In order to provide the exporting country with the flexibility to adjust to changes in the market, provisions for carryover, carryforward, and swing are included in the agreements. These provisions for flexibility apply only to specific limits affecting group and category restraint levels. Normal growth provisions plus additional amounts allowed by the flexibility provisions of carryover, carryforward, and swing can allow increases in imports from most bilateral agreement countries (23).

Bilateral agreements vary by country in the following ways:

1. Some countries control their exports to the United States while the United States controls imports from others

2. Most of the agreements are on a calendar-year basis, but a few are for twelve-month periods

3. Most agreements cover cotton, wool, and manmade-fiber textiles and apparel, but two cover only cotton textiles and apparel

4. Some agreements cover a wide range of categories but several include a limited number of categories that cover just the articles imported into the United States in volumes that might become a threat to the domestic market (23)

For the bilateral agreement to become effective, designated officials of the two countries must sign it. Provisions are included in most of the agreements for either country to terminate if they desire to do so.

In order to change restraint levels, such as flexibility provisions, during an agreement period, negotiations are necessary.

In many of the bilateral agreements, minimum consultation levels are assigned to categories not given specific limits. The standard minimum consultation levels are:

1. 1,000,000 SYE for categories covering textile mill products of cotton or manmade fibers
2. 700,000 SYE for categories covering apparel of cotton or manmade fibers
3. 100,000 SYE for categories covering wool textiles and apparel (1)

In many agreements, minimum consultation levels have been replaced by designated consultation levels which have always been greater than the minimum consultation level.

When these designated or minimum level consultation levels are filled, further imports are not allowed to enter the United States. When this happens, the exporting country may request negotiations with the United States to allow additional imports. In the case of imports not subject to specific limits, if the United States feels that these imports are causing or threatening to cause market disruption, the United States can request consultations with the exporting country to assign specific levels.

The Carter administration's textile program involved amending the agreements with Hong Kong, Taiwan, and Korea to eliminate designated and minimum consultation levels. These agreements now include certain consultation procedures regarding the establishment of specific limits for additional categories. These amendments have eliminated a substantial amount of flexibility on many of the sensitive categories for Hong Kong, Taiwan, and Korea. According to the American Apparel Manufacturers Association (1), the tremendous flexibility within groups and categories, along with undershipments in 1975, provided the excess square yardage that caused most of the surges in categories during 1976 and again in 1978. Eighteen percent flexibility (caused by swing, carryover, and carryforward) on top of growth rates ranging from 2 percent to 6 percent in categories with three, four, and five million dozen units of permitted imports have created serious market disruption. For example: A specific limit in a cotton or man-made fiber apparel category can be increased by borrowing from another category limit. The maximum swing is 7 percent of the receiving category. The 1980 ceiling for Taiwan for category 640, men's and boys' woven shirts, was 3,097,000 dozen. Taiwan could add 217,000 dozen to this ceiling by utilizing the 7 percent swing. Also, if Taiwan did not use all of its quota in 1979, it could carry over a portion of that quota and add it to the ceiling. It could also borrow from the 1981 ceiling (carryforward) and use it in 1980. The combination of carryover and carryforward has an 11 percent limit but only seven percent can be "carryforward." Taiwan could have added 10 percent or 357,000 dozen to the 1980 level or 3,097,000 dozen if it used its full carryover, carryforward, and swing. This is why a substantial amount of this flexibility has now been eliminated on many of the sensitive categories for Taiwan, Hong Kong, and Korea.

Other provisions that are found in most comprehensive bilaterals are:

1. The length of the agreement
2. A definition of the products covered
3. A list of the categories of conversion factors from units to equivalent square yards
4. A provision on spacing imports so that no undue concentrations disrupt the market
5. A provision waiving the right of the importing country to use the unilateral restraints of Article 3 of MFA (1)

Since trade in all bilaterals is counted by date of export, the United States charges imports to ceiling by date of export. Some of the bilaterals are not comprehensive and have provisions different from those listed.

The International Agreements and Monitoring Division of the Commerce Department's Office of Textiles and Apparel is responsible for most of the monitoring of imports from bilateral agreement countries and other countries. Records are maintained on imports in each category from each bilateral agreement country and on specific limits, consultation levels, and flexibility provisions set forth in each agreement. This division also maintains information on changes in provisions in the bilateral agreements.

There are two reports that provide data to be used in the monitoring process: the monthly Performance Report and Major Shippers Report. The Performance Report shows, by countries, aggregate restraint levels, group restraint levels, specific levels, designated or minimum consultation levels, and category restraint levels. It also shows original restraint levels, final adjusted restraint levels (including an indication of types of adjustment), and the percents filled. The Major Shippers Report provides import data, in square yard equivalents, by categories for all major exporters, with a total for all country sources and the percentage of the total for which each exporter accounts (23).

When the data from the exporting country and the United States do not agree, there must be a compromise. However, if the differences are great, an investigation may be conducted.

Data is also recorded on non-bilateral-agreement countries in order to determine if consultations are needed regarding possible new bilateral agreements (23).

Accurate data must be kept so that when market disruption arises for a category, any claim can be substantiated. The Industry Assessment Division of the Office of Textiles and Apparel develops information concerning market disruption, and that information is used in presenting the United States position.

United States Government aid helped to rebuild the Japanese textile industry after World War II, and that industry has now become one of the most modern in the world. The United States Government also helped Korea, Taiwan, and Hong Kong establish their industries. Today, three new industrialized countries--Korea, Taiwan, and Hong Kong--are responsible for 60 percent of United States apparel imports (2).

Figure 4, which was provided by the American Apparel Manufacturers Association, shows the countries with which the United States had bilaterals in 1979, and the level of apparel imports from these countries at that time. Figures 5, 6 and 7 describe the United States MFA categories within United States general imports from 1976 to 1980. An understanding of these categories will aid in understanding the bilaterals.

All cotton, wool, and man-made fiber apparel and textile products that meet the definition of textile

Fig. 4. Current Bilaterals and Other Controls (1).

| | Cotton, Wool, & Man-made Fiber Apparel Imports in 1979 (in mil SYE) |
|---|---|
| A. Bilaterals Covering Cotton, Wool & Man-made Fiber | |
| 1. With Aggregate/Group Ceilings | |
| Hong Kong | 610 |
| India | 65 |
| Korea | 413 |
| Macao | 45 |
| Philippines | 150 |
| Poland | 21 |
| Singapore | 80 |
| Taiwan | 544 |
| Sub-Total | 1,928 |
| 2. Apparel Group Ceiling | |
| Romania | 20 |
| 3. No Aggregate/Group Ceilings | |
| Colombia | 9 |
| Dominican Republic | 51 |
| Haiti | 55 |
| Japan | 88 |
| Malaysia | 16 |
| Mexico | 84 |
| PRC | 142 |
| Sri Lanka | 25 |
| Thailand | 42 |
| Sub-Total | 512 |

Fig. 4--Continued

| | Cotton, Wool, & Man-made Fiber Apparel Imports in 1979 (in mil SYE) |
|---|---|
| B. Bilaterals Covering Cotton Only | |
| 1. With Aggregate/Group Ceilings | |
| Brazil | 6 |
| Pakistan | 18 |
| 2. No Aggregate/Group Ceilings | |
| Egypt | 2 |
| C. Other Countries Under Control | |
| Art. 3 of MFA | |
| Union of South Africa | 1 |
| An Agreement on Suit Imports (wool & MMF men's & boys' suits) | |
| Yugoslavia | 3 |
| Total Apparel Imports from Above Countries | 2,490 |
| Imports From All Other Countries | 181 |
| Total Cotton, Wool & MMF Apparel Imports | 2,671 |

(Units of quantity are in thousands)

| Category: 2/ | Description | Unit of quantity | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| 300 | Carded yarn | pounds | 21,554 | 10,609 | 19,932 | 9,147 | 15,572 |
| 301 | Combed yarn | do | 1,171 | 916 | 6,582 | 1,386 | 824 |
| 310 | Gingham | sq yd | 3,460 | 6,011 | 4,956 | 6,501 | 6,475 |
| 311 | Velveteen | do | 2,854 | 2,732 | 2,628 | 1,501 | 2,544 |
| 312 | Corduroy | do | 1,798 | 739 | 908 | 1,978 | 401 |
| 313 | Sheeting | do | 334,113 | 217,844 | 303,384 | 228,110 | 243,014 |
| 314 | Poplin and broadcloth | do | 17,276 | 16,083 | 21,311 | 18,389 | 9,519 |
| 315 | Printcloth | do | 133,112 | 50,160 | 163,075 | 103,311 | 88,62[illegible] |
| 316 | Shirting | do | 4,161 | 2,246 | 1,255 | 880 | 318 |
| 317 | Twill and sateen | do | 148,566 | 106,722 | 97,678 | 83,892 | 134,766 |
| 318 | Yarn-dyed fabrics, n.e.s | do | 20,063 | 22,787 | 32,275 | 26,392 | 27,792 |
| 319 | Duck | do | 101,263 | 68,965 | 67,298 | 63,869 | 71,614 |
| 320 | Woven fabrics, n.e.s | do | 178,469 | 149,137 | 225,890 | 160,928 | 132,728 |
| 330 | Handkerchiefs | dozen | 2,630 | 2,535 | 2,362 | 2,324 | 3,357 |
| 331 | Gloves | doz pr | 6,790 | 8,416 | 10,793 | 12,651 | 11,694 |
| 332 | Hosiery | do | 11 | 28 | 22 | 22 | 31 |
| 333 | Suit-type coats for men and boys | dozen | 671 | 246 | 305 | 204 | 185 |
| 334 | Other coats for men and boys | do | 427 | 463 | 787 | 617 | 903 |
| 335 | Coats for women, girls, and infants. | do | 727 | 812 | 982 | 1,016 | 1,401 |
| 336 | Dresses | do | 540 | 490 | 544 | 410 | 699 |
| 337 | Playsuits | do | 811 | 1,034 | 983 | 1,071 | 1,383 |
| 338 | Knit shirts for men and boys | do | 3,474 | 3,412 | 4,853 | 5,106 | 5,391 |
| 339 | Knit shirts and blouses for women, girls, and infants. | do | 6,600 | 6,760 | 8,706 | 8,728 | 7,138 |
| 340 | Shirts, not knit, for men and boys. | do | 4,450 | 4,616 | 5,758 | 6,620 | 6,315 |
| 341 | Blouses, not knit, women, girls, and infants. | do | 3,569 | 3,802 | 5,822 | 6,576 | 6,007 |
| 342 | Skirts | do | 512 | 434 | 605 | 662 | 849 |
| 345 | Sweaters | do | 422 | 247 | 340 | 455 | 507 |
| 347 | Trousers for men and boys | do | 3,180 | 3,659 | 4,595 | 4,596 | 4,905 |
| 348 | Trousers for women, girls, and infants. | do | 5,029 | 6,427 | 7,948 | 7,256 | 8,281 |
| 349 | Brassieres | do | 658 | 355 | 195 | 188 | 138 |
| 350 | Dressing gowns | do | 183 | 285 | 266 | 173 | 211 |
| 351 | Nightwear | do | 789 | 1,087 | 1,133 | 1,191 | 1,390 |
| 352 | Underwear | do | 591 | 889 | 1,365 | 1,776 | 2,303 |
| 359 | Other apparel | pounds | 18,678 | 21,583 | 24,217 | 17,315 | 17,998 |
| 360 | Pillowcases | number | 2,489 | 2,364 | 1,536 | 1,124 | 1,389 |
| 361 | Sheets | do | 688 | 213 | 198 | 289 | 491 |
| 362 | Bedspreads and quilts | do | 802 | 548 | 693 | 383 | 615 |
| 363 | Terry and other pile towels | do | 23,180 | 32,788 | 38,575 | 40,500 | 49,148 |
| 369 | Other manufactures | pounds | 34,150 | 34,212 | 43,863 | 40,634 | 39,625 |

1/ Includes merchandise released from customs custody immediately upon arrival plus merchandise entered into bonded storage warehouses.
2/ Categories used by the United States in administering the MFA.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fig. 5. Textiles, wholly or in chief value of cotton: United States general imports, my MFA categories, 1976-1980 (24).

(Units of quantity are in thousands)

| Category | Description | Unit of Quanity | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| 400 | Wool tops and yarn | pounds | 3,726 | 5,115 | 4,868 | 3,111 | 3.662 |
| 410 | Woolens and worsteds | sq yd | 16,242 | 21,561 | 23,071 | 18,847 | 16,184 |
| 411 | Tapestries and upholstery | do | 822 | 1,025 | 1,892 | 1,305 | 1,406 |
| 425 | Knit fabric | pounds | 787 | 604 | 198 | 213 | 183 |
| 429 | Fabrics, n.e.s | sq yd | 122 | 190 | 320 | 324 | 398 |
| 431 | Gloves | doz pr | 41 | 53 | 80 | 127 | 125 |
| 432 | Hosiery | do | 102 | 124 | 94 | 94 | 92 |
| 433 | Suit-type coats for men and boys | do | 40 | 64 | 59 | 52 | 41 |
| 435 | Coats for women, girls, and infants | do | 68 | 111 | 191 | 162 | 190 |
| 436 | Dresses | do | 48 | 63 | 53 | 41 | 84 |
| 438 | Knit shirts and blouses | do | 181 | 645 | 677 | 598 | 618 |
| 440 | Shirts and blouses, not knit | do | 146 | 291 | 261 | 257 | 229 |
| 442 | Skirts | do | 51 | 76 | 123 | 136 | 108 |
| 443 | Suits for men and boys | do | 131 | 125 | 138 | 128 | 112 |
| 444 | Suits for women, girls, and infants | do | 48 | 45 | 34 | 37 | 29 |
| 445 | Sweaters for men and boys | do | 421 | 575 | 686 | 532 | 506 |

Fig. 6. Textiles, wholly or in chief value of wool: United States general imports, by MFA categories, 1976-80 (24).

| Category | Description | Unit of Quanity | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| 446 | Sweaters for women, girls, and infants | do | 1,397 | 1,928 | 1,222 | 1,129 | 2,048 |
| 447 | Trousers for men and boys | do | 139 | 137 | 179 | 171 | 161 |
| 448 | Trousers for women, girls, and infants | do | 56 | 65 | 98 | 61 | 81 |
| 459 | Other apparel | pounds | 6,790 | 7,335 | 8,572 | 5,786 | 3,855 |
| 464 | Blankets | do | 303 | 360 | 503 | 408 | 333 |
| 465 | Floor coverings | sq ft | 50,469 | 52,916 | 54,189 | 49,262 | 60,081 |
| 469 | Other manufactures | pounds | 3,083 | 2,813 | 2,434 | 2,704 | 1,857 |

Fig. 6.-- Continued

(Units of quantity are in thousands)

| Category 2/ | Description | Unit of quantity | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|---|---|
| 600 | Textured yarn | lb | 30,841 | 48,400 | 21,100 | 11,979 | 9,062 |
| 601 | Continuos fiber yarn, cellulosic | do | 26,319 | 24,435 | 24,233 | 10,619 | 7,761 |
| 602 | Continuos noncellulosic yarn | do | 35,393 | 49,800 | 39,212 | 16,444 | 10,966 |
| 603 | Non-continuos cellulosic yarn | do | 490 | 1,042 | 841 | 581 | 568 |
| 604 | Non-continuos noncellulosic yarn | do | 8,280 | 22,067 | 37,909 | 16,033 | 18,124 |
| 605 | Other yarns | do | 5,272 | 7,743 | 7,936 | 8,152 | 6,299 |
| 610 | Cont. cellulosic woven fabrics | sq yd | 25,075 | 25,565 | 27,143 | 15,596 | 14,401 |
| 611 | Spun cellulosic woven fabrics | sq yd | 1,282 | 1,168 | 1,696 | 3,844 | 4,883 |
| 612 | Cont. noncellulosic woven fabrics. | sq yd | 195,941 | 188,815 | 224,840 | 150,150 | 150,981 |
| 613 | Spun non-cellulosic woven fabrics. | do | 22,048 | 25,913 | 31,156 | 40,102 | 27,457 |
| 614 | Woven fabrics, n.e.s | do | 50,888 | 70,842 | 98,757 | 95,981 | 109,207 |
| 625 | Knit fabrics | do | 9,295 | 8,324 | 7,692 | 3,801 | 2,628 |
| 626 | Pile or tufted fabrics | sq yd | 5,679 | 4,065 | 4,096 | 2,851 | 2,177 |
| 627 | Specialty fabrics | do | 6,380 | 9,760 | 8,947 | 7,854 | 19,911 |
| 630 | Handkerchiefs | doz | 2,604 | 1,999 | 1,013 | 401 | 314 |
| 631 | Gloves | doz pr | 3,825 | 4,716 | 5,264 | 4,730 | 3,777 |
| 632 | Hosiery | do | 3,315 | 3,317 | 4,184 | 3,832 | 3,003 |
| 633 | Suit-type coats, men and boys | doz | 273 | 181 | 271 | 163 | 125 |
| 634 | Other coats, men and boys | do | 1,601 | 2,289 | 2,487 | 1,868 | 2,077 |
| 635 | Coats, women, girls, and infants | do | 1,725 | 2,088 | 2,390 | 2,218 | 2,414 |
| 636 | Dresses | do | 1,027 | 853 | 1,070 | 1,002 | 1,165 |
| 637 | Playsuits | do | 947 | 714 | 768 | 685 | 716 |
| 638 | Knit shirts, men and boys | do | 3,894 | 3,971 | 6,054 | 4,402 | 5,399 |
| 639 | Knit shirts and blouses, women, girls, and infants. | do | 20,400 | 16,693 | 17,688 | 14,292 | 14,310 |
| 640 | Shirts, not knit, men and boys | do | 8,558 | 7,218 | 8,335 | 9,664 | 9,780 |
| 641 | Blouses, not knit, women, girls and infants. | do | 2,248 | 3,021 | 3,637 | 4,083 | 4,425 |
| 642 | Skirts | do | 238 | 159 | 314 | 337 | 298 |
| 643 | Suits, men and boys | do | 172 | 149 | 187 | 150 | 95 |
| 644 | Suits, women, girls, and infants | do | 270 | 224 | 258 | 145 | 115 |
| 645 | Sweaters, men and boys | do | 1,726 | 1,713 | 2,470 | 1,863 | 1,634 |
| 646 | Sweaters, women, girls and infants. | do | 7,930 | 7,481 | 7,032 | 6,066 | 7,859 |
| 647 | Trousers, men and boys | do | 2,825 | 2,592 | 3,618 | 2,432 | 2,552 |
| 648 | Trousers, women, girls, and infants. | do | 6,206 | 5,077 | 6,530 | 5,540 | 5,947 |
| 649 | Brassieres | do | 8,378 | 9,403 | 10,894 | 11,407 | 12,527 |
| 650 | Dressing gowns | do | 93 | 94 | 129 | 150 | 167 |
| 651 | Nightwear | do | 220 | 223 | 427 | 424 | 315 |
| 652 | Underwear | do | 1,932 | 2,701 | 2,531 | 2,732 | 3,400 |
| 659 | Other apparel | lb | 24,732 | 24,382 | 31,019 | 27,867 | 29,949 |
| 665 | Floor coverings | sq ft | 48,225 | 44,350 | 41,625 | 39,390 | 34,595 |
| 666 | Other furnishings | lb | 4,416 | 4,724 | 6,196 | 7,585 | 7,075 |
| 669 | Other manufactures | do | 12,426 | 11,970 | 13,585 | 17,202 | 15,166 |

1/ Includes merchandise released from customs custody immediately upon arrival plus merchandise entered into bonded storage warehouses.

2/ Categories used by the United States in administering the MFA.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fig. 7. Textiles, wholly or in chief value of manmade fibers: United States General Imports, by MFA categories, 1976-80 (24).

products under the MFA are classified in 104 categories. There are sixty-one apparel categories, twenty-three fabric categories, eleven made-up and miscellaneous categories, and nine yarn categories. Of the sixty-one apparel categories, twenty-one cover cotton apparel, sixteen cover wool apparel, and twenty-four cover manmade fiber apparel. Many of the same garment lines are listed under each of the three fibers. The numbering system was set up to indicate the type of fiber in each garment. For example, categories 331, 431, and 631 represent gloves--331 cotton gloves, 431 wool gloves, and 631 man-made fiber gloves. The last two digits--31--indicate gloves, and the first digit indicates the fiber. All 300 categories are cotton categories, all 400s are wool categories, and all 600s are man-made fiber categories (1).

# CHAPTER IV

## UNITED STATES TEXTILE AND APPAREL INDUSTRY

The textile and apparel industry continues to be a major factor in the United States economy, even though its relative importance has declined over the years. There was an average annual increase of 14 percent in United States producers' shipments of all textiles and apparel, increasing from $69 billion in 1976 to $102 billion in 1979. However, output increased by only about 2.5 percent annually during this period (23).

Imports increased at an annual average of 14 percent, rising from $4.9 billion in 1976 to $7.2 billion in 1979, according to the International Trade Commission (23).

Although exports increased during that time, reaching $3.8 billion in 1979, the textile trade deficit rose from $2.6 billion in 1976 to $4.4 billion in 1978, and then to $3.4 billion in 1979. Most of the deficit incurred during 1976-1979 was accounted for by apparel (23). Even though the major impact of import competition on the United States textile and apparel sector has been confined primarily to apparel in the past few years, the textile and apparel industries are linked economically. The majority of the United States textile output is consumed in United States production of apparel; thus, changes in United States apparel production levels may significantly affect overall demand for United States-produced textiles.

Eight trade- or import-sensitive sectors were analyzed by the International Trade Commission. The sectors were: 1) sweaters, 2) shirts and blouses, 3) trousers, 4) men's suits and sport coats, 5) coats, 6) gloves, 7) body-supporting garments, and 8) broadwoven fabrics. The analysis indicated that imports in seven categories either maintained or increased their market share during 1976-1979. The only exception was broadwoven fabrics; import penetration in this slowly expanding market declined irregularly from 8.3 percent in 1976 to 7.3 percent in 1979, the lowest penetration of the eight sectors. In terms of quantity, however, imports of broadwoven fabrics are quite large. In 1979, imports of broadwoven fabrics amounted to more than 1 billion square yards ($838 million). The analysis also showed that imports accounted for a greater share of the growth in United States consumption of gloves, coats, trousers, and body-supporting garments than did United States producers' shipments during 1976-1979. The market share held by imports of these other apparel items during 1979 averaged more than 30 percent, with at least 40 percent shares for body-supporting garments and women's coats. The lowest import penetration for the apparel items under consideration was 15 percent for men's trousers in 1979 (23).

Consumption in the sweater, shirt and blouse, and suit and sport coat markets declined during 1976-1979, but imports maintained or increased their share of the market. The sweater category had the highest import penetration during 1976-1979. It remained relatively unchanged at about 52 percent. In the two largest apparel markets for imports--shirts and blouses--imports' share increased from 23 percent in 1976, to 31 percent in 1979 for men's and boys' shirts, and remained relatively unchanged at about 41 percent annually for women's, girls', and infants' shirts and blouses (23).

On an overall basis, no clear up or down trend is discernable regarding the quantity of United States textile and apparel imports during 1973-1979, according to the United States International Trade Commission. However, apparel imports increased during that time, while fabric and yarn imports showed a general downtrend.

Statistics show that imports of cotton, wool, and man-made fiber products fluctuated between 3.8 billion and 5.7 billion SYE during the period 1973-1979. Imports in 1980 were approximately 4.9 billion SYE, somewhat below the 1978 level, and well below the record level of 6.2 billion SYE established in 1972. Despite new or tighter controls, Korea and Taiwan were exporting at higher levels in 1980; however, Hong Kong was not. Exports from Japan were down sharply in 1980, while China was exporting cotton textiles at record levels (23).

The International Trade Commission reported that total imports of cotton textiles during 1973-1979 fluctuated between 1.3 billion and 2.2 billion SYE and was 2 billion in 1980. Imports of wool textiles ranged from 108.6 million to 143.9 million SYE, and was 129.3 million in 1980. Imports of man-made fiber textiles fluctuated between 2.5 and 3.4 billion equivalent square yards during 1973-1979 and were 2.75 billion in 1980. In all three groups, 1980 imports were large but somewhat below record levels of prior years (23).

Figure 8 gives a detailed comparison of cotton, wool, and manmade-fiber textiles (United States) imports for 1969-1980. Figure 9 gives a detailed comparison of United States imports of cotton, wool and man-made fibers by leading countries of origin and by chief fiber from 1976 to 1980.

(In millions of equivalent square yards)

| Period | Yarns | | | | Fabrics | | | | Apparel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cotton | Wool | Manmade fiber | Total | Cotton | Wool | Manmade fiber | Total | Cotton | Wool |
| 1969 | 124.3 | 23.6 | 385.7 | 533.6 | 685.2 | 63.5 | 392.1 | 1,140.8 | 524.5 | 80.8 |
| 1970 | 95.9 | 22.3 | 1,007.8 | 1,126.0 | 624.2 | 50.4 | 506.1 | 1,180.7 | 477.8 | 76.1 |
| 1971 | 127.5 | 15.4 | 1,733.5 | 1,876.4 | 678.5 | 23.9 | 851.1 | 1,553.5 | 497.8 | 63.7 |
| 1972 | 158.9 | 9.5 | 1,773.7 | 1,942.1 | 911.2 | 15.8 | 756.7 | 1,683.7 | 544.9 | 75.5 |
| 1973 | 103.2 | 6.3 | 1,105.8 | 1,215.3 | 847.0 | 18.4 | 596.1 | 1,461.5 | 448.9 | 59.7 |
| 1974 | 53.2 | 7.0 | 865.5 | 925.6 | 779.3 | 11.6 | 442.1 | 1,233.1 | 448.8 | 54.5 |
| 1975 | 44.9 | 4.9 | 505.5 | 555.3 | 569.7 | 12.1 | 385.5 | 967.3 | 540.4 | 49.7 |
| 1976 | 104.5 | 7.5 | 709.4 | 821.4 | 945.1 | 18.8 | 423.2 | 1,387.1 | 678.3 | 70.8 |
| 1977 | 53.0 | 10.2 | 995.3 | 1,058.5 | 643.4 | 24.0 | 457.4 | 1,124.8 | 760.8 | 97.5 |
| 1978 | 122.0 | 9.7 | 840.8 | 972.5 | 920.7 | 25.7 | 517.5 | 1,463.8 | 941.9 | 97.6 |
| 1979 | 48.5 | 6.2 | 384.1 | 438.8 | 695.8 | 20.9 | 399.4 | 1,116.1 | 934.9 | 83.6 |
| 1980 | 75.4 | 7.3 | 297.6 | 380.3 | 713.9 | 18.4 | 484.9 | 1,217.2 | 1,004.1 | 93.5 |

| Period | Apparel--Con. | | Made-up and miscellaneous | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Manmade fiber | Total | Cotton | Wool | Manmade fiber | Total | Cotton | Wool | Manmade fiber | Total |
| 1969 | 914.8 | 1,520.1 | 317.9 | 23.7 | 90.0 | 431.5 | 1,651.9 | 191.4 | 1,782.6 | 3,625.9 |
| 1970 | 1,132.2 | 1,686.1 | 338.9 | 20.8 | 105.4 | 465.1 | 1,536.8 | 169.6 | 2,751.5 | 4,457.9 |
| 1971 | 1,536.1 | 2,097.6 | 307.3 | 14.0 | 102.5 | 423.8 | 1,611.2 | 117.0 | 4,223.2 | 5,951.4 |
| 1972 | 1,605.5 | 2,225.9 | 238.8 | 16.1 | 129.5 | 384.4 | 1,853.8 | 117.0 | 4,265.4 | 6,236.2 |
| 1973 | 1,581.2 | 2,089.8 | 193.6 | 14.5 | 149.9 | 358.0 | 1,592.8 | 98.9 | 3,433.0 | 5,124.7 |
| 1974 | 1,433.7 | 1,937.0 | 181.2 | 13.0 | 120.4 | 314.6 | 1,462.5 | 86.1 | 2,861.7 | 4,410.3 |
| 1975 | 1,486.8 | 2,076.8 | 125.9 | 11.4 | 90.8 | 228.1 | 1,280.7 | 78.2 | 2,468.6 | 3,827.5 |
| 1976 | 1,679.3 | 2,428.4 | 181.2 | 11.6 | 136.2 | 329.0 | 1,923.6 | 108.6 | 2,954.3 | 4,986.5 |
| 1977 | 1,608.0 | 2,466.3 | 181.5 | 11.4 | 134.7 | 327.5 | 1,638.7 | 143.1 | 3,195.3 | 4,977.1 |
| 1978 | 1,865.9 | 2,905.4 | 228.8 | 10.9 | 157.8 | 397.5 | 2,213.2 | 143.9 | 3,382.0 | 5,739.1 |
| 1979 | 1,652.6 | 2,671.2 | 213.8 | 10.9 | 188.2 | 412.9 | 1,892.9 | 121.6 | 2,624.5 | 4,639.0 |
| 1980 | 1,786.6 | 2,884.1 | 215.7 | 10.2 | 176.9 | 402.8 | 2,009.1 | 129.3 | 2,746.0 | 4,884.4 |

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fig. 8. Cotton, wool, and manmade-fiber textiles: United States imports, by types, 1969-80 (24).

(In millions of equivalent square yards)

| Countries of origin, chief fibers | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Hong Kong: | | | | | |
| Cotton | 605.1 | 578.7 | 667.8 | 556.8 | 538.7 |
| Wool | 28.6 | 42.3 | 35.8 | 33.3 | 37.6 |
| Manmade fibers | 217.9 | 194.3 | 255.7 | 221.8 | 210.7 |
| Total | 851.6 | 815.3 | 959.3 | 811.9 | 787.0 |
| Taiwan: | | | | | |
| Cotton | 119.3 | 112.6 | 144.5 | 104.7 | 151.2 |
| Wool | 4.5 | 5.8 | 4.4 | 4.9 | 5.4 |
| Manmade fibers | 478.7 | 520.2 | 578.1 | 502.5 | 625.8 |
| Total | 602.5 | 638.6 | 727.0 | 612.1 | 782.4 |
| Korea: | | | | | |
| Cotton | 87.4 | 73.2 | 77.7 | 58.4 | 100.0 |
| Wool | 15.5 | 17.8 | 17.0 | 14.3 | 12.0 |
| Manmade fibers | 487.9 | 433.4 | 466.3 | 430.1 | 528.1 |
| Total | 590.8 | 524.4 | 561.0 | 502.8 | 640.1 |
| Japan: | | | | | |
| Cotton | 73.3 | 84.5 | 93.0 | 57.0 | 60.3 |
| Wool | 7.1 | 6.6 | 10.5 | 6.3 | 8.3 |
| Manmade fibers | 666.6 | 851.6 | 749.0 | 429.1 | 391.9 |
| Total | 747.0 | 942.7 | 852.5 | 492.4 | 460.5 |
| China: | | | | | |
| Cotton | 148.4 | 81.9 | 186.1 | 190.3 | 261.4 |
| Wool | .7 | .5 | 1.2 | 1.0 | 10.7 |
| Manmade fibers | 3.4 | 5.8 | 13.7 | 39.9 | 52.7 |
| Total | 152.5 | 88.2 | 201.0 | 231.2 | 324.8 |
| Pakistan: | | | | | |
| Cotton | 141.1 | 67.2 | 144.4 | 177.8 | 136.0 |
| Wool | .2 | .2 | .2 | .2 | .3 |
| Manmade fibers | 1/ | 1/ | 1/ | .3 | .7 |
| Total | 141.3 | 67.4 | 144.6 | 178.3 | 137.0 |
| Philippines: | | | | | |
| Cotton | 26.9 | 35.2 | 48.7 | 42.6 | 47.4 |
| Wool | .3 | .3 | .6 | .4 | .6 |
| Manmade fibers | 103.0 | 106.5 | 125.5 | 118.9 | 114.9 |
| Total | 130.2 | 142.0 | 174.8 | 161.9 | 162.9 |

Fib. 9. Textiles of cotton, wool and manmade fibers: United States imports, by leading countries of origin and by chief fiber, 1976-80 (24).

(In millions of equivalent square yards)

| Countries of origin, chief fibers | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Italy: | | | | | |
| Cotton | 25.0 | 31.7 | 45.6 | 23.6 | 14.5 |
| Wool | 6.9 | 8.2 | 10.9 | 7.8 | 5.9 |
| Manmade fibers | 118.6 | 151.1 | 181.8 | 111.5 | 104.9 |
| Total | 150.5 | 191.0 | 238.3 | 142.9 | 125.3 |
| Mexico: | | | | | |
| Cotton | 70.6 | 63.5 | 94.1 | 42.6 | 27.5 |
| Wool | .9 | .9 | .4 | .3 | .4 |
| Manmade fibers | 88.9 | 90.9 | 106.4 | 96.3 | 105.6 |
| Total | 160.4 | 155.3 | 200.9 | 139.2 | 133.5 |
| India: | | | | | |
| Cotton | 213.8 | 154.3 | 136.0 | 121.5 | 141.0 |
| Wool | .9 | 1.6 | 1.0 | .6 | 1.1 |
| Manmade fibers | 9.3 | 9.7 | 12.2 | 11.1 | 9.1 |
| Total | 224.0 | 165.6 | 149.2 | 133.2 | 151.2 |
| Singapore: | | | | | |
| Cotton | 26.9 | 27.2 | 57.1 | 57.1 | 62.6 |
| Wool | .2 | .4 | .4 | .2 | .5 |
| Manmade fibers | 54.6 | 33.6 | 61.8 | 56.4 | 43.2 |
| Total | 81.7 | 61.2 | 119.3 | 113.7 | 106.3 |
| All others: | | | | | |
| Cotton | 385.9 | 328.7 | 518.2 | 458.2 | 468.5 |
| Wool | 42.8 | 58.5 | 61.5 | 52.3 | 46.5 |
| Manmade fibers | 725.4 | 798.2 | 832.1 | 617.9 | 558.4 |
| Total | 1,154.1 | 1,185.4 | 1,411.8 | 1,128.4 | 1,073.4 |
| Total: | | | | | |
| Cotton | 1,923.1 | 1,638.7 | 2,213.2 | 1,890.6 | 2,009.1 |
| Wool | 108.6 | 143.1 | 143.9 | 121.6 | 129.3 |
| Manmade fibers | 2,954.3 | 3,195.3 | 3,382.6 | 2,635.8 | 2,746.0 |
| Grand total | 4,986.6 | 4,977.1 | 5,739.7 | 4,648.0 | 4,884.4 |

1/ Less than 50,000.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fig. 9--Continued

Figure 10 shows the combined trade deficit for textiles and apparel for 1976-1979 and January-September 1979 and 1980.

The trade deficit in 1979 was 22 percent lower than the record deficit in 1978, but it was still much higher than in 1976 and 1977. During the period between 1976 and 1979, exports rose 66 percent, compared with a 48 percent increase in imports. This was encouraged by the favorable exchange rate of the United States dollar which contributed to the price competitiveness of United States goods (see Fig. 11).

This trade picture of the combined textile and apparel industries, however, does not show the difficulties being experienced by parts of the labor-intensive apparel industry. The apparel industry accounted for virtually all the sector's trade deficit during 1976-1979 and has incurred deficits since at least 1960. Thus it is necessary to show a profile of the two industries separately. Figure 12 shows that the value of apparel shipments increased at an average annual rate of 12 percent between 1976 and 1979, from $31 billion to $43 billion.

Output in 1979, as measured by the Federal Reserve Board's Industrial Production Index for Standard Industrial Classification (SIC) No. 23 (predominately apparel), increased 7 percent from 1976. Output declined 7 percent

(In millions of dollars)

| Item | 1976 | 1977 | 1978 | 1979 | Jan. - Sept. 1979 | Jan. - Sept. 1980 |
|---|---|---|---|---|---|---|
| Imports: | | | | | | |
| Textiles | 1,626 | 1,765 | 2.212 | 2,213 | 1,658 | 1,876 |
| Apparel | 3,256 | 3.650 | 4,833 | 5,015 | 3,804 | 4,363 |
| Total | 4,882 | 5,415 | 7,045 | 7,229 | 5,462 | 6,239 |
| Exports: | | | | | | |
| Textiles | 1,855 | 1,857 | 2,073 | 3,029 | 2,169 | 2,532 |
| Apparel | 434 | 524 | 551 | 772 | 559 | 733 |
| Total | 2,289 | 2,381 | 2,624 | 3,801 | 2,728 | 3,265 |
| Trade balance: | | | | | | |
| Textiles | 229 | 92 | -139 | 815 | 511 | 655 |
| Apparel | -2,822 | -3,126 | -4,282 | -4,243 | -3,245 | -3,630 |
| Total | -2,593 | -3,034 | -4,421 | -3,428 | -2,734 | -2,974 |

Fig. 10. Textiles and apparel: United States imports and exports, 1976-79, January-September 1979, and January-September 1980 (23).

NOTE: Compiled from official statistics of the Unites States Department of Commerce.

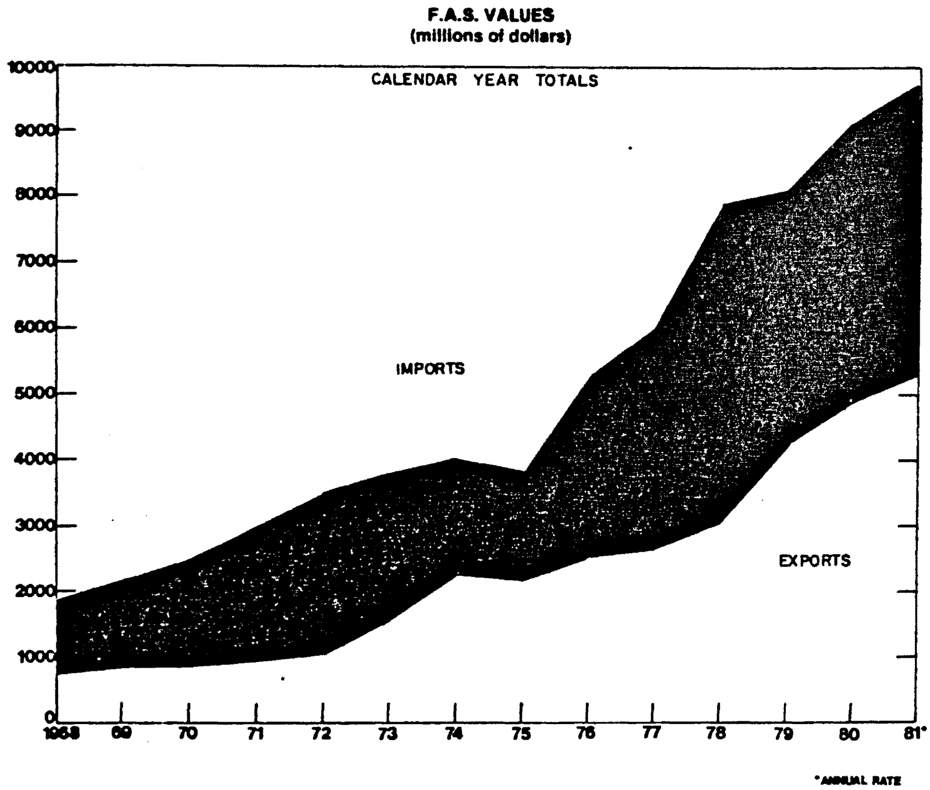


Fig. 11. United States Textile Trade, 1968-1981 (3).

| Item | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|
| Producers' shipments million dollars | 30,763 | 36,879 | 39,900* | 43,300* |
| Imports--million dollars | 3,256 | 3,650 | 4,833 | 5,015 |
| Exports--million dollars | 434 | 524 | 551 | 772 |
| Apparent consumption | 33,585 | 40,005 | 44,182 | 47,543 |
| Ratio of-- | | | | |
| Imports to apparent consumption--percent | 9.7 | 9.1 | 10.9 | 10.5 |
| Exports to producers' Shipment--percent | 1.4 | 1.4 | 1.4 | 1.8 |
| Total Employment--Thousands | 1,249 | 1,294 | 1,291* | 1,286* |

Fig. 12. Apparel: United States producers' shipments, imports for consumption, exports of domestic merchandise, apparent consumption, and employment, 1976-79. (23)

Note: Producers' shipments represent the value of cut and sewn apparel classified under SIC No. 23 (except for leather apparel (2386) and knitted apparel classified under SIC No. 225.

*Estimated by the staff of the United States International Trade Commission, otherwise, compiled from official statistics of the United States Department of Commerce.

from August 1979 to August 1980. The increased value of shipments between 1976 and 1979 stemmed largely from higher labor and material costs, which represent about three-fourths of apparel manufacturing costs and sharply higher interest expense (23).

According to the International Trade Commission, apparel production takes place in more than 20,000 establishments, with less than 20 percent employing 100 or more workers. Slightly more than half of the establishments are located in the Northeast, especially in the state of New York. The South, which has half as many plants as the Northeast, is the largest employer with about 40 percent of the industry's workforce compared to 33 percent in the Northeast. According to the International Trade Commission, apparel plants in the South employ, on the average, more than twice as many persons as those in the Northeast, primarily reflecting the South's newer and larger plants and its greater number of producers of men's apparel, the manufacture of which usually takes place on a larger scale than the more fashion-oriented women's apparel (23).

Figure 12 also shows that average employment has fluctuated narrowly in the past few years. The unemployment rate of apparel workers during August 1980 increased to 12.4 percent from 10.1 percent in August 1979. For all manufacturing, the unemployment rate increased from 5.5 to 8.1 percent during that same period. The average hourly wage of apparel production workers during 1979 was $4.24, compared with $6.69 for all manufacturing. Figure 13 shows the general trends in employment for all manufacturing industries, non-durable, textile mill products, and apparel and related products from 1975-1981 (3).

Even though the wage for the apparel production worker lagged considerably behind the average for all manufacturing, it remained much higher than the hourly rates of $1 or less of the principal foreign apparel suppliers as Hong Kong, Taiwan, and Korea. This wage difference is very significant since labor, on the average, accounts for about half the costs of United States producers when compared at the point in time when the imported goods enter United States commerce (23).

Efforts have been made to give the United States apparel producer some relief from the market disruption partially caused by cheap imports. When the Multi-fiber Arrangement was renewed in 1977, the protocol included provisions that allowed developed importing countries to negotiate bilateral agreements more restrictive in terms of import growth than in the first four years of the MFA. In 1979, the Carter Administration issued the White Paper

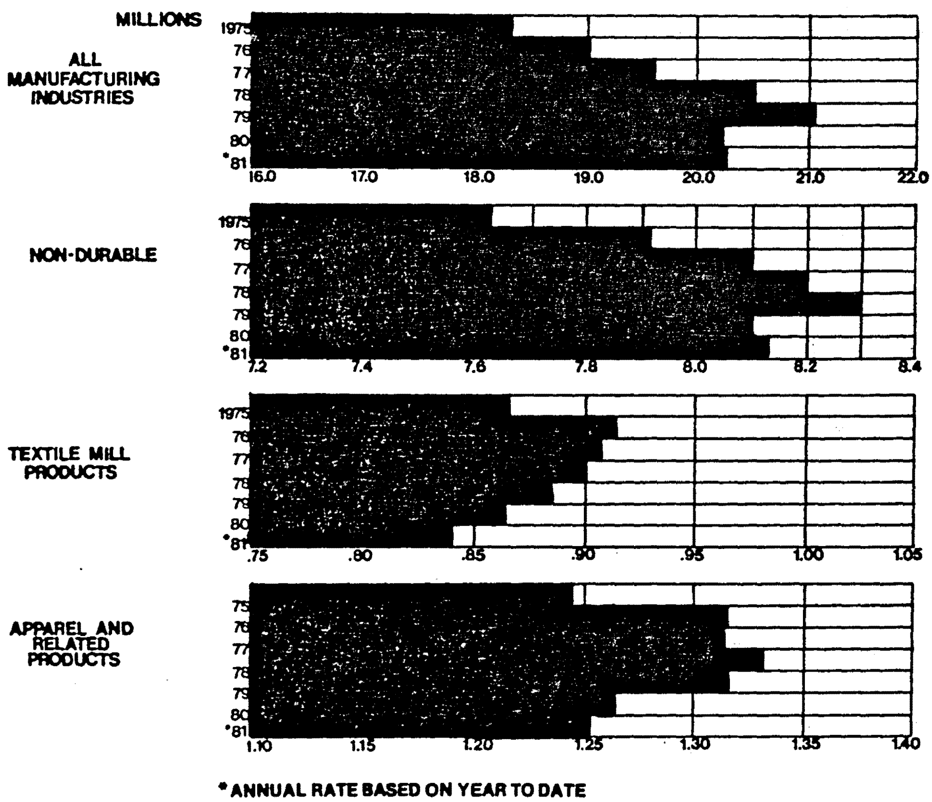


Fig. 13. Employment for all manufacturing industries, non-durable, textile mill products, and apparel and related products, 1975-81 (3).

concerning its textile program (See Appendix B). This policy paper pledged global import evaluation, greater control over import surges, and understandings with major suppliers regarding tighter controls for the remaining life of the bilateral agreements. This policy allowed the United States to reopen its bilateral agreements with Hong Kong, Korea, and Taiwan in order to add further restraints, as well as to conclude a new bilateral agreement with China. The White Paper policy contributed to increased control over United States imports from major suppliers. The purpose of the White Paper was explained by the American Apparel Manufacturers Association:

> Its purpose is to show import growth and penetration. And it is the first step toward globalizing our import quota system, which is its most significant aspect. All of the actions which it calls for are to be taken in the context of a global evaluation of imports. Simply put, this means our government will look at total imports and their relationship to the domestic market and will evaluate total imports by groups and by category as compared to any given country's shipment to us.
>
> No longer will our government consider only the volume of imports from country X without regard to its relationship to exports from other countries and the impact of the total on the domestic market. We will look at the individual trees, but we will also look at the forest.
>
> This is highly significant because it is the total volume of imports from all sources that do the damage whether the damage is inflicted on a particular category or on the market generally (1).

What is the reason for the huge volume of apparel imports that the United States has been recently experiencing? The reason given by the American Apparel Manufacturers Association is that world-wide apparel production is still one of the most labor intensive manufacturing industries. In the United States, labor costs amount to 27 percent of the selling price, and raw materials account for an additional 40 percent. The American apparel wages that average more than $4 per hour are significantly greater when compared to the wages of Hong Kong, Taiwan, Korea, and Sri Lanka which have hourly wages of $1.00, $.50 and $.25 respectively (1).

Where is the American apparel industry today? The answer was summarized in three statements by the American Apparel Manufacturers Association:

1. Apparel imports have captured an increasingly large share of our market

2. The number of major suppliers has grown numerically and has shifted to some extent

3. A wider range of apparel items is being imported, and particular segments of our market are dominated by imports (1)

This situation has developed with limited import restraints in force since the mid-fifties. There are three major reasons that this situation exists, according to the American Apparel Manufacturers Association. They are:

1. Failure to comprehensively control all apparel imports until the 1970s

2. A piece-meal, patchwork approach by the United States government to the basic problem

3. Failure to promptly and vigorously enforce the agreements we have had in place

The apparel industry is especially concerned about whether the United States will work to enforce the present agreements.

Figure 14 shows the United States imports of cotton, wool, and man-made fiber apparel correlated with trade agreements. Figure 15 lists the textile trade agreements with data showing United States imports of cotton, wool, and man-made fiber apparel.

It is necessary to investigate the sources of the apparel imports in order to understand the position of the industry. The data in Figure 16 show the square yards of United States imports of cotton and man-made fiber apparel from the top thirteen countries. Imports from Japan, Hong Kong, Taiwan, Korea, and the Philippines accounted for 87 percent of the total cotton and man-made fiber apparel in 1964. This remained approximately the same in 1968. Imports from other countries began increasing, and by 1974, the share of the top five had decreased to 70 percent. The thirteen countries listed in Figure 16 account for all but 11 percent of the cotton and man-made fiber apparel imported in 1979, even though there are about 100 countries exporting apparel to the United States. The significance of this fact is that we have bilaterals with all thirteen countries (1).

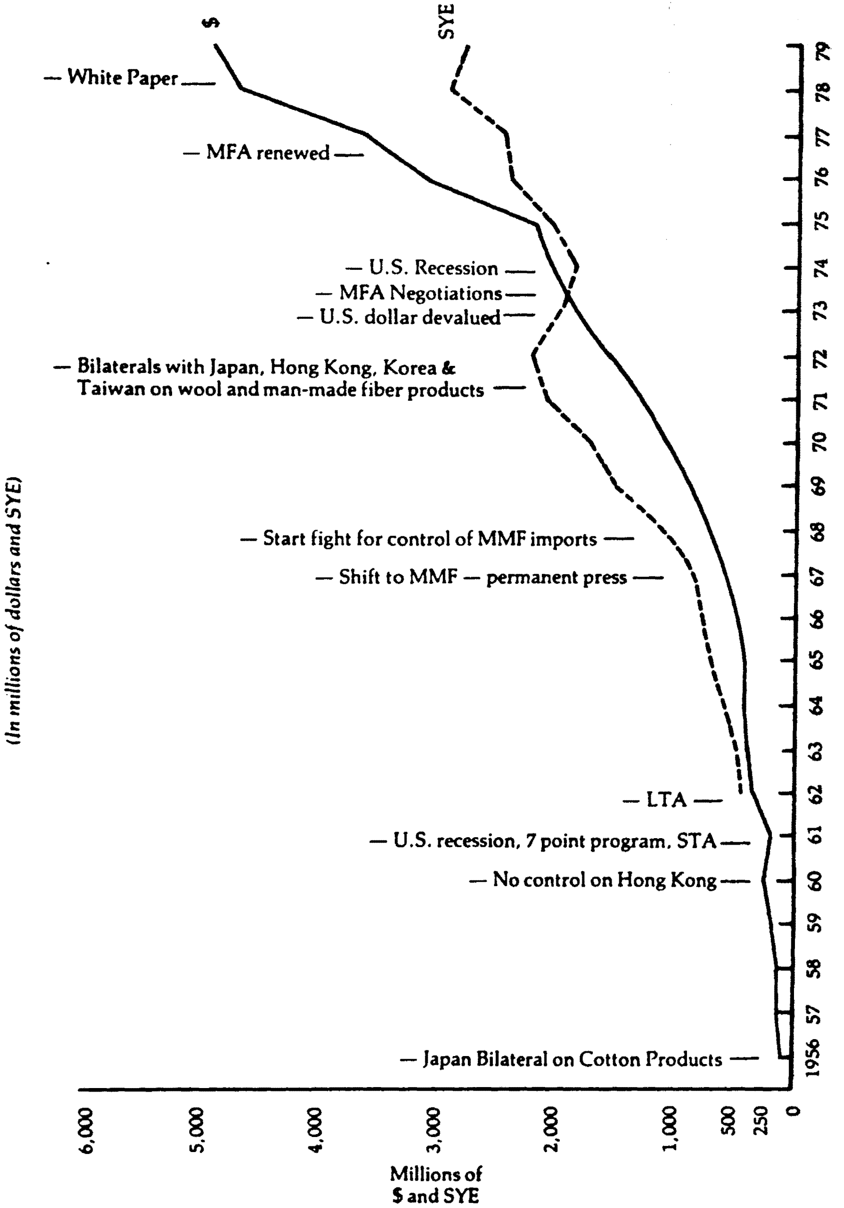


Fig. 14. United States imports of cotton, wool, and man-made fiber apparel correlated with trade agreements (1).

*(In millions of dollars and SYE)*

| | | Total Apparel Imports | |
|---|---|---|---|
| | | $ | SYE |
| (1) Japan Voluntary Agreement | 1956 | 140 | — |
| | 1957 | 150 | — |
| | 1958 | 170 | — |
| | 1959 | 200 | — |
| (2) No control of shipments from Hong Kong | 1960 | 250 | — |
| (3) U.S. recession; 7 Point Program; start of STA | 1961 | 230 | — |
| (4) Start of LTA | 1962 | 301 | 476 |
| | 1963 | 332 | 493 |
| | 1964 | 375 | 561 |
| | 1965 | 459 | 684 |
| | 1966 | 518 | 777 |
| (5) Rise of permanent press, shift to MMF | 1967 | 561 | 878 |
| (6) Start of fight for control of MMF imports | 1968 | 744 | 1,158 |
| | 1969 | 958 | 1,520 |
| | 1970 | 1,095 | 1,694 |
| (7) Bilaterals negotiated with Japan, Hong Kong, Korea & Taiwan effective Oct. 1, 1971 | 1971 | 1,342 | 2,098 |
| | 1972 | 1,691 | 2,226 |
| (8) Devaluation of dollar<br>(9) MFA negotiated | 1973 | 1,923 | 2,090 |
| (10) Start of recession | 1974 | 2,063 | 1,937 |
| | 1975 | 2,263 | 2,077 |
| | 1976 | 3,189 | 2,450 |
| (11) MFA renewed | 1977 | 3,611 | 2,480 |
| | 1978 | 4,680 | 2,901 |
| (12) White Paper | 1979 | 4,828 | 2,672 |

Fig. 15. United States imports of cotton, wool and man-made fiber apparel (1).

*(In millions of SYE)*

| | 1964 Total | 1968 Total | 1974 Total | 1979 Cotton | 1979 MMF | 1979 Total | % Change 1974-79 |
|---|---|---|---|---|---|---|---|
| Hong Kong | 157 | 291 | 352 | 367 | 210 | 577 | 164% |
| Taiwan | 35 | 146 | 418 | 59 | 480 | 539 | 129% |
| Korea | 11 | 143 | 285 | 24 | 377 | 401 | 141% |
| Subtotal | 203 | 580 | 1,055 | 450 | 1,067 | 1,517 | 144% |
| % of Big Three | 40% | 54% | 56% | 48% | 64% | 59% | |
| Philippines | 44 | 43 | 102 | 38 | 112 | 150 | 147% |
| Japan | 192 | 306 | 163 | 34 | 52 | 86 | 53% |
| Subtotal | 236 | 349 | 265 | 72 | 164 | 236 | 89% |
| % of Above Two | 47% | 32% | 14% | 8% | 10% | 9% | |
| PRC | 0 | 0 | 8 | 104 | 37 | 141 | 1.762% |
| Mexico | — | 13 | 90 | 15 | 69 | 84 | 93% |
| Singapore | — | 23 | 88 | 31 | 49 | 80 | 91% |
| India | — | 1 | 27 | 61 | 4 | 65 | 240% |
| Haiti | — | 1 | 41 | 8 | 47 | 55 | 134% |
| Dominican Republic | — | * | 6 | 17 | 34 | 51 | 850% |
| Macao | — | * | 12 | 19 | 24 | 43 | 358% |
| Thailand | — | * | 42 | 13 | 29 | 42 | 100% |
| Subtotal | — | 38 | 314 | 268 | 293 | 561 | 179% |
| % of Above Eight | | 4% | 17% | 29% | 18% | 22% | |
| All Other Countries | — | 107 | 248 | 143 | 131 | 274 | 110% |
| % of Other Countries | | 10% | 13% | 15% | 8% | 11% | |
| Total Imports | 507<br>100% | 1,074<br>100% | 1,882<br>100% | 933<br>100% | 1,655<br>100% | 2,588<br>100% | 138% |

*Less than 500,000 SYE.

Fig. 16. United States imports of cotton and man-made fiber apparel from major sources (1).

Since there was a change in the category system and the conversion factors in 1978, the Office of Textiles had to develop estimates for trade back to 1967. Data in Figure 17 show imports for 1967, 1972, 1974, 1978, and 1979 for most garment lines. Imports in many lines have increased enormously in the twelve years since 1967. Apparel manufacturers are greatly concerned about this trend. In 1979 there were 33 million dozen knit shirts imported and 27 million dozen woven shirts and blouses. There were 10 million dozen sweaters imported and 20 million dozen trousers and slacks. When compared to the population of the United States, this means that three knit and woven shirts and blouses were imported for each member of our population (1).

Another concern of the apparel manufacturers is trade under Paragraph 807. Paragraph 807 of the United States Tariff Schedule permits the export of pieces of garments, their assembly into apparel offshore, and their reimportation with duty paid only on value added in the assembling. This means that not all imports are wholly foreign-made. In 1979, 9.5 percent of apparel imports by value were imports under Paragraph 807. Data in Figures 18 and 19 show the trend in Paragraph 807 imports and the sources of most Paragraph 807 trade (1).

(In thousands of units)

| Garment Line | 1967 | 1972 | 1974 | 1978 | 1979 | |
|---|---|---|---|---|---|---|
| M&B Suit-Type Coats dz. | | | | | | |
| 333 Cotton | 57 | 143 | 151 | 305 | 204 | +258% |
| 433 Wool | 7 | 23 | 33 | 69 | 71 | +914% |
| 633 Man-Made Fiber | 6 | 171 | 227 | 271 | 163 | +2,617% |
| Total | 70 | 337 | 411 | 645 | 438 | +526% |
| M&B Other Coats dz. | | | | | | |
| 334 Cotton | 384 | 405 | 400 | 787 | 617 | +61% |
| 434 Wool | 18 | 133 | 124 | 59 | 52 | +189% |
| 634 Man-Made Fiber | 75 | 1,038 | 1,381 | 2,487 | 1,868 | +2,391% |
| Total | 477 | 1,576 | 1,905 | 3,333 | 2,537 | +432% |
| WG&I Coats dz. | | | | | | |
| 335 Cotton | 491 | 517 | 483 | 982 | 1,016 | +107% |
| 435 Wool | 112 | 158 | 57 | 191 | 162 | +45% |
| 635 Man-Made Fiber | 79 | 1,418 | 1,111 | 2,390 | 2,218 | +2,708% |
| Total | 682 | 2,093 | 1,651 | 3,563 | 3,396 | +398% |
| WG&I Dresses dz. | | | | | | |
| 336 Cotton | 672 | 502 | 443 | 544 | 410 | -39% |
| 436 Wool | 138 | 115 | 49 | 53 | 41 | -70% |
| 636 Man-Made Fiber | 287 | 1,606 | 1,094 | 1,070 | 1,002 | +249% |
| Total | 1,097 | 2,223 | 1,586 | 1,667 | 1,453 | +32% |

Fig. 17. United States Imports of Apparel by Selected Garment Lines (1).

| Garment Line | 1967 | 1972 | 1974 | 1978 | 1979 | %Change 1967-79 |
|---|---|---|---|---|---|---|
| Knit Shirts dz. | | | | | | |
| 338 M&B Cotton | 1,177 | 2,201 | 1,581 | 4,853 | 5,106 | +334% |
| 638 M.&.B Man-Made Fiber | 1,456 | 4,390 | 3,773 | 6,054 | 4,402 | +202% |
| 339 WG& 1 Cotton | 2.090 | 2,375 | 2,184 | 8,706 | 8,728 | +318% |
| 369 WG&I Man-Made Fiber | 1,657 | 11,727 | 17,146 | 17,688 | 14,292 | +763 |
| 438 All Wool | 192 | 156 | 40 | 677 | 598 | +211% |
| Total | 6,572 | 20,849 | 24,724 | 37,978 | 33,126 | +405% |
| M&B Woven Shirts dz. | | | | | | |
| 340 Cotton | 3,345 | 3,547 | 3,797 | 5,758 | 6,620 | +98% |
| 440 Wool | 116 | 275 | 286 | 261 | 257 | +122% |
| 640 Man-Made Fiber | 3,345 | 7,451 | 3,993 | 8,335 | 9,664 | +174% |
| Total | 6,990 | 11,273 | 8,076 | 14,354 | 16,541 | +137% |
| WG&I Woven Blouses dz. | | | | | | |
| 341 Cotton | 2,166 | 1,251 | 1,929 | 5,822 | 6,576 | +204% |
| 641 Man-Made Fiber | 526 | 1,568 | 1,439 | 3,637 | 4,083 | +676% |
| Total | 2,692 | 2,819 | 3,368 | 9,459 | 10,659 | +295% |
| M&B Suits no. | | | | | | |
| 443 Wool | 240 | 528 | 828 | 1,653 | 1,538 | +541% |
| 643 Man-Made Fiber | 24 | 1,452 | 1,248 | 2,247 | 1,794 | +7,375% |
| Total | 264 | 1,980 | 2,076 | 3,900 | 3,332 | +1,162% |
| WG&I Suits no. | | | | | | |
| 444 Wool | 36 | 782 | 936 | 413 | 448 | +1,144% |
| 644 Man-Made Fiber | 48 | 216 | 3,000 | 3,095 | 1,743 | +3,531% |
| Total | 84 | 998 | 3,936 | 3,508 | 2,191 | +2,508% |

Fig. 17.--Continued (In thousands of units)

(In thousands of units)

| Garment Line | 1967 | 1972 | 1974 | 1978 | 1979 | %Change 1967-79 |
|---|---|---|---|---|---|---|
| Sweaters dz. | | | | | | |
| 445 M&B Wool | 523 | 388 | 374 | 686 | 532 | +2% |
| 645 M&B Man-Made Fiber | 89 | 1,100 | 1,535 | 2,470 | 1,868 | +1,999% |
| 446 WG&I Wool | 1,079 | 1,006 | 630 | 1,222 | 1,129 | +5% |
| 646 WG&I Man-Made Fiber | 2,487 | 6,770 | 7,533 | 7,032 | 6,066 | +144% |
| 345 All Cotton | 163 | 368 | 333 | 340 | 455 | +179% |
| Total | 4,341 | 9,632 | 10,405 | 11,750 | 10,045 | +131% |
| M&B Trousers and Slacks dz. | | | | | | |
| 347 Cotton | 1,612 | 2,691 | 1,864 | 4,595 | 4,596 | +185% |
| 447 Wool | 62 | 33 | 39 | 179 | 171 | +176% |
| 647 Man-Made Fiber | 402 | 1,891 | 1,429 | | 2,432 | +505% |
| Total | 2,076 | 4,615 | 3,332 | 8,392 | 7,199 | |

Fig. 17.--Continued

(In millions of dollars)

| | Total* Apparel Imports | 807 Apparel Imports | 807 as a % of Total |
|---|---|---|---|
| 1966 | 518 | 7 | 1.4% |
| 1967 | 561 | 12 | 2.1% |
| 1968 | 744 | 22 | 1.3% |
| 1969 | 958 | 35 | 3.6% |
| 1970 | 1,095 | 43 | 3.9% |
| 1971 | 1,342 | 62 | 4.6% |
| 1972 | 1,691 | 87 | 5.1% |
| 1973 | 1,923 | 132 | 6.9% |
| 1974 | 2,063 | 221 | 10.7% |
| 1975 | 2,263 | 238 | 10.5% |
| 1976 | 3,189 | 277 | 8.7% |
| 1977 | 3,643 | 312 | 8.6% |
| 1978 | 4,680 | 410 | 8.8% |
| 1979 | 4,828 | 457 | 9.5% |

Fig. 18. United States imports of apparel in total and under 807 (1).

*Imports of cotton, wool and man-made apparel.

*(In millions of dollars)*

| | 1972 | | | 1978 | | |
|---|---|---|---|---|---|---|
| | Total Value | Dutiable Value | Value of U.S. Product | Total Value | Dutiable Value | Value of U.S. Product |
| **Latin American Countries** | | | | | | |
| Mexico | 50.6 | 14.1 | 36.5 | 157.2 | 46.4 | 110.8 |
| Dominican Republic | .7 | .1 | .6 | 46.4 | 14.8 | 31.6 |
| Haiti | 4.2 | 1.5 | 2.7 | 39.7 | 11.0 | 28.7 |
| Costa Rica | 4.8 | 1.4 | 3.4 | 27.9 | 10.1 | 17.8 |
| Salvador | 1.5 | .4 | 1.1 | 25.9 | 8.8 | 17.1 |
| Colombia | 1.5 | .8 | .7 | 20.6 | 7.9 | 12.7 |
| Barbados | 1.5 | .7 | .8 | 9.5 | 4.2 | 5.3 |
| Nicaragua | .4 | .1 | .3 | 9.3 | 3.1 | 6.2 |
| Jamaica | 8.1 | 5.3 | 2.8 | 8.0 | 4.0 | 4.0 |
| Balize | 1.9 | .6 | 1.3 | 7.7 | 2.4 | 5.3 |
| Honduras | 1.2 | .3 | .9 | 3.1 | 1.0 | 2.1 |
| Guyana | 0 | 0 | 0 | 2.0 | .9 | 1.1 |
| Sub Total | 76.4 | 25.3 | 51.1 | 357.3 | 114.6 | 242.7 |
| **Other Major Countries** | | | | | | |
| Philippines | 4.8 | 4.3 | .5 | 18.9 | 16.8 | 2.1 |
| Romania | 0 | 0 | 0 | 6.9 | 6.4 | .5 |
| Poland | 0 | 0 | 0 | 6.6 | 6.1 | .5 |
| Korea | 0 | 0 | 0 | 5.4 | 3.0 | 2.4 |
| Sub Total | 4.8 | 4.3 | .5 | 37.8 | 32.3 | 5.5 |
| **All Other Countries** | 5.6 | 2.1 | 3.5 | 14.5 | 10.0 | 4.5 |
| **Total All Countries** | 86.8 | 31.7 | 55.1 | 409.6 | 156.9 | 252.7 |

Fig. 19. United States imports of apparel under 807 in 1972 & 1978 (1).

At the present time, most of Paragraph 807 trade comes from Latin American countries. The most important source of Paragraph 807 trade is Mexico. Trade under Paragraph 807 from the Dominican Republic, the second largest source, is less than one-third the amount of trade from Mexico (1).

Productivity in the United States apparel industry has increased about 2 percent annually in the past few years, increasing the price competitiveness of United States producers in relation to imports from other developed countries. However, this improvement is not nearly sufficient to offset the difference caused by imports from developing countries.

Limited productivity improvement will probably remain a reality for the apparel industry for the following reasons: 1) Because many manual operations are involved, certain fabrics cannot be handled by machines alone; 2) Fashion and seasonal changes often dictate small production runs; and 3) The industry's highly fragmented structure, consisting of a large number of small and relatively undercapitalized companies, limits its use of capital-intensive technology.

The textile industry, on the other hand, is a very capital-intensive industry. However, output in September

1980 was 11 percent lower than in September 1979, mainly as a result of sluggish demand for apparel and home furhishings.

The value of textile shipments increased 55 percent between 1976 and 1979, from $38 billion to an estimated $58 billion, as shown in Figure 20. Real output, however, increased only 7.7 percent during that period, and nearly three-fourths of the increase came between 1978 and 1979 (23).

There are more than 5,000 textile mills (excluding apparel knitting mills) of which about two-thirds employ fewer than 100 workers each. There are also more than 5,000 textile-fabricating establishments, many of which cut and sew purchased fabric into curtains, draperies, and other finished textile products. The mills are located mainly in the Southeast, especially in the Carolinas and Georgias (23).

Figure 20 also shows that average employment in the industry during 1979 totaled an estimated 888,000 persons, 2 percent lower than the 1978 level but one percent higher than the 1976 level. The average hourly wages of textile production workers were somewhat higher than that of apparel production workers, $4.66 as compared with $4.24, and still considerably lower than the $6.69 hourly rate of all manufacturing workers.

The unemployment rate of textile mill production workers increased to 8.6 percent in August 1980 from 5.8

| Item | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|
| Producers' shipments million dollars | 37,793 | 50,844 | 54,800* | 58,500* |
| Imports--million dollars | 1,626 | 1,765 | 2,212 | 2,214 |
| Exports--million dollars | 1,855 | 1,857 | 2,073 | 3,029 |
| Apparent consumption | 37,564 | 50,752 | 54,939 | 57,685 |
| Ratio of-- | | | | |
| Imports to apparent consumption--percent | 4.3 | 3.5 | 4.0 | 3.8 |
| Exports to producers' shipments--percent | 4.9 | 3.7 | 3.8 | 5.2 |
| Total employment | 879 | 901 | 902* | 888* |

Fig. 20. Textiles: United States Producers' Shipments, Imports for Consumption, Exports of Domestic Merchandise, Apparent Consumption, and Employment, 1976-79 (23).

NOTE: Producers' shipments represent the value of textiles classified under SIC No. 22 (except knitted apparel under 225) and SIC No. 239.

*Estimated by the staff of the U.S. International Trade Commission. Compiled from official statistics of the U.S. Department of Commerce, except as noted.

percent in August 1979, mostly due to the recession and the resulting decline in production during 1980 (23).

The picture does not seem as bleak for the textile industry as it does for the apparel industry if one looks only at the charts and figures. However, there are two sides to that story. In the July 1981 issue of America's Textiles, the editor stated the following opinion in an article on protectionism:

> Frankly, the U.S. textile industry doesn't need much protection. It has been modernizing intensively for over a decade, and can now compete successfully with the "Big Three" and Japan in such markets as China and Europe.
>
> The apparel industry is another matter. Almost any labor-intensive, high-wage industry in the developed countries is going to continue to have trouble. We think that until the apparel manufacturers attain the same level of automation as the textile industry, and until they complete their move out of the high-wage unionized Northeast, they cannot expect to compete with Asian imports without government restrictions (15).

Robert Coleman, president of the American Textile Manufacturers Institute Inc., responded to this article in a letter to the editor which appeared in the September 1981 issue of America's Textiles:

> Your perception of the U.S. apparel industry as in need of import controls is correct. Your failure to recognize that imported apparel is simply imported yarn and fabric in another form leads you to the erroneous conclusion that textiles could prosper in a free trade environment without a viable U.S. apparel industry. As a matter of fact, under present controls, imports of textiles jumped 24 percent from the first half of 1980 to the first half of 1981--apparel imports during the same time rose 1 percent.

Future textile/apparel import growth must be held to the rate of our domestic market growth. (10)

# CHAPTER V

## RENEWAL OF MFA

The MFA provides the legal framework for a series of bilateral agreements among member countries to allow for the orderly development of international trade in textiles (23). This Arrangement will expire on December 31, 1981, unless renewed. Textile tariff reductions negotiated during the Multilateral Trade Negotiations (MTN) and scheduled to become effective beginning January 1, 1982, will not go into effect unless the MFA or an equivalent instrument is in place. According to the American Textile Manufacturers Institute, Inc., Geneva meetings on MFA renewal, held in December 1980, and in May and July of 1981, made little progress in establishing a new agreement (3).

On September 21, 1981, the United States presented a proposal for a protocol to the GATT Textiles Committee that would extend the MFA for a period of five years until December 31, 1986.

In a statement introducing this proposal by the United States, three general points were made:

1. We do not consider the MFA to be a perfect instrument but we do believe it has worked reasonably

well, and we believe a continuation of that instrument offers the best approach available for the governments concerned to continue to manage trade in textiles and apparel in a reasonable manner

2. We have particular problems stemming from the large quotas of heavily impacted products held by major suppliers of those products (problems we have referred to under the general rubric of complex market disruption). We are also concerned with the growth in instances of fraudulent circumvention of bilateral agreements and with the wide range of non-MFA barriers to trade in textiles which are currently maintained by some MFA participants

3. We would be willing to explore whether these problems and concerns could be handled within the framework of the MFA as extended by the protocol (13)

The statement by the United States Delegation also included two factors that the United States believes is essential to strengthening the MFA as a framework for governing international trade in textiles over the next few years, and for creating a climate conducive to a world-wide increase in textile and apparel consumption:

1. In the case of the United States, we foresee very low rates of growth in domestic consumption of most textile products over the foreseeable future. This means that in the United States, we are going to have to pay particular attention to the rate of growth of imports to domestic market growth, particularly in product areas which are already heavily impacted

2. We are also going to have to insist that, consistent with participants' rights and obligations under the GATT, the commitment to reduce trade barriers and liberalize trade in textiles applies to both developed and developing countries (13)

The United States Delegation made the following three statements to summarize their position:

1. An extension of the MFA in some form is obviously the clear preference for the maintenance of orderly trade in textiles

2. Such an MFA must make provisions for the kinds of problems and concerns outlined in the statement

3. The MFA as now constituted does provide such provisions if the participants agree to so interpret them (13)

The conclusions of the Textiles Committee, included in the protocol, are as follows:

1. The participants in the Arrangement exchanged views regarding the future of the Multifiber Arrangement (MFA)

2. Members of the Textiles Committee recognized that there continued to be a tendency for an unsatisfactory situation to exist in world trade in textile products, and that such a situation, if not satisfactorily dealt with, could work to the detriment of countries participating in international trade in textile products, whether as importers or exporters or both

3. Some participating countries, importing as well as exporting, felt that there was a need for modifications to be made to the text of the MFA. Others were of the opinion that any difficulties that may have arisen were due to problems of implementation and that the provisions of the MFA are adequate to deal with such difficulties. It was agreed that any serious problems of textile trade should be resolved through consultations and negotiations

4. In this respect, the participating countries:
(a) drew special attention to two emerging factors which have begun, and are expected to continue, to affect trade in textiles; (a decline) changes in the rate of growth of per capita consumption in most

importing countries; and the growing impact of very large quotas and market shares for imports of sensitive products from a few sources or even a single source.

(b) recognized that there were in these exceptional circumstances, factors that can have a bearing on the rate at which a particular market can accommodate imports while still avoiding serious market disruption.

(c) agreed that the factors noted in subparagraph A of this paragraph should be given special attention, along with all relevant elements of Annex A, in determining the existence of "exceptional cases" or "exceptional circumstances" as set forth in paragraphs 2, 3, and 5 of Annex B.

(d) agreed that in those instances in which these factors are instrumental in concluding that exceptional cases/circumstances do prevail with regard to certain large quotas and market shares, in addition to the lower but positive growth rates as provided for in paragraph 2 and 3 of Annex B, lower positive percentages than the minimums indicated in paragraph 5 of Annex B for swing may be decided upon after consultation with the exporting participant or participants concerned. In addition, there may be carryover or carryforward if agreed after consultation with the exporting participant or participants concerned.

5. The committee recognized that countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production are particularly exposed to the trade problems mentioned in the preceding paragraphs, and that their problems should be resolved in a spirit of equity and flexibility. In the case of those countries, the provisions of Article 1, paragraph 2, should be fully implemented

6. In recent years a number of participants have encountered problems concerning the circumvention of agreements. It was agreed that further steps should be taken by both importing and exporting countries to improve the implementation of agreements and thereby facilitate closer cooperation in this area. Further it was agreed that the appropriate administrative action referred to in Article 8,

paragraph 2, should include, where evidence is developed to satisfactorily demonstrate the true country of origin, retroactive and adjustment of charges to existing quotas to reflect the correct country of origin. The timing of such adjustments should be worked out in close consultation with all countries involved

7. The Committee reaffirmed that the two organs of the Arrangement, the Textiles Committee and the Textiles Surveillance Body, should continue to function effectively in their respective areas of competence

8. Participating countries reaffirmed this commitment to achieve the expansion of trade, the reduction of barriers to such trade, and the progressive liberalization of world trade in textile products. The Committee, moreover, reaffirmed that, consistent with participants' rights and obligations under the GATT, the commitment to reduce trade barriers and liberalize trade in textiles applies to both developed and developing participants and in particular to those participants with highly competitive textile industries

9. It was reiterated that in the future implementation of the MFA, the special problems of developing countries shall be fully taken into account in a manner consistent with the provisions of the MFA, in particular Article 1, paragraph 3, and 6 thereof

10. All participants saw mutual cooperation as the foundation of the Arrangement and as the basis for dealing with problems in a way which would promote the objectives and aims of the MFA. Participants emphasized that the primary aims of the MFA are to ensure the expansion of trade in textile products particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual markets and on individual lines of production in both importing and exporting countries. In this context, it was felt that in order to ensure the proper functioning of the MFA, all participants would refrain from

taking measures on textiles covered by the MFA outside the provisions therein before exhausting all the relief measures provided in the MFA

11. Taking into account the evolutionary and cyclical nature of trade in textiles and the importance to both importing and exporting countries of prior resolution of problems in a constructive and equitable manner for the interest of all concerned, and on the basis of the elements mentioned in paragraphs one through ten above, the Textiles Committee considered that the articles and annexes of the MFA with this interpretive protocol should be extended for a period of five years subject to confirmation by signature as from __ December 1981 of a protocol for this purpose (14)

It appears that the EEC and perhaps others will not be ready for serious negotiations before November, according to a spokesman for the United States Department of Commerce. The approaches of the Less Developed Countries and the EEC to MFA renewal have been far apart. The United States protocol has been submitted in hopes of accomodating the concerns of all MFA participants.

According to the International Trade Commission, both developed and developing countries, while acknowledging that the arrangement is useful, feel that the MFA's objectives have not been met and are vigorously seeking changes in the MFA in order to advance their national interest (23).

The member nations have had strong differences of opinion on major issues during the entire seven-year history of MFA. These issues include the nature and extent to which MFA should be a factor in controlling trade and allocating market shares. How will it be determined who will get the largest piece of the textile and apparel trade pie? This market share issue is of vital importance to the countries which have significant interests in textile trade.

The developed countries have three major desires concerning textile trade:

1. to reduce or eliminate their textile trade deficits
2. to stabilize employment
3. to protect their domestic producers' share of the home market

Most developing countries that export textiles would like to expand employment in their textile industries as well as increase their export earnings and shares of the developed countries' textile markets.

How can the participating countries achieve these objectives when real growth in consumption in the world textile and apparel market is insufficient to support such production and export objectives?

The Internaional Trade Commission has identified four major issues concerning renewal of MFA: employment, market share, the trade deficits of the United States, and the European Economic Community. In relation to employment, the textile and apparel industry provides approximately 25 million factory jobs which are divided equally between developed and developing countries. Worldwide, these industries are the largest sources of manufacturing employment, even without including cottage and handicraft industries which also provide employment for numerous people. (For example, an estimated ten million workers are employed in cottage industries in India.)

The textile and apparel industry provides 14 percent of manufacturing employment in developed countries and 30 percent in developing countries. The share of textiles and apparel employment is between 40 and 50 percent of manufacturing jobs in Egypt, Pakistan, and Hong Kong (23).

The trend is toward a shift in the distribution of employment from the developed to developing countries. This can be seen in employment statistics between 1973 and 1979. Employment in the textiles and apparel industries of the European Economic Community, the United States, Japan, and Canada declined from 6.7 million to 5.4 million during that same time. Employment in the developing textile and apparel exporting countries increased during the period, expecially in Hong Kong, Korea, and Taiwan where increases ranged from 22 to 100 percent (23).

It is not likely that stabilized employment in the developed countries can coexist with 1) continued employment growth in the developing countries, 2) productivity gains, and 3) declining growth rates for consumption, according to the International Trade Commission. The rate of real growth is declining (measured by textile-fiber consumption). The annual growth rate was 4.2 percent during 1950-1970 and decreased further to 2 percent during 1973-1979, partially due to a recession (23).

The International Trade Commission reported that projections for the 1980s indicate a continuation of this decreased rate of growth, with projected real growth for the 1980s on a worldwide basis averaging between 2.5 and 3.5 percent annually. It also projected that consumption in the developed countries will increase at a slower rate than the 2.5 to 3.5 percent average (23).

In relation to market share, the value of world exports of all textiles and apparel was $69 billion in 1978, compared with $19 billion in 1970 and $43 billion in 1974. Preliminary figures indicate that trade increased to nearly $83 billion in 1979. In 1978, 28 percent of the exports came from developing countries. The remainder (which includes $18 billion in intra-EEC trade), was from the developed countries. During 1970-1978, the developing countries' share increased about 5 percentage points to 31 percent of the developed countries' imports.

Major changes in trade patterns that took place during 1973 to 1979 include:

1. Korea increased its textile and apparel exports from $1.1 billion to $3.9 billion (370 percent)
2. Hong Kong increased its exports from $1.8 billion to $4.5 billion (250 percent)
3. The European Economic Community posted an increase from $6.1 billion to 12.0 billion (200 percent)
4. The United States textile exports increased from $1.2 billion to $3.0 billion (250 percent)
5. The United States apparel imports increased from $2.0 billion to $5.0 billion (250 percent)
6. The European Economic Community's external imports of textiles and apparel increased from $4.8 billion to $15.7 billion (320 percent) (23)

It is obvious that some of the developing member countries have made large export gains. However, they contend that they still have only a 38 percent share of the developed countries' imports. They believe that it is not their exports that are causing problems in the developed countries' textile industries, but rather unrestricted trade among the developed countries combined with those countries' sluggish consumption growths and gains in labor productivity (23).

The United States trade deficit in textiles and apparel increased from $2.1 billion in 1973 to $3.4 billion in 1979. A discussion of the United States textile and apparel industry can be found in Chapter IV.

According to the International Trade Commission, in 1979, 81 percent of all United States textile and apparel imports came from controlled suppliers (those with which the United States had bilateral agreements). Therefore, it is possible for the United States to closely control its imports through the MFA. Other market forces also serve to limit imports. Generally, most quota categories from the majority of countries are not filled, and in 1979, only one-third of the quantity of United States textile and apparel imports was in quota categories that were 80 percent or more filled. Hong Kong, Korea, and Taiwan supplied more than three-fourths of the shipments in the categories more than 80 percent filled, mostly in shirts, blouses, sweaters, and trousers (23).

The United States producer interests are vigorously pressing for a restrictive MFA III, for the following reasons:

1. Assuming slow growth in consumption combined with expected labor productivity increases, the United States textile and apparel labor force can at best remain stable if present import levels are not exceeded

2. Entrepreneurial interest in capturing whatever real consumption growth exists (23)

According to a publication produced by the industry and labor associations, the United States fiber/textile/apparel industry--both management and labor--is united in calling for amendments in the following areas:

1. The renewed MFA must contain provisions for global quotas. The MFA must allow a multicountry approach under which groups of countries are assigned a total quota for particular products.

2. The new MFA must substitute a reasonable provision for the current minimum requirement of a 6 percent growth rate. Specifically, apparel imports should be cut back to a growth rate consistent with the domestic market. The 6 percent growth rate is unrealistic in view of the 1.5 percent growth of the United States apparel market. Higher growth of imports from truly developing countries is only possible if imports from Korea, Taiwan, and Hong Kong are cut back. In heavily affected categories, imports from these major suppliers must be limited to no growth, or, where justified, negative growth.

3. The new MFA must be amended to limit flexibility. Under the current MFA, a supplier country may increase its shipments by as much as 18 percent by borrowing quota from one year to the next and by switching between categories of apparel. This, combined with the guaranteed normal 6 percent growth, allows shipments to increase by as much as 24 percent in a single year. This flexibility must be eliminated in some categories and drastically reduced in others.

4. The bilateral agreements negotiated under the MFA must provide a surge mechanism. This would guarantee that when there is an import drop in any one year, a country's shipments would not rise by more than, for example, 15 percent the following year before reaching the applicable quota. Historically, undershipments during any one year, followed by full shipments plus growth and flexibility during the ensuing year, have been extremely disruptive to the United States market. Some provisions to limit surges are in place in current bilateral agreements with major suppliers, but their effectiveness appears to be limited because disruptive surges have occurred. (2)

There was a significant decline in the textiles and apparel industry of the European Economic Community during the period 1973-1979. Employment decreased by almost 700,000 workers to 2.6 million. More than 4,200 enterprises (14 percent of the total) went out of business. During that time, the value of European Economic Community imports increased by 320 percent, and exports increased by 200 percent. The EEC trade balance went from a positive $1.2 billion to a negative $3.7 billion.

In terms of quantity, the United States, Hong Kong, and Greece accounted for 26 percent of the total imports of the EEC. The developing MFA members provide only 41 percent of the European Economic Community's imports of restrained products. Producers in the EEC want tighter controls on imports from the developing countries in an effort to stop the decline of the EEC textiles and clothing industries (23).

According to the International Trade Commission, the developing MFA members provide only 41 percent of the EEC's imports of restrained products. The political and economic relationships between the EEC and its other major suppliers would seem to indicate that comprehensive import restraints will continue to be applied only to developing MFA members (23).

There are many factors that determine the flow and volume of world textile and apparel trade. They include: general economic conditions, labor cost differences, productivity, marketing and fashion skills, tariff rates, currency exchange rates, availability of raw materials, entrepreneurial and worker skill levels, availability of capital, activities of non-MFA countries, and the textiles trade agreements program. Even though the MFA is only one of these many factors, it establishes a framework under which developed countries can take action in a certain and predictable manner. Thus, for the developed countries, the MFA currently represents the most desirable form of control of trade in textiles and apparel within a recognized international framework, according to the International Trade Commission (23).

The developing countries, on the other hand, perceive that the MFA is unjustly hindering and limiting their development. They see a general trend toward increased trade restrictions, and they believe that it is discriminatory to apply limitations on their exports while exports from the developed countries, a larger share of the world's total, are generally not restricted.

An interesting debate on the conflict between the developed and the developing countries can be found in the September 1981 issue of <u>Bobbin Magazine</u>. The developing countries' position is presented by the International Business and Economic Research Corporation (IBERC) in an article called, "The MFA and Protectionism in Textiles and Apparel." IBERC was commissioned by the Governments of Argentina, Brazil, Colombia, Egypt, Hong Kong, India, Korea, Malaysia, Mexico, Peru and Uruguay, to study protectionism in textiles and apparel. The United States textile and apparel industry's position is given, in the form of a response to the IBERC study, by Thomas N. Roboz, Chairman and Chief Executive Officer of Stanwood Corporation.

Robert Coleman (4), president of the American Textile Manufacturers Institute, voiced his concern about "an alarming trend" of sharp increases during a period when the domestic market is not growing and production is down. In a speech at the annual meeting of the Southern Textile Association in Asheville, North Carolina, on June 18, 1981, Coleman said that an analysis of imports from the so-called developing countries shows that they will set an all-time record in 1981. He went on to say:

> The analysis indicates a potential twelve percent import surge between 1980 and 1981 from developing countries. A fourth of the increase is from Korea, Taiwan, Hong Kong, countries that now have become highly developed. When the Peoples Republic of China is added, these four countries account for three-fourths of the current surge.
>
> This alarming trend underscores how the Multifiber Arrangement covering international trade in textiles is failing in its basic purpose which is to bring about orderly trade without disrupting the markets and the production of developed nations.

First quarter government trade statistics show the United States importing textile and apparel from developing nations at an annual rate of 4.9 billion square yards. This will put these imports 12 percent higher than the 1980 level of 4.4 billion (4).

Coleman said that the textile industry supports renewal of the MFA with modifications, which will bring import growth into line with growth of the domestic market (4).

There was some misunderstanding as to the Reagan Administration's position on the MFA, due in part to trade press reports stating that "The Reagan Administration has decided to snub Congressional pleas for a get-tough stance on renewing the Multi-Fiber Arrangement, insisting the present pact is 'flexible' enough to meet most U.S. industry needs" (26). However, Secretary of Commerce, Malcolm Baldrige (9), clarified the Administration's position in a letter dated September 11, 1981 to Senator Hollings of South Carolina. Baldrige emphasized that the current administration has maintained a consistent, tough position on controlling imports. He made several points that, he said, are consistent with the positions developed in full consultations with the advisers and with Congress, and these were:

1. priority on renewal of the MFA.

2. priority for control of growth and flexibility from Hong Kong, Korea, and Taiwan.

3. an understanding that the current MFA text has wide latitude to accommodate our needs (for example, all of the industry's demands could be handled in the current text, with the exception of rollbacks or "negative growth").

In response to the August 31, 1981 letter from Baldrige, Hollings (5) reemphasized the industry position on MFA:

> Strengthening the Multi-Fiber Arrangement is vitally necessary. The MFA as presently written sets a 6 percent per annum norm for quota growth, while the United States market grows at perhaps 1 percent per year. It thus seems clear that the existing MFA is inadequate to carry out President Reagan's commitment to relate import growth from all sources to domestic market growth.
>
> Also coming up before long will be the necessity to renegotiate bilateral agreements with Korea, Hong Kong, and Taiwan. Controlling growth and flexibility from these three major shippers is of course high priority. The desire to control growth from this Big Three sector is usually explained as part of the understandable objective of simultaneously allowing for better treatment for smaller, newer suppliers on the world scene. But I would point out that we have been following this approach for some time now, and the overall import growth rate still far exceeds that of the domestic market. Additionally, we now have the tremendous potential of the People's Republic of China to fit into the equation. Clearly, something more is needed policy-wise.

# CHAPTER VI

## PROCEDURE

The United States textile and apparel industry is very concerned over its vulnerability to import penetration and is seeking Government assistance in the form of additional import controls and foreign limitations on exports.

The MFA is the most current major protective agreement for the textile and apparel industry. This arrangement will expire on December 31, 1981, unless renewed. How successful has this agreement been in terms of allowing for the orderly development of international trade in textiles? Have the objectives of this agreement been met?

The major objective of this research was to determine some of the attitudes of textile and apparel industry leaders toward the MFA in order to give a clearer understanding of the strengths and weaknesses of the Arrangement in terms of its effect on that industry. The specific objectives of this study were to determine whether or not the United States textile and apparel industry:

1. supports MFA renewal in December 1981
2. believes that the United States textile industry would be in serious trouble without the MFA

3. believes that the United States apparel industry would be in serious trouble without the MFA

4. believes that the MFA is fairly easy to read

5. believes that the MFA is fairly easy to interpret

6. believes that the MFA has expanded international trade with major markets

7. believes that the MFA has reduced barriers in international trade

8. believes that the MFA has expanded international trade with developing nations

9. believes that the MFA has encouraged United States businesses which are less competitive internationally to move more progressively into more viable lines of production

10. supports establishing slower growth rates in the MFA

11. supports a quota system on end-use markets, intended to protect specific markets where import penetration is high

12. wants provisions in the MFA for global quotas which would allow a multicountry approach under which groups of countries are assigned a total quota for particular products

13. wants a limit set in the rate at which a country can use up leftover quotas or "overhang"

14. believes that Korea should receive developing nation status

15. believes that Hong Kong should receive developing nation status

16. believes that Taiwan should receive developing nation status

17. wants provisions to limit surges included in bilateral agreements to prevent market disruption caused by under-shipments one year followed by full shipments plus growth and flexibility during the ensuing year

From these specific objectives, seventeen null hypotheses were formulated. They are:

1. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning support for MFA renewal in 1981, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
2. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning the state or possible state of the textile industry without the MFA, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
3. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning the state or possible state of the apparel industry without the MFA, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
4. Equal numbers of (proportions of) respondents will endorse the possible opinions about the readability of the MFA, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
5. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning whether the MFA is fairly easy to interpret, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
6. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning MFA's responsibility for expanding international trade with major markets, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
7. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning MFA's responsibility for expanding international trade with developing countries, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
8. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning whether the MFA has reduced barriers in international trade, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.
9. Equal numbers of (proportions of) respondents will endorse the possible opinions as to whether the MFA has encouraged United States businesses which are

less competitive internationally to move more progressively into more viable lines of production, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

10. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning slower growth rates in the MFA, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

11. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning support for a quota system on end-use markets, intended to protect specific markets where import penetration is high, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

12. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning global quotas which would allow a multicountry approach under which groups of countries are assigned a total quota for particular products, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

13. Equal numbers of (proportions of) respondents will endorse the possible opinions about wanting limits set in the rate at which a country can use up left-over quotas or "overhang," or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

14. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning whether Korea should receive developing nation status, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

15. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning whether Hong Kong should receive developing nation status, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

16. Equal numbers of (proportions of) respondents will endorse the possible opinions concerning whether Taiwan should receive developing nation status, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

17. Equal numbers of (proportions of) respondents will endorse the possible opinions about provisions to limit surges included in bilateral agreements to prevent market disruption causes by undershipments

one year followed by full shipments plus growth and flexibility during the ensuing year, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$.

The initial step in this study was to review the literature concerning the MFA in order to gain an understanding of the background of the Arrangement and its relationship to the textile and apparel industry. Using the specific objectives and null hypotheses, a questionnaire was designed and constructed to adequately collect the data necessary for meeting the specific objectives. The questionnaire was of structured form, and listed formal questions constructed so that the objective was clear to the respondent. The structured questionnaire was used in order to reduce the chance for it to influence results. The study is limited to the collection of any opinions offered.

Limitation involved include:

1. Industry leaders may be unable to furnish the information desired

2. Industry leaders may be unwilling to furnish the information

3. The questioning process may tend to stimulate incorrect or misleading answers

A copy of the cover letter, questionnaire and the consent form which were used are included in Appendices C, D and E. The questionnaire (a one-page form) was mailed to 500 chief executive officers or presidents of United States textile and apparel firms with a cover letter requesting referral to the appropriate person. These 500 industry leaders were chosen at random from an industry directory; each company was assigned a number, and numbers were chosen using a table of random numbers. The questionnaires were returned to the researcher by mail. One month was allowed for responses.

A chi-square goodness-of-fit test was used to test each null hypothesis. The confidence interval is 0.95 with a rejection region of 0.05. Using four degrees of freedom, the critical value for accepting the null hypothesis is 9.49.

# CHAPTER VII

## PRESENTATION AND ANALYSIS OF DATA

Forty-nine responses were received, including twenty-nine completed questionnaires. Each question was subjected to a chi square goodness-of-fit test. The categories included were: 1 = Agree, 2 = Slightly Agree, 3 = No Opinion, 4 = Slightly Disagree, and 5 = Disagree.

The first question was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning support for MFA renewal in 1981, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 29 | 0 | 0 | 0 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic was 116.00. The critical value for accepting the null hypothesis is 9.49 or less; therefore, the null hypothesis was rejected. All of the respondents agreed that the MFA should be renewed in 1981.

The second question was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning the state or possible state of the textile industry without the MFA, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 22 | 4 | 1 | 2 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square computed from the test statistic was 58.07. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was rejected. Seventy-five percent of the respondents agreed that the textile industry would be in serious trouble without the MFA.

The third question was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning the state or possible state of the apparel industry without the MFA, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 24 | 2 | 1 | 2 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square computed from the test statistic was 71.86. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was rejected. Eighty-three percent of the respondents agreed that the apparel industry would be in serious trouble without the MFA.

Question four was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions about the readability of the MFA, of $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 5 | 6 | 4 | 10 | 4 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic was 4.28. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was accepted. There was no general agreement among respondents concerning the readability of the MFA.

Question number five was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning whether the MFA is fairly easy to interpret, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

Number of Responses

| Category | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Observed | 2 | 4 | 4 | 11 | 8 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 9.10. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was accepted. There was no general agreement among respondents concerning whether the MFA is fairly easy to interpret.

Question number six was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning MFA's responsibility for expanding international trade with major markets, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

Number of Responses

| Category | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Observed | 10 | 3 | 8 | 4 | 4 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 6.35. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was accepted. There is no general agreement among respondents concerning

MFA's responsibility for expanding international trade with major markets.

Question number seven was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning MFA's responsibility for expanding international trade with developing nations. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 13 | 7 | 6 | 2 | 1 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 15.65. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was rejected. Forty-five percent of the respondents agreed that the MFA has expanded international trade with developing nations.

Question number eight was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning whether the MFA has reduced barriers in international trade, or $H_o$: $p_1 = p_2 = p_3 = p_4 = p_5$. The responses were as follows:

| Number of Responses | | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 5 | 8 | 2 | 3 | 11 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 9.45. The critical value for accepting the null hypothesis is 9.49, thus, the null hypothesis was accepted. There is no general agreement among respondents concerning whether the MFA has reduced barriers in international trade.

Question number nine was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions as to whether the MFA has encouraged United States businesses which are less competitive internationally to move more progressively into more viable lines of production, $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| Number of Responses | | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 5 | 7 | 4 | 4 | 9 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 3.24. The critical value for accepting the null hypothesis is

9.49, thus, the null hypothesis was accepted. There is no general agreement concerning whether the MFA has encouraged United States businesses which are less competitive internationally to move more progressively into more viable lines of production.

Question number ten was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning establishing slower growth rates in the MFA, or $H_0$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 25 | 0 | 2 | 2 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic was 80.14. The critical value for accepting the null hypothesis is 9.49, thus, the null hypothesis was rejected. Eighty-six percent of the respondents agreed that slower growth rates should be established in the MFA.

Question number eleven was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning support for a quota system on end-use markets, intended to protect specific markets where import penetration is high, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 26 | 1 | 2 | 0 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 88.41. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was rejected. Ninety percent of the respondents agreed that a quota system should be established on end-use markets to protect specific markets where import penetration is high.

Question number twelve was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning global quotas which would allow a multicountry approach under which groups of countries are assigned a total quota for particular products, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 19 | 2 | 4 | 2 | 2 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 38.07. The critical value for accepting the null hypothesis is 9.49, thus, the null hypothesis was rejected. Sixty-five percent of the respondents agreed that the MFA should provide global quotas which would allow a multicountry approach under which groups of countries are assigned a total quota for particular products.

Question number thirteen was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions about wanting limits set in the rate at which a country can use up leftover quotas or "overhang," or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 24 | 2 | 2 | 1 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 71.86. The critical value for accepting the null hypothesis is 9.49 or less, thus, the null hypothesis was rejected. Eighty-three percent of the respondents agreed that a limit should be set in the MFA in the rate at which a country can use up leftover unfilled quotas or "overhang."

Question number fourteen was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning whether Korea should receive developing nation status, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 2 | 0 | 3 | 3 | 21 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 50.83. The critical value for accepting the null hypothesis is 9.49, thus, the null hypothesis was rejected. Seventy-two percent of the respondents agreed that Korea should not receive developing nation status.

Question number fifteen was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning whether Hong Kong should receive developing nation status, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 1 | 0 | 3 | 3 | 22 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the test statistic is 57.72. The critical value for accepting the null hypothesis is 9.49, thus, the null hypothesis was rejected. Seventy-eight percent agreed that Hong Kong should not receive developing nation status.

Question number sixteen was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions concerning whether Taiwan should receive developing nation status, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 1 | 0 | 3 | 3 | 22 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square computed from the test statistic is 57.72. The critical value for accepting the null hypothesis is 9.49, or less, thus, the null hypothesis was rejected. Seventy-eight percent of the respondents agreed that Taiwan should not receive developing nation status.

Question number seventeen was used to test the null hypothesis that equal numbers of respondents will endorse the possible opinions about provisions to limit surges included in bilateral agreements, to prevent market disruption caused by undershipments one year followed by full shipments plus growth and flexibility during the ensuing year, or $H_o$: $P_1 = P_2 = P_3 = P_4 = P_5$. The responses were as follows:

| | Number of Responses | | | | |
|---|---|---|---|---|---|
| Category | 1 | 2 | 3 | 4 | 5 |
| Observed | 27 | 2 | 0 | 0 | 0 |
| Expected | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 |

The chi-square calculated from the text statistic is 97.38. The critical value for accepting the null hypothesis is 9.49, thus, the null hypothesis was rejected. Ninety-three percent of the respondents agreed that the MFA should contain provisions to limit surges to prevent market disruption caused by undershipments in any one year followed by full shipments plus growth and flexibility during the ensuing year.

## CHAPTER VIII

## CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER STUDY

The purpose of this research was to determine whether the United States textile and apparel industry supports renewal of the MFA in December 1981, and if so, what are some of the changes it will expect?

The conclusion of this research is that 100 percent of the respondents to the questionnaire support renewal of the MFA in 1981. A large percentage of them believe that the textile and apparel industry would be in serious trouble without the Arrangement. There were several other areas of general agreement among the respondents. These are:

1. The MFA should provide or permit global quotas which would allow a multi-country approach, one under which groups of countries are assigned a total quota for particular products

2. The MFA should contain provisions to limit surges in imports to prevent market disruption caused by under-shipments in any one year followed by full shipments plus growth and flexibility during the ensuing year

3. Slower growth rates for imports should be established

4. A limit should be set in the rate at which a country can use up left-over unfilled quotas or "overhang"

5. A quota system should be established on end-use markets to protect specific markets where import penetration is high

6. The MFA has expanded international trade with developing nations

7. Korea, Hong Kong, and Taiwan should not receive developing nation status

There was no general agreement among respondents concerning:

1. the readability of the MFA

2. whether the MFA is easy to interpret

3. whether the MFA has reduced barriers in international trade

4. whether the MFA has encouraged United States businesses to move more progressively into more viable lines of production

5. the MFA's responsibility for expanding trade with major markets

One-third of the respondents returned the questionnaire unanswered, stating that they were unfamiliar with the MFA. Some of the respondents sent printed materials in lieu of completing the questionnaire. The low response of completed questionnaires can be attributed to several factors. These include:

1. unwillingness to sign the consent form

2. unfamiliarity with the MFA

3. moved without leaving a forwarding address

4. unavailability of qualified person to respond

5. unwillingness to answer the questionnaire

6. having gone out of business

The trend was that there was a greater response from the large textile and apparel firms as compared with the small firms. This was determined by the return address on the envelope and the signature on the consent form. Two assumptions can be made from this trend. These are:

1. That larger textile and apparel firms are more familiar with the MFA
2. That larger firms are more active in international trade

What does this research mean? It means that textile and apparel industry leaders want more market protection. They are worried about floods of cheap imports disrupting the domestic market. They are worried about surviving. They look back at the shoe industry in the 1950s and '60s. Cheap imports cost them their existence. They look back at the black and white television industry. Most, if not all, black and white televisions are imported today.

They realize that apparel imports from Hong Kong, Taiwan, and Korea represent 60 percent of all the apparel imported by the United States. They also realize that the 1979 United States textile/apparel trade deficit with Hong Kong, Taiwan, and Korea was in excess of $3 billion.

Textile and apparel industry leaders want more restrictions on imports because apparel imports are rising 8 percent annually and United States annual growth of consumption of apparel is 1 percent.

The textile and apparel industry wishes to continue to favor developing nations, such as Sri Lanka, Bangladesh, Egypt and others. But Hong Kong, Taiwan and Korea have graduated from the developing stage to one more properly called newly industrialized nation status. Industry leaders believe that these nations have had special help long enough, and it is time that they too, make a contribution to the developing countries.

The industry leaders have put their cards on the table. They say that imports simply cost jobs, profits, and many related social disruptions such as uprooting of families and entire communities, in addition to lost tax revenues and increased government expense for social services. The decision of the negotiators is very important to the textile and apparel industry; the decision could determine its survival.

Can the negotiators support industry's stance on MFA renewal? Can the United States government simply cut back imports? There are so many positions that the negotiators have to consider, it would be very difficult for them to support the industry in all of its efforts. America's Textiles gave the following reasons for the negotiators' reluctance to completely support industry demands:

> First of all, recent history shows that unilateral restriction of trade can cause great animosities that

even lead to war. The enormous tariff barriers raised against Japan in the first half of this century by all Western countries contributed in large part to the outbreak of World War II. No one government wants to reenact past follies.

Secondly, everyone in the non-communist countries wants the give-and-take of trade between nations. No country is self-sufficient. We all need each other's products. From a philosophical point of view, there are also countless side benefits from the free flow of commerce such as the liberalization of political systems, increased productivity and quality from competition and increased real wealth. Conversely, restricted trade can allow protected domestic industries to become inefficient, monopolistic, and inflationary (since there would be little competitive pressures to hold down prices). (29)

Has the industry considered the other points of view? What about the supplier/customer relationship? <u>America's Textiles</u> discussed this point of view in relation to the MFA:

> Domestic raw material and machinery suppliers would probably like to restrict the textile industry's purchases to their own products (cotton producers have). Millmen, no matter how patriotic, would bristle at such restrictions.
>
> Textile manufacturers would likewise enjoy being the sole supplier of yarns and fabrics to the apparel industry, but the cut-and-sew trade wants no such limitations on their freedom to choose in the world marketplace.
>
> When apparel manufacturers are put into the supplier's role, they do not like to see the big retailers choosing imported garments over their own. The end user, the customer, is of course the ultimate arbiter. He buys a garment or other textile product on the basis of price, quality, or style, or any combination of the three, thus setting off a counteraction back up the pipeline.
>
> The point is this: All suppliers by nature want their markets protected, but when put in the buyer's role, they want no restrictions on their freedom to choose. Market economies have evolved because wise government and business leaders have recognized the undesirability of protectionism anywhere in the pipeline of manufacturing industries.

> These are some of the reasons why sincere government officials in the present administration balk at adopting the textile/apparel industries' stance on the MFA. As politicians they must be sensitive to the legitimate fears of a tremendously vital sector of our economy, but as pragmatic businessmen and statesmen, our negotiators in Geneva do not want to protect the inefficient and outmoded pockets of the domestic industry. In the final analysis, however, they must reach an agreement with the world's textile exporting nations that does not put our industry out of business. (25)

What sort of agreement would allow the textile and apparel industry to remain a viable force in the United States economy? "No recent administration has been very effective in saving United States industries threatened by imports, with a few notable exceptions," according to America's Textiles (25). The only alternative to protection is an open and free market. But the open and free market system cannot work unless it is reciprocal. Many of the exporting countries enjoy the luxury of the United States reasonably open market but they have placed many non-tariff barriers on their own markets. How can the principle of free trade work if it is only one-sided? It can't.

Maybe the negotiators' time would be well-spent trying to convince the exporting countries that the free flow of commerce will produce many benefits. In the meantime, however, they must work toward an agreement that will give the United States textile and apparel industry a chance to survive.

## Recommendations for Further Study

Since very little research has been done at the university level concerning the MFA, there is a wide array of possibilities for further research. The area of international trade in textiles is a multi-dimensional and multi-faceted field; therefore, opportunities are many and varied.

Recommendations for further study include:

1. An investigation of the non-tariff barriers imposed by exporting countries on United States textiles and apparel
2. A determination of the cost-efficiency of the textile trade agreements program by balancing the cost of the program against the benefits
3. An investigation of the role of the industry and its trade associations in the textile trade agreements program
4. In the case that the MFA is not renewed, a comparison of the industry under MFA with the industry without MFA
5. An investigation of the role of labor and labor unions in the textile trade agreements program
6. An investigation of individual retail establishments (i.e., specialty, department stores, and discount stores) to determine quantity and source of imports
7. A comparison of the retail prices of imported garments with comparable domestic merchandise
8. An investigation of the procedures used by CITA in administering the bilateral agreements
9. An investigation of the procedure for determining the assignment of import quotas, possibly using specific cases
10. An investigation into the procedure for negotiating a new bilateral agreement, possibly involving a specific case.

11. An investigation to determine if the MFA has expanded trade with developing nations

12. A detailed investigation into the current administration's foreign policy and its relationship to international trade in textiles and apparel

13. An investigation of the MFA from the point of view of the developing countries

14. An investigation of the role of trade publications in the education of industry leaders, concerning international trade in textiles and apparel

15. An investigation of mechanisms employed in the administration of the MFA and bilateral agreements to prevent subterfuge, fraud, and transshipment

16. An investigation of the attitudes of retailers and importers concerning the MFA

17. An investigation into the use of trade-offs as a bargaining tool in negotiating and administering bilateral agreements

18. An investigation into consumer awareness of the textile trade agreements program

19. An investigation into consumer awareness of the effect of imports on the textile and apparel industry

20. An investigation into the effectiveness of using exports to counteract the effects of imports

# APPENDIX A

# GLOSSARY OF TERMS

# APPENDIX A

## GLOSSARY OF TERMS

Aggregate ceiling: The total amount of square yards equivalent a country can export to the United States in any year under the terms of its bilateral.

Aggregate quota: Total volume of textile products covered by a quota.

Bilateral: An individual textile quota agreement negotiated between two countries under the guidelines of the MFA.

Carryforward: A provision of most bilaterals that allows the importer to borrow against the next year's quota.

Carryover: A provision of most bilaterals that allows a certain part of an unused quota to be carried over to the following year.

Category: An apparel/textile product or aggregation of similar products for import control purposes.

Chief value: The current method of customs classifications of blends under which the product is classified as the fiber of chief value. Thus, if all the cotton in the product is worth more than all the polyester, it is classified as cotton.

Consultation level: Not a quota in the true sense of the word, but an agreement in a bilateral that, when imports on a specific product reach a certain level, the two countries will consult.

Dumping: The practice by importers of selling products in this country at less than fair market value.

Escape clause: A mechanism permitting a country to restore higher tariff rates or tighter quota controls when its domestic producers are being threatened by excessive imports due to low duty rates.

EEC (European Economic Community): Nine European countries which form a common bargaining unit in international trade.

Flexibility: The degree of variation permitted under the MFA and bilateral agreements in the physical volume of products which can be shipped in the aggregate, in group ceilings, and in categories with specific limits.

GATT (General Agreement on Tariffs and Trade): An international organization based in Geneva which seeks to regulate world trade.

Group Ceiling: A breakdown of the aggregate ceiling into groups.

MTN (Multilateral Trade Negotiations): (Also referred to as the "Tokyo-Round") International negotiations designed to reduce tariffs in all countries and encourage international trade.

Quota: The physical limit set on the trade in any category, group, or aggregate ceiling in the MFA.

Section 807: A section of the TSUSA which allows garment manufacturers to export cut components of garments for sewing and reimport them, paying duty only on the cost of sewing them together.

SYE: The square yards equivalent of imports of apparel and textile articles. It is an overall measure of trade in physical terms. With the exception of fabric, all apparel and textile products are assigned a conversion factor which converts units into SYE.

Surge: A sharp increase in imports from one year to the next resulting from a country filling its overhang, utilizing all its flexibility and taking advantage of growth.

Swing: The ability to use a portion of the unfilled ceiling of one category to fill another.

TSUSA (Tariff Schedules of the United States): A numerical scheme for listing imports to the United States and assigning duties to them.

# APPENDIX B

# CARTER ADMINISTRATION TEXTILE PROGRAM (7)

APPENDIX B

February 15, 1979

CARTER ADMINISTRATION TEXTILE PROGRAM (7)

Pursuant to the President's Statement of November 11, 1978

The Administration is determined to assist the beleaguered textile and apparel industry and is committed to its health and growth. This industry provides employment for almost two and one-half million people, the largest single source of jobs in our manuafcturing economy, and provides our consumers with a reliable, competitively priced, vital source for all the many vital clothing, medical, military, industrial and other products of its modern technology.

In 1978, U.S. imports of textiles and apparel amounted to seven billion dollars. U.S. exports amounted to only 2.6 billion dollars, a differential of almost five billion dollars. This situation, with trade restrictions abroad and our lack of success in exporting, contributed to unemployment at home. It must be improved in the national interest. Accordingly, today, the Administration is announcing a new approach to deal more effectively with the serious problems that face this industry.

GLOBAL IMPORT EVALUATION

--The United States Government will, on a continuing basis, conduct a global import evaluation, consisting of a continuous evaluation of textile and apparel imports, from all countries, category-by-category. The purpose will be to analyze the impact of textile and apparel imports from all sources in the context of U.S. market growth and conditions in the industry. The results of this analysis will be evaluated for their negative and positive consequences for trade measures, in the light of U.S. rights under the Multi-fiber Arrangement (MFA).

--A member of the Cabinet, pursuant to a directive from the President, will have personal responsibility for overseeing the global evaluation program, in cooperation with the agencies having responsibilities with respect to textile trade, and will report quarterly to the President on its implementation. The program will begin not later than March 31, 1979.

IMPORT CONTROLS

Based on the continuous global import evaluation of textile and apparel imports from all countries, category-by-category, the following actions will be taken:

1. Import surges that cause market disruption, as defined in Annex A of the MFA, will be aggressively

controlled, whether they occur from one source or many, under agreements or otherwise. In all of the import control actions, special attention will be paid to the most import-sensitive or import-impacted product categories.

2. There will be aggressive and prompt enforcement of U.S. international rights, including the use of MFA Article 3, and Article 8 (involving circumvention) where the criteria of these articles are met.

3. Understandings with respect to existing agreements with the leading major exporting countries will be reached to tighten controls for the remaining life of these agreements, and to eliminate threats of further market disruption through import surges which arise from one agreement year to another due to: (i) the use of flexibility provisions; (ii) partially filled quotas in one year followed by more fully filled quotas in the next year; or (iii) surges that occur in the course of a single agreement year when an undue proportion of the year's shipments is concentrated in a short span of time. In order to preclude harmful fluctuations, where quotas have been substantially undershipped in the preceding agreement year, in concurrence with the MFA concept

of orderly growth in trade, year-to-year increases in such cases should not normally exceed the previous year's shipments plus one-half of the unfilled portion of the previous year's quota but in no event more than the current year's quota. Thereafter, the applicable growth and flexibility provisions would apply.

4. Where necessary to preclude further disruption from the leading major exporting countries, the Administration's objective will be to assure that (1) 1979 imports will not exceed 1978 trade levels or 1979 base levels, whichever are lower, and (2) in each of the three following years, import growth will be evaluated annually by category (including all flexibility provisions for each category) in the context of the estimated rate of growth in the domestic market in that category, and adjustments made. Particular attention shall be paid to the most sensitive categories, especially in apparel, where the import to domestic production ratio is high and indicative of market disruption. The industry and government will cooperate to the fullest extent possible so that current data on domestic production on a category or product basis will be available to assure the effective working of this provision.

5. The United States Government has just negotiated a more effective bilateral arrangement with Japan to remove the serious problem of disruptive fluctuations. Strong efforts must also be made by the Government and industry to expand substantially textile exports to Japan.
6. Recognizing the potential for sharp and disruptive growth in textile and apparel imports from any major new supplying country, the United States Government will seek to negotiate import restraint levels with the supplier as close as possible to the most recent levels of trade for heavily traded or import-sensitive products and to secure an effective means to expeditiously deal with disruptive import surges in any other category, in the context of the global import evaluation program described above.
7. There will be improvement in quality and timing of monitoring efforts to provide the information for prompt evaluation and appropriate actions. The present system will be reinforced and, working with industry and labor, means for faster feedback and response will be developed.
8. Consistent with federal practices and procedures, there will be full and prior industry/labor

consultation on strategy, outlook and problems with respect to bilateral agreements.

MTN

-- snapback clause, effective during the implementation of the MTN tariff reductions, which will restore textile and apparel tariffs to their pre-MTN levels if the MFA does not continue to be in effect or a suitable substitute arrangement is not put into place, will be adopted as part of the implementation of the MTN tariff reductions. In the event the MFA is not renewed or a suitable arrangement is not put into place, legislative remedies will be proposed to allow the President authority to unilaterally control imports of textile and apparel products consistent with the policy enunciated in this statement.

--As a matter of continuing policy, the textile and apparel items included in the Berry Amendment will be excluded from coverage of Government Procurement Code liberalization.

LAW ENFORCEMENT

--A major effort, made possible by a special appropriation of the last Congress, designed to dramatically improve the administrative enforcement of all our textile agreements, is currently proceeding. This program must be carried through expeditiously.

--U.S. trade remedies against foreign unfair trade practices, including the countervailing duty law and anti-dumping act, will be improved, their administration made more responsive and their procedures accelerated in accordance with legislation implementing the Multilateral Trade Negotiations.

--Customs will improve and make more thorough its monitoring and enforcement efforts, including the use of penalties available under the law where appropriate, with respect to improper transshipments, country of origin requirements, and violations of quantitative limits, with the objective of preventing evasion of restraint agreements and quantitative limitations.

INDUSTRY EXPORT DRIVE

--The industry will initiate a major export drive, with the U.S. Government's commitment of full support, including:

--a market development program

--vigorous USG efforts to tear down foreign trade barriers.

HIGH-LEVEL TEXTILE POLICY GROUP

--The President will appoint a high-level Industry-Labor-Government Policy Group to identify and bring public attention to problems affecting the competitiveness of the industry.

## U.S. INDUSTRY COMPETITIVENESS

--The textile and apparel industry indicates its resolve to make maximum efforts to maintain international competitiveness, through promoting efficiency within the industry, to continue to act responsibly pursuant to the President's anti-inflation program guidelines, and to support the national trade policy, which includes as an integral part the program of orderly growth in textile trade outlined above. For its part, the Administration will act expeditiously to put the foregoing program into effect and expects concrete results in sixty days.

## CONCLUSION

This textile program is an integral part of the MTN package. However, the Administration will begin implementation of the program immediately and many of the essentials will be in place within the next several months.

# APPENDIX C

# COVER LETTER

Rte. 3, 16 Luray Dr.
Greenville, SC 29609
803-246-3905

September 23, 1981

Dear Industry Leader,

I am working on a dissertation concerning industry's assessment of the Multi-Fiber Arrangement. This study is a requirement for a Ph.D. in Textiles and Clothing at Texas Woman's University, Denton, Texas.

I need your help. Will you please answer the enclosed one-page questionnaire, sign the consent form and return to me at Rte. 3, 16 Luray Dr., Greenville, SC 29609, as soon as possible? The consent form is a requirement of the University and the Department of Health, Education, and Welfare. If you are unable to answer the questionnaire, please refer it to another qualified person in your company. I will be glad to answer any questions you might have.

Your assistance in this matter will be greatly appreciated. Thank you.

Sincerely,

Betty H. Arnold

# APPENDIX D

# QUESTIONNAIRE

INDUSTRY LEADER'S ASSESSMENT OF THE MFA

Which segment of the industry do you represent?

______________ textile ______________ apparel ______________ other

Circle the appropriate number: 1= Agree, 2=Slightly Agree, 3=No Opinion, 4=Slightly Disagree, 5=Disagree

1 2 3 4 5 The MFA should be renewed in 1981.

1 2 3 4 5 The U.S. textile industry would be in serious trouble without the MFA.

1 2 3 4 5 The U.S. apparel industry would be in serious trouble without the MFA.

1 2 3 4 5 The MFA is fairly easy to read.

1 2 3 4 5 The MFA is fairly easy to unterpret.

1 2 3 4 5 The MFA has expanded international trade with major markets.

1 2 3 4 5 The MFA has expanded international trade with developing nations.

1 2 3 4 5 The MFA has reduced barriers in international trade.

1 2 3 4 5 The MFA has encouraged U.S. businesses which are less competitive internationally to move more progressively into more viable lines of production.

1 2 3 4 5 Slower growth rates should be established in the MFA.

1 2 3 4 5 A quota system should be established on end-use markets to protect specific markets where import penetration is high.

1 2 3 4 5 The MFA should provide global quotas which would allow a multicountry approach under which groups of countries are assigned a total quota for particular products.

1 2 3 4 5 A limit should be set in the MFA in the rate at which a country can use up leftover unfilled quotas or "overhang."

1 2 3 4 5 Korea should receive developing nation status.

1 2 3 4 5 Hong Kong should receive developing nation status.

1 2 3 4 5 Taiwan should receive developing nation status.

1 2 3 4 5 The MFA should contain provisions to limit surges to prevent market disruption caused by undershipments in any one year followed by full shipments plus growth and flexibility during the ensuing year.

Please use the back of this questionnaire for any comments.

# APPENDIX E

# CONSENT FORM

CONSENT FORM

Consent to Act as a Subject for Research

1. I hereby authorize Betty H. Arnold to administer a questionnaire to me in order to determine how some leaders in the textile and apparel industry feel about renewal of the MFA. I understand that complete anonymity will be observed. I will demonstrate my willingness to participate by returning the completed questionnaire to the researcher along with this consent form.

   I understand that the questionnaire is structured so that there are no hidden meanings and that every effort will be made to collect and analyze the data accurately.

   I understand that this study will be used in a doctoral dissertation which is a requirement for a Ph.D. in Textiles and Clothing at Texas Woman's University, Denton, Texas.

2. The procedure listed in Paragraph 1 has been explained to me in a cover letter from Betty H. Arnold.

3. I understand that the procedure described in Paragraph 1 involves the following possible risks:

   a. If anonymity is not observed, individual's personal views might interfere with his or her relationship with others in the industry.

   b. If information is not collected and analyzed properly, industry's position on the status of MFA renewal might be misunderstood by some.

4. I understand that the procedures described in Paragraph 1 have the following potential benefits to myself and/or others:

   The results of the study might reinforce other efforts that have been made to make others aware of the industry's position concerning renewal of the MFA.

5. An offer to answer all of my questions regarding the study has been made. If alternative procedures are more advantageous to me, they have been explained. I understand that I may terminate my participation in the study at any time.

6. I understand that no medical service or compensation is provided to subjects by the University as a result of injury from participation in research.

________________________________________ ____________________
Subject's signature Date

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