

"The outlook is for some increase in imports this year, especially synthetics. However, we believe that the U.S. textile industry's ability to meet competition through quality, service, new technology, and highly efficient facilities will go far to stem the inroads made by imports."

Under the standard of the Trade Expansion Act of 1962 (continuing the standard of the escape clause under the Reciprocal Trade Agreements Act) the question of future impact is limited to the concept of "threat of injury." This concept was defined definitively by the Tariff Commission in the Lamb and Mutton case as follows:

"[A] finding of threatened serious injury must be based upon facts which, applied to the statutory criteria, show that serious injury is about to occur. In other words, the serious injury must be imminent and not remote, conjectural, or based on mere suspicion, rumor, fear or possibility."

President Eisenhower, in rejecting a finding of threat of injury in the case of Scissors and Shears, stated in a letter of May 11, 1954:

"When this provision of the law is invoked, I believe that the evidence brought forth to substantiate the judgment of threat must be of such character as to leave no doubt that actual injury is imminent."

Certainly, there is no evidence that injury is "imminent" or "about to occur." The assertions which we have seen emanating from the domestic industries are certainly "remote, conjectural" and "based on mere suspicion, rumor, fear or possibility."

Based on the foregoing we do not believe that there is any economic justification for the imposition of quotas or for other import restrictions on imports of textile and apparel products.

*II. Import Quotas or Other Import Restrictions will not Solve the Real Problems of the Domestic Textile and Apparel Industries nor would They Solve Other Problems for which Import Protection is Claimed to be a Solution.*

There are, despite the remarkable progress made by the textile and apparel industries, important problems both at present and in the future. Import restriction by quota or otherwise would not solve these problems and in most cases would either hinder solutions or perpetuate existing difficulties. Imports are a stimulant to these industries; their removal as a factor would dampen the incentive to improve.

The principal problems faced by these industries were well set out by the Bureau of Labor Statistics in an article entitled "Technology and Labor in the Textile Industry" published in the "Monthly Labor Review" for February 1968. After reviewing the movement toward "larger, vertically integrated companies and substantial investments in plant and equipment" the article stated:

"The changes, however, are spearheaded by large companies with necessary financial means while thousands of small firms are only moderately involved in modernization. Consequently the gap in unit costs and productivity between the industry's leading and marginal mills may widen, placing the smaller plants under increasing competitive pressure."

The real problem of the smaller plants in the industry are technological developments and the competitive strength of the larger units. Import protection would merely constitute a windfall to those larger units who by and large dominate the marketplace and would not materially assist the smaller, less efficient units of production which would still face fierce competition from the industry giants. To the extent that smaller units were helped by import protection, this could perpetuate weaker, inefficient units with lower productivity and hence lower wages and impede what may be a desirable trend of consolidation and merger in the industry to form stronger productive units. This might be particularly true in the apparel sector where the movement to larger units, although pronounced, has not been as extensive as in the textile sector.

Import protection might likewise, for both smaller and larger units, impede needed investment, modernization of facilities, research and development in new product lines, improved inventory control and promotional efforts. It is in these areas that solutions lie, not in a regressive protectionism which masks inefficiency.

The solution to the problem of smaller marginal firms certainly lies either in an increase in their efficiency or in merger with organizations which can supply the financial strength, marketing or managerial skills necessary to sustain a viable economic unit. The cruel way, which existed in the past, was to let such units die.