There is, furthermore, nothing unhealthy about foreign investment in underdeveloped areas and indeed it is a policy of the United States Government to stimulate such investment by the private sector.

We seriously doubt whether the extensive, modern facilities in South Carolina are going to move lock, stock and barrel to Timbuktu. Foreign investment will undoubtedly be moderate and in those areas where production in the United States is least competitive. The advantages of production in the United States, close to the market, without the difficulties attendant upon production in foreign countries, will in most cases outweigh the advantages of moving off shore. Certainly the Committee must consider that some investment overseas by this industry might be a healthy thing both for us and for the rest of the world.

Another argument utilized by the industry is that import quotas would help the economic development of "Appalachia." The textile industry has moved to the South and expanded the economy of this region. In 1963, 57% of the employment in the textile industry was located in the Southern Atlantic states. In contrast, in the apparel industry, only 16% of employment was located in the Southern Atlantic states with 44% in the Middle Atlantic states. This is clearly releated to union policies and practices preventing the movement of the apparel industry from high cost areas centered around New York City to areas such as the Appalachian region. If the union and industry are truly interested in the development of Appalachia, we suggest that they look to an amelioration of their own practices for a solution, rather than to import protection which would not increase any movement to these areas if the same union policies are maintained.

There is an argument that other countries impose quotas on imports of textile and apparel articles not only from the United States but from the lesser developed countries.

We hold no brief for such import restrictions on the part of other countries and join United States textile and apparel industries in calling for their prompt termination. This is a difficult and often frustrating endeavor for the United States. The solution, however, clearly does not lie in erecting import barriers of our own. We cannot allow the most protectionist policies in some other countries to become the common denominator of either our policies or those of the trading world. It is no solution to protectionism in some countries to erect world-wide cartels.

III. *Quotas are the Most Regressive Form of Protection.*

Quotas create more disruption than they attempt to cure. The arguments against quotas as a device are set forth in a pamphlet published by the American Importers Association entitled "Here's What's Wrong With Import Quotas." These arguments are familiar to the Committee, and we will not repeat them at any length here. But it bears repeating that the administrative burdens and red tape involved strangle commerce, introduce artificial elements into business decisions and contort commercial practices and policies. Quotas are certainly the most inflation inducing of protectionist devices. And no other device is better calculated to fetter the free play of market forces. In industries like textiles and apparel, for example, with sudden shifts in fashion and style, complicated by seasonal factors, quotas can wreak havoc.

We do not have to go back to the stagnation of the inter-war period to learn of the disasterous effects of quotas. Recent experience under the LTA has been sufficiently detrimental. The operation of the agreement has vastly proliferated the number of supplying countries as purchasers in the United States scoured the world for available quota. We now have bilateral agreements with over 20 countries with all the attendant difficulties and problems involved in negotiation, and a cumbersome and costly governmental bureaucracy to deal with the minutiae of regulation. We have used up valuable good will in these negotiations which might best have been utilized in more productive discussions looking toward the expansion of U.S. exports. Not the least damaging aspect is the aggravation of our relations, particularly with the lesser developed countries. Our experience under the LTA should be enough to convince us that extension of the principle would not be in the best interest of the United States.

IV. *The Imposition of Quotas would be Disruptive of United States Trade Relations and would Engender Retaliation leading to a Deterioration in World Trade and Concomitant Regressive Effects on the United States Economy.*

This general proposition has been thoroughly enunciated by leading spokesmen in the Administration from the President on down, as well as numerous witnesses before this Committee. No purpose would be served by extensive repe-