

up to this point. Thus far, factors appear to be merely the conjecture of advocacy and are wholly outside of the factual evidence here presented. True, an industry like ours is not likely to be wholly reduced to extinction only because some domestic manufacturers may take refuge in producing specialties of high price or in exploiting proximity to the market by filling immediate hand-to-mouth requirements. But a residual group of this character and dimension would bear little resemblance to what the industry has been or is today.

Such inherent factors as might conceivably alter our straight-line projection of the probabilities would, so far as we can discern, operate to increase the import trend. After fighting a rear-guard action a point is reached when the retreat becomes a rout. As our rival manufacturers abroad take over a larger part of our market, there is greater discouragement to improvements and investments. Withdrawal from the domestic industry tends to accelerate and correspondingly, investment in mills abroad increases, as does the exportation of knowhow. Imports are further aided by greater knowledge of our market, by the facilitation of basic arrangements through agents, brokers, credit resources. The difficulties that attend the establishment of the first commercial bridgehead at the inception of an import trend no longer impede the development of such trade once begun in volume. Once the pipelines have been laid, the flow can be readily increased. Not least of all the disadvantageous comparison between labor costs in the United States and those abroad are likely to be aggravated. The gap in labor costs which undermines our present capacity to compete will be widened. Apart from the fact that our duties on cotton knitwear were reduced beginning January 1, 1968, the wage rates in the knitted outerwear industry are rising at such a pace that between the year when the Trade Expansion Act was proposed and the year when the Kennedy Round took effect, the average hourly wage in the knitted outerwear industry increased by over 30%, and this is equivalent to a de facto tariff cut of substantial proportions. Foreign sources of knitted outerwear imports are embarrassed by no comparable increases. On the contrary, as I shall presently point out, importers have been constantly shifting their purchases to lower wage countries, and investors are seeking out areas with wage standards lower than those which supplied our imports a few years ago—and they are finding them. We submit that all the discernible factors that would affect our projections are those that will augment imports beyond our straight-line prognosis, and not arrest them.

The basic factor underlying and explaining the unbroken upward trend of imports over the past decade is the radical difference in labor costs. This factor will certainly not change in the predictable future. While it is true that some other American industries are faced with these same wage differences, the salient and distinguishing fact here is that the apparel and textile industries are labor-intensive in character. What renders the apparel industry particularly vulnerable to low-wage competition from other countries is that its labor costs represent so high a proportion of total costs. On this point I wish to cite a study made by the former Director of the Budget, Charles L. Schultz (with Joseph L. Tryon), Study No. 17 prepared for the Joint Economic Committee of the U.S. Congress, January 25, 1960, entitled "Prices and Costs of Manufacturing Industries," U.S. Government Printing Office. There Mr. Schultz undertook to rate the cumulative labor costs in various manufacturing industries not limiting himself merely to the manufacturing process that turned out the end product but including prior processing. He found total compensation represented 88.7 per cent of the unit price of apparel—a figure virtually close to the very top of the list of all manufacturing industries covered by this Study (page 21). This is particularly pertinent to a consideration of the cumulative effect of labor costs in textiles and apparel.

In the knitted outerwear industry, the grave differences between our wage levels and those of our rivals abroad can no longer be overcome by superior technology. The American knitted outerwear industry is superior in efficiency and has contributed many advances to the production technology of the world. But if we are two, or three, or even four times as efficient as mills abroad, this today is no longer enough because our wage levels are ten to fifteen times greater than those of competitors overseas. Nor can we any longer depend on improved machinery or organization to overcome the gap in labor costs. Foreign producers are now using American management, know-how, and modern machinery.

Their advantage in labor costs is such that investment in modern machinery is sometimes not even necessary. I personally visited a large knitting plant in Hong Kong in June 1965 which was then producing sweaters for R. H. Macy & Company in New York. The factory had about 1,000 operatives and was man-