

aged by an engineer who had been educated at a university in the United States. Knitting machine operatives were, when first hired, employed at \$1.00 per day for a ten-hour day and after an introductory period they were put on piece work (incidentally, knitting machine operators are among the most highly paid craft in a knitting mill, well above the minimum.) These Hong Kong knitting machine operators worked at hand knitting frames. The machine parts had been manufactured and imported from Japan, and to reduce costs further still, they were assembled in Hong Kong. Each, when fully set up, cost, we were told, about \$100. We asked why the management did not use automatic full-fashioning machines instead of relying on hand machines. Such automatic machines of twelve sections cost \$33,000 to \$35,000 each in the United States. In response, the manager explained that he had just completed an engineering study on the relative advantages of such a capital investment, and the results showed that because of low labor cost, it was not worth investing in automatic machinery. Wages were so low that the economic advantage was on the side of the regressive technology.

To illustrate further that labor costs and labor costs alone are the determining factor in our competitive contest with imports, your Commission is asked to note how retailers and other importers in the United States have been constantly turning to sources of supply in countries with lower and lower wage standards. Detailed tables are furnished in Appendices G, H and I. It will be seen that in 1953, 55.8% of all wool knitted outerwear imports were contributed by the United Kingdom. Low though British wage standards are compared to our own, they were high compared with others and could not prevail against competitors in other parts of the world. In 1967 the British contributed but 5% of total imports of knitted outerwear of wool.

In 1957 Japan was in first place among exporters of knitted outerwear of wool to the United States, accounting for 47% of our total. For special reasons affecting her commercial policy on man-made fibers, Japan turned from the production of wool knitwear to that of synthetic materials.

Italy, low-wage area of Europe, held first place among exporters of wool knit outerwear to the United States in 1964, but could not hold that position in the face of rising imports of wool knitted outerwear from Hong Kong. Italy's contribution has declined both in absolute and relative terms and will continue further to decline in the face of new competitors from the Orient.

Considering the total exports of wool and man-made fibers (cotton need not be included because the major component of these totals is sweaters, and few sweaters are made of cotton) Hong Kong now holds first place, with 30% of our total imports of wool and man-made fibers. And now Hong Kong's position, though her wages are lower than Italy's or Japan's, is being challenged by South Korea and Taiwan whose wages are lower still. The latter two countries have come up during the past three years from virtually nothing, and today account together for nearly a quarter of all our imports of knitted outerwear of wool and man-made fibers.

Just how far international competition for the United States knitwear market has become a price war with the rewards going to the lowest wage country—and how far the price pressure of American buyers has been successful in bringing down prices of foreign knitwear, may be seen from the declining trends of prices per pound of imports of wool knitted outerwear in Table 12. And all this has continued in the face of rising manufacturing costs in the United States.

TABLE 12.—AVERAGE VALUE PER POUND U.S. IMPORTS FOR CONSUMPTION OF WOOL KNITTED OUTERWEAR
1957-67

[Dollars per pound]

Year	United Kingdom	Italy	Japan	Hong Kong	All countries
1957.....	\$15.07	\$9.17	\$6.94	\$5.25	\$9.55
1958.....	11.94	8.20	6.04	5.92	7.92
1959.....	12.38	7.30	5.69	6.56	7.33
1960.....	11.97	7.14	7.09	5.98	7.65
1961.....	10.92	6.79	6.29	5.71	7.16
1962.....	9.86	6.74	5.37	6.28	6.85
1963.....	9.09	6.15	5.22	5.53	6.37
1964.....	9.39	5.91	5.14	4.90	6.08
1965.....	9.59	5.49	5.48	4.20	5.43
1966.....	9.54	6.79	5.02	4.35	5.97
1967.....	9.49	7.52	5.09	4.43	6.15

Source: U.S. Bureau of the Census, U.S. Imports of Merchandise for Consumption, reports FT-110, FT-125, FT-246, and IM-146.