

STATEMENT OF CHARLES I. ROSTOV, FLOOR COVERING GROUP, AMERICAN IMPORT ASSOCIATION

Mr. Chairman and members of the committee, I am Charles I. Rostov, representing the Floor Covering Group, affiliated with the American Import Association, an organization of United States businessmen engaged in importing various types of floor coverings.

During the most recent hearings on quotas before the Senate Finance Committee and in Congressional speeches on the textile quota question, little mention has been made of carpet and rug imports. It is a fair inference that the proponents of textile import quotas either do not view the quotas as encompassing the soft floor-covering industry or wish to disassociate the manufacture of carpets and rugs from the rest of the domestic textile industry because of the phenomenal prosperity which domestic carpet and rug companies are enjoying. Nevertheless, despite this reluctance on the part of domestic manufacturers, the broad terms of the various textile import quota bills pending before this Committee would seem to encompass carpets and rugs. Therefore, we have decided that it is imperative for us to appear before you and present our views concerning the imposition of quantitative restrictions on the import of textiles and apparel in general—and on the import of floor coverings in particular.

1. The state of the textile and apparel industry

Mr. Chairman, our organization is opposed to the enactment of legislation placing quotas or ceilings on the import of textile and apparel goods. Such quantitative import restrictions are simply not needed. In January 1968, the United States Tariff Commission completed a comprehensive report on the state of the textile and apparel industry. Its conclusion was that "domestic producers [of textiles and apparel] have, by most broad measures, enjoyed a period of unparalleled growth since the early 1960's." The Commission made numerous findings in support of this statement. For example, from 1961 to 1966, the value of textile and apparel shipments in the United States rose by over \$10 billion, an increase of 36 percent. Profits as a percentage of net sales went up even more rapidly: by 48 percent for textile mill products and by 52 percent for producers of apparel and related products. This increase was more than twice the corresponding gain for all manufacturing corporations over a comparable period. At the same time, the annual rate of profit on stockholders' equity in manufacturers of apparel and related products increased by about 53 percent, while the rate of profit for investments in textile mills grew by 74 percent.

Finally, during this six-year period, total investment in new plant and equipment by the mill products industries increased by 170 percent, and such investment by the apparel and related products industries increased by more than 250 percent. While imports rose over the period, the Commission found that "the actual increase in the volume of domestic production was of substantially greater magnitude."

The conclusions to be derived from all of this data are clear: the domestic textile and apparel industry is both prosperous and growing and has little need for protection from imported products.

2. The state of the rug and carpet industry

Nevertheless, as the Tariff Commission recognized, general statements about the textile industry, while indicative of the health of the industry as a whole, may conceal the state of particular textile products such as carpets and rugs. It is therefore important that we look at the floor covering industry in order to determine the necessity or desirability of quantitative import restrictions for such articles.

It is fair to conclude that during the past few years the domestic carpet and rug industry has been little short of phenomenal. Domestic rug and carpet manufacturers have been enjoying record sales and profit levels. Floor covering imports—when compared to this vast and growing state of American production—appear insignificant. In short, no case can be made that domestic carpets and rugs are experiencing economic difficulties due to imports or that quotas or ceilings should be applied to floor coverings.

In order to illustrate these conclusions, we should like to outline certain basic facts about the U.S. carpet and rug industry:

(a) *The tufting revolution.*—Up through World War II, the most efficient way to make carpets and rugs by machine was on a mechanical loom which produced a floor covering by a slow weaving process. In 1946, the first tufting machine