One reason for the increase in fourth LTA year over the third LTA year was the obvious demand, especially for yarns, because of the increased military needs of Vietnam, which carried over into the first part of the fifth LTA year.

Moreover, imports from such developed countries as Canada and Belgium were permitted entry without being subjected to "restraints". American importers began to ship in cotton textiles from such "developed" LTA members knowing that such imports were not subject to the "restraints" imposed on the "developing" countries and Japan.

While the LTA successfully limited exports by foreign governments, it could not prevent American businessmen-importers from moving to new, uncontrolled areas and developing textile industries in these countries, almost always in a lower-cost region than their previous supplies.

There are those who believe that because of the LTA textile producing countries proliferated more rapidly than would have otherwise been the case.

Regardless of its record, however, we urge that as the most effective nontariff impediment to the trade in textiles, the LTA and its supplementary bilateral agreements be eliminated, and that cotton textiles be considered on the same basis as other textiles for individual, selective consideration if specific imports create unfair economic difficulties for directly competitive United States goods.

Abolish buy American restriction

At a time when the United States textile industry has been experiencing some difficulties in providing the armed services with its textile requirements and when the cost of local procurement are so high, it would seem that the national interest and the national security both would call for overseas procurement of needed military textiles from our allies nearer the area of hostilities.

But, the prohibitions of the Buy American Act severely restrict the ability of the quartermaster corps to purchase military textiles from such Asian allies as Japan, South Korea, Taiwan, Philippines, and Thailand, not to mention New Zealand and Australia, for use in Southeast Asia, particularly in Vietnam.

In the light of current circumstances, and for the future promotion of the textile trade, this Buy American nontariff barrier should be abolished. At the very least, as the Subcommittee on Economy in Government of the Joint Economic Committee recommended in its April 23, 1968, report on "Economy in Government Procurement and Property Management", "The Bureau of the Budget should issue a uniform policy for the guidance of Federal agencies and contractors regarding the use of price differentials under the 'Buy American' Act."

While the Subcommittee's responsibilities were not in the area of foreign trade policy, it is noteworthy that the Subcommittee devoted a special section to this subject of the Buy American statute, which, though from the viewpoint of government expenditures, also affects trade policy as well.

"The Subcommittee has expressed its concern during the past several years over the inconsistent application of the 'Buy American' Act. The Act provides that materials for public use shall be purchased from U.S. manufacturers, except where it is determined that their purchase would be inconsistent with the public interest or their cost would be unreasonable. Inconsistency in its application continues.

"The problem is that while most agencies utilize a six percent differential, and an additional six percent to 'small business' or suppliers in an area of substantial unemployment, the DOD (Department of Defense) since 1962 has utilized a 50 percent differential. Thus in the purchase of the same item two agencies of the Federal Government may utilize widely separated differentials. The Bureau of the Budget has conceded that the situation is a 'mess', but it has not acted to rectify it. The economic implications of these policies are antagonistic. The six percent differential permits greater purchase of foreign goods and thus operates against a favorable balance of payments. The 50 percent differential protects domestic manufacturers but increases the costs of procurements and therefore militates against a balanced budget.

"From the evidence, it appears that the DOD's 50 percent differential raises a protective wall so high that American bidders may be encouraged to take advantage of it. It may also be self-defeating in the long run by pricing the protected items out of foreign markets and thus injuring our balance of payments. Further, the DOD's practice is placing a significant burden on the already extremely high level of defense procurement."

Most protective device

While as a matter of both principle and practice, we are opposed to all protectionist bills pending before this Committee, we are especially opposed to the specific product import quota measures, such as those for textiles, and to the general, omnibus import quota legislation.

Aside from total exclusion, prohibition, or embargo, import quotas are the most vicious and "protective" of all protectionist schemes. Probably more than any other restrictionist strategem, they subordinate the national interest to the vested interest.

Whether they are described by proponents as "orderly marketing" systems, or as "fair international trade" programs, or "equitable trade promotion" proposals, or what not, in actual fact and operation they are the most effective trade barrier conceived in the name of world commerce.

Some import quota bills require a "rollback" in the quantity of imports and an averaging based on historic performance or market shares over a number of years. Others impose ceilings based on the immediately preceding or record import year. Still other establish ratios of imports to domestic consumption and set limitations when these levels are reached. And others allow nominal increases or decreases dependent upon the upsurge or reduction of domestic use. Of course, there are those which combine various formulas. But the end objective is the same: To place an absolute, arbitrary, and artificial quantitative ceiling on all imports that may be entered in any given period.

No matter how inventive or innovative, no matter how efficient nad productive, no matter the comparative economic costs and competitive factors; foreign producers and exporters may not ship more than certain stipulated in advance quantities. Supply and demand are not considered; neither are reason and equity.

In testimony to this Committee on June 4, 1968, the Special Trade Representative summarized the case against import quotas well, pointing out that "A quota policy would have serious effects on our domestic economy and our longer run ability to compete. Import quotas can have only one effect on domestic prices—to make them higher than they would otherwise be. Is any action designed to raise prices at this time a rational one?

"An immediate increase in prices would be only the beginning of the damage. As the secondary effects of quotas are felt, they will be different from those of tariffs. A fixed tariff permits competition from those imports that are able to surmount it. Such competition stimulates domestic producers to keep ahead of the foreigner—to improve their efficiency, to lower their costs. A quota, of course, permits none of these effects. The domestic producer knows that no matter how high his costs or selling price he can lose only a specified part of his market to imports. But without the spur of imports, he will eventually lose his ability to compete with the same foreigners for the markets of third countries. In fact, even industries not protected by quotas will find their own costs have risen and their ability to compete diminished because of increases in the cost of materials they use.

"On the surface, quotas that simply guarantee domestic producers a fair share of the market may sound attractive. But what is a fair market share? In the American tradition, it is the share anyone is able to win by producing a better or cheaper product. That is why our overwhelming share of the world's computer market, for example, is a fair share. The United States has been especially successful in the development and marketing of products involving new technology. We would be the heaviest loser if we should lead the world in freezing present patterns of trade. Such a course means stagnation—higher costs to the consumer, loss of our international ability to compete, and loss of many other qualities that have made us a strong economic force in the world market place."

The President, on June 6, 1968, in a message to the Coordinating Council of Organizations on International Trade, outlined the case for his Administration's bill and against protectionism in the form of quotas.

"What if the quota bills now pending before the Congress became law? What price would we have to pay for the protection of the American markets? In a word, *retaliation.* If we break the trading rules—as import quotas would do—we know what the response of our trading partners will be. It would be retaliation against our own exports. So the price of shielding one industry would be paid by another. The temporary protection of jobs in one plant would mean the permanent loss of jobs in another.

"The American housewife would also pay a price—in the stores where she buys. American industry would pay more for raw materials and intermediate products. The vicious cycle would be completed—as American industries without quota protection would find that higher costs had made them less able to compete for export markets.

"We would all pay the price of government intervention. Quotas would involve the government more deeply in business decisions. Licensing officials would be added to the Washington bureaucracy. Trade cartels simply can't exist without someone to administer them.

"We would pay the price by the absence of competition. There would be fewer incentives to efficiency—less stimulus to innovation—less likelihood that 'Yankee ingenuity' would be the standard of business excellence. Growing productivity—the only real guarantee of higher wages and profits—would be sacrificed.

"Finally, in our relations with other nations, we would pay the price—and it is a heavy price—of loss of confidence in our leadership. The United States would have turned its back on economic cooperation between nations.

"I don't believe that industries seeking quotas are just trying to feather their own nests at the expense of others. They have a sincere concern that higher pay and better working conditions put them at a permanent disadvantage. Moreover, they resent—and properly so—the erection of barriers to free competition in other nations.

"But the establishment of quotas is simply too high a price to pay. This nation —of all nations—cannot set these forces of restriction in motion. I do not believe that we will. We simply will not permit the gains of the past 35 years to be swept aside—not when a better course is available to us."

Threatens national economy

Textile import quotas threaten the national economic wellbeing.

Not only do they increase the possibilities of inflation at a time when we can least afford it, when inflation endangers the very economic foundations of our industrial system, but they provide a protective umbrella under which the inefficient, the uneconomic, and the obsolescent segments of the textile industry are encouraged to continue operation even at the detriment of economic growth and progress.

At the same time, and perhaps paradoxically, the bigger companies, through consolidations and mergers, capture more and more of both production and sales, thereby putting into practice the economies of monopoly and concentrated power.

Moreover, as the Special Trade Representative so succinctly explained the crucial problem, ". . . quotas imposed by us are certain to lead to quotas imposed by others on our exports to them—and, in choosing their targets, they are likely to select the industries whose prospects for export growth are strongest. This in turn will affect the purchasing power of many of our workers and farmers."

This question of retaliation on the part of our trading partners is not hypothetical or theoretical, for we need only recall the tragic consequences of the 1930 Smoot-Hawley Tariff Act. By 1933, in three short years, our exports had declined 48% in volume and 68% in value.

In other words, by imposing an import quota on textiles, it is quite possible that in the long run the United States will suffer far more in the loss of exports than any benefit we might gain temporarily from limiting textile imports.

Take the case of Japan, for instance. In 1966, Japanese textile imports, including $115 million in cotton items, amounted to $470 million. That same year, American exports to Japan totalled $2,311 million, of which some $600 million was in agricultural products alone. Unfortunately for the United States, the $207 million in soybeans, $138 million in wheat, the $133 in raw cotton, and the $122 in corn, all purchased from us, are available to Japan from other countries, some of which offer these same products for less than we do.

We understand that Japan is willing and able to purchase so much from us because we enable her to earn the dollars with which to buy our goods and services by permitting entry to her exports. If we foreclose entry of her export items, we also force her—even against her will—to look elsewhere for her purchases. Though Japan may not intend to retaliate against our action, she may not have any alternative to buying and selling where her exports are welcome.

And, once an import quota is imposed on textiles, the demand from other industries for similar privileges will become harder to frustrate. And, in this way, an international trade war could easily be provoked, escalating with each

concession to arbitrary restrictive barriers made by our government as our major trading partners reply in kind.

Finally, the necessity to discriminate between countries and importers, to assign shares and to determine limitations, and to administer and enforce the ceilings on hundreds and thousands of prospective imports, all add up to ever-increasing bureaucratic supervision and dictation over industry and business, to a speed-up in the centralization of government, and to an ominous challenge to the free enterprise system.

Endangers National Security

Textile import quotas also endanger our national security.

By weakening the nation's economy, the national security is weakened too.

Beyond this, by alienating our trading partners, most of whom are allies in a tension-filled and troubled world, America's collective security system is jeopardized.

And, if by refusing to permit them to trade with us, we force them to trade with our enemies and our potential enemies, we are not only losing our allies but also strengthening our present and future adversaries.

Furthermore, an artifically protected uneconomic textile industry, dominated by huge companies, will be in a far less favorable position to provide the necessary textiles for national emergencies and for future limited and other wars.

And what the government must purchase will be at a higher price, with the specifications subject to the dictates of a monopolistic industry, for only the large companies will be able to supply the requirements of the military.

Even in times of crises, textile imports beyond a certain limit cannot be increased in order that the domestic combine may concentrate on producing for the emergency, while imports are made available to civilians and textile-consuming industries at reasonable price.

Even more crucial, textile imports may not be increased to meet shortages in military demand which the American industry may not be willing or able to supply.

Costly to Individuals

Textile import quotas are costly to the individual citizen—as a consumer, as a taxpayer, as a businessman, and as a worker.

As a consumer, he is forced to pay a higher price for a much more limited selection of textiles for himself and his family, for his home and for his office, for his business and for his industry.

With fewer goods, available, he must pay the higher price. With a ceiling on merchandise for export, foreign producers cannot afford to experiment with new fibers, fabrics, and fashions.

In the case of the poor and the poverty-stricken, the availability of inexpensive clothing may mean the difference between being decently clothed and "going without", or accepting textile substitutes made of plastics, paper, glass, metal, wood, or other materials.

Because the anti-inflationary influence of textile imports will be eliminated, the consumer will have to pay more, not only for his textiles but for all other goods and services that he may need and require, for inflation is a contagious infection that cannot be contained or isolated to just textiles.

And, once an import quota is granted to the textile industry, it will probably start a chain reaction of similar import quotas for other import sensitive industries. After all, if the Congress accords such privileged status to one industry, it can hardly deny it to others.

As a taxpayer, the individual is more heavily taxed to pay for the administration and enforcement of first one and then many import quota laws. He is also taxed to pay for any direct or indirect subsidies that this favored textile and other industries may receive.

Unless he himself is an owner of a mill or plant, as a businessman or manufacturer involved in textiles, an import quota could put him at the mercy of the domestic supplier and his "freedom of choice" would be severely compromised.

As a worker, he may be the unwitting and unknowing victim of an uneconomic and uncompetitive sector of the giant textile industry who is being denied and deprived of the opportunity to secure adjustment assistance that will improve his skills and add to his abilities, thereby making him a more qualified candidate for higher-paying jobs in a more competitive sector or industry than the textile "prison" to which he may be confined.

Injurious to Textile Industry

If the textile operation would carefully review its current situation and long-range aspirations with the vision and statesmanship that the nation and the industry deserve, its leaders would find that import quotas would be injurious to the industry itself.

Because import quotas arbitrarily establish guaranteed annual markets for the many products of the textile complex, there will be a tendency for many elements to become complacent and comfortable about their privileged status. Without doubt, such attitude will only encourage the more rapid encroachment of such textile substitutes as plastics, paper, glass, metal, wood, and other materials.

The marginal and inefficient individual producers and sectors of the vast operation will be encouraged to remain in business, rather than being forced to shift into more competitive activities. As the total industry will be as strong as its most inefficient part, the fabric of the complex will be weakened and subject to continued stress and strain.

Already behind most other industries in its competitive productivity, and spending less on research and development than most of the major textile manufacturing countries and 16 of 17 United States industries, the textile combine will tend to fall further and further behind because the challenge of imports will not be ever-present.

According to the Department of Labor, for example, there is a 46% gap between the average and the model plant for a print-cloth mill in 1966. And, the Organization for Economic (OECD) discovered that the United States textile industry as a whole spends far less (0.2%) for Research and Development (R and D) expenditures than the United Kingdom (0.8%), Canada (1.6%), Sweden (2.4%), and Japan (4.1%). Also, it was found that only the lumber and furniture industry spends less than textiles in this country for R and D. What makes this sum even more incredible is that man-made fiber producers are responsible for about 75% of all R and D funds expended by the total American textile industry.

If this industry is so lacking in efficiency and in engaging in R and D without the built-in sanctuary of import quotas, except for cotton textiles, imagine what this mammoth complex would do without the competition of such imports as there are.

Then again, in times of acute and huge shortages caused by new developments, such as permanent press; unexpected demand, such as that caused by the Vietnam War; and novel fashion trends, such as the Nehru jacket; quota ceilings will not permit full exploitation of these special situations by calling on foreign sources.

Already ill equipped to compete for export markets because of its satisfied domination of the domestic scene and lack of competitive urge to seek out and develop foreign outlets, behind the protective walls of import quotas, there will be even less incentive to sell overseas.

And, as Congress provides more and more in the way of such special privileges as import quotas, the government—as the public defender—will have to insist upon more and more supervision and control of all the operations of this nation-wide enterprise. Then again, as import quotas proliferate, the government will have to dictate more and more the policies and practices of every individual company within the industry.

As regimentation sets in, the competitiveness of the massive complex becomes less and less. So the government will have to provide more and more in the way of subsidies and special assistance.

TEXTILE IMPORT QUOTAS UNJUSTIFIABLE

Textile industry arguments

Even though the massive and privileged American textile complex today enjoys a most favored government status that few other industries—if any—enjoy, its leaders argue its pleas for the most extraordinary protective sanctuary of all—an all-inclusive, all fiber, all stages of manufacture, all categories, all countries import quota—generally for the following reasons:

1. Imports are increasing rapidly.
2. Exports are decreasing.
3. While profits, production, etc., have shown an upward trend, textiles still lag behind other manufacturing industries in its prosperity, growth rate, etc.
4. Because textiles are a relatively labor-intense enterprise in an advanced industrial country, it requires continued and expanded government favoritism.

5. Technological and market development since the establishment of the LTA necessitates the extension of import quotas to all textiles.

Import perspective

We do not question—in fact, we happily concede—that textile imports have increased substantially over the past decade.

At the same time, however, we believe that the national interest requires that these textile imports be put into proper perspective, and not considered in isolation by themselves.

First of all, one might well ask what imports have not increased rapidly in the past ten years. Are textiles the only ones? The answer is obvious.

Secondly, one needs to take into account that the national economy, as well as the population, have grown consistently. As a matter of fact, many economists allege that the continuing prosperity and its resultant inflation have stimulated imports. So too have strikes and threats of labor discontent.

Thirdly, even as the volume of imports have increased, so too have our volume of exports. While it may not be so difficult to identify the trade deficit in textiles, one cannot overlook in that context that the overall trade balance has been, and remains, in favor of the United States. Also, in certain exports the United States enjoys the same overwhelming trade advantage that certain other countries may enjoy in textiles.

On a world-wide basis, in billions of dollars, the United States share of international exports to foreign markets in 1967, was 23.1% for all manufacturing, broken down as follows: (1) 31.8% for transport equipment, (2) 30.2% for non-electric machinery, (3) 25.7% for electric machinery, (4) 23.7% for chemicals, and (5) 15% for other manufactures, including textiles.

Take the case of Japan, for an individual illustration. It has been alleged that certain Japanese textiles enjoy a disproportionate share of the American market. If this in the case, it would seem to us that there are good and sufficient economic reasons for these situations.

In reverse, the dominant position of certain American exports in the Japanese import market should not be ignored. 85% of the Japanese import soybean market is controlled by the United States, 84% of its electronic computer market, 55% of its coal, more than 50% of its feed grains, almost 50% of its wheat, 47% of its chemicals, 39% of its petroleum, 32% of its cotton, etc. In the field of chemicals and computers, as in many other industries, Japan is a major producer, so it can hardly be argued that the American share of Japan's import markets is substantial only in agricultural items. Moreover, an American would hardly claim that the United States share of Japan's import market was not a "fair and proper" one.

Fourthly, it must be observed that while textile imports increased, United States textile production skyrocketed even more, thereby indicating that there may be a correlation generally between increased imports and increased domestic production.

U.S. TEXTILE PRODUCTION VERSUS IMPORTS

[In millions of pounds]

Year	U.S. production	Imports
1958	5,962.2	215.6
1959	6,834.5	333.4
1960	6,479.7	415.7
1961	6,554.3	339.6
1962	7,035.6	486.0
1963	7,239.7	493.0
1964	7,775.4	491.3
1965	8,488.9	595.7
1966	9,000.5	756.4
1967	8,976.0	697.9

Not only industry men but economists and investment brokers have categorized 1957–1966 as the golden decade for American textiles, for in this ten year period, in spite of the dramatic and substantial inroads of such textile substitutes as plastic and paper particularly, the total United States textile combine experienced unprecedented growth in production, profits, and other indications of a booming prosperity.

And, while 1967 production showed a decline from that of 1966, the record year, so too did imports.

In this connection, it should be recalled that in 1957 domestic textile production reached 6,221.7 million pounds and imports 190.3 million pounds. The next year, 1958, when the tabulation begins, domestic production was down to 5,962.2 million pounds while imports were up slightly to 215.6 million pounds. This means that in the one year 1957–58, domestic production dropped 259.7 million pounds before beginning an upward climb which hit its all-time peak in 1966.

In the single year period 1966–67, domestic production declined only 24.5 million pounds, or about one-tenth the decrease experienced ten years earlier.

Also, in the 1966–67 period, imports dropped 58.3 million pounds, or about twice as much in actual volume than the actual drop in domestic production.

Moreover, even though 1967 production was not as high as that for 1966, United States textile production last year was 3,013.8 million pounds more than it was ten years earlier.

And, notwithstanding the outcries of the domestic industry, the actual volume increase in imports was only 482.3 million pounds for this decade period, as against an increase in United States production of more than three billion pounds.

To sum up, in this ten-year period 1958 through 1967, imports may have increased to seven, or eight, or even nine percent of domestic production. But, the actual volume increase in United States textile production was 50%.

Now, if what happened some ten years ago repeats itself, the golden decade that began with a drop in American production of more than a quarter of a billion pounds might well bring about another acceleration in United States output, as the American industry enters into its second golden decade in what promises to be the golden age for textiles in this country.

Fifthly, an examination of the tremendous shift in the use of the three major textile fibers (cotton, wool, and manmade) during the past decade suggests that this inter-fiber competition had more impact and influence on American textile production than the competition from imports.

AMERICAN MILL CONSUMPTION BY FIBERS

[In millions of pounds]

Year	Manmade fiber	Percent	Cotton	Percent	Wool	Percent	Total
1958	1,764.2	29.6	3,866.9	64.8	331.1	5.5	5,967.5
1959	2,064.7	30.2	4,334.5	63.3	453.3	6.4	6,842.5
1960	1,877.8	29.0	4,190.9	64.6	411.0	6.3	6,486.6
1961	2,060.7	31.4	4,081.5	62.2	412.1	6.3	6,561.0
1962	2,418.5	34.3	4,188.0	59.5	429.1	6.1	7,042.1
1963	2,787.8	38.5	4,040.2	55.7	411.7	6.4	7,246.1
1964	3,174.3	40.8	4,244.4	54.5	356.7	4.6	7,782.1
1965	3,624.1	42.7	4,477.5	52.7	387.0	4.5	8,494.4
1966	4,002.2	44.4	4,630.5	51.4	370.2	4.1	9,007.5
1967	4,420.4	47.2	4,420.7	49.3	312.6	3.5	8,976.5

Note: Because other fibers, such as silk, were also consumed during this same period, the totals for each year add up to more than for the three fibers combined.

The above data is taken from the *Textile Organon* for March 1968.

For 1968, the *Textile World*, February 1968 issue, projects a substantial increase in the use of textile fibers by the United States industry over that used in both 1966 and 1967. According to its calculations, the domestic consumption of all fibers in 1966 was 9,006 million pounds and in 1967 9,003 million pounds. For this year, it projects a total of 9,450 million pounds, with 47% of the consumption share in cotton, 3.0% in wool, and 50% in manmade fibers.

This 1968 estimate is that 447 million pounds more of textile fibers will be consumed by the domestic industry than in the previous 1966 high year.

Returning again to the *Textile Organon* tabulations, we find that for the 1958–67 decade cotton remains the major fiber, but its popularity over manmade fiber has narrowed rapidly in this ten-year period. Wool has also lost some of its appeal, but not nearly as much as cotton percentagewise.

Ten years ago, cotton dominated 64.8% of the fibers consumed by United States mills, with manmade fibers contributing only 29.6% and wool 5.5%. Now, cotton controls only 49.3% of the mill consumption, with manmade fibers contributing almost as much, or 47.2%. Wool's percentage has declined to 3.5%.

In other words, cotton lost 15.5% and wool 2% of its share of the fibers consumed by American mills, while manmade fibers gained 17.6%.

In this identical decade, the ratio of imports to domestic consumption increased from about three percent to about eight percent.

Thus, the arithmetic of the situation clearly demonstrates that the direct impact of the competition between manmade fibers and the natural fibers in the past ten years was at least double that of imports percentagewise, and many more times that in terms of actual poundage. Manmade fiber consumption increased by almost two and a quarter billion pounds in this past decade, while imports increased by less than 500 million pounds.

Finally, imports have only a selective impact on the American industry, and not an overall one. This is because not all textiles produced in a country can enter the American market, for a variety of economic and other reasons.

Added to the usual trade problems are those that are distinctive to the textile trade. Less than ten percent of the types of fabrics woven in the United States can be exported from Japan to this country and only specialized types of apparels and made-up goods manufactured in Japan can be sold in this American market, according to the sworn testimony of certain importers before the Tariff Commission only last November (1967).

The Tariff Commission ten years ago (1957), in response to Resolution 236 of the 85th Congress, of the Senate Finance Committee, made it clear that textile imports have only a selective, and not a general, impact on the products of the United States industry.

". . . *It is clear that textile manufacturers in Japan* (or any other country) *do not have an 'across-the-board' competitive advantage over the textile manufacturer in the United States. Such injury* (or impact) *as may be caused or threatened by increased imports of textiles or textile manufactures from Japan—or any other country—is bound to be confined to a limited number of categories, most of which, experience has shown, will be narrow. Investigations of such instances of injury* (or impact) *are, in the Commission's opinion, best conducted on a selective basis as circumstances warrant.*" (Emphasis supplied).

What was so correct and true then is even more applicable today.

* * * * * * *

Though couched in different words, the Tariff Commission reached essentially this same conclusion this past January (1968), when it reported to the President at his direction, in which the Chairman of this Committee joined, that an investigation be conducted into the economic aspects of imports, as well as of the domestic textile and apparel industries.

As the Commission reported this mid-January, "By most broad measures, whether in terms of quantity or in relation to consumption, the trend in the imports has been upward since 1961, as is to be expected during a period of expanded economy activity. *The impact of such imports, however, is clearly unevenly distributed and varies according to the market conditions for the product concerned.* (Emphasis supplied).

"An increase in the ratio of imports to consumption is not necessarily indicative of the impact that such imports had, or are having, upon particular domestic producers. Some imports, such as yarn or woven fabrics, for example, constitute raw materials of domestic producers of finished products but may be directly competitive with yarn or fabric manufactured by domestic mills for sale to others. To the extent that such imports displace the domestic output of yarn or fabric, they obviously affect the domestic production of raw textile fibers.

"The relationship between domestic output and imports is in fact considerably more complex than is indicated by this illustration. Some of the products of the type imported are not produced in great quantity in the United States for a variety of reasons. Many of the imported products are directly competitive, but the impact of imports varies according to whether domestic output is mainly captive of a larger, prosperous, integrated, multiproduct mill or is produced chiefly by a small independent mill which derives its income principally from the sale of fabric to others.

"The competitive impact also varies over time. In periods of relatively full employment of domestic textile resources, the imports of such materials frequently are complementary rather than supplementary to domestic production. In periods of slack demand, the imports may have a more pronounced economic

effect than when business activity is at a high level, even though the imports be of a lower relative magnitude.

"With regard to apparel, the increasing level of imports in recent years reflects in great part the active efforts of both retail and wholesale institutions in the United States to broaden the variety of their product lines and the price ranges at which they are sold. A large but unknown portion of this merchandise is comparable to the domestic product both in terms of price and quality. A substantial proportion of the total volume and value of the imported merchandise appears to be made up of products which are of low price and are marketed principally in retail outlets which promotes and sell these products mainly on the basis of price; such products appear to be sold principally to lower income groups or to others for whom cost is a major consideration. On the other hand, still other products are characteristically of high price and style, for which demand and the domestic output may be limited. Thus, the effects of the imports of apparel, like imports of fabrics, vary greatly. Imported cotton shirts selling for low prices may have a considerable impact upon a small concern whose output is limited to shirts of the same price range, but have little or no effect upon that of large, multiproduct producers whose shirts sell at substantially higher prices. The quantitative data respecting either the trend of imports or the relationship between imports and consumption overall fail to indicate the actual effects such imports have either on profits or on employment for particular producers . . .

"By quantity, about two-thirds of the actual increase in imports from 1961 to 1966 was composed of products (such as yarns and fabrics) for which further processing was required in the United States. Most of the remainder consisted of apparel products. Although the volume of imports in each of these broad categories was substantially larger in 1966 than in 1961, the actual increase in the volume of domestic production was of substantially greater magnitude over the same period."

Of particular significance in terms of the selective impact of imports may be the compilations of the Business and Defense Services Administration of the Department of Commerce, described as "Growth in Shipments by Classes of Manufactured Products 1958–1966," published in March 1968.

Altogether, 215 different textile products are specifically listed, some with several additional breakdowns.

In 149 of these product listings, an increase in the ratio of the value of shipments 1966 to 1958 was indicated. For 39 products, the necessary data was not available. For 27 products, the data was not computed.

In this rather detailed compilation, not a single textile product was listed as having decreased in the ratio of its value of shipment in the 11-year period 1958 to 1966.

Export perspective

Despite the lamentations of the American industry, United States exports of textiles have shown a general upward trend since 1960, both in dollars and pound terms.

While it is correct that American exports have not increased as substantially as imports, nevertheless this tendency toward increased exports is most remarkable when certain conditions are recalled.

By 1960 the World War II devastated textile industries of Europe and Japan had recovered and were concentrating on developing their export trade. By this time too, American aid to the less developed countries had resulted in the establishment of textile industries where none had previously existed. And, because Japan had imposed "voluntary" export quotas on its cotton textiles destined to the United States, American importers were inducing other countries to manufacture for export to this particular market.

And the United States textile complex was devoting its attention more to developing domestic markets, than in seeking foreign outlets.

According to a tabulation of the American Textile Manufacturers Institute (ATMI) for the Senate Finance Committee, October 20, 1967, the following records American textile exports, by fiber, from 1960 to 1966, with estimates for 1967.

AMERICAN TEXTILE EXPORTS

[In millions of pounds of fiber equivalents]

Year	Cotton	Wool	Manmade fiber	Total
1960	233.3	4.7	202.4	440.4
1961	239.2	4.5	205.8	449.5
1962	220.3	4.4	246.1	470.8
1963	207.8	5.6	244.8	458.2
1964	213.2	7.0	283.1	503.3
1965	173.8	15.6	293.4	482.8
1966	189.6	12.7	322.8	525.1
1967 [1]	190.0	11.2	333.8	535.0

[1] Estimated.

According to these figures, as in the case of domestic consumption of fibers, exports of cotton textiles declined during the past six years while manmade fiber exports increased. Unlike domestic consumption, however, exports of wool textiles increased almost three-fold from 1960 to 1966.

The *Textile World* for February 1968 reveals that, even though imports and domestic production dropped last year compared to the previous year, in terms of millions of dollars there was a plus 7.8% increase in United States textile exports in 1967 over 1966—$1,384.2 million as against $1,283.7 million. The biggest incerase was in manmade fiber broadwoven fabric, which increased 49.8%, from $67.2 million in 1966 to $100.7 million in 1967. Clothing exports also increased, from $164.0 million in 1966 to $166.1 million last year.

If United States negotiators press hard and successfully the elimination of nontariff barriers to textile imports imposed by other countries, and if the American textile industry seeks to develop foreign outlets as aggressively and as progressively as it does domestic markets, it should be possible for the United States complex to increase its exports substantially.

Especially in textiles, American fashions and the "Made in USA" label are popular overseas.

Domestic industry perspective

There is little doubt that during the past ten years the huge United States textile industry enjoyed an unprecedented period of growth and prosperity.

Following an extensive investigation, including public hearings, the Tariff Commission makes this point to the President in its Report of mid-January 1968, documenting its finding in this and other matters in a two-volume submission.

"Accompanying these significant changes in the production and marketing of the textile and apparel industries (since the early 1950's), the domestic producers, have, by most broad measures, enjoyed a period of unparalleled growth since the early 1960's. (The footnote reported that, "The Federal Reserve Board Index of production (1957-59=100) shows that the production of textile mill products expanded 33 percent from 1961 to 1966, while that for apparel and related products rose 34 percent. Although production declined in the first half of 1967, a reflection of the recent leveling of the economy as a whole, the September 1967 index of output of mill products (141.2) was almost as high as the 1966 average (142.5). The production index for apparel products in August 1967 (146.1) was higher than in immediately preceding months, but still lower than the 1966 average of 150.1.") By and large this growth is attributable to the sustained rise in the level of economic activity in the U.S. economy. As the national product, industrial output, and population and disposable incomes expanded, the demand for textiles for both personal and industrial use grew accordingly.

"Along with increased output, there was also a marked expansion in sales, employment, and new investment in plant and equipment during this period. Similarly, overall corporate profits (whether measured as a ratio of profits to sales, or on the basis of the rate of return on stockholders' equity) increased. From 1961 to 1966, for example, the value of shipments rose from $29.1 billion to $39.6 billion, or 36 percent. For the producers of mill products, profits as a percentage of net sales rose by 48 percent. The corresponding increase for the producers of apparel and related products was 52 percent. The corresponding gain for all manufacturing corporations over the same period was 21 percent."

* * * * * * *

While it is true that the textile industry experienced a slight leveling off last year, after a decade of steady increases, *Textile World's* Index of Textile Manufacturing Activity for March 1968 noted that, "At 157, the January (1968) Index is seven points over January 1967. This year, the Index should have little difficulty beating last year's record high of 163 in December. All major indicators . . . now support the pinpointing of June as the snap-back month for the textile industry. The industry's economic picture, growing brighter month by month, glowed strongly at year-end. One indicator—shipments of textile mill products—closed out 1967 at an annual rate of $20.8 billion . . ."

Standard & Poor's Industry Surveys on "Textiles and Apparels", for May 2, 1968, showed that, "The S & P index of textile products stock prices has moved up nine percent thus far this year on top of the 32% rise in 1967. Strong earnings gains have been reported recently by leading mill companies and prospects point to a gain of almost 40% in current earnings as measured by the S & P stock index for the group . . . The apparel stock-index has moved up almost 14% thus far this year on top of a 21.5% advance in 1967. Estimated earnings for 1968 would represent a rise of 19% on top of the 13% gain last year . . . An improved market performance appears likely."

The "Textile Statistics Section" of *America's Textile Reporter*, monthly trade journal of the industry, for August 31, 1967, reveals an overall increase in the *output of broad woven fabrics*, the barometer of industry production, for the last ten years.

The total for all broad woven fabric production, except for tire cord and fabrics, increased from 12,117,558,000 linear yards in 1957 to 13,311,990,000 linear yards in 1966, for an increase in production of almost two billion linear yards in the past decade, or almost 100,000,000 linear yards on the average per year.

As for *sales and inventories*, according to Department of Commerce data, textile sales in 1957 amounted to $12,806,000,000 and in 1966 $20,407,000,000, while in 1957 inventories totalled $2,240,000,000 and in 1966 $3,245,000,000. In this last decade, textile sales increased by an average of more than $600,000,000 a year.

Douglas Greenwald, chief economist of McGraw-Hill's Economic Department, in McGraw-Hill's *Textile World* magazine for April 1967, stated that during the last ten years production of textile mill products increased by about 38%, as measured by the *Textile World's* index of mill activity, and by 42%, as measured by the Federal Reserve Bank's index of textile production. "Thus, output of the industry has grown at an annual rate of about 3.5% per year for the full 10-year period but has nearly doubled that growth rate in the last three years . . .We expect that the record of the industry over the next ten years will surpass that of the past decade."

* * * * * * *

Most domestic textile operatives will concede that the golden decade (1957–66) was one of historic production and profits, and that 1967 was a temporary leveling-off year with prospects for 1968 quite promising.

Still, to substantiate their plea for increased protection in the form of import quotas, they emphasize that the textile industry lags behind most other American manufacturing occupations in certain key fiscal areas.

While the latter is true, they neglect to indicate how rapidly those differences are being closed.

After payment of federal income taxes, as released by the Federal Trade Commission, corporate profits of both the textile mill products industry and the apparel and related products industry increased more than for all manufacturing industries (except for newspapers which were not included in the tabulation), based on per dollar of sales and on stockholders' equity. Although total textile industry corporate profit remains less than the average for all manufacturing industries, the gap is being closed rapidly, especially in terms of stockholders' equity.

Expressed in cents, the corporate profit per dollar of sales for all manufacturing industries was 4.8, for textile mill products industry 1.9, and for apparel and related products 1.3 in 1957. Ten years later, in 1966, these figures were for all manufacturing 5.6, for textile mill products 3.6, and for apparel and related products 2.4. In other words, in ten years, corporate profits, after federal income taxes, had increased by less than a penny for all manufacturing industries, but by almost two cents for the textile mill products industry and by more than a cent for the apparel and related products industry.

Again, expressed in cents, the annual increase in stockholders' equity averaged for all manufacturing industries 11.0, for textile mill products 4.3, and for apparel and related product industries 6.3 in 1957. By 1966, the increase had reached 13.5 for all manufacturing, 10.1 for textile mill products, and 13.3 for apparel and related products. In the period from 1957 to 1966, stockholders' equity in all manufacturing had increased only two and a half cents per dollar, while that for textile mills products had increased by almost six cents and apparels and related products by seven cents. The gap between all manufacturing and textile mill products of almost seven cents and all manufacturing and apparel and related products of almost five cents in 1957 has narrowed considerably within the last ten-year period.

Labor-intense factor

As far as domestic industry arguments regarding the necessity for import protection because it is an allegedly labor-intense enterprise in an advanced industrial economy are concerned, as we have pointed out in a previous section, this very reason attests to the need that those uneconomic and uncompetitive sectors of the vast textile complex ought to be allowed to close down and their workers enabled to seek better paying employment more worthy of their status as citizens of the country with the world's highest living standards, greatest gross national product, and biggest individual average incomes.

Those segments of the United States industry—and there are many, if not most—that can compete successfully with imports should be encouraged to modernize and expand their plants and equipment even faster than they are currently doing. This should not only help them maintain the competitive advantage in the American marketplace but also to export more to third countries.

On the other hand, those relatively few sectors that cannot compete with imports should be permitted to withdraw and, with adjustment assistance, the companies and workers involved encouraged to move into more productive and more efficient operations.

* * * * * * *

The Area Redevelopment Administration of the Department of Commerce in October 1964 issued a publication entitled "Growth and Labor Characteristics of Manufacturing Industries."

Among the textile industry sectors classified for "Very High Growth" were Seamless hosiery mills, Tufted carpets and rugs, Not rubberized coated fabrics, Men's and boys' Underwear, Waterproof outergarments, and Curtains and draperies. Except for Tufted carpets, all of these segments were listed as only "Moderate" in their labor-intensity use.

In the "High Growth" category were Knit fabric mills, Certain finishing plants, Wool yarn mills, Processed textile wastes, Men's and boys' neckwear, Separate trousers, Certain women's outerwear, Corsets and allied garments, Certain household furnishings, and Trimmings and stitching. Six of the ten groups were in the "Moderate" classification and four in the "Low" in terms of labor utilization.

In the "Moderate Growth" section, Knit outerwear mills, Synthetic finishing plants, Throwing and winding mills, Men's dress shirts and nightwear, Fabric dress and work gloves, Textile bags, Canvas products, and Certain textile products were included. Of the eight textile sectors, only two were in the "Low," while six were in the "Moderate," groupings for labor-intensity.

In the "Static" class were 23 generally recognized "industries" of the overall textile complex. Included were such sectors as Cotton weaving mills, Synthetic weaving mills, Cotton finishing plants, etc. 19 of the designated sectors were identified as "Moderate" in labor-intensity, three in the "Low" category, and one (Men's and boys' suits and coats) in the "High" classification.

In the "Declining" group, 12 textile sections were listed, including Wool weaving and finishing mills, Woven carpets and rugs, and Schiffli machine embroideries. Five of these segments were classed as "Moderate" in their labor requirements, one (Tire cord and fabric) as "Very Low," another (Woven carpets and rugs) "Low," and five as "High" (Full fashioned hosiery, Certain carpets and rugs, Millinery, Apparel belts, and Schiffli machine embroideries).

Altogether, 417 manufacturing "industries" were represented in the several tabulations. Contrary to general understanding, no textile "industries" were included in the 48 which were classed as those in the "Very High" labor-intense group. Of the 78 in the "High" group, only six textile "industries" were mentioned. Of the 170 in the "Moderate" classification, 41 were textile "industries." Of the 91 in the "Low" section, ten were in textiles. And, of the 26 "industries" in the "Very Low" category, only one in textiles was in this grouping.

Since the government already has determined the labor-intensity of the various major segments of the textile industry, this may well be the clue to those sectors of the complex that, economically speaking, are least adapted to competition with imports.

* * * * * * *

What has and is happening to some individual companies in the United States is also what has and is happening in Japan, among other nations, with other countries in the Far East and elsewhere with cheaper production costs and lower wage scales displacing certain elements of their textile industry. To meet this and other economic challenges, and to better export, Japan has instituted a mammoth "scrap and build" program which, according to the *Textile World* for March 1968, promises to eliminate the marginal mills with inadequate and uncompetitive equipment. As *Textile World* observes, "structural reform may prove painful to some firms in Japan. The goals are ambitious, but they are also costly. Still, most Japanese textile men feel that they are necessary, and most industry leaders applaud the plan."

In any event, our position is that American working men and women should not be subjected to exploitation in any uneconomic sector or uncompetitive plant because of government protectionism and subsidy that encourages such enterprises to continue in business.

The surgery recommended may seem harsh initially, but, before the economic and competitive sectors of the American textile industry become infected by the cancer of inefficiency and protectionism, this sometimes difficult operation should be carried out.

Great and many technological and market developments have affected the textile industry in recent years.

Technological and market changes

Without doubt the most widespread, aside from the tremendous encroachment of such textile substitutes as paper, plastic, glass, metal, wood, etc., has been those associated with manmade fibers.

In a previous section, we charted the growth of manmade fiber textiles in comparison with the consumption of cotton and wool fibers. The *Textile World* now estimates that manmade fibers comprise about 50% of all American production of textiles.

Due to the aggressive development and promotion of manmade fibers, especially in relation with other segments of the textile industry, this sector is now the most competitive and economic within the giant textile complex both as to domestic uses and as to exports.

* * * * * * *

As of January 1968, we understand that establishments producing manmade fibers employed about four percent of the textile work force, yet accounted for about seven percent of the value of sales within the complex and almost ten percent of the "value added by manufacture". Expenditures for new plant and equipment amounted to about 30% of that expended by the entire textile industry, while the amount spent for research and development was about 76% of the total spent by the whole textile enterprise. The wages paid to its workers were higher on the average than that paid the average textile employee and even higher than that for the average nondurable goods industries, except ordnance and accessories, metals, nonelectrical machinery, and transportation equipment.

February 1968's *Monthly Labor Review* concluded that, "Manmade fiber (cellulosic and noncellulosic) is, perhaps, the most important and far-reaching technological factor to have affected the textile industry. The particularly rapid growth of noncellulosics (nylon, polyester, acrylic, spandex, olefin, and other fibers) reflects the chemical industry's outlays for R and D, and for promotion, and the advantages to some processors of lower unit labor requirements, relatively stable prices, and less waste . . . Despite considerable research in and promotion of natural fibers, manmade fibers may nevertheless account for as much as 65 percent of all fibers consumed by 1975, with major growth in noncellulosics."

* * * * * * *

The mid-January 1968 Tariff Commission report reached the same general conclusion.

"Within the U.S. textile industries, changes of great magnitude were taking place. From 1961 to 1966, the annual U.S. mill consumption of all textile fibers

expanded rapidly, rising from about 6.6 billion pounds to about 9.0 billion. This annual growth rate, amounting to about 6.5 percent, was several times higher than in the previous decade. Virtually all of this increase was attributable to manmade fibers, the aggregate consumption of which increased by 1.9 billion pounds from 1961 to 1966. Whereas manmade fibers accounted for about 31 percent of the total U.S. consumption in 1960, this proportion rose to about 45 percent by 1966. The share for cotton declined from 62 percent to 51 percent in the same period, and that for wool from six percent to about four percent.

"This dramatic shift in the fiber composition of consumption also had a pronounced effect upon the technology and the traditional structure and organization of producing industries. With the emergence of large chemical concerns as important producers of textile fibers, sizable and increasing amounts of capital were invested in the development of new products, new processing technology, and market promotion, while the use of manmade fibers often resulted in the simplification, or even elimination, of some processing operations. Modern management techniques, and the introduction of new, sophisticated, high-speed machinery resulted in greater efficiency. New products, such as laminated fabrics, were introduced with increasing frequency and gained wider consumer acceptance. As these changes occurred, often at an accelerating rate, many small concerns, lacking adequate capital resources, found it increasingly difficult to adjust to new conditions of production and marketing. Partly as a result of this difficulty, notably in the past decade, there was a pronounced tendency toward merger and consolidation within the industry, and larger companies have thus accounted for a greater share of the market."

* * * * * * *

We submit that no segment of the United States textile industry, including cotton, can economically justify the need for protective import quotas.

And, because the manmade fiber textile sector is the most progressive and competitive of all the major fiber groups of the huge industry, it seems rather self-evident that of all the many components of the American textile complex, those involving manmade fibers can make the least legitimate claim for import quota protection.

Industry future

Although United States textile industry spokesmen constantly and consistently express fear for the future in discussions with Members of Congress and with Administration officials, a fear they attribute almost exclusively to the threat of imports, most impartial economists, investment brokers, and textile technicians are agreed that the future for the overall complex appears bright and promising.

And, most leaders of the industry itself agree with this optimistic forecast when they report to their respective stockholders or seek additional financing.

Thus, what started out as the golden decade of textiles in 1957 may well progress into the golden age for the American textile enterprise, for practically every indication of the immediate and even distant future suggests continued growth in demand, in supply, and in profits.

* * * * * * *

In the May 2, 1968, issue of the trade journal, *America's Textile* Reporter, James S. Parker, Director of Technical Services for the ATMI, predicted that the United States textile industry "will experience unprecedented growth in the next ten years."

Barring unforeseen circumstances, he declared that the industry will have to be 50% larger 10 years from now to meet increased demands of the buying public, the military and the government, and the needs of other industries. By the year 2,000, he said that the industry would have to be two and a half times as large as it is today.

In the Centennial Issue of *Textile World*, "The Pace of Change: Textiles 1868–2068," April 1968, McGraw-Hill's chief economist, Douglas Greenwald, authored a section entitled "An Economic Forecaster: How Has the Past Shaped Up and What's Ahead for 2068?"

Specifically addressing himself to "Textiles," the economist declared that, "Within the framework of population and output growth over the next 100 years, textile mill production will grow 2810%, or an average of 3.4% per year, compared with a 3511% growth in the past 100 years, or 3.7% per year. The rate of growth will decline gradually after the next 20 years. In the two decades

from 1968 to 1988, textile mill output will increase at an average of about four percent per year. But by 2048–2068, textile mill production is projected to rise at an average rate of 2.8% per year."

Standard & Poor's Industry Surveys on "Textiles and Apparel," dated December 7, 1967, estimated that, "Over the next few years, annual growth may be in the area of four to five percent, with apparel markets growing at a slightly higher rate, home furnishings at from six to seven percent, and industrial markets from three ot four percent. . . Confidence in future markets is indicated by manufacturers of synthetic fibers, with a leading producer projecting industry shipments in 1972 some 43% greater than 1966.

"The ability of the industry to capitalize on the larger potential market was materially strengthened in recent years through the development of more professional marketing techniques, greater emphasis on product development (creating an obsolescence factor), and expansion of advertising outlays."

Goodbody & Company, a major brokerage firm, concluded in April 1968 that, "The industry has learned to live with such problems as growing imports and rising wages. The emergence of large integrated mills staffed with professional management has greatly strengthened the textile industry's financial position and enhanced the investment attractiveness of the group. . .

"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."

JAPANESE TEXTILES

Some misconceptions

The United States has been Japan's major textile export market since the ends of World War II, just as Japan has been America's largest overseas cash customer for agricultural and industrial goods.

But there are a number of significant current general misconceptions regarding Japanese textiles shipped to this country that ought to be corrected. Some of the principal ones, though rather obvious, need to be mentioned in the context of these hearings.

(1) Almost all of Japan's textile exports are sent to the United States.

(2) Almost all of Japan's textile exports have increased every year.

(3) Japan manages to fill every group and category of cotton textiles that it is authorized to ship to this country every year under its bilateral agreement.

(4) Japan should not concentrate on certain textile exports to the United States, but should diversify its textile exports more.

(5) Japan can export any textile item it desires for successful sale in the United States.

(6) Japanese textile imports have a tremendously direct and adverse impact on the American textile industry.

United States share

Of the $1.697 billion in textile exported by Japan to all countries in 1966, only $420 million, or 24.8%, was destined to the United States.

Of the $1.642 billion in textiles exported to all the nations by Japan, only $374 million, or 22%, was shipped to this country last year.

While Japan depends upon its textile exports to the United States to serve as a major earner of dollars with which it can continue to purchase large quantities of American goods, Japan is trying to develop and expand export outlets to other countries because its leaders well understand the danger in relying on one or a few nations for its export trade.

Exports decline

Just as total textile imports from all sources decreased in 1967 from their 1966 record high, so Japanese textile exports to the United States in 1967 were considerably lower than in 1966.

According to the Institute of Textile Trade Research and Statistics, Japan's textile exports to this country were reduced from $419,959,000 in 1966 to $373,-612,000 in 1967, a loss of $46,347,000. (See table on page 54)

Of the 19 export categories listed, only two (rayon fabrics and wool cloth) showed an increase in quantities over the previous year. All 17 of the other categories showed decreases.

Base upon export data available for the first few months of 1968, Japanese textile exports may be expected to increase slightly from its 1967 level. In this connection, it should be remembered that United States production of textiles is expected to increase by 447 million pounds this year over last, according to the *Textile World's* projection.

JAPANESE EXPORTS TO UNITED STATES OF AMERICA

[In millions of dollars]

Category	1966	1967
Cotton fabrics	39,952	36,213
Raw silk	7,670	1,814
Spun silk yarns	958	518
Silk fabrics	13,062	9,625
Rayon yarns	116	52
Rayon fabrics	11,613	15,336
Rayon staple	1,095	531
Spun rayon yarns	933	630
Spun rayon fabrics	6,318	3,360
Synthetic staple	16,372	8,380
Synthetic yarns	2,311	1,944
Synthetic fabrics	30,302	24,151
Wool materials	1,062	459
Wool yarns	10,692	8,924
Wool fabrics	58,097	65,030
Wool specialty fabrics	536	533
Linen textiles	2,636	1,530
Madeup goods [1]	211,012	192,556
Textile wastes	3,922	2,026
Total	419,959	373,612

*Madeup goods include knitted goods; towels, blankets and bedspreads; scarves and handkerchiefs; household goods; wearing apparel; fishing nets and twine; floor coverings; hat and hat bodies; and miscellaneous goods.

Although cotton textiles are under strict export quotas, cotton fabric exports for the January–April 1968 period were 36.277 thousand square yards as against 36.263 thousand square yards for this same four-month period last year. In 1967, Japan was able to fill only 79% of its cloth quota, so even with this slight increase it can be anticipated that the total for the year will still be considerably under the agreed upon restraint level.

For manmade fiber textiles, different computations were provided us. For the first three months of 1968, Japanese exports of manmade fiber and silk textiles totaled $13.240 million. Projected at this rate for the full year, the amount would be $52.960 million, as compared to $64.527 million for 1967.

As for made-up goods, 1968 exports for the January-March period were valued at $39.644 thousand, compared to 1967 exports for the same period of $39.282 thousand. This includes all fibers.

Bilateral agreement experience

More than half of Japan's textile exports to the United States are restricted under its current bilateral cotton textile agreement with this country.

Previously, Japanese cotton textile exports to this country have been subject to, first, "voluntary" export quotas for 1956 when they covered only a few items; then, "voluntary" export quotas on all cotton textiles from 1957 to 1961; and, lastly, negotiated quotas under authority of the LTA from 1962 to the present. Japan negotiated bilateral agreements with the United States as provided in the LTA.

JAPANESE QUOTA PERCENTAGES PERFORMANCE

[In percent]

Year	Fabrics	Made-up goods	Year	Fabrics	Made-up goods
1957	75.4	101.6	1963	88.2	92.0
1958	92.1	101.6	1964	92.2	94.7
1959	90.8	95.8	1965	100.4	98.7
1960	80.8	90.9	1966	98.9	97.6
1961	87.6	79.7	1967	79.0	81.8
1962	97.2	100.0			

Since there is a proviso that group quotas could not be exceeded by more than five percent, in actual fact, as Hickman Price, former Assistant Secretary of Commerce testified to congressional committees, Japan has "lived up" to her quota commitments and never exceeded any of the many quota ceilings.

With the exception of only one year in cotton fabrics and three years in cotton made-up goods, in 11 years Japan has not been able to fill its quota ceilings.

Beginning January 1, 1968, Japan and the United States entered into another three year Bilateral Agreement. For this year (1968), Japan may export a total of 373,077,000 square yards equivalent of cotton textiles to the United States—162,856,000 square yards in fabrics, 204,000 square yards equivalent in made-up goods, 144,040,000 square yards equivalent in apparels, and 12,977,000 square yards equivalent in other cotton textiles. Within the four groups, a number of specific item limitations are included, thereby restricting even more the more popular export merchandise.

The actual performance record for the past 11 years clearly evidences that the impact of Japanese cotton textiles is not so strong and compelling that its carefully rigged and structured quotas can be filled every year. Quite to the contrary, even when importers know that only a certain predetermined quantity of cotton textiles are available, they are not able to import that total because there is not that much demand in the United States for certain goods.

Before quota controls, Japan serviced about 70% of the United States cotton textile import market. Now, after 11 years of such artificial limitations, Japan's share of this same market is about 17%. And, the number of exporting countries has proliferated tremendously and many economists wonder whether the import market for cotton textiles would have been so great had Japan been allowed to remain the dominant supplier.

Diversification experience

After Japan began to export textiles to the United States after World War II, American textile industry leaders and U.S. government officials urged the Japanese to diversify their textile exports in order to avoid charges that it was concentrating on only a few items.

Japanese industry leaders and government officials recognized the wisdom in this suggestion, and acted accordingly.

Japan began to export cotton tapes, Wilton carpets, Typewriter ribbon cloth, tubular rugs, etc.

But whenever Japanese exports began to substantantially enter such specialized markets, the United States textile industry reacted strongly and complained that the Japanese were threatening to destroy their markets.

Economic restrictions on imports

While more than half of all Japan's textile exports to the United States are rigidly restricted by import quota agreements, the other half—wool, manmade, silk, and combination fibers—is largely restricted by competitive and economic considerations involving all Japanese textiles.

In addition to the usual and customary handicaps and hazards of the international trade in textiles, such as tariffs and nontariff barriers, ocean freight and insurance, long freight hauls, lead time, spot transactions, changes in fashions or demand, as well as domestic supply, and small profit margins, the American importer of Japanese textiles often has to face the additional gambles of communications difficulties, language gap, cultural difference, business practices, and prejudices against the "Made in Japan" label.

Moreover, the inexorable economics of comparative advantages dictate that only a relatively few Japanese textile products can be profitably exported to the United States.

In piece goods, for example, a sworn witness with more than 30 years experience selling Japanese fabrics testified to the Tariff Commission last November (1967) that, even if all the different constructions of cloth woven in the United States were available in Japan, only about five to eight percent of all the many constructions could be exported to this country and sold profitably. This realistic appraisal defines the very narrow limits of those textile fabrics—cotton, manmade, wool, silk, and mixes and blends—that may be entered economically into American competition from Japan.

In made-up goods, another sworn witness, this one with 33 years of experience as an importer and 27 years as an American textile manufacturer, testified that many lines are more expensive in Japan than in the United States. He declared that there are "peaks and valleys" as to the merchandise he could import from

Japan, much depending on the status of United States production and demand at the moment.

On the other hand, after years of costly trial and error, he has developed a specialty in importing certain types of wearing apparel and household wares for price lines formerly serviced by American industry. Domestic companies deliberately dropped these lines in favor of more profitable items, even though certain consumer demand continued for this price merchandise. So this importer brings in the less expensive clothing and household goods that are so essential to the poor and the poverty stricken, and which are largely ignored by domestic producers. He explained that for people who need transportation and cannot afford Cadillacs, Fords are part of the answer. He explained further that many people cannot afford "to eat cake, so I provide them with bread".

The harsh economics of international trade restricts substantial Japanese textile exports largely to two major categories of textile goods—labor-intense items and occasionally exported products to fill unexpected shortages in supply, such as those created by new innovations, as was the situation involving permanent press fabrics in 1966.

These same competitive factors practically foreclose the American market to significant Japanese textile exports in mass production merchandise in which United States efficiency and techniques are unsurpassed, in certain specialized constructions that cannot be either duplicated in Japan or only at rather prohibitive costs, and most items in which fashion is the dictating factor.

Unique contributions of Japanese imports

Rather than reciting statistics on individual imports, which are more readily available to members of this Committee than they are to us, may we make some general observations regarding Japanese textiles that may help to summarize our belief that an American policy of freer, nondiscriminatory trade in textiles will be in the national interest of the United States.

The Japanese textile industry has a longer record of cooperative relationship with the United States than any other Japanese, or probably Asian, industry, for Japan began to purchase American raw cotton in the post-Civil War period a hundred years ago.

The Japanese textile industry has never attempted to "destroy" or cripple the market for American textiles. As a matter of record, more than ten years ago when the United States textile complex was suffering in a depression, it was the Japanese who "voluntarily" surrendered part of her import share by imposing export controls in the hope that the American combine might be able to become more competitive and economic through modernization and innovation.

More than 50% of Japan's annual total textile exports to this country are severely and completely limited by the Bilateral Cotton Agreement. Most of the remaining half is subject to the direct and indirect controls of the competitive economic marketplace.

Japan cannot compete in the area of industrial textiles, for American mass production makes these textiles immediately available for industrial usage at prices Japan cannot match.

Certain Japanese imports do not have direct American counterparts. Some of these are purely Japanese goods, such as yukata cloth, kimono, etc. Others simply are not produced in the United States for one reason or another, such as shell sweaters, lightweight habutate silk, and certain rayon filament fabric.

Certain Japanese goods cater to different trades or markets than their United States duplicates, such as table damask. The Japanese import is for gift purposes and the American for institutional uses. Lightweight Japanese hand-printed, multi-colored fabrics are not copies in the United States, though some imported dyed fabrics are used for linings, while the American counterpart is used for dresses.

Certain Japanese apparel and household wares are brought in to replace price and merchandise lines that were voluntarily dropped by United States producers in their bid to upgrade new lines for bigger profits.

Certain Japanese goods have developed their own new markets in the United States, into which American producers have subsequently moved, such as lightweight wool gloves, tubular rugs, tabi slippers, judogi sports jackets, kendo pajama sets, etc.

Certain Japanese items are imported by American companies, often through unidentified third parties, to fill shortages in supply, such as certain ginghams and more recently polyester-cotton, for the durable press sensation fad only a

year and a half ago. Once domestic production is geared for such specialized output, Japanese imports fall off sharply, 80% in this case in less than a year.

Certain Japanese fabrics are imported in the griege state and finished in the United States, such as noncellulosic filament fabrics.

Certain other Japanese cloth is imported, further processed in the United States, and re-exported to third countries, usually in Latin America, such as spun yarn fabrics, nylon sheers, etc.

Certain Japanese imports are entered after licensing by and the payment of royalties to United States companies, as for certain manmade fiber piece and made-up goods using such as acrylic fiber, licensed by Monsanto.

Also, certain Japanese imports compete in the United States with American products made in this country under license to a Japanese, again in the man-made fiber field, such as polyvinyl by Kurashiki Rayon.

Certain Japanese articles once dominated the American market, such as Toyo Cloth Caps, and have since almost disappeared.

Beyond this, Japanese textile weavers are willing to sell shorter minimum runs than most American mills, so that experimentation can take place on a limited basis.

Another example of the extra advantages offered by some Japanese textiles is in multicolored screen printing. The Japanese run such many-colored fabrics in 18 screens at a time, while the maximum American competition is about eight screens.

Comprehensive import quotas not warranted

When one considers the character of most Japanese textile imports, and their limited selective impact on American competition, one can question reasonably the demand on the part of the United States industry for across-the-board, all-inclusive import quotas that would restrict every Japanese textile import, regardless of fiber, end use, and contribution to the national welfare.

Why, for instance, should certain Japanese items that can fill a military requirement in times of national emergency be restricted in advance?

Why should certain Japanese textiles that can be rushed in to help satisfy an unexpected domestic shortage or demand be limited by advance ceilings?

Why should native Japanese articles not manufactured in this country be placed under quota?

Why should certain textiles no longer manufactured in the United States for any reason be curtailed?

Why should certain goods that are needed by certain citizens but which were eliminated by management decisions to seek higher profit in other lines be placed under ceilings?

Why should Japanese textiles entered for further processing and then re-exported to third countries be controlled?

Why should import "ideas" that develop new markets into which American producers later move be penalized with restraints?

Why should the American consumer be forced to pay higher prices for United States products made in uneconomic, uncompetitive, and "protected" mills and plants?

We cannot believe that these, and similar questions, can be answered with the simple reply of total import quotas on all Japanese textiles.

Japanese manmade fiber textiles

Since Japanese cotton textiles are under negotiated export quotas, and since the quantity of Japanese manmade fiber textiles to the United States have increased over recent years, it may be worthwhile to examine the nature of some of these Japanese manmade fiber textile exports to this country.

As a preliminary, however, it may be useful to indicate the ratio of manmade fiber textle imports to United States production, keeping in mind that the foregoing percentages are for all imports from all countries. Thus, the ratio for Japanese exports will be substantially less than the ratio given for all imports from every source.

In manmade fibers for 1966 and 1967, the ratios for total imports to American consumption were 13.8% and 11.3% for rayon and acetate staple, 8.1% and 6.9% for noncellulosic staple, and 9.0% and 7.4% for all imports in this classification.

In manmade fiber yarns for 1966 and 1967, the ratios were 0.5% and 1.1% for rayon and acetate yarns, 1.1% and 1.4% for noncellulosic yarns, and 0.8% and 1.3% for all imports in this category.

In manmade broadwoven fabrics, the ratios were 4.4% and 3.0% for 1966 and 1967, respectively, in this class.

These percentages demonstrate how little impact all manmade fiber textile imports have had on the United States manmade fiber textile combine, which is more efficiently competitive with imports than any other fiber sector of the American textile industry. Its competitive ability has enabled it to dominate the United States textile market so completely that only a trickle of imports are entered under the present policies and tariff rates.

There are a number of Japanese manmade fiber fabrics which are not woven in the United States.

These include (a) rayon georgette crepe and other similar crepes, (b) rayon habutae and bemfany, (c) rayon fancy weave and other similar weaves, (d) spun rayon gingham, (e) other spun rayon fabrics, (f) synthetic crepe fabrics, and (g) polyester sheers and taffeta.

Regarding rayon georgette crepe and other similar crepes, we are informed that almost all Japanese crepes are twist-processed on fine viscose or fine cupra of 30 to 50 denier yarns. Although twist-process equipment exists in this country, such equipment handles the coarser yarns, from 75 deniers and more. Fine crepes are not produced in the United States and integrated processing of such fabric is non-existent here because of the labor costs involved.

Last year, Japanese exports of georgette crepe amounted to 21,692 thousand square yards, sheer crepe to 385 thousand square yards, and other find crepes to 27 thousand square yards.

As for rayon habutae and bemfany fabrics, we understand that these are woven with fine cupra yarn of about 40 denier, which is not produced in the United States, again because of its labor-intense character.

In 1967, Japanese exports of habutae were 1,432 thousand square yards and bemfany 2,396 thousand square yards.

Insofar as rayon fancy weave and other similar weaves are concerned, our information is that brocade cloth threaded with metallic yarn and many other kinds of fancy weaves processed in small quantities are shipped to the United States, mostly on special orders. The high labor content involved precludes their American production.

Exports from Japan last year accounted for 2,935 thousand yards in the fancy weaves and for 8,957 thousand yards in other similar weaves.

Spun rayon ginghams are not produced in the United States, which features cotton gingham fabrics and polyester and cotton blended ginghams. The same explanation of labor-intensity and equipment is given for "Other spun rayon cloth".

A year ago, Japanese export of spun rayon gingham was 2,493 thousand square yards and of "Other spun rayon fabrics" 2,387 thousand square yards.

Synthetic crepe fabrics, of fine twisted yarn, is seldom woven in the United States on account of its high labor requirements. Some 6,080 thousand square yards were exported to this market from Japan in 1967.

Concerning polyester sheers and taffetas, the former is woven with 30 denier yarn as against the 40 to 50 denier yarn of the United States, while the latter is woven of 50 denier yarn, of which there is little production in this country. Last year's Japanese exports totalled 5,441 thousand square yards of polyester sheers and 4,534 thousand square yards of taffeta sheers.

There are also many Japanese manmade fiber textiles that are imported into the United States for further processing.

Of course, such manmade fiber items as staple, yarn, and cloth come in this category.

In greige manmade fiber fabrics, however, which are exported to this country for further processing, these were among the exports last year from Japan (1) 100% filament rayon/acetate—8,065 thousand square yards, (2) 11% filament synthetic—37,536 thousand square yards, (3) 100% spun rayon/acetate—8,524 thousand square yards, (4) 100% spun synthetic—6,591 thousand square yards, (5) mixture rayon/acetate—470 thousand square yards, and (6) mixture synthetic—1,000 thousand square yards.

Imports of manmade fiber greige goods from Japan decreased 38% last year, as compared to 1966.

We have also been informed that considerable quantities of Japanese manmade fiber greige goods are imported into this country, further processed, and then re-exported to third countries. Unfortunately, data on these fabrics which are included in the import statistics are not available to us.

Among Japanese manmade fiber textiles which, we have been told, cannot be exported and sold successfully in the United States even after the five-year Kennedy Round tariff reductions are achieved, include such fabrics as vinylon staple fiber; satin, shioze, and fujiette rayon fabrics; nylon and twill synthetic fabrics; and synthetic fabrics for industrial uses.

As we commented earlier, of all United States textiles those of manmade fibers have the least reasonable economic excuse for requesting import quotas, based upon their competitive status in this country and in the world.

And Japanese manmade fiber textile exports are such that the justification for asking for import quotas are even less compelling.

Of incidental interest in this connection may be the data concerning Japanese imports of American manmade fiber yarns and fabrics. In 1966, the total dollar value of United States manmade fiber yarns exported to Japan was $2,324 thousand and in 1967, $1,453 thousand. In fabrics for these same years, it was $489 thousand in 1966 and $749 thousand in 1967.

Import quota effect

All of the specific import quota bills currently pending to impose absolute limitations on United States imports, and most—if not all—of the general omnibus import quota measures that would include textiles, are based solely upon imports.

No consideration is given as to whether these imports have had any adverse or salutary impact on competitive American products or on the overall textile complex generally. Or, any projection as to the future consequences of textile imports.

* * * * * * *

Furthermore, although negotiated arrangements and agreements now in force are to be determined subsequently or recognized in these bills, there is little question that the textile exporting countries are aware of the special circumstances of these discussions and consequent pacts. They readily understand that what is contemplated is not truly negotiations in the diplomatic sense between "equals" or "near equals."

The whole setup is strictly one-sided. Foreign governments find themselves in the somewhat awkward situation that unless they "capitulate" to United States terms, they may suffer such drastic consequences that they are eliminated as factors in the American textile market. In a sense, this may well be described by some as "economic blackmail", by others as akin to having a loaded weapon directed against one's head, with the understanding that unless there is a "surrender", one is simply triggering his own demise.

* * * * * * *

The procedures and other vital matters are not set forth in the proposals definitively. For example, one wonders how the breakdowns for textiles will be accomplished. Will it be on the basis of fibers, or on stages of manufacture, or on commodities, or on end uses?

And, as difficult as the specific textile imports quota proposals are to understand, the general comprehensive imports quota measure is even more complicated, unclear, and confusing.

If so many problems as to definitions and administration are to be left to executive discretion, not only would an impossible burden be placed on the Administration but also tremendous responsibilities, with the potential for intensive pressures from both domestic and foreign sources looming as a major factor.

* * * * * * *

Moreover, based upon their rather grim experiences with the LTA, where unilateral United States interpretation of "market disruption" and imposition of "restraint levels" have indicated how far American protectionism may go, textile exporting nations know that such arrangements and agreements, though perhaps intended to be temporary expedients at the time, too often extend into permanent law.

Accordingly, to try to measure what might happen to certain textile imports in general and from Japan in particular if the import ceilings were based on the average of such imports for the 1961–1966 period, as established in the specific textile import quota bills, we attempted to ascertain these averages for the designated six years to compare with 1967 imports.

Without vouching for the accuracy of these projections because there are so many factors that should be taken into consideration that may not have been, we have projected some sample estimates.

In manmade fiber imports, there would be about a 26% reduction from all countries, with Japan losing about six million pounds.

In manmade fiber yarns, there would be about a 63% loss in imports from all nations, with Japan losing more than two million pounds.

In manmade fiber fabrics, there would be about a 33% decrease in imports from all sources, with Japan losing about 51 million pounds.

On manmade fiber textile made-up goods, there would be a reduction of about 48% on all imports from all countries.

On manmade fiber knitted goods, there would be a cut of some 48% in total imports.

On manmade fiber wearing apparels, the reduction would amount to some 68%.

And, on manmade fiber floor coverings, the drop would be in the range of about 66%.

On a number of specific manufactured items that would be most affected by the proposed ceilings, we have had estimated some sample effects of the imposition of the specific textile quota bills.

On not-knit manmade dress shirts, for example, the total imports would be reduced by about 87% and Japan's share by about 83%.

On not-knit manmade fiber trousers, total imports would be cut 35% and Japan's share 36%.

On not-knit wool suits, total imports would be dropped 50%, with Japan's share also being cut 50%.

On manmade bed sheets and pillow cases, total imports would be almost excluded, with total imports being decreased by about 99% and Japan's share by about 98%.

On manmade fiber sweaters, the total cut would be 80% and Japan's share some 63%.

On manmade fiber knitted outerwear and other articles, except sweaters, total imports would decrease by about 67% and Japan's share about 62%.

On tutular rugs of manmade fibers, total imports would be 59% of 1967 imports, with Japan's share being about the same 59%.

On manmade fiber fish netting and fishing nets, total imports would be reduced by about 57%, with Japan's share about 55%.

* * * * * * *

These selected samplings indicate that the depth of cuts for so many textiles, especially in the manmade sector that least warrants any additional protection, are so exclusionary that many countries may be forced to cut back drastically also on their annual purchases of United States goods and services.

That textile exporting countries are most concerned about these textile quota bills is witnessed by the report that "more than 60 nations" have already registered official protests with the State Department on these and other import limitation legislation, according to nationally syndicated columnist Marquis Childs in *The Washington Post* for June 17, 1968.

* * * * * * *

That the enactment and enforcement of these textile import quota bills would result in the establishment of a huge bureaucracy should not be ignored. These bills would impose import quotas, which are quite different from the LTA limitations which are export controls in that exporting countries supervise and administer the many group and category limitations.

* * * * * * *

And, the imposition of import quotas will not assure that the domestic textile industry will continue to maintain their operations on products it may desire to eliminate for various management reasons. For instance, it has been called to our attention that on May 3, 1968, Congressman Samuel Stratton of New York had to intervene with Mohasco Industries to postpone for at least six months its decision to shut down all Wilton carpet weaving in Amsterdam that would eliminate 500 jobs by the end of the year in that community.

In this connection, Congressman Stratton had joined with other law-makers, including Senators, to persuade the President only last fall to reverse a Tariff Commission finding and continue high protective tariffs on Wilton carpets to "protect" American jobs. But, it was not permanent import protection from im-

ports that Mohasco wanted, though it argued for such relief at three different Tariff Commission hearings, but rather other opportunities to engage in more economic and profitable operations.

With this recent example in mind, we urge that if these import quota bills are to be enacted in spite of Administration and economic warnings, the least that should be done to assure the government and the people that the textile industry in good faith will attempt to become more efficient and competitive, government inspection of books, facilities, management, and operation should be directed to insure that certain few sectors of the textile complex will not take advantage of the special sanctuary to continue in business without attempting to modernize and rationalize their enterprises and operations.

If the American people are to be deprived of the benefits of freer, nondiscriminatory textile trade, then it seems only reasonable and logical that the beneficiaries of public largess be required to demonstrate continually that they are not violating the confidence and subsidy of import quota protection.

* * * * * * *

Of course, we do not believe that textile import quotas are warranted by any of the economic facts, especially since there are adequate provisions to help "industries", companies, and workers who need such aid in existing and proposed legislation.

For "industries", the escape clause, the countervailing duties, the antidumping, and similar statutes remain on the books to provide required import relief when such remedies are needed.

And, the Administration's trade bill liberalizes the adjustment assistance procedures to enable firms and workers adversely affected by increased imports to receive certain allowances to "help" in their adjustment needs.

Thus, since there is no legitimate economic justification for the imposition of textile import quotas, and since such imposition would not only reverse historic American trade policy but also invite drastic retaliation from other countries that will more than offset any temporary gains that might accrue to the United States textile industry, we urge that this Committee and the Congress act favorably on the Administration's trade measure, and reject—now and for the future—all arbitrary and comprehensive textile import quota legislation.

Mr. BURKE. Thank you very much. Are there any questions?

Mr. LANDRUM. Mr. Masaoka, it occurs to me that your statement fails to take into account—whether intentionally or unintentionally I will not say—the real problem with which this Congress is concerned. We are not unmindful of the value of our exports to Japan. We recognize that it is a valuable source of income to our trade picture.

I believe that all Americans appreciate that fact. We are not unmindful, moreover, of the cold, hard fact that in order for us to have and enjoy that trade relationship there must be some exchange, some reciprocity, but as I listened to your statement it occurs to me that you are completely overlooking the fact that what we are concerned about here is the increase in imports relative to production and consumption.

I see no place in your statement where you take that into account. It is this relative position of the output of the industry to the consumption that Congress is concerned about.

What we are concerned about is where or when do these import ratios reach an unacceptable level. I don't feel that our effort here is as you suggest or as you state, with an import quota bill to put a gun to anybody's head, and certainly it is not putting a gun to anybody's head any more than you have suggested that Japan is putting a gun to our head if we don't keep this market open to her and let her have whatever amount of it she wants.

We are perfectly agreeable to have a fair exchange of trade in textiles and other products because, as I said in my opening remark, we recognize the value to this Nation. But we don't accept the fact that we have to turn over completely any segment of our economy and throw

away American jobs just to keep Japan or any other nation from retaliating against us. I don't enjoy sitting here listening to you say that we are putting a gun to Japan's head and turn right around in the next statement and say Japan is going to put a gun to our head if we don't let Japan have it.

That is about the extent of your statement as I see it.

Mr. MASAOKA. Mr. Chairman, I am sorry if I misstated it. I thought I made clear that the statement concerning retaliation was suggested by Mr. Freeman last week in his testimony to this committee.

Now, as far as the suggestion made about the Japanese coming to this market, we think that it should be definitely a two-way street. We urge this.

Mr. LANDRUM. But in establishing a two-way street, Mr. Masaoka, let us keep in mind that the present concern of this Congress is true reciprocity—a real two-way street.

What we are concerned about, what this Congress is concerned about, is not preventing the nation of Japan or any other nation from coming in for their fair share of our market. What we are concerned about is when have we reached this ratio between production and consumption that it becomes unacceptable and then a threat to our own employment in this country.

We would, I think, appreciate Japan's own concern about our invasion of any market that she has. Of course, of the products you mentioned that we are fortunate to sell to your nation, the great majority of them are unavailable to Japan in Japan's own natural resources or in her own economy.

I quite understand that and I recognize that the degree of efficiency that the Japanese nation has reached in the production of textiles is just about as high as any nation has ever reached. We don't complain about that, but what we are concerned about is that we don't feel that this industry in this Nation that furnishes employment to more than a million people is entirely expendable just to keep Japan satisfied.

Mr. MASAOKA. I just want to clarify this. As far as the textiles are concerned, Congressman Landrum, we think that the overall impact of imports is not bad. The Tariff Commission has examined this. It came to the same conclusion. We are saying that if there are particular imports that do have an impact there are ways to take care of that, but why put a protective cover over the entire industry when it doesn't need it. How does one account for the fact that the industry is doing so well if imports overall have this tremendous impact.

I could site statistics if you wish, Mr. Chairman, into the record, but I don't think it is necessary because they are already in my printed brief, but if you will go through the record for the past 10 years you will find the profit margin has increased, the production overall has increased, the dividends have increased, almost every economic factor that we can think of has increased, Mr. Chairman.

Under these circumstances we feel that the selective import approach is a proper approach, particularly since by allowing Japan to ship to this country it would allow her to generate the money with which to buy these goods.

It is as simple to us as this. We are not threatening anybody. When I say "we" I mean in the context of this particular country. It just

makes sense that a country like Japan, with practically no raw resources, if she cannot earn the dollars with which to buy American goods, what is she going to do? She just cannot buy any more and this is the proposition which we present.

Mr. BURKE. Are there any further questions? Mr. Battin.

Mr. BATTIN. I think I am sorry that you mentioned Secretary Freeman and what we said because he has been wrong so many times that it doesn't hold much weight.

Mr. MASAOKA. Well, all I can say is, after all, he is the Secretary of Agriculture and if he states this as a fact that he heard and in testimony, I think that I should say that he said it rather than credit it to somebody else.

Mr. BATTIN. Let me reverse the situation a little bit if I may, because you talk about textiles but I represent a part of the country which from time to time sells wheat to Japan for dollars. It wasn't too long ago I had the opportunity while in my district to visit with the buyers that were there looking over the area to see what it was they wanted.

Mr. MASAOKA. Mr. Congressman, may I interject?

Mr. BATTIN. Yes.

Mr. MASAOKA. We talked so much about the tremendous increase of imports to the United States of Japan textiles. Could you imagine just 10 years ago that Japan would be eating so much wheat instead of rice?

Mr. BATTIN. I am glad they are.

Mr. MASAOKA. And that the wheat imports to Japan have increased so tremendously. In other words, there are economic factors in there.

Mr. BATTIN. Let's not get it out of context because they not only shop here; they shop in Canada.

Mr. MASAOKA. That is right.

Mr. BATTIN. They shop in Australia, and when they can get what they want for their mills, they buy at the best price they can get.

Now, if we can't give it to them, they are going to get it from Australia, they are going to get it from Canada, or some other country that can supply their needs at a price they can afford to pay, which is fine. I mean that is a part of the bargaining. That is part of the trade system.

Mr. MASAOKA. If I may make a point there, though, Mr. Congressman——

Mr. BATTIN. Before you do, the point I am trying to make is a long way around but I think it is—unless I misunderstood your statement—you say that the efficiency of the Japanese industry is such that they can produce and sell in our market, taking into account transportation at a profitable rate and that if we can't compete then maybe we should go into something else.

Do I understand you?

Mr. MASAOKA. Yes, but I think it should be pointed out that the relative range of Japanese textiles, for example, in fabrics, is relatively small. A witness before the U.S. Tariff Commission last November with some 25 years of experience in selling fabrics said that only about 10 percent of the fabrics which Japan produces can be exported and sold successfully in the United States.

In other words, there are things like mass production items and other items in which Japan simply can't compete with the United States.

Mr. BATTIN. If this is true why is it that Japan has such rigid barriers on allowing imports into Japan of U.S. automobiles? We can produce them much better and export them at a profit but we are not allowed to.

Mr. MASAOKA. I am all with you on that, Mr. Congressman. I believe that Japan ought to break down all the barriers and I think the way to do it is to show the way. I think that Japan and other countries ought to be encouraged in every possible way to get rid of their import barriers because I recognize that the American genius for production and innovation will probably be able to export much more given a fair chance.

I am all for that, sir.

Mr. BATTIN. Except I think their Government is concerned that we would be earning too much by way of our export market with the net result being an injury to the economy of Japan.

After all, if this money is coming out of Japan it could be harmful to that particular country and so they have put up some barriers to at least try to develop their own industry. Whether that is right or wrong the decision has to be made by the Japanese Government, but now I asked this question of another witness a couple of days ago representing I believe the Italian importers: (he too was an American citizen and was familiar with the operation of the Government structure in Italy). What chance would an American exporter have to appear before the Japanese Diet to argue his case as you have argued the case for the people that you represent? What opportunity is there for an American businessman in this area?

Mr. MASAOKA. I don't know frankly, but I think here again, sir, because Japan or other countries don't do something should not be a reason for us not to do something.

Mr. BATTIN. That is a point which I worry about because if what many have told us is correct—particularly relating to our own balance of trade, as set up against others—and we are not going to be able to redeem dollars for gold, we will either run out of gold or put a moratorium on redeeming dollars. What position does that put Japan in?

I think they would be as concerned as we are, realizing their reserve currency isn't necessarily dollars, but sterling. They have to be concerned. We do a lot of shipping in Japanese bottoms which is an earner of dollars.

If you take this whole thing out of context and say you are talking about Japan and the United States or any given country and the United States, we are looking at a whole pattern of world trade, at least the free world.

We do have some problems and I don't think you could sit there and say that we don't.

Mr. MASAOKA. I would be the first to say that we have problems. I would be the first to say that we ought to do everything we can to eliminate them, but in terms of trade balance with Japan, since the end of World War II, with the exception of only 3 years, has the trade balance been in favor of Japan.

All other years it has been in favor of the United States, the trade balance.

Mr. BATTIN. Hasn't Japan recently made some investments in Korea to manufacture textiles and ultimately ship them into the United States?

Mr. MASAOKA. I don't know, sir.

Mr. BATTIN. I think you will find that they have because if the figures we got this morning are correct, the costs of production, of labor that is, it is much cheaper in Korea than it is in Japan. Actually Japan has to be a high cost producer as far as Asia is concerned and they are looking out for their own interests by investing capital in a country where they can produce cheaply and still remain competitive.

Our Government has slapped a freeze on the exports of capital. Our businessmen can't find themselves in the same position. You answer this and I will close with this. Do you know whether the Japanese Government has any restriction relating to the investment in Japan of American industry?

Mr. MASAOKA. In terms of textiles?

Mr. BATTIN. Or anything else.

Mr. MASAOKA. I believe she does have some restrictions, but I think again Japan is trying to liberalize these as fast as she can. I think, sir, as we tried to explain—perhaps we didn't do it as adequately as we should have—in sum we think that it is in the American national interest not to impose import quotas across the board. On a selective basis on certain items there may be justification on a temporary basis, but overall the textile industry is not an infant industry.

As far back as 1812 they were petitioning the U.S. Government for import protection and the question comes up—just as you say, Japan is facing a problem of lower cost production elsewhere, and the question comes up sometimes why do we in America also try to keep our workers.

Isn't it better, even if it is difficult, to try to upgrade them and get them into higher paying jobs with better conditions of work. If this can be done we understand, for example, in South Carolina that the textile industry is having a difficult time finding workers in competition with electronics and other things.

We think this is to the good. This is happening in Japan. This is happening elsewhere. So we think that if an item or if a particular industry or company or so on is uneconomic and uncompetitive, whether it is in Japan or here or anywhere else, in the long run it might be better if we allowed them to close down and allowed the others to move on. This is I think the purpose of the adjustment assistance provisions.

Mr. BATTIN. This would be pretty hard for me to understand in view of past legislation where we recognized the textile industry as being part of our national security.

Mr. MASAOKA. I didn't understand that.

Mr. BATTIN. I say it would be pretty hard for me to just write off the textile industry in the United States since it has been a finding of the Congress that as a matter of fact the textile industry is a vital par of our national security, the same as steel.

Mr. MASAOKA. Mr. Congressman, with all due respect I would say that the textile industry is not near that kind of collapse. As a matter

of fact, if you will go back into the record 10 years ago the textile industry was saying exactly the same thing. They said if imports increased they would be forced to shut down.

Instead over the past 10 years they have become more productive than they ever were.

Mr. BATTIN. Fewer companies, however.

Mr. MASAOKA. Yes, some companies have gone down, yes, but overall the industry is strong. It is a competitive industry. It is an economic industry. It is the kind of industry America can use, but like all other huge industries, 35 house different units, there are bound to be some segments that are weaker than others and maybe we are helping the total industry by letting them get rid of the weaker elements in order to strengthen the whole.

You see, this textile industry has grown tremendously during the past 10 years in spite of the inroads of plastics and paper, and these have taken tremendous quantities away, as you know, from the textile industry.

For example, paper towels have replaced cotton towels. This alone is tremendous. As a matter of fact, without trying to be facetious, one person told me that if we got rid of the mini skirts and add 3 inches to every skirt in America we wouldn't have a textile problem of any kind.

Mr. BATTIN. I would say that might be all right. That is all, Mr. Chairman.

Mr. BURKE. It would also run into a lot of other problems.

Mr. MASAOKA. We might not be able to see them as well.

Mr. BURKE. Are there any further questions?

I would just like to point out to you a matter of trade balance. In 1961 according to the official figures the exports were $1,837 million and in 1961 the imports were $1,055 million. In other words, the United States has a plus trade balance of $882 million. In 1967 it shifted and we have a deficit balance now of $303 million, which is almost a change of $1,185 million.

In other words, the trade balance right now is in favor of Japan.

Mr. MASAOKA. I think in three of the years since the end of the war I have acknowledged that.

Mr. BURKE. I would like to ask you. Do you think it is impossible to set up a policy whereby we don't rollback imports—in fact they allow a flexible increase to correspond with the gross national product and domestic production—and this could be done without hurting say the textile industry of Japan?

How would that hurt the textile industry of Japan?

Mr. MASOKA. You are putting on kind of a straitjacket on which they could grow. For example, a Member of the Congress I think, and perhaps a member of this committee, who represents a port area pointed out that if you had this kind of quota, no matter how efficient this particular port city became, whether they enlarge her port facilities and everything else, she could only expand so much and therefore that this would discourage ingenuity. This would discourage efficiency.

Mr. BURKE. But Japan today has quotas on many products that we manufacture and, as you say, it is a two-way street. I understand the suggestion of traveling up one way of the street but the people that you represent, your association, are not traveling back the other way.

How do you make it a two-way street when they have quotas over there and you say it would have such a damaging effect if we establish this type of a system here?

Mr. MASAOKA. Simply because, sir, that while textiles are the kinds of products which Japan can export to the United States, we are in an advantageous position in the production of agricultural products, and so on, so we have this kind of economic advantage and this becomes a part of a two-way street.

The different vehicles are going the different ways, sir.

Mr. BURKE. Do you think it is necessary for this country here to allow the imports, say, to go up to 30 or 35 percent?

Mr. MASAOKA. Pardon me?

Mr. BURKE. Do you believe it is necessary for the imports of this country to go up to 30 or 35 percent as they are in some industries without the Congress taking some action?

Mr. MASAOKA. In the case of Japan, for example, our exports of chemicals are much more than 35 percent and Japan is a producer of chemicals.

Mr. BURKE. In other words, what you are saying to us is the textile people should forget about what they foresee in the future and allow these imports to come in here without raising their voice and without anyone coming up with any answer?

I don't believe that that is true. With the trade picture here the way it is between Japan and the United States, which is beneficial to both sides, and certainly I don't think the Japanese people are going to cut their nose off just to spite their face—I think they are just as anxious for this trade to continue as we are—I can't understand why the business people over there can't see the problem that is being created and why they aren't satisfied with a share of the market that allows them to have a flexible increase in expansion and yet doesn't arrive at a result where they destroy an industry here in its entirety.

Mr. MASAOKA. Would the Secretary of Agriculture or Department of Agriculture like that kind of escalating situation with Japan in terms of our products?

Mr. BURKE. When you bring his name up you hit a rather sore spot here. I did not agree with his testimony the other day. I happen to represent an industrial area and he said he was in favor of quotas on agricultural products but not on industrial products, so you can see that there is a little difference there in our understanding of what the problem is.

Mr. MASAOKA. I think this is exactly our problem too, Mr. Congressman. You see it from your light. I see this from my light.

Mr. BURKE. That is right and now what I am trying to find out from you is if there isn't some middle ground that can be met upon whereby a solution can be arranged. You have given excellent testimony and you have done a marvelous job on behalf of your association and I give you a great deal of credit for the testimony that you have put in here, but you have failed to come up with the answer.

Mr. MASAOKA. I think the answer is already in existing law together with the administration bill. We have an escape-clause procedure.

Mr. BURKE. This isn't what we hear. What would compel over 200 members of the U.S. Congress to file these quota bills if there wasn't

some reason for it? Do you think that this just comes out of the air, that these Congressmen are just here trying to keep the printing department of the Government going, or do you think that they are looking for some sort of publicity?

Mr. MASAOKA. No. I think that as the President himself pointed out, in all fairness you see a certain problem one way. The administration and some of the others of us see it the other way.

Mr. BURKE. The textile people and the shoe people favored the trade bill. I voted for the trade bill. I am for expansion of trade, but I am not for putting my head under a guillotine and have my head cut off no more than anybody else is, no more than the Japanese Government would be.

Mr. MASAOKA. But for the past 10 years the textile industry hasn't been going down the road as an industry.

Mr. BURKE. It hasnt' been going down the road because of certain conditions that exist, but it can go down the road when those imports start rising up above 20 percent. When they start reaching 20 or 30 percent of the domestic production then they will be in trouble.

Mr. MASAOKA. But we have the escape clause procedure.

Mr. BURKE. Now, this is what they forsee today and they are not asking for a rollback or a cutback of imports into the country. In fact, they are asking for an expansion, a reasonable expansion. Maybe 5 percent might not be enough. It might have to go to 10 percent.

But what they are trying to say I think is to have these imports on a voluntary basis be restricted so they will not reach a point where they get up to 35 or 40 percent of domestic production.

If we lose jobs here, if we lose our buying power, we won't be able to buy the Japanese products.

In other words, it is like a round robin. We help Japan and Japan helps us. It is a two-way street. I don't think that you have come in here with the answers as far as how do we solve some of these problems that we see arising.

Mr. MASAOKA. We think that the answers are, first, in existing law. We have the escape clause procedures which rely upon economic facts. Then we have the administration's proposals, particularly the adjustment assistance proposal.

Mr. BURKE. Don't talk about the adjustment assistance proposals because as far as making any adjustments on some of these industries, it is nil. As I said the other day, it would be like giving a patient with cancer an aspirin tablet. That is about the effect it would have.

We are faced with some real problems and I think it is up to associations like your own to get the story back overseas to these people over there.

We sent a committee over to Italy a few years ago, and I think it also went to Japan, on footwear problems, and they explained to them what the problem was and they all shook their head and they smiled, and they said, "Yes, we understand." And after the committee returned to the United States instead of stopping an expansion of that particular business they built many, many more factories to direct their imports right into the United States and accelerate them up to astronomical heights.

In other words, they ignored what the committee told them, and I think that this is a big problem today in some of these countries, that

they do not understand that once these imports reach a certain height if we were to go into a decline in our economy and thousands of jobs would be lost, instead of a quota system you would have another Smoot-Hawley bill enacted here and there would be no business. I don't want to see that. I don't think you want to see it, and I don't think the people over there want to see it, so all we are asking is to have a reasonable adjustment of the policy on imports and to have these industries abroad that are causing these problems realize that there is a certain point that they can reach and when they go beyond that, then not only are they in trouble, but the entire trade picture is in trouble.

Mr. MASAOKA. Mr. Congressman, to the Japanese, to the Britisher, to the Europeans, we have a legal procedure, the escape clause, and other procedures, and industries which feel that they are getting serious injury from imports can apply for it. If these industries do not apply, then the people overseas almost are reluctantly forced to conclude that the people do not have an economic fact.

Mr. BATTIN. Will the gentleman yield?

Mr. BURKE. Yes.

Mr. BATTIN. I don't have the figure and if you don't recall it I will get it for the record. How many times has an American industry applied to the Tariff Commission and gotten relief under the peril point?

Mr. MASAOKA. The escape clause?

Mr. BATTIN. Yes.

Mr. MASAOKA. I think the last two on textiles they did get relief. Wilton carpets and cotton-type ribbon, ribbon cloth.

Mr. BATTIN. How long did it take to get it?

Mr. MASAOKA. These are the last two that came up.

Mr. BATTIN. I haven't been in Congress very long, eight years. I used to go down to the Tariff Commission regularly and represent my constituents. I was forced to tell them it was a waste of both of our time to go down there, and I don't say that facetiously. It just was.

When you have people on the Commission who have their own ideas about what should be happening on the trade balance rather than following the law as set down by the Congress, we don't have an effective mechanism. That is why these hearings are being held. That is why the industries are coming in and testifying about their problems and recommending to this committee what they should be doing about it.

Mr. MASAOKA. The Tariff Commission is a creature of the Congress.

Mr. BATTIN. I know.

Mr. MASAOKA. And its members are confirmed by the Senate.

Mr. BATTIN. Under the Trade Expansion Act, of 25 investigations that have taken place under section 301, none has been found to——

Mr. MASAOKA. This is the adjustment assistance provision.

Mr. BATTIN. Yes.

Mr. MASAOKA. This is why the administration with that experience is liberalizing those particular rules.

Mr. BATTIN. We are talking about two different animals here. We are talking about the workers on the one hand, and industry on the other hand. What you are suggesting, even with workers, is that we just end up in that unique position of having lost an industry and then asking the taxpayers to pay for it. That doesn't seem to be a very good business proposition.

Mr. MASAOKA. I think that, for example, your colleague, Congressman Stratton, recently called attention to the fact that Mohasco Industries in the city of Amsterdam, even though they have this import protection which has completely cut out Wilton carpet imports, for example, just decided to lay off their workers right after the Congressman and others had gone to the White House, and I think if I recall the Congressman's words, they practically persuaded the President to reverse a decision made by the Tariff Commission.

In other words, these factories were closed. People will go out of work. These things happen all the time in industry and they happen more due to other factors than imports.

Mr. BATTIN. That is all, Mr. Chairman.

Mr. BURKE. Thank you very much, Mr. Masaoka.

Mr. MASAOKA. Thank you.

Mr. BURKE. Our next witnesses are Mr. Lawrence S. Phillips and Carl H. Priestland of the American Apparel Manufacturers Association.

STATEMENT OF LAWRENCE S. PHILLIPS, THE AMERICAN APPAREL MANUFACTURERS ASSOCIATION; ACCOMPANIED BY CARL H. PRIESTLAND, CONSULTING ECONOMIST

Mr. PHILLIPS. Thank you, Mr. Chairman. I am Lawrence S. Phillips, president of the Phillips-Van Heusen Corp. I am here on behalf of the American Apparel Manufacturers Association, a group of over 500 manufacturers in America, the largest group in the world of its kind. And I am joined here before you by Mr. Carl Priestland, our economic adviser.

You have been at this for 2 weeks and have heard the figures that I have in the prepared testimony many times. I am not going to impose upon you by repeating them. I have a simple and short story to tell you, and I really don't need to refer to these notes because I know the story by heart.

Since May 1961, at which time the seven point program was announced, I have decided the only way to come out ahead of this game was to become a stockholder of Eastern Air Lines and take their shuttle to Washington once a week, and we have been down here probably that often between our appearances before all of our Representatives in Congress, the Tariff Commission, most recently, and monthly meetings of the Management-Labor Textile Industry Committee. And I come to you today on behalf of our industry at the point of complete frustration, at the point of complete anger, at the point when our industry is having a meeting today in Atlantic City that I must tell you about because I think it speaks for itself.

What is happening today in Atlantic City is that there are according to today's paper, 10,000 manufacturers and their representatives meeting. The meeting started at 10 o'clock this morning. The subject of that meeting is the pros and cons of offshore production and I was to be a speaker at that meeting because I am constantly asked the question, how, as the president of a publicly held corporation with responsibility to stockholders, can we permit to happen what has happened.

There is a very interesting member of this panel who is talking to a large number of 10,000 people. His subject matter is, a country-by-country critique of apparel production opportunities in Southeast Asia. This gentleman will cover the more important aspects of general investment conditions, including such factors as political stability, tax rates, incentives, freedom to remit profits, and repatriate capital and who is investing.

I don't know whether or not all the members of your committee, and I am so sorry they are not here, realize how critical and—

Mr. BURKE. Before you proceed, there is a debate going on in the House on a expenditure bill that runs into the billions, and the chairman and the other members of the committee are conferees, and have some problems on a tax bill coming up tomorrow. Everything you say here today will be looked over by the committee, and each member is advised by his staff exactly what is said here, so don't be discouraged about the attendance here because it is just as through the entire committee was here.

By the way, would you like to have that put in the record?

Mr. PHILLIPS. Yes; I would, sir. If I may I would like to have the morning program of the AAMA convention in Atlantic City inserted in the record.

Mr. BURKE. It will be inserted following your statement.

Mr. PHILLIPS. That doesn't change the fact that I am sorry because there is a certain kind of critical, almost emotional part of this that gets triggered, gets triggered in me personally, when I listen to the previous testimony. I get very angry. I get angry as an American. I get angry as a manufacturer. I don't like a gun being held to our head. I am sick and tired of their threats. And I am sick and tired of certain members of our administration who have constantly negotiated more as though they were representatives of some other country than representatives of our own country.

It is a combination of this progressive and snowballing depression and frustration which has brought the American apparel industry to the point of decision and that point of decision is now, the decision that won't be discussionable a year from now, and I would like to tell you about what they are doing and why they are about to do it, and I make it urgent before you because, as you know, we have gone through every single alternative open to us not to leave this country.

We have appeared, and our association has appeared, the individuals have appeared, and presented the case in detail that would bore you to tears. I don't propose to do that today. It has been done a million times.

I propose to show you on this map, gentlemen, the representation of this particular association that I am talking about. Those happen to represent, each one of those dots, a plant facility of one of the 500 members of our organization, or their 200 associates. The point, quite obviously, is that this association which represents in excess of half a million employees, is a terribly crucial one. Apparel is an easy item to manufacture abroad. It is very easy for an apparel manufacturer to move abroad and when an apparel manufacturer moves abroad he takes with him everything that he would normally procure in this country and he procures that abroad. That is linings, piecegoods, buttons, cartons. The whole kit and caboodle is suddenly purchased from the local suppliers in Japan, Taiwan, Hong Kong, South Korea;

which accounts, incidentally, as you well know, for a very high percentage of the imports into this country.

Now, the problem is a very simple one: the entire apparel industry has the highest labor component in its product of any industry in this country. Therefore, labor costs, direct and indirect, is the key issue. I am not going to bore you with statistics but ask you to take a look at this chart for one second which documents very specifically direct labor only in the United States of $2.01 an hour average, the source being the U.S. Department of Labor, and the four major importing countries—Japan at 35 cents, Hong Kong at 20 cents, Taiwan at 13 cents, and Korea at 8 cents.

Gentlemen, when you have a variety of products that have as high a labor component in it as does our industry, the susceptibility to this kind of competition is something which is a simple arithmetic fact. The very devious kind of testimony about what is happening abroad and the cost of fringe benefits and the unproductivity of labor is pure hogwash. On the amount of the increase in labor, minimum wage, the last two increases have in themselves been more than the total direct compensation in any one of these countries, and this, of course, does not deal in fringes, but you are well aware of what is happening in this industry, what recently happened with the union settlement, the highest in history, of 57½ cents plus fringes in the clothing industry. And the example of what that is going to set for other areas of apparel is very evident and you cannot relate figures like that and you cannot relate the inflation that is taking place in the domestic economy without widening the gap even further between what the importers can bring in here and what has to be produced domestically.

I would like, if I may, to try to present this on a bit more personal basis that I think is very simple. I would like to deal with one of our divisions, our shirt division, that I think I know pretty well. I grew up in this business. My family has been in it for four generations, and they started in this country selling off a pushcart, and there is tremendous affection for the country that has provided the opportunity for our company being what it is today, and I detest the alternative which is before us today.

Let me show you why that alternative exists and is almost mandatory unless your group takes action. I would like to show you an advertisement which is not unique. It is a very typical advertisement and not a particularly cheap one, run by Alexander's, an important department store group in the New York City area, advertising four shirts for $8.97, or $2.99 apiece.

I would like to show you the shirt. The shirt is here. It has been purchased at Alexander's for $2.99, is made of 100 percent tricot. Obviously it is part of a group that has been just referred to that is completely uncontrolled by the LTA, which applies just to cottons. This shirt from Alexander's, selling price $2.99, is advertised by them as being comparable to the two major brands. That happens to be Arrow and Van Heusen, whose identical shirts sell for $6. That is a fact.

This ad is absolutely correct. The values are absolutely correct. You can't fault them one iota for this. This is a fantastic value, and there is no question about the fact that that comparable shirt is selling by domestic producers at $6.

I show you a shirt purchased at E. J. Korvette, a shirt made of a hundred percent tricot. It was purchased for $1.99 at E. J. Korvette. I would like to put all of these in the record, if I may. I am sorry. Let me just identify these. The fact that this first shirt from Alexander's was made in the British Crown Colony of Hong Kong. Perhaps that should say with the forbearance of Communist China, who happened to let that colony exist.

I show you the next shirt, which was also made in Hong Kong, as was a shirt which is 65 percent polyester, 35 percent cotton. The price on this shirt is three for $4. Not only is the price three for $4, but the printing on the back blocked off identically to the printing on the Van Heusen comparable shirt selling for $5.

I show you the brand in Japan, a shirt from Macy's, made of 65–35 polyester and cotton, all permanent press, made exactly as well and by the same standards as ours. This shirt costs $2.62.

I show you another shirt from Macy's made in Taiwan, a hundred percent polyester tricot. This shirt, gentlemen, was purchased, sold for $2.99. Every single one of these is a half sleeve shirt very similar to the one advertised here.

I show you now the identical item which is the bestselling single half sleeve dress shirt in America. They are two identical items, one made by Arrow, one made by Van Heusen. Those shirts sell for $5. These shirts, gentlemen, that sell for $5 around this country are not superior in any way to the shirts before you on the table. The workmanship, the cloth, the quality, the stitching, is no better in the shirt you see before you than it is in these American brand shirts and I show you this comparison.

Mr. BURKE. What goes into the makeup of those shirts?

Mr. PHILLIPS. The two shirts I am holding before you which retail at $5 are 65–35 polyester and cotton, as are most of the shirts that I have laid before you. I additionally show you a hundred percent tricot shirt which retails in this country for $8, a domestically made shirt. The profit margins enjoyed by ourselves and our chief competitor are of public record and they are far from excessive. At least that is what our stockholders constantly tell us.

Gentlemen, this is what our country and our industry is faced with. I show you shirts only because it is an example. The exact same set of statistics can apply to any product line.

I will show you, if I may, in the case of shirts first what has happened to total imports, and you can see very easily what has happened in the course of the years from 1964 to the present, and the mix that has taken place between blends, synthetics, and cottons, and all the protestations about cotton being down are very legitimate because the cotton industry is off a lot less than it was at that time.

What has happened to the completely uncontrolled polyester and blend industry is there, gentlemen. What this means is that the promise made to us by President Kennedy of a 6-percent level which he thought our industry should cope with, and we agreed we would cope with, 6 percent of total consumption, has been thrown out the window by our State Department negotiators, by the bilaterals that were negotiated.

I should also say dictated by the representatives of some of our public State friends, the net result is that today in this country the 1967

ratio of imports to garments ranges from 20 percent in women's and children's slacks and shorts, 17 percent in women's and childrens' woven blouses, 17 percent in men's and boys' woven dress shirts, 15 percent for knit outwear.

I am not going to read any more figures. I am going to say to you one very simple thing: We cannot permit our business to become eroded. We have stated before you and your associates many times that the last thing in the world we want to do is to go offshore, but if we must go offshore we will. Our industry as individuals is on the verge of giving up. They are about to say, "Our Government is not our government. Our Government considers our industry expendable and, therefore, if they do that we have no choice. We must import from abroad. We must relocate abroad and we are going to have no further growth in this country, and we will begin now to start closing up small, ineffectual production units in this country."

I am not going to recite how important this industry is to this country. You know it and it has been said and said over and over again. I say to you that this is not an idle threat. Nobody is putting a gun at anybody's head. We have pleaded, we have begged every committee, every division of the administration of our country, to please take serious note of this before it is too late.

When this meeting takes place today, as it is taking place, in Atlantic City, you are beginning to see the erosion of one of the most important industries in the United States, and there is nobody who is going to stop this erosion, gentlemen, if you don't.

Our people are sick to death of the doubletalk. They yawn when the subject is brought up. Their blood boils, their temperature goes up, when they hear about the administration of the LTA and their refusal to encompass all other fibers and blends and they have asked our association, "Let's stop kidding around. Our Government doesn't care about us. Let's take the path of least resistance. Let's go abroad."

That is what this meeting is about today, gentlemen. I am sick that this is the subject matter of this meeting today and I am horrified at the fact that this expansion that should be taking place in the United States is not going to take place in the United States unless something is done and done very soon by you, and I don't know any step after you.

You know, we have had our hopes terribly high many times and I can't tell you the depths of depression that took place when the Hollings amendment was washed out at the conference.

I must say to you in all sincerity that we have a tremendous allegiance to this country. We have a tremendous allegiance to the over 1 million employees in our field, to the over half million represented by our apparel industry, and they released me from a speech in Atlantic City to say to you this is our last plea. We have made the experiments. As a public company we have made experiments. We have located adequate, substantial suppliers in Hong Kong. We are prepared to bring in merchandise. We have tested it. We have tested the quality. We have tested consumer reaction. We are going to have to do it, and it rankles us to the core to have to do it.

Gentlemen, our story is a very simple one. I don't know what is more simple evidence. I refuse to get involved in the kind of histrionics that the preceding gentleman indulged in. I would just lay before you

the facts that this is happening, and beseech you for what I am afraid is really the last time to please ask your associates on this committee to address themselves to this problem on behalf of not only the apparel industry but everybody affected by it, which, of course, includes the textile industry, and I thank you very much and I and my associate will be happy to try to answer any questions you might have.

(Mr. Phillips' prepared statement and pamphlet referred to follow:)

STATEMENT OF LAWRENCE S. PHILLIPS, AMERICAN APPAREL MANUFACTURERS ASSOCIATION, INC.

Mr. Chairman and Members of the Committee, my name is Lawrence S. Phillips and I am President of Phillips-Van Heusen Corporation. I am appearing before you today on behalf of the American Apparel Manufacturers Association, headquartered in Washington, D.C. AAMA represents more annual dollar volume in the apparel industry than any other trade organization in the world. Its members employ approximately 500,000 people in 43 States and produce more than $6 billion worth of apparel (at manufacturers' prices). These products cover the entire spectrum of apparel—men's, women's and children's, knit and woven, from fashion to staple garments.

At the onset, Mr. Chairman, may I congratulate you on the leadership you have shown in initiating these hearings. Your interest in and concern with the impact of imports on American industry and employment could not be more timely as far as the American apparel industry is concerned.

The American Apparel Manufacturers Association support your bill, H.R. 11578, because we believe its enactment would result in bringing order into the present chaotic situation in international trade of apparel and textile products. We endorse this bill and believe its large-scale endorsement by many of your colleagues in the House of Representatives to be a significant indication of the interest in our growing problem on the part of the Congress.

Underlying my comments on the apparel import problem is a philosophy concerning international trade in today's world. We think that in these days of a complex international economy which is influenced by much more than economic conditions alone, it is no longer intelligent to think of completely free trade as outlined by 19th century economists. Today, the interdependence of economic and social structures, both nationally and internationally, makes it necessary to consider more than the short run price and profit results of international trade.

We must consider the social and economic health of the people affected by the policies we will discuss here today. While it is true that "freer" world trade generally brings economic good times, it is also true that economic dislocations of some magnitude introduced into one country can have remafications throughout the world and offset the benefits of increased world trade. We must balance the consequences of our actions on these two points: the benefits of greater world trade and the economic hardships wrought by this uncontrolled increase in world trade.

One of the major problems facing the domestic apparel industry today is rapidly rising imports. Ever-increasing amounts of foreign-made apparel have been reaching our shores since the mid-1950's when the war ravaged countries of Western Europe and Japan and the developing countries of Asia and Latin America began shipping apparel to us. The quantities were small at first. But as these countries developed the capacities of their apparel industries to a size far beyond their own needs, they started to ship to the largest and most affluent market in the world. We accepted these goods, but soon found that markets were being disrupted. Cotton, wool, and man-made fiber apparel imports have grown 84% between 1962 and 1967 in physical volume, and 86% in dollar volume. (See Chart 1 and Table 1.)

At first, cotton apparel and textile products were almost the only kind of imports. Because of this, our government's initial attempts to provide more orderly international apparel and textile markets were aimed at trade of cotton products. The Long Term Cotton Textile Arrangement (LTA) was initiated in 1962 and has now been signed by 30 nations. Its most unique feature is that it allows for 5% annual growth in exports so that the importing nations are, in effect, sharing their markets with the exporting nations—but on an orderly, clearly understood basis.

Although the administration of the LTA has not always been as strict as had been provided in the Arrangement itself, the instrument has been an effective means of providing orderly access to the markets of importing countries. The manufacturers in countries which export substantial amounts of apparel are able to know the approximate size of their market each year, being fairly sure that almost all they ship within the limits of the Arrangement will be bought in the importing country. This gives stability to markets in underdeveloped countries which would not be possible otherwise.

In the last few years the effectiveness of the LTA has become increasingly limited because the trend in fabrics is away from cotton and toward man-made fibers. All synthetic or cotton-synthetic blend fabrics have gained such popularity around the world that an arrangement regulating the international trade of cotton products only cannot have the importance it did just a very few years ago. The popularity of synthetics has come about in large part because the permanent press feature of apparel products is usually achieved by the use of man-made fibers in the fabric.

In 1962 the United States imported 49 million square yards equivalent (SYE) of man-made fiber apparel. It is estimated that we will import 400 million SYE of man-made fiber apparel this year. This is an increase of 716% in only seven years. There is no doubt in the minds of American apparel producers that these imports are hurting our domestic markets. Had there been an international arrangement, such as the LTA, governing the trade of man-made fiber apparel and textiles, it is very unlikely that we would be facing such tremendous foreign competition today. A major factor in rising apparel and textile imports today is the lack of regulation of all these products except those made of cotton.

Let us look at some other reasons for the rise in imports. American retailers find that the cost of foreign-made apparel is generally much lower for comparable goods than the cost of American-made apparel. Mark-up on lower priced imports is usually higher than the mark-up on low priced American apparel. This fact also leads retailers to buy imports rather than domestically produced apparel.

At one time the quality of foreign garments was not up to the standards adhered to by American apparel producers. This is no longer true in large measure. Imported apparel is of very good quality and compares favorably with American apparel. The improved quality has brought greater acceptability to foreign goods, thus adding to the rise in imports.

Although economists have tried to discount the "cheap labor" theory relating to economic harm from imports, there is a strong argument in favor of this theory for the apparel industry. Apparel is made of two principal ingredients: fabric and labor. The machine is tertiary. Only recently has any machinery been developed which can take a little manual labor out of certain tasks relating to apparel production. The sewing machine operator is still the most important element. The equipment given sewing machines operators in most countries in the world today is every bit as good, and in some cases better and newer, as the equipment used in American apparel plants. The quality of foreign-made fabric has improved a great deal in the last decade, and it too measures up favorably with the quality of U.S. produced goods. But the price of the fabric and the wages of the labor which go into making apparel in most other countries of the world are substantially less than in the United States, and this is the major basis for their competition. The productivity of foreign labor is not so low relative to its wages that the labor cost of the garment equals that of an equivalent American-made garment.

To illustrate my point about foreign apparel workers receiving substantially lower wages, let me cite a few examples. In 1966 the average hourly wage of an apparel production worker in Japan was 35¢, in Hong Kong 20¢, in Taiwan 13¢, and in Korea 8¢. (See Chart 4.) In most Asian countries benefit payments are a very high percentage of wages, being, in effect, payment "in kind" to the workers. If we assume benefits to equal these wage payments, which is realistic for Hong Kong, for example, we can see that payment still falls far below that given American apparel workers. The possibly lower productivity of Asian apparel workers is not reflected in their substantially lower wages. They are paid less than Americans for an equal amount of output.

I think it would be valuable at this point to take a very brief look at the place of the American apparel industry in our economy and then to see which areas of the industry are being hurt most by imports. Apparel manufacturing in the

United States is carried out by about 25,000 different manufacturing plants, and most apparel companies have just one plant. Almost 1.4 million people work in this industry of which 80% of the employees are women. The industry turned out over $18 billion worth of goods last year, valued at wholesale. We estimate retail sales of apparel last year were $36.2 billion. Almost every state in the Union has some apparel production, and in many states the apparel is produced in "one company towns."

While apparel is produced in almost every state, there are large concentrations of production in some of the regions of the United States where unemployment rates as high—Appalachia, inner city areas—and among those groups of difficult to employ people labeled "semi-skilled." When apparel companies go out of business in these places, there is often no other work for the people who have lost their jobs. They are ill-equipped to do other work, and usually there is not much other work to be done in these areas anyway. Since most of the workers are women, they are not free to move in search of other employment.

There are six areas of the American apparel market in which imports have a significant share. These are staple items which are necessary in the wardrobes of all people, rather than fashion items or apparel associated with short-lived fads. In 1967, 20% of the women's and children's slacks and shorts sold in this country were imports. Imported woven blouses for women and children took almost as large a share of their market last year. The markets for knit outerwear and men's and boys' separate trousers and shorts were composed of 15% and 12% imports, respectively, in 1967. Imported foundation garments constituted 10% of that market in the United States last year. (See Chart 2.)

The growth of imports of men's and boys' woven dress and sport shirts has been exceptionally rapid, and these imports constituted 17% of the U.S. shirt market last year. The meteoric rise of synthetic fiber shirts is a particularly good illustration of the unlimited growth possible for man-made fiber apparel. In the last few years, more and more men's and boys' shirts have been made of cotton-synthetic or all synthetic fabrics. Foreign producers were able to get in on this change of product almost at the beginning, and they took advantage of the fact that the LTA does not cover synthetic fabric apparel.

Let me illustrate the rapid increase in man-made fabric shirt imports which I have been talking about. In 1964 the U.S. imported 3,400,000 dozen cotton shirts and 196,000 dozen synthetic fabric shirts. This year, only five years later, it is estimated that we will import 2,900,000 dozen cotton dress and sport shirts and 4,300,000 dozen synthetic fabric shirts. There has been a decline in the number of cotton shirts imported because demand now is for shirts containing at least some synthetic fibers in the fabric. The increase in imports of synthetic fabric shirts is 2,100% because the market demand is for this type of product and because exporting nations can flood our markets with the product made with substantially lower paid labor. The quality of these shirts is as good as American-produced shirts of the same type but which cost more. (See Chart 3.)

There are other areas of the American apparel market which are being hurt by imports, but it is not necessary to mention them all to see that we must act now to keep our industry strong and viable. Let us look at some of the consequences of continuing imports with only the current restrictions now imposed on them.

We think there are four main consequences which could result from continuing unrestricted apparel imports. First, we feel that the apparel industry in this country is filling an important economic and social need which will not be satisfied if apparel plants are put out of business by imports. The importance of the industry to employment of certain types of people and of those in the particular area which are known for unemployment cannot be overstated. The need for our society to provide work for everyone seeking employment can be met by industries such as the apparel industry which can train the "hard core unemployable" in a matter of months.

Second, apparel producers have invested several billions of dollars in machinery and buildings in order to make clothing for our people, and they stand to lose a substantial amount of this investment if apparel imports continue to grow at the rate they have been in the past five years. Apparel-producing machinery is not adaptable for use in any other industry, as machine tools or data processing equipment is.

The third possible result of limitless apparel imports pertains to military procurement. We need an apparel industry in this country to support our military

and war-time needs. The apparel industry always rises to the call of the military when the time comes, and it has always been prepared to produce the necessary clothing. If the industry were to dwindle away, it would not be viable enough to do the job. Other national emergencies also require vast amounts of clothing which can only come from a domestic industry which is equipped to handle the needs.

Fourth, balance of payments difficulties, currently a grave problem for this country, must enter into consideration. The contribution apparel imports make to our balance of payments deficit can only be enlarged if imports continue their rapid rise. In 1964, the deficit in our balance of payments attributable to apparel was $347 million. Last year this deficit was $520 million.[1] As apparel imports continue to increase, our negative trade balance in this area will surely increase also.

How can the problem of rising apparel imports be solved so that American producers can continue to contribute employment opportunities and income to our economy? We see two possible solutions, one is highly unlikely to be effective, the other is a workable solution.

Theoretically, it would be possible to solve the problem of rising imports by a tremendous expansion of apparel exports. As a practical matter, however, this solution is highly unlikely to come to pass, since the American apparel manufacturers who have attempted to export have, for the most part, met with less than spectacular success. Besides having a product whose labor costs, and therefore total costs, are usually higher than those produced in the accepting country, American apparel producers have very frequently met with non-tariff trade barriers which have absolutely prohibited their even trying to sell their products. And, not all trade barriers are non-tariff. In some Latin American countries the tariff rates are so high that they effectively prevent any imported apparel from entering the country. These prohibitions to trade make exporting difficult, if not impossible. We are not successfully eliminating non-tariff barriers, yet the only barrier we have against a large portion of apparel imports is a low tariff.

We think the solution lies not in raising our own tariff rates but in instituting an orderly access program whereby we will continue to share our growing apparel markets with imports but will not stand by and watch a virtual take-over by imports. We believe that an international arrangement, such as the LTA, covering apparel and textile products of all fibers is the way our foreign trade policy can solve the problems of the trade in these products. We would prefer to see the multilateral arrangement which an all-fiber LTA-type instrument would provide. If that were not possible, bilateral agreements with those countries which export apparel and textile products to this country would be a very similar solution. Only if these two approaches failed would we want this country to take unilateral action to regulate the inflow of apparel and textile products. In any case, we are willing to share our markets. We want imports to have orderly access to American apparel markets. We want to grow along with overseas producers; however, we do not want them to take all the market growth and some of the market which is already established.

This approach is good for all apparel producers because it permits competition and also gives exporters a fairly good idea of the dimensions of the market available to them in this Country.

The alternatives open to American apparel producers in the event that no orderly access arrangement is established are not pleasant to contemplate. Initially, at least some of the apparel makers would move their production to those countries where labor costs were at a level which would make their products competitive on the basis of price. I know apparel executives whose firms plan that all new plant and equipment will be added overseas. Some companies would start phasing out their less efficient domestic plants when the foreign capacity is built up. When this happens, a lot of small producers will also be squeezed out. This trend will snowball once it starts, and substantial employment and investment will undoubtedly be lost. This will leave our economy with greater unemployment, loss of capital, and loss of income.

---

[1] Includes all fibers plus leather, rubber and fur apparel but excludes exports of used apparel.

Our foreign trade policy must continue to weight the needs of domestic industry against the needs for foreign trading partners. We must recognize that American producers have at least as much right to be helped by our foreign trade policy as do foreign producers. The burden to our Nation of economic and social dislocations which could occur if a major portion of our apparel industry was closed down by imports would be almost unsupportable. The price we would pay in unemployment, lost investment, and social hardships of the workers would be so high that the country cannot afford to continue its current policy toward apparel imports. The future viability and stability of the American apparel industry depends on the future of our foreign trade policy. Reduction of tariffs and no institution of an LTA for all fibers will mean great hardship for the industry. On the other hand, an all-fiber LTA will mean a healthier domestic industry and a well defined market with no hidden non-tariff barriers preventing foreigners from bringing their goods to our shores. Such an arrangement is an honest way to deal with the problem and at the same time provide a growing market for all our trading partners.

Mr. Chairman and Members of the Committee, on behalf of the American Apparel Manufacturers Association, may I express our appreciation for your courtesy and for this opportunity to outline before you our position on this critical problem. I will do my best to answer any questions you may have.

TABLE 1.—U.S. IMPORTS OF ALL TEXTILE PRODUCTS AND APPAREL BY SELECTED FIBER

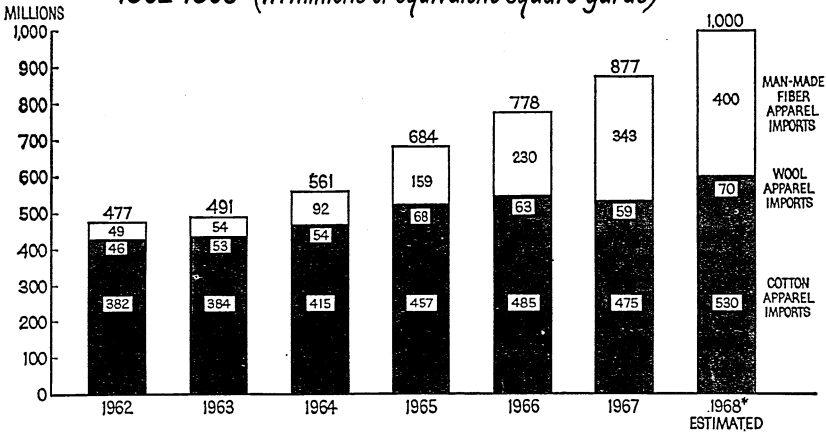
[Figures in millions of SYE and dollars]

	1962	1963	1964	1965	1966	1967	Percent change, 1962–67
Imports of textile products [1] (SYE):							
Cotton	1,165	1,101	1,058	1,312	1,824	1,486	+28
Wool	140	143	130	181	175	150	+7
Manmade fiber	213	221	328	566	798	933	+338
Total	1,518	1,365	1,516	2,059	2,797	2,569	+69
Imports of apparel (SYE):							
Cotton	382	384	415	457	485	475	+24
Wool	46	53	54	68	63	59	+28
Manmade fiber	49	54	92	159	230	343	+600
Total	477	491	561	684	778	877	+84
Percent of apparel to total	31	36	37	33	28	34	
Imports of textile products [1] (dollars):							
Cotton	$307	$298	$308	$369	$463	$417	+36
Wool	227	265	259	330	328	307	+35
Manmade fiber	72	85	129	193	259	312	+333
Total	606	648	696	892	1,049	1,035	+71
Imports of apparel (dollars):							
Cotton	154	149	163	185	208	207	+34
Wool	114	144	149	182	189	185	+62
Manmade fiber	33	39	63	92	121	169	+412
Total	301	332	375	459	518	561	+86
Percent of apparel to total	50	51	54	51	49	54	

[1] Includes apparel.

CHART 1

U.S. IMPORTS OF COTTON, WOOL, AND MAN-MADE FIBER APPAREL
1962-1968* (In millions of equivalent square yards)

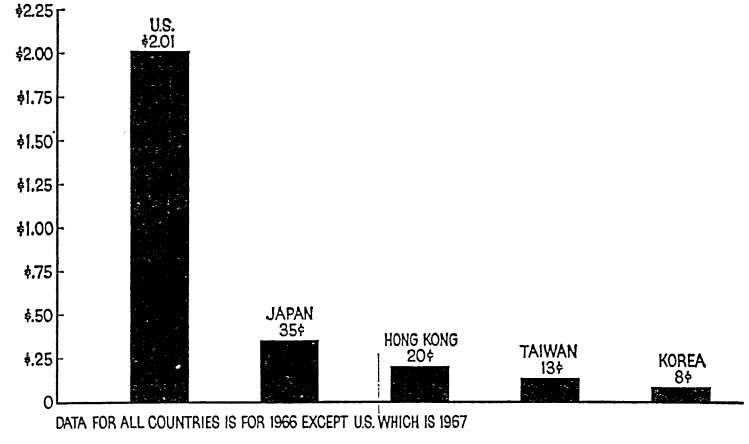


SOURCE: U.S. DEPARTMENT OF COMMERCE

AMERICAN APPAREL MANUFACTURERS ASSOCIATION

CHART 4

AVERAGE HOURLY WAGES OF APPAREL WORKERS AROUND THE WORLD

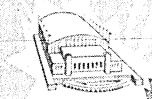


DATA FOR ALL COUNTRIES IS FOR 1966 EXCEPT U.S. WHICH IS 1967

SOURCE: U.S. DEPARTMENT OF LABOR

AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Your roadmap to INCREASED PROFITS



12 SEMINARS

AAMA

35th ANNUAL MEETING

PANORAMA FOR PROGRESS

CONVENTION HALL

ATLANTIC CITY, JUNE 19-22

WEDNESDAY, JUNE 19

10:00 A.M. – 11:30 A.M.

"PROS AND CONS OF OFFSHORE PRODUCTION"

S. H. Green

MODERATOR:

Stuart H. Green, Vice President and Secretary, Phillips-Van Heusen Corp., and Chairman, AAMA Foreign Competition Committee

"WHAT'S THE PROBLEM?" Carl Priestland, AAMA Consulting Economist, discusses the growth of imports of apparel items and how the increase of domestic consumption of these imports have taken more of the market.

C. Priestland

"MEETING MANAGEMENT'S RESPONSIBILITIES IN A PUBLICLY-HELD APPAREL CORPORATION," Lawrence S. Phillips, President, Phillips-Van Heusen Corporation, will justify Management's decision to go overseas for production to meet this crippling import competition.

L. S. Phillips

"A COUNTRY BY COUNTRY CRITIQUE OF APPAREL PRODUCTION OPPORTUNITIES IN SOUTHEAST ASIA," Kenneth Gott, Editor of "Business International," will cover the more important aspects of general investment conditions, including such factors as political stability, tax rates, incentives, freedom to remit profits and repatriate capital and who is investing.

K. Gott

"THE GOVERNMENT'S VIEWPOINT," Stanley Nehmer, Deputy Assistant Secretary of Commerce for Resources, points to four basic reasons why it is not in the national interest for American apparel or textile plants to locate abroad – the adverse affects on many sectors of the economy, on employment, on the balance of payments, and on our national security.

S. Nehmer

THURSDAY, JUNE 20

9:00 A.M. – 10:30 A.M.

"PRODUCTIVITY IMPROVEMENT USING THE A.T.P.I. APPROACH," by Emanuel Weintraub Associates, New York. With labor in short supply and wage rates increasing, the A.T.P.I. approach to productivity improvement will outline the steps that enable a firm to identify its unachieved productivity potential and will indicate the productivity improving techniques that should be utilized by plant engineers, supervisors, and other members of the management team.

E. Weintraub

"MARKETING APPAREL IN THE SEVENTIES," by Management Services, Greenville. During the present decade, significant changes occurred in the markets for apparel and the manufacturers approach to selling them. The decade just over the horizon promises to be just as volatile if not more so. How these shifts will affect manufacturers' selling, sales management, merchandising, customer relations, sales promotion and other facets of marketing will be explored in this Seminar. Emphasis will be placed on capitalizing on the *opportunities* the Seventies will afford to the progressive manufacturer.

H. Wedemeyer

"PRODUCING SMALL LOTS EFFECTIVELY," by Bertrand Frank Associates, New York. Today style, and more style, is the thing. But style brings small production lots, slows delivery, weakens quality and skyrockets costs. Yet, sound merchandising demands the on-time delivery of a variety of increasingly better garments at low cost. The answer: a comprehensive approach throughout manufacturing, to support this new selling.

B. Frank

"INTRODUCING IMPROVEMENTS IN METHODS AND MACHINERY IN APPAREL MANUFACTURING," by Summercour & Associates, Atlanta. A narrated, 30-minute color film will open this Seminar, demonstrating significant improvements in machinery application in the manufacture of a wide variety of apparel products from coveralls to underwear. Panelists will then discuss justification of the changes; how to sell the changes to production operators who will be affected by them; and operator re-training. The audience will be invited to participate in the discussions.

J. W. Summercour

FRIDAY, JUNE 21

9:00 A.M. – 10:30 A.M.

"ADVANCED COMPUTER APPLICATIONS FOR APPAREL DISTRIBUTION," by Drake, Sheahan, Sweeney and Hupp, New York. Computers have been utilized in the routine planning and control of apparel distribution. Recent developments in time sharing and remote entry, coupled with improved systems techniques, have aided in this important function. This discussion will cover: remote computer entry of data from production, distribution and sales, networks and message switching in customer order and inquiry handling systems, time-sharing applications to reduce costs and improve control, and future improvements to be expected in EDP controls for cutting, sewing and finishing and for piece goods utilization.

H. W. D[illegible]

"THE MODERN MANAGEMENT STRUCTURE," by S. J. Copelin Associates, New York. Inexorable increases in cost of production place an inordinate burden upon manufacturing management to extract maximum value for wages paid. This need may only be satisfied by altering the present unorganized approach to management, structuring it instead into a highly professional and specialized organization.

S. J. Copelin

"THE OPERATOR TEACHING MACHINE," by Asher B. Green Associates, New York. A new and advanced concept for training sewing machine operators that includes an electronic teaching machine will be demonstrated. Accelerated learning for dramatic reduction in training in time and costs will be described and analyzed.

B. Green

"PROFIT PLANNING AND INVENTORY MANAGEMENT," by Arthur Andersen & Co., New York. This Seminar will illustrate how, in order to control profit in a volatile apparel business, management needs first a carefully prepared plan of operation, and second, procedures for reacting quickly and appropriately when sales or production do not go according to plan. Keeping inventories at the proper levels to stabilize production, and properly balanced to meet delivery commitments, while avoiding unreasonable risk, is a key element in achieving planned profit results.

S. H. Schaffer

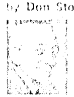
SATURDAY, JUNE 22

9:00 A.M. – 10:30 A.M.

"DEVELOPING FULL PLANT PERFORMANCE THROUGH SYSTEMATIC TRAINING," by Geoffrey Ladhams Associates, New York. This Seminar will cover such major points as: making use of modern AM techniques; key points for successful operator training; integrating training with production; developing full job and operator potential through dynamic retraining; effective development of supervision; improving work flow and dealing with changes; setting up targets, controls to maintain high performance; and dramatic results from these techniques.

C. Brooks

"INTEGRATING THE MANAGEMENT FUNCTIONS," by Don Stohlman & Associates, Louisville. This Seminar will present a new management control procedure which improves departmental organization, speeds and improves the quality of executive and management decisions, and provides the basis for substantial cost reductions in administrative overhead.



D. Stohlman

"COORDINATED FORECASTING, CUT PLANNING AND MATERIAL UTILIZATION," by Kurt Salmon Associates, New York. This Seminar will detail an integrated program, based upon an actual project, which enables manufacturers to improve their planning functions in these vital areas.

S. Kry

and

don't forget these other functions

Wednesday, June 19 • Membership Luncheon in Convention Hall. Guest Speaker, Mr. Bernard Weatherill, Conservative Member of the British House of Commons, and a Member of the British Clothing Institute, who will discuss the necessity of involvement in politics by businessmen in an effort to save the free enterprise system.

Thursday, June 20 • "Our First Lady" Luncheon at the Holiday Inn. Colorful and exciting "Furs, Crowns and Jewels" Show to follow lunch.

Thursday, June 20 • Technical Advisory Committee Luncheon at Howard Johnson's. Presentation of Annual TAC Paper, "The Scientific Approach to Operator Training," to be made by Mr. John F. Nicholson, Tennessee Overall Company, Tullahoma, Tennessee.

Friday, June 21 • Ladies Day at Smithville. A tour of a quaint restored town 20 minutes from Atlantic City, starting at 11:30 a.m. with Lunch at Smithville Inn.

Friday, June 21 • AAMA Recognition Luncheon in Convention Hall. Guest Speaker, Mr. George D. Webster, General Counsel for AAMA, discussing, "Getting Ready Now for Apparel Wage and Price Controls."

Saturday, June 22 • AAMA Fashion Luncheon at the Holiday Inn. Guest Speaker, Mr. David L. Yunich, President of Macy's New York, who will talk on the change and growth of the consumer, and the effects on both the manufacturer and retailer.

Saturday, June 22 • Presidential Gala beginning at 7:30 p.m. at the Traymore Hotel. Tables for eight or ten may be reserved. Starring in the evening's entertainment will be Alan King, Jane Morgan and Sascha Termas. The After-Hours Party will feature the "Roaring '20s." Entertainment and After-Hours Party co-sponsored by AAMA and Celanese Fibers Marketing Company.

Mr. BURKE. Thank you very much.

Are there any questions?

Mr. BATTIN. Mr. Chairman.

Mr. BURKE. Mr. Battin.

Mr. BATTIN. I would just like to thank Mr. Phillips. I have never heard him testify before. I think the charts that he presented and the visual aids of actually what has happened are most helpful. I unfortunately share your same belief as far as some of the actions of our negotiators in the past, and I too am hopeful that we will on this committee take a look at this whole problem and do something about it during this Congress.

Mr. PHILLIPS. We certainly hope so, sir.

Mr. BURKE. I would just like to commend you on your statement, and the point brought out that contradicts some of the statements that are being made here that there is no concern on the part of some people in this country about what is happening to some of our industries.

As has been pointed out here very graphically by you and the charts and the submission of this type of product, there are some real problems here in the country, and some people have to come up with some answers. The time is running short and your industry is just another one of the industries that is being injured by those who have their blinders on just like ostriches with their heads buried in the sand, and refuse to look at the problems as they exist.

You have given excellent testimony here, and the committee wishes to thank you.

One question from Mr. Landrum.

Mr. LANDRUM. Is it your judgment that the import quota bills introduced—I have forgotten the numbers, H.R. 11578 and others—put any particular gun at any of our trading partners' head? Is it that sort of a threat to any of our trading partners?

Mr. PHILLIPS. I don't believe so, sir. My primary hope is that our Government's representatives would be representatives of the people and be a little less concerned about the reaction of some of our trading partners. Their representatives are not the slightest bit concerned about our reaction, as you saw by the previous speaker.

Mr. LANDRUM. Would it be your judgment, then, that H.R. 11578, introduced by Mr. Mills, is designed more to bring about an orderly entry of imports so as not to upset our local job economy?

Mr. PHILLIPS. It certainly is our position, sir. We have wholeheartedly endorsed that proposal and will do everything we can to make it successful, and we have endorsed it completely and that is in our prepared text which has been submitted to you.

Mr. BATTIN. I was curious about the difference in price there, and you say the quality is comparable. How about, if you know, the profit margin?

Mr. PHILLIPS. One of the more difficult aspects of this is that many retailers can get a higher profit margin by importing goods from abroad and by doing it themselves than by getting involved with the middle man, such as us, as unfortunately, in this day of profit squeeze, it is terribly tempting for many of them to buy foreign items.

Mr. CONABLE. If the gentleman will yield, I notice that most of those real bargains came from large New York City department stores.

Therefore, the assumption is that they are importing them directly. Is that it?

Mr. PHILLIPS. I know for a fact that E. J. Korvette imports directly, Alexander's and Sears and Macy's import directly.

The answer to that is yes.

My testimony really was nothing but a repeat of what I have just said before the Tariff Commission.

I happened to procure this identical set of shirts from the Hecht Co. and Woodward & Lothrop in Washington. This exists in every city in the country, and New York is certainly no exception.

Mr. CONABLE. As a natural concomitant of this big increase in imports, there is some breakdown in the structure of distribution in this country. Is that correct?

Mr. PHILLIPS. What is pending before us is a complete breakdown of that happening. If that happens, if this price disparity continues to exist, then some of the major chains are going to make some major moves abroad.

The legitimate department stores in this country will then begin to make greater steps abroad, and then, which is happening right now, we and all of our counterparts and associates will make those steps, and everyone who competes with us will follow.

Mr. CONABLE. What I meant was that, as a matter of practice, you would normally distribute your shirts through some sort of agency, some sort of middleman. Is that correct?

Mr. PHILLIPS. Through a retailer, men's wear store.

Mr. CONABLE. Through area representation, and that person, independent or otherwise, would handle all sales to retailers for you, rather than you selling directly to retailers?

Mr. PHILLIPS. That is not the case in our company, but some people do operate that way. We do not. We sell directly to the retailers, as does our branded competition.

Mr. CONABLE. I think that is all.

Mr. BURKE. Thank you very much, Mr. Phillips.

Our next witness is Mr. Fred Bissinger.

Mr. Phillips, do you have any of the data that you have submitted in those pamphlets that you wish in the record?

Mr. PHILLIPS. I have submitted for the record, sir, the program of this meeting in Atlantic City, the advertising, and all of the shirts, and our prepared testimony covers all of the statistics.

Mr. BURKE. It won't be necessary for you to leave the shirts.

Mr. PHILLIPS. It might be the Representative's size, sir.

Mr. BURKE. It might be misunderstood. But it is important to leave whatever pamphlets you had there with respect to that meeting, and anything else that might be printed in the testimony.

Mr. PHILLIPS. Thank you.

Mr. BURKE. Mr. Bissinger, will you please identify yourself for the committee and proceed?

STATEMENT OF FRED BISSINGER, PRESIDENT, AMERICAN ASSOCIATION OF WOOLEN IMPORTERS, INC.; ACCOMPANIED BY DAVID SMITH, NORMAN LICHTENSTEIN, AND MICHAEL P. DANIELS, COUNSEL

Mr. BISSINGER. Mr. Chairman and members of the committee, my name is Fred Bissinger, Jr., president of the American Association of Woolen Importers, Inc., a nonprofit organization of American small business members. I am appearing before you today as their spokesman.

Mr. David Smith, on my right, and Mr. Norman Lichtenstein, on my left, are members of the association.

I wish to submit my prepared statement to be included in the record at this time.

I would like to preface my remarks at this time by saying I certainly wish the group of very capable, intelligent gentlemen who have preceded me all day at these hearings were members of my group. It would make my job much easier.

May I take a small portion of your valuable time to give the following personal information, with the hope you will be more understanding and more receptive to my observations and opinions dealing with imported woolen and worsted men's wear materials.

Beginning March 1918, I became employed in the men's clothing business as a stockboy. Later, as a retail salesman, retail store manager, wholesale clothing salesman, piece-goods buyer, and production manager of men's clothing manufacturing. All these positions were in the quality men's clothing bracket.

Starting April 1953, I became assistant to the vice president in charge of men's wear sales for the Forstmann Woolen Co.

In August 1956, I started selling my current line of quality worsted men's wear, materials from Japan.

In addition to contacting the men's wear wholesale clothing manufacturers the past 15 years, I have maintained a personal contact with some of my former retail clothing accounts in Los Angeles, San Francisco, Baltimore, Washington, Chicago, Cincinnati, Boston, and New York.

For the record, based on the consensus of the opinions of the quality men's clothing wholesalers and retailers, as expressed to the members of the American Association of Woolen Importers, the market for American-made quality men's wear, including suits, sport coats, slacks, topcoats, and overcoats, is largely dependent on their being tailored, using imported worsted and woolen materials.

Without an adequate supply of these imported fabrics, the quality men's clothing manufacturers and the quality men's wear retailers would no longer be able to serve the clothing needs of the affluent American men.

Obviously, the loss of this quality sales volume would result in lower employment in both the American men's wear wholesale and the men's wear retail establishments.

In the case of Japanese men's wear worsted-type materials, please let me give you an item for the record.

A few years ago, the Japanese mills developed a silk and worsted sharkskin for men's wear. This fabric requires a special weaving technique.

This particular material during the past several years has accounted for approximately 40 percent of all men's wear worsted material imports to the United States from Japan.

Again, for the record, we know of no American mill to date who is making and selling this silk and worsted sharkskin.

Please note, men's wear woolen and worsted imported materials are predominantly worsted fabrics. As a point of information, worsted materials can only be made from worsted yarns, which can only be spun from virgin wool.

In addition to the basic quality of these imported materials, and in many respects more important from a merchandising standpoint, is the very important style factor.

The mills in England, Italy, Japan, Korea, and other countries will make special items, such as the so-called classics and so-called fancy patterns, including special design and special colors, in limited quantities.

Without these so-called specials, the quality men's wear American wholesalers and retailers would, in my humble but qualified opinion, find it very difficult if not impossible to remain in the quality business.

Please note, when I say foreign mills will make specials in limited quantities, I mean specifically four-piece warps, four pieces of a pattern in a given color. Average total yardage for a four-piece warp would be approximately 300 yards, which would be sufficient for approximately 85 suits, or 150 sport costs, or 200 pairs of slacks, or 100 outercoats.

The smallest weaving warp any of the big three American mill combines are currently weaving, according to reputable market information sources, is a 27-piece warp. Average total yardage for a 27-piece warp would be approximately 2,160 yards, which would be sufficient for approximately 655 suits, or 1,147 sport coats, or 1,530 pairs of slacks, or 765 outercoats, of a pattern in one given shade.

My judgment of the market is that the average American price for worsted cloth runs from about $2.80 to $3.40 a yard. This is where the volume business is done by our domestic mills, with perhaps a very minute percentage of production at higher price levels. In contrast, there is very little, if any, worsted material brought in from Japan under $4 per yard, the landed cost.

The Tariff Commission found the average landed value of Japanese worsteds was approximately $4 per linear yard, which is believed to be higher than the average wholesale price of men's domestic wool worsteds. The Commission also found:

> The British imports are usually high-styled, expensive fabrics averaging over $5 per linear yard (duty-paid), and compete with a limited segment of the domestic production of wool apparel fabrics.

Whereas imports are confined primarily to the men's suit field, with some imports utilized for high-quality sport jackets, the domestic industry practically has to itself the much more rapidly growing men's slacks field and fabric for the women's trade.

Import data shows that imports of wool fabric have been declining over the last several years. Total imports dropped from 84.9 million square yards in 1965 to 67.1 million square yards in 1966, and 60.6 million square yards in 1967. For the same years, imports from Japan, the major supplier, dropped from 40.4 million square yards in 1965 to 37.7 million square yards in 1966, with a slight increase to 38.7 million square yards in 1967.

Certainly this shows a declining pattern of imports, not the rapidly increasing imports which the domestic industry would have you believe. Imports for 1968 so far are higher than 1967, but are at about the same level as 1966.

I am in the market every day, and there is more than ample evidence that domestic mills are solidly booked ahead, and in many cases are not able to meet their customers' demands.

I participated in the Tariff Commission proceedings on textiles and apparel. I believe that this report has put the entire matter in perspective. The Commission found declining U.S. production of chiefly wool fabrics. However, it remarked:

> For the most part, the failure of output for such products to expand appears attributable chiefly to changes either in fashion or style, to technology, or both. In relatively few instances do imports appear to have been a major factor.

The Commission continued:

> The domestic output of woven wool fabrics has, however, also been materially affected by the significantly greater popularity of blended woven fabrics, made in the same plants as all-wool fabrics, particularly for use in lightweight summer suiting and slacks.

Quite clearly, as the Commission found, this is an all-fiber industry. If the U.S. production of chiefly wool fabrics is decreasing, but production of chiefly manmade fiber fabrics blended with wool is increasing, and all together there has been an overall increase in production in the same mills, this is certainly no cause for cries of injury or the imposition of quotas.

I would like to state that the essence of this business is style and quality. Imports enjoy a favorable market for their high quality, high priced fabrics, to the benefit of clothing manufacturers, retailers, and consumers. The American industry is doing beautifully in its much broader market of lower-priced, mass-produced fabric. I believe that the domestic industry cannot only live with imports, but can, as it has shown, prosper.

In conclusion, please note our case in point is briefly that we are providing the basic materials necessary to provide the affluent American men with selective quality, American-made clothing, and in so doing, we are also providing employment for American men and women who make and sell these finished garments.

I thank you, Mr. Chairman and members of the committee, for giving our small organization this opportunity to appear before you.

I sincerely trust my brief remarks have been informative.

(Mr. Bissinger's prepared statement follows:)

STATEMENT OF FRED BISSINGER, PRESIDENT, AMERICAN ASSOCIATION OF WOOLEN IMPORTERS, INC.

Mr. Chairman, members of the Committee, my name is Fred Bissinger. I appear today before the Committee on behalf of the American Association of Woolen

Importers, Inc. of New York. The Association is composed of importers of woolen and worsted fabrics from all of the major exporting countries in the world. I am associated with Iwai Co. of New York City. I have been affiliated with the clothing business since March 1918 in practically every phase of the business: retailing, wholesaling, and manufacturing. I have been engaged primarily in the styling and purchasing of woolen and worsted fabric used in men's clothing.

Since 1955, I have been self-employed as a broker importing men's wear worsted fabrics from Japan. I maintain my contacts with a number of the better quality retail operations as well as with the wholesalers to whom I attempt to sell merchandise. Based upon a lifetime of experience, I can state that the ultimate success of the better grade stores throughout the country in the sale of men's clothing is entirely upon their ability to get special styling, and better quality fabrics, than they are able to get from domestic mills, which specialize primarily in lower grade merchandise.

We are able to make fancy styles in this country and domestic mills are increasingly attempting to develop styled fabrics. However, the domestic industry largely destroys the purpose of having a special style because their production methods require longer runs. The foreign mills on the other hand, Japanese, English and Italian, find it profitable to make small warps (as small as four pieces to a style) enabling a large variety of exclusive styles.

What is obvious to us in the marketplace, is that foreign worsted and woolen cloths are selling on the basis of style and quality; whereas, domestic production is selling at considerably lower prices and does not offer the clothing manufacturer the same style features or the variety in styles which are available in the imports.

For example, silk and worsted fabric (which accounts for well over one-third of worsted fabric imports from Japan over the last several years) is a unique cloth which is strictly a development of Japanese styling, technique and ingenuity and a cloth which has not been duplicated anywhere else in the world, certainly not by our domestic mills.

Imported worsted fabrics are made of the finest grades of virgin wool from yarns spun in very high yarn counts and woven in finer constructions than cloth produced in American mills.

My judgment of the marketplace is that the average American price for worsted cloth runs from about $2.80 to $3.40 a yard. This is where the volume business is done by our domestic mills with perhaps a very minute percentage of production at higher price levels. In contrast, there is very little, if any, worsted material brought in from Japan under about $4 per yard.

The Tariff Commission found the average landed value of Japanese worsteds was "about $4 per linear yard, which is believed to be higher than the average wholesale price of men's domestic wool worsteds." The Commission also found:

"The British imports are usually high-styled expensive fabrics averaging over $5 per linear yard (duty-paid), and compete directly with a limited segment of the domestic production of wool apparel fabrics."

Whereas imports are confined primarily to the men's suits field with some imports utilized for high quality sport jackets, the domestic industry practically has to itself the much more rapidly growing men's slacks field and fabric for the women's trade.

Import data (see attached table) shows that imports of wool fabric have been declining over the last several years. Total imports dropped from 84.9 million square yards in 1965 to 67.1 million square yards in 1966 and 60.6 million square yards in 1967. For the same years, imports from Japan, the major supplier, dropped from 40.4 million square yards in 1965 to 37.7 million square yards in 1966, with a slight increase to 38.7 million square yards in 1967.

Certainly this shows a declining pattern of imports, not the "rapidly increasing" imports which the domestic industry would have you believe. Imports for 1968 so far are higher than 1967, but at about the same level as 1966.

Domestic worsted business has been booming, particularly in the polyester/worsted blends in which they specialize and in which imports can hardly compete.

I am in the market every day and there is more than ample evidence that domestic mills are solidly booked ahead and in many cases are not able to meet their customers' demands.

I participated in the Tariff Commission proceedings on textiles and apparel. I believe that this report has put the entire matter in perspective. The Commission found declining United States production of chiefly wool fabrics. However, it remarked:

"For the most part, the failure of output for such products to expand appears attributable chiefly to changes either in fashion or style, to technology, or both. In relatively few instances do imports appear to have been a major factor."

The Commission continued:

"The domestic output of woven wool fabrics has, however, also been materially affected by the significantly greater popularity of blended woven fabrics, made in the same plants as all-wool fabrics particularly for use in lightweight summer suiting and slacks."

Quite clearly as the Commission found, this is an all fiber industry. If the United States production of chiefly wool fabrics is decreasing, but production of chiefly manmade fiber fabrics blended with wool is increasing, and all together there has been an overall increase in production in the same mills, this is certainly no cause for cries of injury or the imposition of quotas.

In conclusion, I would like to state that the essence of this business is style and quality. Imports enjoy a favorable market for their high quality, high-priced fabrics, to the benefit of clothing manufacturers, retailers and consumers. The American industry is doing beautifully in its much broader market of lower priced, mass-produced fabric. I believe that the domestic industry cannot only live with imports but can, as it has shown, prosper.

Thank you.

U. S. IMPORTS FOR CONSUMPTION OF APPAREL FABRICS, PRINCIPALLY WOOL, REPROCESSED WOOL OR REUSED WOOL BY WEIGHT[1]

[Thousands of square yards]

	1965	1966	1967
Japan	40,380	37,749	38,746
United Kingdom	13,160	9,685	8,089
Italy	26,251	14,710	8,403
Korea	1,587	1,489	2,160
Other	3,545	3,430	3,201
Total	84,923	67,063	60,598

[1] Includes apparel fabric from Italy in chief weight of wool but in chief value of other fibers. See footnote 1 to table B-3-9, U.S. Tariff Commission report on textiles and apparel.

Source: United States Tariff Commission.

Mr. BURKE. Thank you very much.

Are there any questions?

Mr. Landrum.

Mr. LANDRUM. The last sentence in your statement, Mr. Bissinger, "I believe that the domestic industry cannot only live with imports but can, as it has shown, prosper." This committee has no dispute with that. The industry has no dispute with that.

That is so obvious that I am a little bit surprised that you would make it in this situation.

The true fact is that what we are trying to find here is at what point, relatively speaking, production to consumption, does it reach the point where we can't live with it.

That is what we are concerned about. Your statement overlooks that, as I have said earlier, that I believe Mr. Masaoka's statement did.

I think what you are really doing, rather than thinking in terms of the overall consequences to the American economy, particularly the American job economy, is that you are making what I am afraid is somewhat of a self-serving statement, and particularly when you cap it with that sentence.

Mr. BISSINGER. Well, I am sorry I gave you that impression.

I mean I came here specifically to speak of our own industry, with which I am familiar, and I am not prepared to discuss an overall picture.

Mr. LANDRUM. I believe you have to agree, from the statistics that are available, that the imports of the products that you are talking about from Japan are about 50 percent of the American consumption today. Is that about right, according to the Department of Commerce statistics?

Japan, the principal source of imports of wool apparel fabrics, in recent years supplied nearly two-thirds of the total yardage imports.

Now, in terms of square yards, imports of worsteds from Japan in 1967 were probably equivalent to more than 50 percent of the domestic production of men's wear wool worsteds.

I want to ask you if that is true—and I think we can't argue with whether it is true or not, unless we have other statistics, but, if that is true, how much beyond that can we go and still have jobs in this industry in America?

That is the point we are trying to find out.

Mr. BISSINGER. Before I answer the second point of your question, may I ask our counsel to verify the first part of your statement?

I refer to the 50 percent statement.

Mr. BURKE. Have you been identified?

Mr. DANIELS. My name is Michael P. Daniels.

There has been a great deal of legerdemain with the figures, particularly in this field. When they talk about 50 percent, they talk about 50 percent of the fabric used in fall-weight suits for men, and it is narrowly defined.

Although this might be true, I don't know what the exact percentage is. It is very high.

What they leave out of these statistics are the production of all-woolen and worsted fabrics for use in winter-weight suits, fall-weight suits, slacks, sport jacketings, and in the women's wear field.

Now, it is an experience that we have often had in this field, that, if you define a market narrowly enough, you can come up with some of the fantastically high percentages that you are talking about.

We do not believe that those figures are meaningful figures, nor are they descriptive of what is happening in actual plants and factories, and what is happening to employment for particular workers.

Mr. LANDRUM. Just hold that just a minute.

The question I presented to Mr. Bissinger, which you have attempted to answer, was this: In terms of square yards, imports of worsteds from Japan in 1967 were probably equivalent to more than 50 percent of the domestic production of men's wear wool worsteds.

You were supposed to come around and speak to that, and now you speak of the whole industry.

Mr. DANIELS. We think this is the whole industry.

Mr. LANDRUM. Wait just a minute.

You say that we deal in legerdemain in statistics. Let's look at these.

Again, in 1961, percent of imports to production was 9.7, and that has gone up: 11.1 in 1962; 12.8 in 1963—talking about all of them, not just the men's fall clothing—1964, 13.3; 1965, 20.6; 1966, 16.8.

Average for 1961 to 1966, 13.9, and in 1967, 16.9.

What sort of legerdemain is that?

Mr. DANIELS. I believe those are Commerce Department figures, which are computed on the basis of consumption of fibers, and this is overall on the entire wool sector, if I am not mistaken.

We have disputed these figures. We do not believe that these figures accurately portray what has happened.

Mr. LANDRUM. Which figure would you suggest we believe?

Mr. DANIELS. I think the Tariff Commission has done the best job on this, by taking out a comparison of imports in fabrics, imports in yarns, imports in apparel, separately, and then computing the ratio, and I refer you particularly in the Tariff Commission report to table C–27, where the figure for wool is 14.4 percent in 1966—these are fabrics—dropping from 17.1 percent in 1965; 11.8 percent in 1964; 11.3 percent in 1963.

I think what you actually see in the wool field, and this, by the way, is wool fabric against wool fabric, not wool fabric or imports of all fabrics competing with wool, which would include cheap-value wool and cheap-value manmade fiber containing wool, which would show an increasing domestic production, and as the figures have shown, you actually have had a decreasing importation over the last few years of these chiefly wool fabrics.

This is a cyclical industry, and we don't mean to represent that they are not going up in 1968, but available figures indicate that the 1968 imports will be at about the 1966 level.

So we certainly do dispute these figures that you read, Mr. Congressman.

Mr. LANDRUM. I want to ask you one question that I asked Mr. Bissinger, and you just give me one answer, please.

How much beyond this level do you think we can go and still maintain jobs in America? How much more do you think we can import and still prosper, as Mr. Bissinger has suggested?

Mr. DANIELS. The point is not a specific number. It would vary. That is to say, a given amount of imports would have a varying effect on employment, depending on the product and depending on a lot of other figures.

There are no magic numbers in this field. However, it seems to me that when one looks at the overall figures for the industry, you have, in 1966, 6.5 percent of imports in the fabric field; that is, imports were 6.5 percent of domestic consumption.

If that went up to seven or eight or nine or 10, I don't think it makes any difference, as long as domestic production is going up like this, as it has.

Take one field. You will hear from Mr. Korzenik, who will tell you about sweaters and knitwear.

Mr. BURKE. When you are talking about consumption, on what are these figures based, 6 percent of what?

Mr. DANIELS. That is what we call apparent domestic consumption.

Mr. BURKE. The American selling price?

Mr. DANIELS. Imports plus domestic production, minus exports, which means what disappears in our market, what is apparently consumed in our market.

Mr. BURKE. What selling price? The wholesale price as it arrives in this country?

Mr. DANIELS. No. We never use value figures, because we don't believe they are fair.

You have to take physical units, so that we are talking yards or pounds or units of one sort or another.

Mr. BURKE. But to me, I have to take the figures of the retail price in this country.

What is the percentage of the retail selling price for this product, whether it is by pounds or yardage, or by what method?

I would like to know what the percentage is of the selling price here in America.

There is a lot of difference. When you quote a percentage, you can be quoting a percentage of the wholesale price at the point where it arrives, or you can quote the value of it as it is sold in the retail market.

Is this the wholesale market, or the retail market, or before it is shipped over here, or when it arrives?

Mr. DANIELS. We believe that the most accurate measure is to measure physical volume.

Mr. BURKE. I know you believe that, but I would like to know for my information what the percentage is of the retail price.

Mr. DANIELS. I suggest that you ask somebody with access to a bank of computers, because it is almost impossible to figure out, first of all, the retail prices.

Mr. BURKE. You have given us a percentage, and I would like to know how that percentage lines up with the percentage of the American selling price.

Mr. DANIELS. I don't really understand your question.

You are saying that the imports as a percentage of the retail price of the same goods sold in America at retail? Is that what you are saying? Is that the total sales of all these goods, and what is imports as a percentage of that?

I think it would be impossible to compute.

I do submit that the physical measurement is a superior measure, because there are varying price differentials among imports, and among domestic production, and I don't see what you come out with.

Mr. BURKE. Let's just take the dollar value, the percentage of what it represents in the dollar value, and whether the dollar value is the wholesale price, or the retail price that you are quoting to me.

I can understand that. I can't go into the rest of this discussion, because I don't understand what you are saying.

I can understand when you say that something is shipped into this country, say, at a wholesale price of $5, and it retails at $9. If you say it is 6 percent of the $5, or 6 percent of the $9, of the retail price, I will understand what you are talking about.

I am merely trying to get some information. You people represent the industry. You are the attorney here, and I should hope that someone here could come up with the answer.

Mr. DANIELS. As Mr. Bissinger says, you are comparing prices, the price of the landed duty-paid wholesale price. That is, the price at which these fabrics we are talking about, as found by the Tariff Commission, is about $4 per linear yard.

The price for domestic worsteds, which we maintain are not comparable in quality, are selling for about $2.80 to $3.40.

The domestic fabrics are much cheaper, are of much poorer quality, are mass produced, and made for a mass market.

The fabrics that Mr. Bissinger is describing, which comprise practically all the imports, are high-quality fabrics for quality suits and quality clothing, and the main point is they are moving in different markets.

Mr. BURKE. I don't think there is any argument before this committee about high-priced, high-quality merchandise.

I think what we are concerned about here, more than anything else, is the general merchandise that is coming into the country that is having such an impact, and will have an impact on employment and on business.

A country can produce a certain type of tweed, a little country like Ireland, the wonderful suits that they produce, we can understand when those suits come over that they are not in competition with anyone. They have a special, unique type of suit.

We are not talking about that high-priced type of clothing.

Mr. DANIELS. That is what Mr. Bissinger and these gentlemen are bringing in, and that is our point.

Mr. BURKE. I don't think they will be affected by any of this legislation. I don't think they have to worry about it.

Mr. BISSINGER. I am glad to hear you say that. I wanted to be sure that you understood we fill a quality niche in the American market.

Mr. BURKE. I think you are overly concerned about this type of product, because I don't think that this is what we are discussing, and what this committee is concerned with.

I think we are concerned with the flooding of the market with the general type of goods that is purchased around the country, and not the very expensive type that Miss Betty Furness talked about the other day.

She said that many women liked to buy Italian shoes, and she was wearing a very expensive pair of Parisian pumps.

I don't think that there is any concern on this type of product, and I would hope that you would leave here with that understanding. I think that we are discussing something else.

Mr. BISSINGER. Thank you very much. I am glad to be relieved of the concern.

Mr. SMITH. If I may, Mr. Chairman, I would like to clear up one point with Congressman Landrum.

If I may, Congressman, you brought up the subject about the 50-percent wool production, imports were 50 percent of the domestic wool production.

I appeared before the Reciprocal Trade and Federal Trade Commission in behalf of this association at the time when I was president, and U.S. Commerce statistical records proved, and these were official records, that the domestic industry, who produce primarily 55-percent polyester and 45-percent wool, that is the main production in the domestic industry today, they do not classify that production as wool production. They classify it as synthetic production.

Mr. BURKE. We want to thank you gentlemen for your testimony. You have added a great deal to the record.

Mr. BISSINGER. Thank you very much.

Mr. BURKE. The committee is going to be in recess for about 12 minutes, because there is a rollcall going on.

Our next witness will be Dr. M. K. Horne, Jr.

(Brief recess.)

Mr. LANDRUM (presiding). The committee will resume.

Dr. M. K. Horne, Jr.

Dr. Horne, for the purpose of the record, will you identify yourself and proceed with any statement that you have.

STATEMENT OF DR. M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL COTTON COUNCIL OF AMERICA; ACCOMPANIED BY ROY B. DAVIS, PRESIDENT; THOMAS O. MURCHISON; AND DR. CHARLES R. SAYRE

Dr. HORNE. My name is M. K. Horne, Jr. I am chief economist of the National Cotton Council, and I live at Memphis, Tenn. The gentlemen sitting here are three outstanding cotton producer leaders from three of our important cotton-growing States: Mr. Roy B. Davis, president of the National Cotton Council, of Lubbock, Tex.; Dr. Charles R. Sayre, of Greenwood, Miss.; and Mr. Thomas O. Murchison, of Coy, Ark.

Mr. LANDRUM. We are glad to have you, gentlemen.

Dr. HORNE. The National Cotton Council is the central organization of this country's raw cotton industry. It exists to represent and serve the seven branches of this industry, reaching as they do across the whole length of our country from east to west. They are the cotton-growers, the ginners, the merchants, the warehousemen, the cooperatives, the manufacturers, and the cottonseed crushers.

Our prepared statement, Mr. Chairman, would require more time than you have been able to allot to us so that we would like to submit the full statement with the hope that it will have your attention and that you will include it in the printed record.

Mr. LANDRUM. We will receive the statement as it is printed to be placed in the record, and you may proceed to narrate or improvise as you desire.

Dr. HORNE. Thank you, sir.

In this allotted time that I have of 15 minutes I would like to skim through this statement, read a few selected sentences, try to touch on some of the main points that we have in it. I hope I can do this in a fairly coherent and intelligible way.

Mr. LANDRUM. Very well, sir.

Dr. HORNE. Our cotton economy depends vitally upon both its domestic and its export markets, and one of our foremost concerns is the export market which has been on a downward trend for the past 10 years. There could be no sound future for cotton unless this export trend is checked and turned upward. A large part of the cotton council's energy is directed toward that export market objective.

Now it is likewise essential that the domestic market for cotton be saved and expanded. That usually takes on an average roughly two-thirds of our total production. One of our greatest problems is this domestic market is the rapidly rising trend of textile imports which displace the consumption of cotton in our domestic mills.

It is sometimes argued that when we ask for reasonable restraints on textile imports, we are doing unreasonable harm to cotton exports. Now, those arguments are largely fallacious we feel and we would like to deal with them in the latter few minutes of this statement.

Now, with respect to textile imports, it is logical for cotton people to talk in terms of the raw cotton contained in these imports, that is the amount of cotton required to manufacture the yarn or fabric and end products imported into this country.

We have submitted to you at the back of this statement a number of charts and the one marked "Exhibit A," which I hope is available to you, has this information that I just mentioned for each of the last 15 calendar years and a projection for the present year at the rate that prevailed during the first 4 months on which we have figures.

This chart in exhibit A makes it plain enough that these imports of cotton in manufactured form are in a powerful upward trend through the years. They have gone from less than 100,000 bales in 1953 to a million bales or more today.

They have had several temporary reversals, that trend has, but the trend nevertheless always reasserts itself and heads on up. There is no sound reason to expect that this rising trend will level off or slow down or even stop accelerating in the foreseeable future unless our governmental policy toward these imports is significantly improved.

These imports have reached a level where they must be looked upon as one of the greatest and most fundamental threats to the whole future of American cotton. They now represent almost one bale of cotton for every seven that American farmers produced in this country last season or one for every 12 produced on average over the past 5 years.

Now, in the chart marked "Exhibit B," which we have submitted, there is an upper curve representing domestic mill consumption and a middle curve is our raw cotton exports, and there is a lower curve for our cotton imports in the form of textile products.

Now, for the current year domestic consumption is placed at 9.1 million bales, exports at 4.2 million and imports at 1 million bales.

For a long time there was a tendency in some quarters to belittle our concern about these imports on the ground that the then current volume of them was quite small in relation to our total market, but surely nobody could belittle the problem of these imports today.

Already the imports represent one bale of cotton for every four that we export and one for every nine bales consumed by domestic mills, and the imports are trending strongly upward while the exports are trending strongly downward, and the domestic market has no real trend one way or the other.

Our failure to expand or even maintain the total market for American cotton is at the very source of this problem, our failure to expand and maintain these markets.

Now great efforts are being made to solve this problem by methods that are sound and beneficial to our country and to the whole world. Both Government and private enterprise are necessarily involved in these efforts.

To a very considerable degree our Congress has recognized the importance of cotton to millions of people, to the economies of 18 or 19 States, to consumers everywhere, to the country's balance of payments,

and to all the farm people who would be hurt if our cotton lands were converted to other farm enterprises.

For these reasons, the Government has programs aimed at sustaining farm income while supply is being adjusted to demand and in helping us bridge the gap from where we are to where we need to be in a world of intense fiber competition, but it is inconsistent for the Government in another arm of its policy to permit a tremendous upsurge of imports which are undermining the very markets that have to be built up.

Our cotton textile imports which are already at a million bales a year and pointed upward have become a very major contributor to all the acreage cutbacks, all the hardships and dislocations throughout our industry and all the taxpayer expense which the Government program entails.

Now, the private producers of cotton have been tackling their own responsibilities in a manner that ought to be widely recognized and appreciated. They have voted upon themselves an assessment of a dollar a bale for research and promotion programs which go to the heart of their competitive problem against manmade or synthetic fiber. The collection of this money from each one of the country's some 325,000 cotton growers is essentially voluntary, but the number of them who have declined to bear their share of this load is just minimal, just about 3 percent.

This year for the first time now this greatly expanded cotton research and promotion effort is underway. It will require vision and faith and patience for all these people to maintain this effort across the years.

They will be looking for results in their domestic market. The results should not be eaten up by continued rapid expansion of textile imports. In this effort our producers have a fair fighting chance to meet their synthetic fiber competition, but they have no chance whatever to meet the rising competition of imported cotton which has been manufactured abroad into textile products at wage rates that are just a small fraction of our own.

Efforts were made both in 1960 and in 1962 to get action on these imports under section 22 of the Agricultural Adjustment Act. But the Tariff Commission, in finding unfavorably for cotton on both those occasions by split decisions, put great stress on the fact that the textile industry is also involved, and it appeared to be swayed strongly by the thought that a favorable ruling for cotton would also give relief to the textile industry and that that would be outside of the intent of the legislation.

It should be made clear that raw cotton itself is vitally concerned with this import problem. This is over and beyond the fact that the textile industry is also concerned. Both industries, both of which are mainstays for millions of people and for billions of dollars in investment, are vitally concerned here.

But even if it were possible today to get a section 22 action, this would no longer solve the problem because of the enormous upsurge which has occurred in the imports of textiles made from manmade fibers just in the last few years. These textiles compete with cotton products on our home market and in exhibit C that we have submitted to you we have repeated the curve showing cotton imports in textile form and for comparison there we have a curve for the raw cotton

equivalent of the imports of manmade fiber in manufactured form.

Just within the past 4 years our imports of these manmade fiber products have had a net increase, in 4 years, a net increase of nearly half a million cotton bale equivalents.

The long-term arrangement for international trade in cotton textiles provides a certain amount of restraint upon cotton textile import, but experience has proven that this device is very, very inadequate.

Actually the biggest increases have come since this arrangement was adopted. The trend of these imports as shown on a moving average that I have inserted there in exhibit A has risen 55 percent in the last 4 years with the long-term arrangement in force throughout. Now, the reasons why this system permits such increases may be arguable, but the fact that it actually does so is not arguable. It is just a fact. It is documented in exhibit A.

Now, the terms of each quota arrangement as well as the decision whether there shall be a quota or not in each case are essentially matters for individual negotiation. While the negotiators are governed by a stipulated minimum increase, a minimum increase of 5 percent each year for each country in which the quota applies, they work under no stipulated maximum whatever, and then the manmade fiber imports are just outside of the long-term arrangement. They come under no quota restraints whatever.

Against this background of experience, gentlemen, the national cotton council recognizes the very urgent need for new legislation which will place all these textile imports under a reasonable degree of restraint. The cotton council favors the principle that the increases in such imports should be limited to a reasonable and clearly defined share of any growth which actually does occur in the domestic market for textile products so that our own raw cotton people will be able to plan and work and invest for future production with some confidence that their efforts will not be undermined by unfair import competition and that they themselves will participate equitably in any future expansion of their domestic market.

Now, then, a word finally on the relationship of all this to our export market for raw cotton. It is sometimes said that the cotton which we import in textile form is actually our own cotton which has been exported in raw form and made into textiles abroad and reshipped to us. Now, this is just largely untrue today.

The 10 countries which sent us the largest amount of textiles last year get less than 14 percent of their cotton from the United States. The most striking of all our increases in cotton textile imports during recent years have come from countries which grow their own cotton. Our biggest imports of cotton textiles have come from the countries which grow the raw material right within their own boundaries.

This fact is set out graphically in exhibit D which I have submitted. It is also argued, and you have been reminded of it right recently, that if we place greater restraints on textile imports, the exporting countries will retaliate by refusing to buy our cotton.

Such arguments would hardly seem to come from people who realize that over the past 15 years we have allowed cotton textile imports to rise tenfold to a million bales or more. These arguments sound as if we want to cut back all these imports rather than placing them under a

system that gives the foreign textile exporters a share of the future growth. Who would really have a right to be offended at that?

In actual fact, many of the raw cotton importing countries have bought less and less of their fiber from us, of their cotton from us over the very period when out textile imports have been rising so very rapidly, and they have bought more and more of their raw cotton from countries which just have incomparably stricter controls on their own textile imports than we have on ours.

Cotton is a basic raw material upon which a great deal of the world's industrial employment turns. As long as countries need and can pay for it, they are going to buy it, and it seems very likely that in the future and in the past the foreign manufacturers will place their orders where they find it most advantageous to place them. Rather than spending our time on theoretical and imaginary fears, we ought to be looking at our real problems in the cotton export market, and in my concluding half-minute I will mention what we look on as the biggest and most basic of them all.

We have quite a few problems in export, but the biggest one of all is this: We need fair protection against textile imports so that we will have a fair chance to show here in this country that cotton can meet the competition of synthetic fibers.

If this can be demonstrated on our domestic market, it can by our leadership and example be done also in the foreign cottom importing countries, Western Europe, Japan, Canada, and so on, so that our export market can begin growing again. I developed that in considerably more detail in our full statement.

Mr. Chairman and gentlemen, we thank you for the the opportunity to be heard, and we respectfully urge that this great problem have your careful consideration.

(Mr. Horne's prepared statement follows:)

STATEMENT OF M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL COTTON COUNCIL OF AMERICA

The National Cotton Council is the central organization of this country's raw cotton industry. It exists to represent and serve the seven branches of this industry, reaching as they do across the whole length of our country from east to west. They are the cotton growers, the ginners, the merchants, the warehousemen, the cooperatives, the manufacturers, and the cottonseed crushers. Accordingly this testimony will be from the standpoint of American raw cotton.

Cotton, as you know, is a great world commodity, and this country has long been the world's leader in the amount produced, the amount consumed domestically and the amount sold in exports. Over the past ten years, on average, about two-thirds of our cotton has been sold for use in our domestic mills and about one-third of it has moved into exports. Our industry depends vitally upon realistic policies toward both markets.

One of our foremost concerns is the export market. It has been in a declining trend for the past ten years. There can be no sound future for cotton unless this trend is checked and turned upward. A large part of the Cotton Council's energy is directed toward that objective. We certainly appreciate our export customers. It is essential that our export market be saved and expanded.

It is likewise essential that the domestic market for cotton be saved and expanded. One of our greatest problems in this market is the rapidly rising trend of textile imports which displace the consumption of cotton in our domestic mills. It is sometimes argued that when we ask for reasonable restraints upon textile imports we are doing unreasonable harm to cotton exports. Those arguments are largely fallacious, and I would like to deal with them in the latter portion of this statement. As a matter of fact, as I shall undertake to show, if we do not get reasonable restraints upon textile imports, we are very likely to lose our cotton

export market also. We must maintain and expand both markets (the domestic and the export) or give up on both of them. It is very important that we keep them both—not only to cotton people, but to the whole nation. This is particularly apparent in a time of great stress upon the balance of payments and upon the federal budget.

THE VOLUME AND TREND OF COTTON TEXTILE IMPORTS

From the standpoint of cotton people, it is logical to talk in terms of the raw cotton which is contained in these textile imports. The U.S. Department of Agriculture has a detailed system for converting the various classes of imported yarn, fabric, and end products into the amount of cotton which was required for their manufacture. In the attached chart, marked "Exhibit A", we have the Department's figures for the total amount of cotton which was imported in manufactured form during each of the last 15 calendar years. These amounts are indicated along the heavy black curve in Exhibit A. We have similar figures for the first four months of 1968, and these have been simply multiplied by three to get the very tentative projection for the year. This comes almost exactly to one million bales.

This chart makes it plain enough that these imports are in a powerful upward trend. They have gone from less than 100,000 bales in 1953 to a million bales or more today. It is also apparent that the imports fluctuate considerably. We see that even on an annual basis there have been several temporary reversals of the trend, but that the trend always reasserts itself and heads on upward. There was a drop-off in 1967, but it was less than half as steep as the record increase of the previous year. Now there are indications that we are in another sharp upward movement of the imports, which may carry the actual total for 1968 far above the rate of recent months, which is shown in Exhibit A.

The trend is made a little more vivid in Exhibit A by the use of a three-year moving average, which is shown in the finer of the two curves. When three-year averages are used, all temporary reversals of the upward trend disappear entirely, and it becomes consistently upward, with some tendency to accelerate. We have heard assurances in the past that somehow this basic trend was about to level off, but the assurances have all proven false. There is no sound reason to expect that it will level off or slow down or even stop accelerating in the foreseeable future unless our governmental policy toward these imports is significantly improved.

Now that these imports have reached an annual volume of a million bales or more, with a trend pointed strongly upward, they must be looked upon as one of the greatest and most fundamental threats to the whole future of American cotton. These imports now represent almost one bale of cotton for every seven that American farmers produced in the latest season, or one for every 12 produced on average over the last five years.

In the chart marked "Exhibit B", we have the import record in the perspective of our entire market. The upper curve represents domestic mill consumption, the middle curve our cotton exports, and the lower curve our cotton imports in the form of textile products. The import curve appears much lower here than in the previous chart, because a different scale was used in order to accommodate the other figures. Again the period covered is the last 15 years.[1] For the current year in each case, domestic consumption is placed at 9.1 million bales, exports at 4.2 million, and imports at 1 million.

For a long time there was a tendency in some quarters to belittle our concern about these imports on the ground that the current volume was quite small in relation to our total markets. But surely no one could belittle the problem today. Already the imports represent one bale of cotton for every four that we export, and one for every nine consumed by domestic mills. And the imports are trending strongly upward while the exports are trending strongly downward and the domestic market has no real trend one way or the other.

"GROWTH" IN THE DOMESTIC MARKET

From time to time we hear claims that the foreign exporters are merely sharing in the "growth" of our domestic market. But in Exhibit B we have the record of

[1] The import figures are for calendar years, while the consumption and export figures are for crop years, which go from August 1 to August 1. Therefore the import figures are plotted on the time scale at the center of each calendar year and the other figures are the center of each crop year.

domestic mill consumption over the past 15 years—and where is the growth? None of it is to be found there. The American people do consume more cotton today than they did at the first of this period. But *all* of the increase has gone to the imported textiles. They have taken *all* the growth. No industry can have economic health in the dynamic world to today unless it can share in the economic growth that is going on everywhere. These textile imports have denied us the growth that we otherwise would have had in our domestic market.

There is no doubt that American cotton is in real trouble and that the trouble stems from our competitive situation. Great efforts are being made to solve the problem by methods that are sound and beneficial to our country and to the whole world. Both Government and private enterprise are necessarily involved.

THE GOVERNMENT PROGRAM

In battling to meet a broad range of competitors, our producers are obliged to push forward toward greater efficiency and productivity. They are doing just that, but this kind of progress means that surpluses will be built up unless cotton can share in the expanding consumption of fibers. But you see in Exhibit B that our total market has not only failed to expand, but has declined. To a very considerable degree, our Congress has recognized the importance of cotton to millions of people, to the economies of some 18 states, to consumers everywhere, to the country's balance of payments, and to all the farm people who would be hurt if our cotton lands were converted to other farm enterprises. Accordingly the Government does have quite expensive programs aimed at sustaining farm income while supply is being adjusted to demand and at helping us bridge the gap from where we are to where we need to be in a world of intense fiber competition.

But it seems inconsistent for the Government, in another arm of its policy, to permit a tremendous upsurge of imports which are undermining the very markets that must be built up. Our cotton textile imports, which are already at a million bales a year and pointed upward, have become a very major contributor to all the acreage cut-backs, all the hardships and dislocations throughout our industry, and all the taxpayer expense which the Government cotton program entails.

THE GROWERS' NEW RESEARCH AND PROMOTION PROGRAM

While the Government has its essential role, the private producers of cotton have been tackling their own responsibilities in a manner that should be widely recognized and appreciated. They have voted upon themselves an assessment of a dollar a bale for research and promotion programs which go to the heart of their competitive problem against man-made or synthetic fiber. The collection of this money from each one of the country's 325,000 cotton growers is essentially voluntary, but the number who have declined to bear their share of the load is quite minimal—about 3 per cent. This year, for the first time, this greatly expanded cotton research and promotion effort is under way. This is the realistic way for these thousands of farmers to meet the challenge of modern science and advertising. The results are bound to be good for all mankind. But it will require vision and faith and patience for all these people to maintain this effort across the years. They will be looking for results on their domestic market. The results should not be eaten up by continued rapid expansion of textile imports. In this effort our producers have a fair, fighting chance to meet their synthetic fiber competition. But they have no chance whatever to meet the rising competition of imported cotton which has been manufactured abroad into textile products at wage rates that are only a small fraction of our own. Our cotton growers deserve a better chance than this. The whole idea that cotton can survive and serve mankind in the modern world deserves a better chance than this.

FRUSTRATED EFFORTS UNDER SECTION 22

We have tried for a long time to get Government action that would bring these imports under better control. Hearings were held on two occasions by the Tariff Commission to consider action under Section 22 of the Agricultural Adjustment Act, as amended. We have had quotas on imports of raw cotton under this provision since 1939. The imports of cotton in the form of textiles are far greater and more damaging to the Government's cotton program than the imports of upland raw cotton have ever been. This was true even back in 1960 and 1962. But the Tariff Commission, in finding unfavorably for cotton on both occasions

by split decisions, put great stress on the fact that the textile industry was also involved, and appeared to be swayed by the thought that a favorable ruling for cotton would also give relief to the textile industry and that this would be outside of the intent of the legislation.

It should somehow be made clear that raw cotton itself is vitally concerned with this import problem. This is over and beyond the fact that the textile industry is also concerned. Both industries, both of which are mainstays for millions of people and for billions of dollars in investment, are vitally concerned.

Even if it were possible today to go back once more to the Tariff Commission and get a reversal of its earlier positions, this would no longer solve the problem for American cotton, because of the enormous upsurge which has occurred in the imports of textiles made from man-made fibers just in the last few years. These textiles compete with cotton products on our home market. In Exhibit C we have repeated the curve showing cotton imports in textile form, and for comparison we have a curve for the imports of man-made fiber in such form. The Department of Agriculture publishes figures for the imports of these man-made fiber products converted into the pounds of fiber which they contain, and we have converted those figures by a crude method into their estimated cotton equivalent. Again the figure for the present year is a simple projection based on the first four months.

Just within the past four years our imports of these man-made fiber products have had a net increase of nearly half a million cotton bale equivalents. These imports plus the cotton product imports are already at a level of nearly 1¾ million cotton bale equivalents, and rising very steeply. This new development of man-made fiber product imports is also weighing down upon us in our efforts to increase the domestic consumption of cotton. It adds a terrific new dimension to the whole cotton problem that we have been reviewing here. The whole problem clearly goes beyond what we can hope to solve under the provisions of Section 22. It needs to be looked upon in its entirety, as your Committee is doing.

THE LONG TERM ARRANGEMENT

The Long Term Arrangement for international trade in cotton textiles provides a certain amount of restraint upon such imports, but experience has proven this device to be very, very inadequate, for three reasons:

First, the Arrangement itself provides a *minimum* increase of 5 per cent *each year*, which is virtually automatic, in each import quota. This in itself seems highly excessive when we consider that our domestic mill consumption of cotton has had no upward trend at all.

Second, the import increases which have actually occurred have been far in excess of that 5 per cent figure. We saw the record in Exhibit A. The actual trend of these imports, as shown by the moving average, has risen 55 per cent in the last four years, with the Long Term Arrangement in force throughout. The reasons why this system permits such increases may be arguable, but the fact that it actually does so is documented in Exhibit A.

The terms of each quota arrangement, as well as the decision whether to have a quota at all, are essentially matters for individual negotiation. While the negotiators are governed by a stipulated minimum increase of 5 per cent each year, they work under no stipulated maximum whatever. Under this system it is hardly surprising that the exporting countries gain one concession or another again and again. One of the most striking examples came in connection with the latest extension of the Long Term Arrangement, which occurred last year. As a price for getting quite a few countries to agree to the extension at all, our country gave them special "bonuses" or sweeteners in the form of additional quota increases. But it was only a three-year extension. Now within another year or so we presumably will be negotiating for the next extension and bargaining off additional parts of our market as the price of cooperation.

The third reason is simply that the man-made fiber product imports are entirely outside the Long Term Arrangement. They come into the country under no quota restraints whatever, and this clearly explains the remarkable upsurge of these imports in the last few years, which we observed in Exhibit C.

THE NECESSITY FOR NEW LEGISLATION

Against this background of experience, the National Cotton Council recognizes the very urgent need for new legislation which will place all these textile imports under a reasonable degree of restraint. The Council favors the principle that the increases in such imports should be limited to a reasonable and clearly defined

share of any growth which actually does occur in the domestic market for textile products, so that our own raw cotton people will be able to plan and work and invest for future production with some confidence that their efforts will not be undermined by unfair import competition and that they themselves will participate equitably in any future expansion of their domestic market.

THE EXPORT MARKET

Now let me turn finally to the relationship which all this holds to our export market for raw cotton. It is sometimes said that the cotton which we import in textile form is really our own cotton, which has been exported in raw form, made into textiles abroad, and reshipped here. There was merit to this argument years ago, but it has little merit today. For decades we have seen the ratio of our cotton exports to the foreign consumption of cotton trend down and down. Today foreign cotton consumption fluctuates around 40 million bales or so, but our exports this year will be only about a tenth of that figure. For the ten countries which sent us the largest amount of cotton textiles last year, we have analyzed the figures on the sources of their raw cotton supplies, and we found that as a group those countries get less than 14 percent of their cotton from the United States.

If our cotton textile imports actually provided any significant boost for raw cotton exports, we might expect to find some evidence in the trend of such exports. But we certainly find none in Exhibit B. While the imports are trending strongly upward, the exports are trending strongly downward. That is a kind of "help" that our exports could do without.

As a matter of fact, the most striking of all our increases in cotton textile imports during recent years have come from countries which grow their own cotton. This is set out graphically in Exhibit D and in the accompanying table giving figures for individual countries. (These figures are only available in terms of equivalent square yards.) To summarize the recent trends, we have consolidated the last nine years into three-year periods, and we have grouped certain countries together.

Notice especially the heaviest line in Exhibit D. Here we have the imports from ten cotton-growing countries: Brazil, Colombia, Greece, India, Israel, Mexico, Pakistan, Portugal (which has its colonial supply), Spain, and the United Arab Republic. Here we have the most important sources of the increases which have occurred in recent years. The average annual increases across the period of this chart came to 6.9 percent for Japan, 7.8 percent for Hong Kong, and 8.5 percent for the group of six European countries; but they were 25.6 percent per year for the ten countries which grow all or most of their own cotton. Clearly this is where the greatest threat for the future lies, and there is nothing but sheer market loss for us in imports from this source.

"RETALIATION" AND REALITY

It is also argued that if we place greater restraints on textile imports, the exporting countries will retaliate by refusing to buy our cotton. Such arguments would hardly seem to come from people who realize that over the past 15 years we have allowed cotton textile imports to rise ten-fold to a million bales or more. The arguments sound as if we want to cut back all these imports rather than placing them under a system which gives the foreign textile exporters a share of the future growth.

Who would have a right to be offended at that? In actual fact, many of the raw cotton importing countries have brought less and less of their fiber from us over the very period when our textile imports have been rising so rapidly, and they have bought more and more of their raw cotton from countries which have incomparably stricter controls on their own textile imports than we have.

Cotton is a basic raw material, upon which a great deal of the world's industrial employment turns. As long as countries need and can pay for it, they are going to buy it, and it seems very likely that in the future as in the past the foreign manufacturers will place their orders where they find it most advantageous to place them.

THE BIGGEST EXPORT PROBLEM

Rather than spending our time on theoretical and imaginary fears, we ought to be looking at our real problems in the export market. Cotton has plenty of them, but the biggest of all is the one that I would like to mention in conclusion.

In recent years our biggest trouble in the export market has been the same one that we face here at home—namely, the rising competition of synthetic fiber. The synthetics have invaded so many of cotton's markets that cotton consumption has had virtually no improvement at all in the foreign importing countries, taken as a whole. The synthetic competition has to be met effectively if our export market is to have a real future, and this has to be done with a realistic effort, involving all the tools of modern fiber competition—not only price, but also research and sales promotion. Programs of research and promotion are being pushed forward in Western Europe and Japan by the newly formed International Institute for Cotton. They can succeed, but they are bound to take their main guidance, as well as their leading support, from the United States. There is no other cotton-growing country which can even compare with our own in its capacity for progress through research and modern merchandising. If the way to meet synthetic competition is going to be demonstrated, it has to be demonstrated here. If we succeed, the programs in the foreign importing countries are likely to succeed also by using the same techniques and example. If we fail, they are almost sure to fail.

So the future of our exports, as well as our domestic market, hinges vitally on the success of the bold new effort in research and promotion which our cotton growers are now launching through their Cotton Producers Institute. As we have already noted, they have a real chance to succeed against their synthetic fiber competition, but no chance at all against rising textile imports unless they are brought under better control. So the whole future of cotton, not only here but in the foreign world, is at stake on whether the Congress takes new and realistic action upon textile imports.

We thank you for the opportunity to be heard and respectfully urge that this great problem receive your careful consideration.

Exhibit A

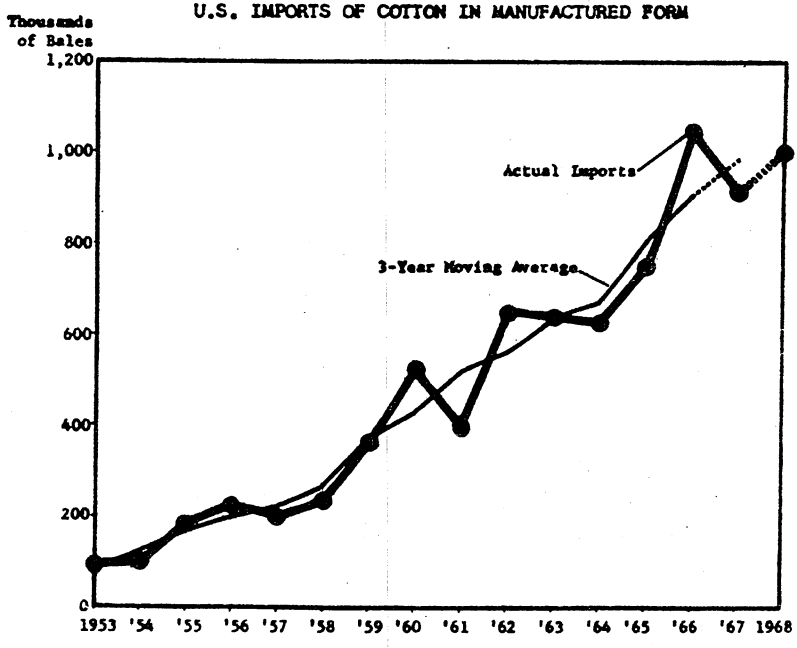


Exhibit B

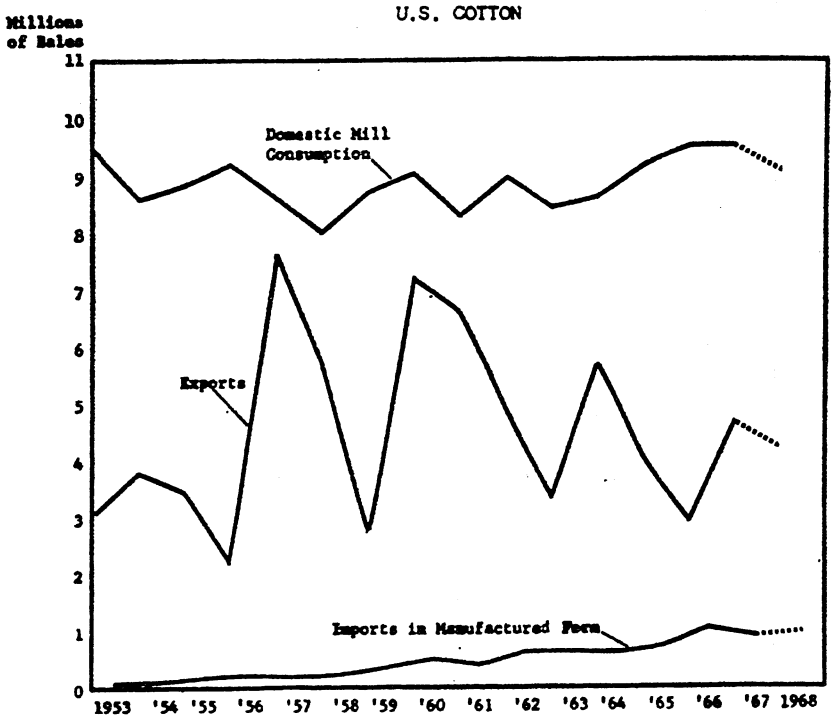


Exhibit C

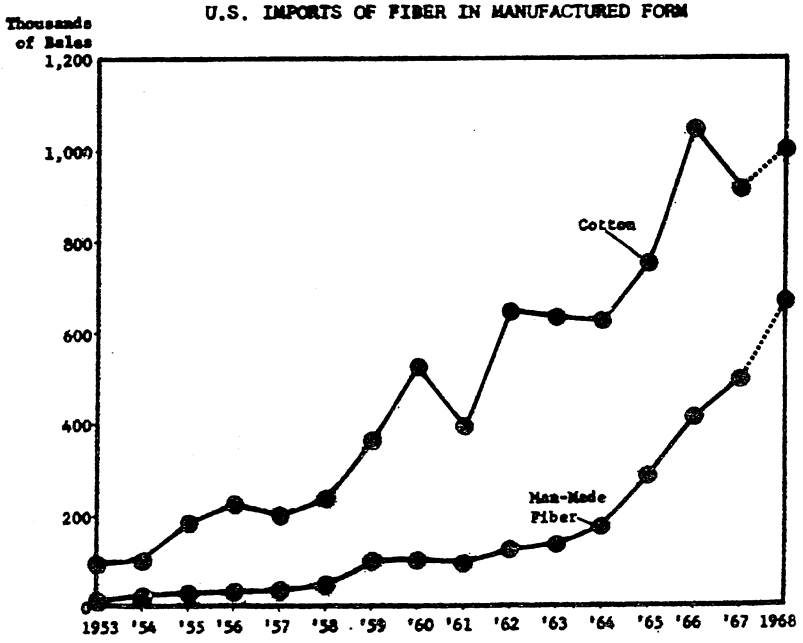
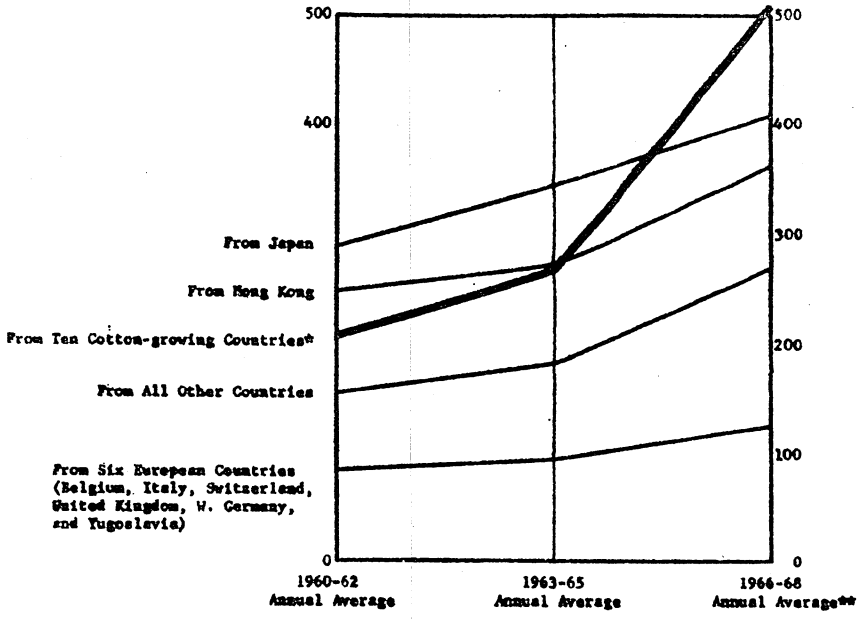


Exhibit D

U. S. COTTON TEXTILE IMPORTS

(Millions of Equivalent Square Yards)



*Brazil, Colombia, Greece, India, Israel, Mexico, Pakistan, Portugal, Spain and U.A.R.

**Data for 1968 represents simple projections of imports during first 3 months (or first 4 months where available).

U.S. DATA USED IN EXHIBITS A, B, AND C ATTACHED TO TESTIMONY OF M. K. HORNE, JR., NATIONAL COTTON COUNCIL, BEFORE THE COMMITTEE ON WAYS AND MEANS OF THE U.S. HOUSE OF REPRESENTATIVES, JUNE 19, 1968

	(1) Cotton imports in manufactured form (thousands of equivalent bales)	(2) Man-made fiber imports in manufactured form (thousand equivalent cotton bales)	Crop years	(3) Domestic mill consumption of cotton (thousands of bales)	(4) Exports of raw cotton (thousands of bales)
Calendar years:					
1953	92.8	16.3	1952-53	9,461	3,048
1954	101.1	22.2	1953-54	8,576	3,760
1955	181.2	28.4	1954-55	8,841	3,445
1956	225.0	31.0	1955-56	9,210	2,215
1957	199.1	33.0	1956-57	8,608	7,598
1958	233.8	46.2	1957-58	7,999	5,717
1959	360.3	99.6	1958-59	8,703	2,789
1960	525.5	104.0	1959-60	9,017	7,182
1961	393.5	91.3	1960-61	8,279	6,632
1962	645.5	123.1	1961-62	8,954	4,913
1963	634.0	132.5	1962-63	8,419	3,351
1964	625.3	175.8	1963-64	8,609	5,662
1965	751.2	283.2	1964-65	9,171	4,060
1966	1,056.2	411.6	1965-66	9,497	2,942
1967	913.5	492.7	1966-67	9,485	4,669
1968	[1] 999.6	[1] 666.8	1967-68	[2] 9,080	[3] 4,200

Sources: Column (1) from U.S. Department of Agriculture. For 1968 projection, see text. For Column (2) see text. (Filament yarn is included.) Columns (3) and (4) from U.S. Department of Commerce.

[1] Crude projection based on first 4 months (January through April).
[2] Projection based on first 9 months (August through April).
[3] U.S. Department of Agriculture estimate.

U.S. COTTON IMPORTS IN MANUFACTURED FORM—DATA USED IN EXHIBIT D ATTACHED TO TESTIMONY OF M. K. HORNE, JR., NATIONAL COTTON COUNCIL BEFORE THE COMMITTEE ON WAYS AND MEANS OF THE U.S. HOUSE OF REPRESENTATIVES, JUNE 19, 1968

[Thousands of equivalent square yards]

	1960–62 annual average	1963–65 annual average	1966–68 [2] annual average
10 Cottongrowing countries:			
Brazil	3,029	22,215	54,768
Colombia	5,757	16,913	38,975
Greece	1,375	4,160	14,409
India	33,241	65,028	71,838
Israel	6,488	8,752	23,580
Mexico	5,554	8,886	99,436
Pakistan	13,120	33,673	49,810
Portugal [1]	72,849	51,964	88,654
Spain	31,320	25,821	51,512
United Arab Repub,ic	32,095	28,688	26,630
Subtotal	204,828	266,100	519,612
Japan	289,168	344,375	409,296
Hong Kong	247,351	271,889	363,139
6 European countries:			
Belgium	22,600	29,448	37,246
Italy	19,342	14,092	26,534
Switzerland	9,732	6,638	12,172
United Kingdom	11,927	11,959	15,332
West Germany	14,321	17,291	20,302
Yugoslavia	5,052	13,550	13,633
Subtotal	82,974	92,978	125,219
All other countries	155,170	181,822	268,514
Grand to tal	979,491	1,157,164	1,685,780

[1] Portugal's colonies, Angola and Mozambique, grow cotton.
[2] Data for 1968 represent simple projections based on imports during 1st 3 months (or 1st 4 months where available)

Source: U.S. Department of Commerce, Office of Textiles.

Mr. BURKE (presiding). Thank you.

Are there any questions?

Mr. LANDRUM. I wonder if I could sum up in one short sentence what I feel is the most salient thing in your statement. That is that we are not only importing textile goods, manufactured products to the extent that it is detrimental to our own American cotton, but that the great majority of the texile products that we are importing that are of the cotton variety are manufactured from cotton that was not grown in this country.

Dr. HORNE. Yes, sir; the overwhelming majority. The foreign world consumes about 40 million bales of cotton a year. This year we export about 4 million or maybe slightly more. We have only a relatively small participation in the supplying of raw materials to these foreign manufacturers as a whole.

Mr. LANDRUM. Did I understand you to say, Dr. Horne, that the majority of the cotton-supplying countries to our competitors in the textile field have a very highly restricted quota system on textiles going into their countries?

Dr. HORNE. Yes; you could say that. I suppose you are talking in terms of the major part, in quantity?

Mr. LANDRUM. Yes.

Dr. HORNE. You see, the biggest increases are coming from these countries that are categorized as less developed which even under GATT have a carte blanche permission to have complete restrictions

on their textile imports and generally they have practically just in effect almost total limitations on imports of textiles.

In many cases, of course, they even subsidize the exports. The GATT itself has documented the fact that they actually subsidize these exports in some cases and then we have heard a lot of discussion of Japan this afternoon, saying that its import policy is very, very restricted, and so on.

Mr. LANDRUM. Is it your feeling, Dr. Horne, that if H.R. 11758 were enacted or became a part of some bill that is enacted, that that could have an adverse effect on our agricultural exports other than cotton? Do you think it could?

Dr. HORNE. Well, I haven't analyzed that as closely as I have the cotton portion, but I would be skeptical. I certainly think this idea is greatly exaggerated. I wouldn't set myself up as an expert on the effect that it would have on all our agricultural exports.

Mr. LANDRUM. We have the broad general statement made to us that if we enact such legislation as is proposed in these bills it will result in retaliation insofar as our agricultural exports from this country are concerned. I wonder if you have a view on that.

Dr. HORNE. Of these agricultural exports, cotton is a great example, and we don't fear it in cotton, but I would say in general among agricultural exports is the fact that these things are necessities. We don't fear restrictions on imports of cotton because it is a necessity. You look all over the world and find virtually no limitations on the importation of cotton because it is such a basic raw material that people have to have. A lot of their survival of the country depends on getting this basic raw material.

Food is the very last thing that people would want to put under great restriction as to imports. Foods have to be imported.

Mr. BURKE. Do any one of you other gentlemen want to make a statement?

Mr. Conable?

Mr. CONABLE. Doctor, the Soviet Union is a major producer of cotton and cotton goods. Does much of its produce find its way into the world market?

Dr. HORNE. Yes, it does.

Mr. CONABLE. And it becomes a competitive factor abroad. Although probably very little of it finds its way indirectly into this country, it does go to markets that might otherwise potentially be American markets, is that correct?

Dr. HORNE. Yes. I wouldn't even say that a substantial amount doesn't enter this country because look at Japan. Japan has now begun importing a great amount of Russian cotton, and numerous other countries from which we import textiles are buying from Russia, so that the cotton that we buy in New York in a shirt may have been grown in Russia.

Mr. CONABLE. Does Russia now purchase or otherwise acquire a large part of the Egyptian cotton crop?

Dr. HORNE. Yes, sir. This is a thing dictated, I am sure, less by economics than by other considerations. They seem to import more of this very special type of cotton grown in Egypt than they need, and I am informed that they in turn place a lot of it back on the market, on the export market. They do buy extensively.

Mr. CONABLE. In other words, Russia grows most of what she needs for her own purposes?

Dr. HORNE. Yes. Russia has a net export balance of cotton.

Mr. CONABLE. Thank you.

Mr. BURKE. Thank you, Dr. Horne.

Thank you very much.

Dr. SAYRE. Mr. Chairman, may I comment on the question of the effect on agricultural exports in general?

I think obviously price, availability, and quality in how we have to compete with our agricultural exports in world markets whether it be cotton or food. I think Dr. Horne is completely correct that where they need our various food items certainly if they have the funds or otherwise can provide currency or credit to get them, that they will continue to buy.

I think, too, that in the future expansion of our agricultural exports that the principle that is being outlined here in terms of cotton imports to this country is related to providing still for those imports to share a portion of our growth, but not take all of our growth.

In reverse, if we can share a part of the growth in food markets around the world with our farm products, then I don't believe our farm products will get in trouble from that standpoint, so that I think this principle that is being worked toward here is a very sound one and obviously will not affect our farmers in general.

Mr. BURKE. I think that you are correct, and I believe that the wrong impression is in the minds of some people who are apparently laboring under the illusion that somebody is asking for a cut in the imports. None of the industries that have testified here have asked for that. They have merely asked for a quota set on a flexible growth and percentage of the American market and not cutting down in their production overseas.

All we are asking, I believe, is just to stop the acceleration that seems to be taking place and for the life of me I cannot understand where the objection is. I can't understand it.

If we were trying to set up high tariff walls and everything else, I could understand why they were using all these epithets about protectionism and all these other things that they are saying, and massive retaliation. Massive retaliation about what? About allowing them to have a share in the market with an expansion that will go along with both without destroying our industries here?

I think this is a fair proposal to make, and for the life of me I can't understand any of these witnesses who seem to indicate that, if we try to set a fair formula in existence, that there is going to be massive retaliation.

If we were setting up high tariffs and reverting back to 30 years ago when they did set up these tariff walls, I could understand this feeling and the statements that they are making, but I don't think anyone has a gun at anyone's head here.

I think we are trying to be fair and help these countries out. I know that I would say that the Japanese people should feel very happy that this is the type of proposal that is being made here, not the type that could be made if conditions got progressively worse.

I want to commend you gentlemen for your statements here.

Mr. DAVIS. As a member of the trade mission that want to the Orient, we find that importers were always scared of just what you and Dr. Sayre have been talking about, but as you explained to them the real position that we wanted to export, they became a lot more friendly. I rather think we have just got a sales job.

Mr. BURKE. I think there is a lack of dialog apparently with these people overseas in letting them know what the feeling of Congress is, that we are not asking for rollback, we are not asking for cutback, we are not asking for high tariffs, but are merely asking for an orderly procedure which to my mind, if I were in the busines, I certainly would listen to, where the danger flags are up.

Thank you very much.

Our next witnes is Sidney S. Korzenik, executive director and counsel, National Knitted Outerwear Association.

Would you identify yourself for the record and then, if you wish to skip any of your testimony, your entire statement will appear in the record.

STATEMENT OF SIDNEY S. KORZENIK, EXECUTIVE DIRECTOR AND COUNSEL, NATIONAL KNITTED OUTERWEAR ASSOCIATION; ACCOMPANIED BY JAMES McEVOY

Mr. KORZENIK. Mr. Burke and gentlemen of the committee, my name is Sidney S. Korzenik. I am accompanied by Mr. James McEvoy of our association.

I appreciate even this brief allotment of time for presenting a few highlights in our industry's experience with imports since World War II. We shall file a more detailed written statement for inclusion in the record.

I appear in behalf of the National Knitted Outerwear Association, which consists of 825 firms engaged in manufacturing and selling knitted outer apparel and knitted piece goods, and an additional 369 firms which are engaged in auxiliary trades.

The knitted outerwear industry produces a variety of end products, including sweaters, knitted dresses, suits, swimwear, infants' and children's wear, and other types of outer apparel.

Its plants are located in over 30 States of the Union. It is one of the several segments of the textile apparel complex that has experienced severe and increasing pressure from imports.

Now, the distinctive and differentiating character of the Nation's textile and apparel import problem arises from the operation of at least two special factors.

First, it is one of the most labor-intensive of the manufacturing industries of the country. According to the study of the Joint Economic Committee of the U.S. Congress by former Budget Director Charles L. Schultze and Joseph L. Tryon, labor costs in their cumulative effect represented 88.7 percent of the unit price of apparel—a figure close to the very top of the list of all manufacturing industries covered by this authoritative study.

A second distinguishing factor is that the first type of manufacture which underdeveloped and low-wage areas of the world have entered or are most likely to enter in the initial phase of their industrialization is the production of textiles and apparel.

Both these factors have operated with special force in knitted outerwear. In consequence, the rise in imports of knitted outerwear has been swift and continuous. While domestic production and shipments rose and fell with good and bad years, total imports of knitted outerwear in every year throughout this period were higher than in the previous year.

In 1956 the total of such imports in all fibers amounted to less than 3 million pounds. We estimate that it then represented less than 2 percent of our market on a poundage basis. But in 1967 this total rose to 64 million pounds; and though figures on domestic production for last year are not yet available, we estimate that imports represented close to 18 percent of our total apparent consumption of knitted outerwear in all fibers.

But this overall comparison between imports and domestic consumption represents a mere statistical generalization. It offers only an average for a broad variety of products. Not in all sectors of the market has the influx been held to 18 percent of consumption. In some areas the penetration has been considerably deeper.

Imports of cotton knitted outwear have been held to approximately 10 percent of the domestic consumption, thanks in part to the Geneva long-term cotton arrangement.

In wool knitted outerwear, where no controls exist, the ratio of imports to consumption in 1965, 1966, and 1967 has hovered between 30 and 32.8 percent. In manmade fibers the ratio in 1967 slightly exceeds 20 percent, but the rate of increase has been so precipitous that at its present pace the extent of market penetration is likely in a short time to exceed even that for wool.

But even within these fiber groupings, some product classifications have been affected more severely than even these averages by fibers indicate.

In the case of women's sweaters of wool, imports in 1965 came close to 50 percent of our total consumption—that is, one such sweater imported for nearly every sweater manufactured in the United States.

Now, Mr. Masaoka has made much of the contention that the textile import problem is a selective problem and does not yet affect all classes, he claims, of such goods.

Now, let me make it clear that if the same effects have not yet been apparent in other classifications of knitwear, it is not because foreign producers lack the capacity to enter those other areas of our market. They clearly possess the same advantage of labor cost in knitwear of all types and fibers and in other types of textiles. But they cannot as yet invade on all fronts at the same time. Given time for further expansion, they can surely capture other sectors of our market with the same detrimental effects upon domestic production as in the case of women's sweaters.

They are building bigger plants and will make new inroads. The initiative is theirs. We are exposed and vulnerable in all sectors.

Mr. Masaoka, in stressing selective treatment of imports, asked the avoidance of quotas across the board. It should be pointed out that any exporting nation under H.R. 11578 can avoid quotas across the board by simply negotiating and even under the long-term cotton arrangement made at Geneva, although all cotton goods are covered by the agreement, quantitative limitations have been only selectively

applied. But even there the right is given if bilateral negotiations should fail, to resort to unilateral action within the framework of the agreement.

So far as negotiation is concerned, let me make it clear that this committee is being called upon to act with respect to H.R. 11578 only after our Government has made repeated efforts at negotiating agreements of this nature with Japan and other countries.

I was personally a member of the mission that was sent by our Government to Tokyo in 1965 to try to work out a reasonable bilateral agreement with the Japanese with respect to our imports of wool textiles, and I regret to say that negotiations were never actually begun because our Japanese friends who are ordinarily notable and conspicuous for their great courtesy rejected any possible negotiation in so summary and brusk a fashion that that conference ended before its appointed time.

So let me make it clear and let the record leave no doubt on the point that every effort was made to negotiate and to achieve a reasonable degree of mutuality. When Mr. Masaoka—I will not repeat his ugly metaphor—talks about the undesirability of coercion, it must be abundantly clear that we have reached a point where, in the face of such coercive refusals, some additional incentives are needed for negotiation. Otherwise we will continue to have none.

What, then, of our future? We submitted to the Tariff Commission a projection of knitted outerwear imports over the next few years. The Tariff Commission, which had been specifically requested by the President to develop estimates on future import trends, chose totally to ignore this aspect of the subject as well as others. The data we submitted showed that the average increase in imports of knitted outerwear from year to year over the past decade has been 29 percent per year. That is the average margin by which the total for each year rose over the total of the preceding year.

On the basis of an annual increase no greater than this, we project that total imports, which today approximate 64 million pounds per year, will by 1971, merely 4 years hence, be three times the present volume, and that imports which today represent 18 percent of consumption will then represent 30 to 40 percent of our market.

Now, it is not necessary to pretend such precision in clairvoyancy as to fix the exact proportion which our domestic production will represent to total consumption in 3 to 4 years.

We do not anticipate that an industry like ours employing nearly 100,000 men and women in knitted outerwear and knitted fabrics alone will be wholly reduced to extinction in that time.

But the residual group which can survive such a battering of low-priced competitive merchandise would bear little resemblance to what the industry has been or still is today.

The one basic reason for this unbroken upward trend of imports is the radical difference in labor costs and the determining effect of labor costs in international competition.

We in the United States have a highly protectionist policy in our labor market. For an industry as labor-intensive as textiles and apparel, it is impossible to impose protectionism in the labor market without providing some means for limiting exposure of the products of such protected labor to the onslaught of competition from low-wage

areas of the world. In textiles and apparel, product competition is labor competition.

In the face of such extreme differences of conditions, we submit that it is irrelevant and worse to discourse on the philosophical merits of the principles of free trade. The President's special trade representative, Ambassador William M. Roth has chosen to ignore the dangers confronting industries like ours by condemning our requests for relief as "protectionism" and as "turning back the clock."

Such diatribes contribute nothing to a solution of the problem but a false notion of the true alternatives.

As for turning back the clock it must be observed that Mr. Roth still insists upon carrying on at this late date a quarrel he had apparently had with the late Senator Smoot, Congressman Hawley, and indeed the late President William McKinley. Times change, conditions change. But the doctrinaire never changes, never changes, and never notices changed conditions around him.

The old debate over the philosophy of free trade is stale and passé. Yet Mr. Roth, I respectfully suggest, is quixotically still tilting at old windmills and, worse, at windmills that are no longer there.

Most of us today advocate trade liberalization. But we want fair trade, as Congressman Curtis himself acknowledged. What we in the textile industry are seeking, therefore, is an accommodation, an accommodation of a generally accepted policy to the distinguishing facts and circumstances of a special case.

To proceed in a manner which is unyielding, in a manner which refuses all accommodation and which, therefore, must entail serious hardship and inequity for many, will ultimately cast disrepute upon the cause of trade liberalization itself and will render it politically and economically unsupportable. That which will not bend will break.

In a very real sense, therefore, it is we who seek reasonable accommodation of policy for the orderly growth of imports, it is we who will in the end prove to be better preservators of trade liberalization than the rigid and doctrinaire economic theologians who refuse to recognize special and differentiating circumstances.

Mr. Roth has always referred to quotas as if they necessarily will destroy all present imports of textiles and apparel. In truth, nothing of the sort would be involved in a system of reasonable limitations. Indeed orderly growth would rather be assured.

He has fostered the impression that any such system of limitations would be destructive of trade liberalization and that under GATT exporting nations would apply retaliation. But it must be clear that retaliation by another government could only aid, even if it were resorted to, one of its industries other than textiles and that the foreign textile industries affected, which export to our market, could not gain by retaliation but would find it more clearly in their interest to come to terms with the United States and enjoy a limited rate of expansion here instead of countering with retaliatory measures that at best can only help some other foreign industry, not textiles.

It is most unlikely that the powerful textile industries abroad would themselves favor retaliation. They would prefer negotiation and they have indeed negotiated with other nations which have arranged for quantitative limitations.

They have discriminated against us by refusing us the same consideration.

It is significant that remedial measures taken by other Western nations to curb imports of textiles and of knitted outerwear in particular have incurred no retaliatory action whatever. These measures have been in some cases unilateral and in other cases bilateral.

Numerous of our trading partners have instituted special restraints on imports of textiles and apparel in various categories. Some have been long standing. Some have recently initiated restrictions on imports of knitted outerwear in particular. The United Kingdom has had quotas for several years; to soo Italy, France and others.

Within the past year Sweden found it necessary to inaugurate special restrictions on imports of knitted outerwear. Canada has done the same. West Germany, we understand, has negotiated a bilateral agreement with Hong Kong, restraining imports of knitwear, though the actual terms of that agreement are classified and are not available. So, too, have other nations protected their domestic industries from the swelling tide of knitwear shipments from the Orient; and only within the last few months Australia has granted relief by similar measures to its knitted outerwear industry on the basis, mark you, not that the domestic industry had yet been injured, but that it ought not to be placed in jeopardy and exposed to future injury that will follow from a continuation of present trends. How much more serious is our case.

Yet these nations that have imposed these restraints are no less committed to GATT, no less dependent upon foreign trade, and no less devoted to trade liberalization than we are. But the effect of the multitude of restraints used by other countries to curb imports of textiles and apparel from the Orient and other low wage areas, the effect has been to aggravate our import problem by funneling and sluicing into our markets the excessive quantities that are barred elsewhere.

We have a justifiable grievance under GATT. We have never properly acted upon it. We do not complain that others have taken reasonable steps to shield their own industries from disruption but that we have been denied the same reasonable consideration.

As for knitwear, exporting countries that have been enjoying free access to our market have each been victimized in turn by still lower wages and lower priced knitwear of lower wage areas.

Great Britain, Italy, Japan and then Hong Kong succeeded one another in first place among exporters of wool knitted outerwear to the United States and today Hong Kong's position is being challenged by still lower wages of South Korea and Taiwan.

Each in turn has been led down the primrose path of a promise of a market here only to invest capital and training of help and to be undermined in turn, as we were originally, by lower wage imports from other countries.

International competition in the United States knitwear market is a price war with rewards to the lowest wage country. If there should be any doubt on this point, it will be dispelled by the statement I would like to bring to your committee's attention.

It was issued by a mill in South Korea producing competitive knitted outerwear for the U.S. market and it was designed to attract business from American retailers.

It can leave no doubt as to the nature of the foreign competition with which the U.S. knitted outerwear industry has been waging a losing battle. While we will be submitting the entire five-page statement for the record, we quote the following as particularly worthy of note:

For some time, manufacturers in U.S.A. have been discovering new places in Southeast Asia and Asia as new sources of supplying the American market with hand-detailed sweaters to be retailed at reasonable prices due to the East's unlimited sources of cheap labor.

It has taken three Americans from widely diverse backgrounds, and three Koreans in the hotel business in South Korea, along with the cooperation of the South Korean government, to come up with the means for the American retailers that takes all the gambling out of importing . . .

The sweaters are designed in the U.S.A. for American women, produced in South Korea in Westar's—the name of the South Korea mill—own mill under strict quality controls, shipped to Westar's own warehouses in Boston, Massachusetts and Nashua, New Hampshire, and permits Westar, Ltd. to offer quality conformity of production at prices far below imports from Japan, Hong Kong, Okinawa or Taiwan . . .

The results have been electrifying . . . on August 25th, a shipment of 80,000 hand-loomed, hand-crocheted fall sweaters for women arrived at the Boston warehouse. By September 6th, every single sweater had been bought up by the first few chains and department stores to see the merchandise.

The new spring line of fine gauge knits, novelty knits, and bulky knit sweaters opened last week. One chain confirmed an initial order of 2,700 dozen. It is now certain that 10,000 dozen will be sold by October 15th, and by November 30th, over 30,000 dozen will be confirmed for delivery from January through February 1st. It is expected that the capacity of 50,000 dozen sweaters will be fulfilled before Thanksgiving.

It goes on to say that the new plant is being built to 50,000 square feet, the present mill has more than 150 hand knittng frames and employs 450 South Koreans.

The plant output will be increased to a minimum of 2,000 dozen sweaters per week.

The labor costs range from 3 to 7 cents per hour to 21 cents, Dr. Tyler said—

He is one of the principals in the mill—

but living costs are scaled proportionately, and South Korea does not have the galloping inflation problems of other countries. The United States and South Korean governments are fostering investment in Korea . . . the American Embassy was especially helpful . . . in initiating so large a venture.

Now, importers are rarely as candid as this in declaring the basis for their competitive advantage and their apparel to our market.

This testimony directly from the mouth of our foreign rival suffices to pierce all the elaborate rationalizations with which importer spokesmen here have sought to mask the problem but the problem is critical.

The problem cannot be masked or avoided, nor can a solution be deferred. The U.S. industry has been efficient. It has been a leader in innovation and technological advance. It has nourished comparable industries elsewhere in the world with the concepts it has originated and which others have adopted. But it cannot contend against such competition as this.

Such evidence as this and the record of the domestic industry under the impact of the low-wage foreign competition makes the conclusion unavoidable that in the absence of restraint upon imports of knitwear, the trend demonstrated by the figures furnished here will continue and will operate to the serious detriment of American Labor and

management in the knitted outerwear industry of the United States and in the auxiliary supply industries dependent upon it.

I respectfully submit this, and I thank you.

Mr. BURKE. Thank you very much.

Mr. Korzenik, the record is being left open for you to submit any other statement you have.

Mr. KORZENIK. Thank you, sir.

I propose to submit a written statement elaborating these points in greater detail.

(The following statement was received by the committee:)

STATEMENT OF SIDNEY S. KORZENIK, EXECUTIVE DIRECTOR AND COUNSEL, NATIONAL KNITTED OUTERWEAR ASSOCIATION

The manufacture of knitted outerwear is one of the several segments of the textile-apparel complex that has experienced severe and increasing pressure from imports. As with all apparel, its products are generally labor-intensive, and it has been particularly vulnerable to competition from rival producers in low-wage areas of the world. Its difficulties are illustrative, therefore, of the impact and danger which imports present to the textile and apparel industry in general.

The kniteted outerwear industry is ordinarily defined to include those firms which knit yarns into a variety of end products, including sweaters, knitted shirts, knitted swimwear, knitted dresses and suits, knitted infants' and children's wear, knitted headwear, and other types of knitted outerapparel. Unlike the woven apparel industry, its raw materials consist of yarns, not woven fabrics. It is thus textile in character and is ordinarily so classified. But it turns out ready-to-wear.

The annual output of knitted outerwear was valued at about $1.3 billion in 1966, the last year for which official data are available. We estimate it to be no more than that, possibly less in 1967.

The knitted outerwear industry, like other branches of the apparel industry, is substantial in the aggregate, but consists of numerous small-business enterprises. Approximately 1,175 firms constitute the nation's knitted outerwear industry.

Plants manufacturing knitted outerwear are concentrated primarily in the eastern part of the country from New England down through New York, Pennsylvania and southward through the Carolinas. Other centers of production are in Cleveland and on the Pacific Coast. The industry conducts manufacturing operations in thirty-two states of the Union. The industry is not limited by its equipment or by its marketing organization to any particular fiber. It uses all fibers interchangeably. The shift from one type of yarn to another is effected as simply as doffing one core from the knitting machine and mounting another.

The distinctive and differentiating character of the nation's textile and apparel import problem arises from the operation of at least two special factors.

First, it is one of the most labor-intensive of the manufacturing industries of the country.

A second distinguishing factor is that the first type of manufacture which underdeveloped and low-wage areas of the world have entered or are most likely to enter in the initial phase of their industrialization is the production of textiles and apparel.

Both of these factors have operated with special force in knitted outerwear. In consequence, the rise in imports of knitted outerwear has been swift and continuous. While domestic production and shipments rose and well with good and bad years, total imports of knitted outerwear in every year throughout this period were higher than in the previous year.

In 1956 the total of such imports in all fibers amounted to less than 3 million pounds. We estimate that in that year it represented less than 2% of our market on a poundage basis. By 1967 this total rose to 64.4 million pounds, or more than 20 times what it was in 1956, and about 3½ times the total of only 5 years ago, as shown in Table 1. The quantity of imports has continued to increase in every month thus far reported in 1968 over the corresponding month of the previous year.

TABLE 1.—U.S. IMPORTS FOR CONSUMPTION OF KNITTED OUTERWEAR OF WOOL, MAN-MADE FIBERS, AND COTTON

[In thousands of pounds]

Year	Quantity			
	Wool	Man-made	Cotton	Total
1956	2,535	70	(1)	(1)
1957	2,690	59	(1)	(1)
1958	3,135	85	[2] 3,174	6,394
1959	4,838	85	4,170	9,093
1960	6,532	308	4,518	11,358
1961	7,399	387	4,550	12,336
1962	11,486	[3] 1,581	6,671	19,738
1963	16,918	[3] 2,383	6,003	25,304
1964	19,275	4,583	6,152	30,010
1965	26,673	10,519	9,801	46,993
1966	24,954	16,131	14,381	55,466
1967	23,757	27,373	13,296	64,426
	(Index 1958=100)			
1956	80.9	82.4	(1)	(1)
1957	85.8	69.4	(1)	(1)
1958	100.0	100.0	100.0	100.0
1959	154.3	100.0	131.4	142.2
1960	208.4	362.4	142.3	177.6
1961	236.0	455.3	143.3	192.9
1962	366.4	1,860.0	210.2	308.7
1963	539.6	2,804.7	189.1	395.7
1964	614.8	5,392.9	193.8	469.3
1965	850.8	12,387.1	308.8	735.0
1966	796.0	18,978.8	453.1	867.5
1967	757.8	32,203.5	418.9	1,007.6

[1] Not available.
[2] Includes other vegetable fibers.
[3] Estimated.

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

To appreciate further what this import total means, an attempt may be made to relate it to the total domestic production. But in doing so it should be noted at the outset that we have included in domestic production not only the output of knitted outerwear mills, which is to say integrated producers who begin with yarns and do their own knitting, but we have also included the products of knitted outerwear fabrics sold to apparel cutters; and, in order to allay any possible question, we have assumed that such types of knitted fabric sold in the piece have *all* wound up in knitted outerwear end products. We know at the outset that this is not the case—that not all did go into domestic knitted outerwear, and we know that the figure used to measure the domestic output should be somewhat less because certain types of knitted fabric, such as overcoating, though thus included in the production of knitted outerwear in the United States, actually went into products not included in knitted outerwear imports. We have chosen thus to proceed in order to avoid too many estimated premises for our conclusions.

The details of the study have been set forth in detail in Appendices A–E, so that your Committee may be fully informed of the procedures we have followed.

The point to be emphasized here is that on this basis the ratios of imports to domestic production and to domestic consumption resulting from this study are understated.

But even on this basis imports are found to represent 21.4% of domestic production or 17.7% of consumption of knitted outerwear of all fibers. Moreover, imports have been rising at such a rate as to occupy an ever-greater portion of our total market, as the following figures indicate:

TABLE 2.—*Ratio of imports of knitted outerwear of all fibers to consumption*

Year:	*Ratio (percent)*
1963	13.0
1964	13.2
1965	14.1
1966	15.2
1967	[1] 17.7

[1] Estimated.

Source: Appendix E.

But these over-all comparisons of imports with domestic production and domestic consumption are merely a statistical generalization. They present only an average covering a broad variety of products. Not in all sectors of the market has the influx been held to 17 or 18% of consumption. In some areas imports have penertated the market to a considerably greater extent.

In 1965, 1966 and 1967 the ratio of imports of wool knitted outerwear to consumption has hovered between 31.2 and 32.5% even on the conservative basis of our calculations.

TABLE 3.—*Ratio of imports of knitted outerwear wholly or in chief value of wool to consumption*

Year:	*Ratio (percent)*
1963	26.7
1964	25.2
1965	32.5
1966	31.2
1967	[1] 32.3

[1] Estimated.

Source: Appendix E.

In cotton knitted outerwear the ratio, though it rose considerably since 1961 when the Provisional Geneva Agreement on Cotton Textiles first took effect, is estimated currently to be slightly less than 10%.

TABLE 4.—*Ratio of imports of knitted outerwear of cotton to consumption*

Year:	*Ratio (percent)*
1963	7.4
1964	6.1
1965	7.1
1966	9.2
1967	[1] 8.4

[1] Estimated.

Source: Appendix E.

In the third major fiber area, man-made fibers, the ratio is estimated in the current year to be 20.7%. Here the rate of increase has been so great that it is likely soon to exceed the ratio for wool.

TABLE 5.—*Ratio of imports of knitted outerwear of man-made fibers to consumption*

Year:	*Ratio (percent)*
1963	4.7
1964	9.2
1965	9.1
1966	12.5
1967	[1] 20.7

[1] Estimated.

Source: Appendix E.

It is obvious that in the area of man-made fibers the rise has been most swift and continues unabated. Imports of knitted outerwear of man-made fiber in 1964 were less than one-quarter of the total for wool. They amounted to about 4.6 million pounds, as against 19.3 million for wool. But last year the volume of imports of man-made fibers reached 27 million pounds, greater than the highest annual total ever achieved in wool and six times what the man-made total was in 1964.

But even these ratios by fiber type are generalizations and averages. Within these fiber groupings some classifications have been affected by imports even more severely than these averages indicate. Foreign producers do not invade on all fronts at the same time. They tend to concentrate on certain product areas because it is easier for them to do so. Sweaters, for example, represent a major classification of knitted outerwear imports. And in this classification, importers have thus far concentrated in women's sweaters.

In the case of women's sweaters of wool, imports in 1965 came close to 50% of the market, as will be seen in Table 6, and were not far from that point last year.

TABLE 6.—COMPARISON OF IMPORTS TO DOMESTIC SHIPMENTS OF WOMEN'S WOOL SWEATERS

[Quantity in thousands of dozens]

Year	Imports [1]	Domestic shipments [2]	Apparent consumption	Ratio of imports to apparent consumption (percent)
1963	([3])	1,629	([3])	----------
1964	1,160	1,691	2,851	40.5
1965	1,849	2,140	3,989	46.7
1966	1,493	[4] 2,200	[4] 3,693	[4] 40.4
1967	1,109	[4] 1,700	[4] 2,809	[1] 39.4

[1] Includes women's and girls' sweaters and only infants' ornamented sweaters. All infants' outerwear, not ornamented, is separately classified as TSUSA No. 382.48–00 and amounted to only 84,000 lbs. in 1964 and 1965. The infants' sweaters here included are believed insignificantly small.

[2] No breakdown of wool sweaters is available for girls' and teenage girls' or children's. They are believed to amount to less than 50,000 dozen.

[3] Not available.

[4] Estimated.

Source: U.S. Bureau of the Census, U.S. imports of merchandise for consumption, IM–146. Current industrial reports, apparel survey, series M23A.

The trend in women's sweaters of acrylic fiber reflects the sharp increase in the general total in all man-made knit-wear, though the extent of the market penetration is much deeper as seen in Table 7.

TABLE 7.—COMPARISON OF IMPORTS TO DOMESTIC PRODUCTION OF WOMEN'S, GIRLS' AND INFANTS' ACRYLIC SWEATERS

[Quantity in thousands of dozens]

Year	Imports	Domestic shipments	Apparent consumption	Ratio of imports to apparent consumption (percent)
1963	([1])	5,266	([1])	----------
1964	208	4,771	4,979	4.2
1965	445	5,209	5,654	7.9
1966	1,226	[2] 5,200	[2] 6,426	[2] 19.1
1967	2,101	[2] 4,200	[2] 6,301	[2] 33.3

[1] Not available.

[2] Estimated.

Sources: U.S. Bureau of the Census, U.S. Imports of Merchandise for Consumption, IM–146. Current Industrial Reports, apparel survey, series M23A.

Women's sweaters have enjoyed great popularity in recent years. Consumption has been increasing in the past decade. But under the competitive pressure of imports, the production of women's sweaters in the United States has not only failed to share in this growth, but has in fact declined. Domestic shipments of women's sweaters in 1966, the last year for which data have been published, was still below the level of 1957.

TABLE 8.—DOMESTIC SHIPMENTS OF WOMEN'S, MISSES' AND JUNIORS' SWEATERS OF ALL FIBERS

Year	Thousands of dozens	Index, 1957=100	Year	Thousands of dozens	Index, 1957=100
1957	7,537	100.0	1963	5,880	78.0
1958	7,314	97.0	1964	5,932	78.7
1959	7,299	96.8	1965	7,225	95.9
1960	6,533	86.7	1966	7,394	98.0
1961	6,464	85.8	1967	[1] 5,753	76.3
1962	6,125	83.7			

[1] Estimated.

Source: U.S. Bureau of Census. Current industrial reports, appeal survey, series M23A and M23H.

Our estimate is that the 1967 total, based on monthly shipments of women's, misses' and juniors' sweaters for 1967 published by the Bureau of the Census, was well below 1966, and approximated 76% of the output of eleven years ago.

Imports of men's and boys' sweaters, though not yet of the proportions of women's sweater imports, are serious and have been rising. As shown in Table 9, they have increased in every year for which import data by dozens are available.

TABLE 9.—COMPARISON OF IMPORTS TO DOMESTIC SHIPMENTS OF MEN'S AND BOYS' SWEATERS OF ALL FIBERS

[Quantity in thousands of dozens]

Year	Imports	Domestic shipments	Apparent consumption	Ratio of imports to apparent consumption (percent)
1963	[1]	4,114	[1]	
1964	272	4,376	4,648	5.9
1965	440	4,633	5,073	9.5
1966	504	4,683	5,187	9.7
1967	656	[2] 4,200	4,856	13.5

[1] Not available.
[2] Estimated.

Source: U.S. Bureau of the Census, Current Industrial Reports, Apparel Survey, series M23A and M23B.

Another illustration of market penetration in depth is the case of knitted outerwear shirts (excluding T- and sweat shirts) of man-made fiber. The quantity was substantial in the first year for which data are available, 1964. The import total that year was 212,000 dozen. The 1967 total was, therefore, thirteen times the 1964 total, or 2,855,000 dozen.

TABLE 10.—U.S. IMPORTS FOR CONSUMPTION OF KNIT OUTERWEAR SHIRTS (EXCLUDING T AND SWEAT SHIRTS) OF MANMADE FIBERS

[Quantity in dozens]

Type	1964	1965	1966	1967
Men's and boys'	148,773	878,722	1,190,232	1,391,719
Women's, girls' and infants'	63,040	131,762	909,795	1,462,987
Total knit outerwear shirts of manmade fibers	211,813	1,010,484	2,100,027	2,854,706

Source: U.S. Bureau of the Census, "U.S. Imports of Merchandise for Consumption," IM-146.

Data on domestic production of comparable articles of man-made fiber are unfortunately not available, but it is our opinion that imports in this classification are now not far behind domestic production and at the present rate of increase are likely to exceed it next year and would thus represent over half the domestic consumption.

It is not necessary to multiply instances demonstrating the extent of the import invasion in different parts of the knitwear market. If the same effects have not yet been apparent in other classifications of knitwear that we have observed in the foregoing cases, it is not because foreign producers lack the capacity to enter those other areas of our market. They clearly possess the same advantage of labor cost in knitwear of all types and fibers. But, as stated above, they cannot as yet invade on all fronts at the same time. Given time for further expansion, they can surely capture other sectors of our market with the same detrimental effects upon domestic production as in the case of women's sweaters.

On the basis of the data submitted here, the Committee may itself project how much more of the knitted outerwear market will be occupied by imports by 1970 and thereafter. If the forces presently at work continue to operate freely and without the intervention of any new restraining action on the part of the government, it cannot be reasonably doubted that U.S. sweater production will continue to decline in absolute terms, and surely in relationship to mounting imports. It is not necessary to pretend to such precision in clairvoyancy as to fix the exact percentage which domestic sweater production will represent to total consumption in three or four years. But in view of all the evidence before us it is so overwhelmingly probable as to leave no room for reasonable doubt that imports of sweaters will continue to rise, that domestic production will continue to decline, and that sweaters made in the United States will supply less than half the total domestic demand for such knitwear by 1970. In the case of women's sweaters it will probably be no more than 40%, and the balance will be imports. In the case of knitted outerwear shirts of man-made fiber, the rate of increase in imports is such that within the next year or two imports may, as stated above, constitute more than half of the total supply.

In those specific areas where our foreign rivals have already invaded in force, their take-over will be more complete in the next few years than in the newer areas which they are presently only prospecting. But there is no apparent reason why their rate of growth in those newer sectors should not be as swift as it has been in those we have examined above.

To estimate on an over-all basis the future imports of all knitted outerwear of all fibers measured in pounds, it may be noted from Table 1 that the average increase from year to year in the past decade has been 29%. That is the margin by which the total for each year rose over the total for the preceding year. On the basis of an annual increase of 29% we may project the following import trend during the next five years:

TABLE 11.—*Projection of imports of knitted outerwear in all fibers*

[Quantity in millions of pounds]

Year:	*Total imports*
1967	64
1968	83
1969	107
1970	138
1971	178

In contrast, the total domestic production of knitted outerwear, as shown in Appendix E, rose by 6% between 1965 and 1966 and declined by about 4% between 1966 and 1967. (Figures prior to 1965 are not directly comparable for statistical reasons explained in the note to Appendix E.) But prognostication need not be pressed to the point of absurd exactitude. Even if we assume a modest increase—though on the basis of what we have seen in the case of sweaters a further decline is more probable, total imports by 1971 will rise from 17.7% of consumption in the previous year to something between 30 and 40% in three to five years. And this, be it noted, is an average for a great variety of classifications, some of which are likely to approach liquidation and their future contribution will be minor.

We expect that in discussing the future import trends you will hear a great deal from the import interests about inherent factors which will come into play to retard the future rise of imports. But are there any built-in factors that should arrest this projected trend? If there are, nothing of the sort has manifested itself

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-

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.

Against this general background, in order to put before you the relative labor costs, it is not necessary to analyze the trend of wages in other countries exporting to our market knitted outerwear competitive with our own. It should suffice to place in the record the statement issued by a mill in South Korea producing competitive knited outerwear for the United States market. It is a statement designed to attract business from retailers to whom it is primarily addressed. It can leave no doubt as to the nature of the foreign competition with which the United States knitted outerwear industry has been waging a losing battle. While submitting the entire five-page statement for the record (see Appendix J), I should like to stress by quoting these significant passages intended for the store buyer in the United States:

"For some time, manufacturers in the U.S.A. have been discovering exotic new places in Southeast Asia and Asia as new sources of supplying the American market with hand-detailed sweaters to be retailed at reasonable prices due to the East's unlimited sources of cheap labor. It has taken three Americans from widely diverse backgrounds, and three Koreans in the hotel business in South Korea, along with the cooperation of the South Korean government, to come up with the means for the American retailers that takes all the gambling out of importing * * *.

"The sweaters are designed in the U.S.A. for American women, produced in South Korea in Westar's own mill under strict quality controls, shipped to Westar's own warehouses in Boston, Mass. and Nashua, N.H., and permits Westar, Ltd. to offer quality conformity of production at prices far below imports from Japan, Hong Kong, Okinawa or Taiwan * * *.

"The results have been electrifying. * * * on August 25th, a shipment of 80,000 hand-loomed, hand-crocheted fall sweaters for women arrived at the Boston warehouse. By September 6th, every single sweater had been bought up by the first few chains and department stores to see the merchandise. The new spring line of fine gauge knits, novelty knits, and bulky knit sweaters opened last week. One chain confirmed an initial order of 2,700 dozen. It is now certain that 10,000 dozen will be sold by October 15th, and by November 30th, over 30,000 dozen will be confirmed for delivery from January through February 1st. It is expected that the capacity of 50,000 dozen sweaters will be fulfilled before Thanksgiving.

"According to Dr. Tyler (one of the company principals), a new plant is already being built in Seoul consisting of 50,000 square feet and will be ready early in 1967. It will increase employment by 825 people, which will include 200 additional hand-crochet knitters. The present mill has more than 150 hand kniting frames, and employs 450 South Koreans. Planned output will be increased to a minimum of 2,000 dozen sweaters per week in full-fashioned styles * * *. The labor costs range from three to seven cents per hour to 21 cents, Dr. Tyler said, but living costs are scaled proportionately, and South Korea does not have the galloping inflation problems of other countries. The United States and South Korean governments are fostering investment in Korea * * * the American Embassy was especially helpful * * * in initiating so large a venture."

The foregoing statement is particularly noteworth because rarely are importers so candid in declaring the basis of their competitive advantage. We agree with this statement's conclusion, and we are satisfied to rely on the testimony of our adversaries in asserting that the outcome of this economic struggle will depend on the advantage in labor costs. While this South Korean knitted outerwear plant is boasting to its prospective United States customers of wages from 5¢ to 7¢ to a high of 21¢ per hour, it should be noted that the average wage in the knitted outerwear industry of the United States in the most recent month for which data has been made available by the Bureau of Labor Statistics, March 1968, was $2.26 per hour (see Appendix F).

In the face of such extreme differences of conditions, we submit that is irrelevant and worse to discourse on the philosophical merits of the principles of free trade. For Mr. William M. Roth, the President's Special Trade Negotiator, to multiply speeches against the dangers of protectionism contributes nothing to a solution of the problem but a false notion of the true alternatives. He has referred to quotas as if they were necessarily destrictive of all present imports of textiles and apparel when nothing of the sort would be involved in a system of reasonable limitations. He has created the impression that any such system of limitations would be destructive of the progress of trade liberalization under GATT.

Not only is that not the case, but it should be pointed out that our so-called trading partners in Europe have had recourse to various types of limitations and quotas on their imports of textiles and apparel. All of this has apparently been ignored. Indeed, public information on these limitations has been difficult to obtain. We deem it essential to your study that your Committee should obtain from the State Department the fullest information with respect to quota arrangemens on textiles and apparel now in force in European countries and in Japan; and, further, how such restraining measures have not in some of these countries prevented some increase in imports consistent with orderly marketing and the survival of domestic industries. The Canadian Government whose policy has been no less committed to liberal trade, has nevertheless instituted quota arrangements with Japan and even with the British Crown Colony of Hong Kong. ments on textiles and apparel now in force in European countries and in Japan; Great Britain has done the same. West Germany has such arrangements with at least Hong Kong, but the details have never been made public and we have never been able to obtain them. Similar limitations apply in France. They have been instituted, we have been advised, in some of the Scandinavian countries. And all these are not limited to cotton but apply to other fibers as well. And only within the last few months Australia has granted relief by similar measures to its knitted outerwear industry on the basis, mark you, not that the domestic industry had not yet been injured, but that it ought not to be placed in jeopardy and exposed to future injury that will follow from a continuation of present trends. How much more serious is our case. We urge that this study by your Committee include a complete examination of these arrangements.

Too much of the public debate has been carried on in terms of abstract principles. It is only by examining the distinguishing realities in the difficulties of the apparel and textile industry that a solution appropriate to this special case can be found. The old dialectic between free trade and abstract protectionism is dead. The arguments are stale. The realities are far more complicated and more severe than can be treated through vague generalities. The facts which the industry is placing before you cannot but demonstrate the basis for a program of reasonable limitations of imports such as has been adopted by other GATT nations and such as will permit the survival and growth of our own textile and apparel industry.

APPENDIXES

APPENDIX A

Explanatory Note on Method of Developing Ratios Between Domestic Production and Imports of Knitted Outerwear in Pounds.—Because classifications of imports do not correspond with classifications of knitted outerwear reported in surveys of domestic production, it is not possible to make complete comparison in units. It is necessary to make the comparison on a poundage basis.

Domestic production, however, is not specifically reported in pounds, and poundage must, therefore, be derived from other data. The sources used are two:

(1) Data published by the National Cotton Council of America in its annual survey, entitled "Cotton Counts Its Customers," covering all classifications of knitted garments constituting "knitted outerwear" and thus comparable to the total of import categories included in this general term. Such data provide, first, the total fiber weight of materials used for producing each classification of end product, and; second, the portion thereof consisting of cotton. They do not show what portion was wool or what portion man-made fiber. To obtain figures on the weight of wool knit outerwear a second source was used.

(2) Data on wool yarns consumed in the manufacture of knitted outerwear, as derived from the "Apparel Survey, Series M23A" of the Bureau of Census of the United States Department of Commerce. This report shows the total consumption of yarn in the production of knitted underwear, nightwear and knitted outerwear (but not broken down). These figures were supplemented by a further report, Series M22K, "Knit Cloth for Sale."

In the first of these two Bureau of Census reports, the figures showing wool yarn consumed for underwear, nightwear and knit outerwear are assumed to be nearly entirely absorbed in knitted outerwear (except for a small percentage). But since these figures reflect consumption of yarns only in integrated knitted outerwear mills, it is supplemented by data in the survey of Knit Cloth for Sale, showing the quantity of wool cloth sold to cutters for fabrication into garments—

and here we have assumed that all such knitted cloth of wool went into knit outerwear, though some part of it must have been consumed in other non-knit-outerwear use. Domestic production is thus somewhat overstated.

The only further adjustment of these two wool figures from the Department of Commerce sources is to diminish the yarn poundage by a waste factor of 20 per cent to derive the net weight of finished garments.

With (a) the total weight of all knitted outerwear production based on the data of the National Cotton Council, and with (b) the total portion thereof consisting of cotton given in the same source, and with (c) the weight of wool knitted outerwear derived from the Department of Commerce reports in the manner indicated above, we have then been able to subtract (b) and (c) from (a) thus to obtain (d), the remainder which represents the man-made component.

The 20 per cent waste factor applied to yarn consumption represents a generalization of industry experience.

APPENDIX B

ESTIMATED END USE CONSUMPTION OF GRAY YARNS OF ALL FIBERS IN THE PRODUCTION OF KNITTED OUTERWEAR 1960–67

[In millions of pounds]

Type of product	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Sweaters	95	97	101	102	102	113	114	92
Knit outerwear shirts	56	54	55	52	72	89	96	100
Sweatshirts	32	35	42	39	48	55	66	64
Knit swimwear	6	7	8	7	12	14	14	15
Knit dresses	2	2	2	2	5	[2] 51	[2] 56	59
Knit dress suits						8	8	9
Knit play garments	7	7	8	9	8	10	11	10
Knit skirts	[3]	[3]	[3]	[3]	[3]	8	10	10
Knit slacks	[3]	[3]	[3]	[3]	[3]	12	14	15
Knit headwear [4]	3	3	3	3	3	3	3	3
Total gray yarns consumed in the production of knitted outerwear	201	205	219	214	25	363	392	377
Adjusted 20 percent for waste	160.8	164.0	175.2	171.2	200.0	290.4	313.6	301.6

[1] Estimated.
[2] Adjusted to exclude dresses of tricot not ordinarily classified as knitted outerwear, amounting to 19 million pounds in 1965 and 20 million pounds in 1966.
[3] Not available.
[4] Estimated by National Knitted Outerwear Association based on production of knit headwear reported in the "Apparel Survey."

Source: National Cotton Council of America, "Cotton Counts Its Customers."

APPENDIX C

ESTIMATED END-USE CONSUMPTION OF GRAY COTTON YARNS IN THE PRODUCTION OF KNITTED OUTERWEAR 1960–67

[In millions of pounds]

Type of product	1960	1961	1962	1963	1964	1965	1966	1967 [1]
Sweaters	4	4	4	4	3	4	6	4
Knit outerwear shirts	51	50	50	45	63	70	78	80
Sweat shirts	32	34	41	37	46	53	62	64
Knit swimwear	1	2	2	1	2	2	1	1
Knit dresses	1	1	1	1	1	15	15	16
Knit dress suits						2	2	3
Knit play garments	6	6	7	7	6	8	8	7
Knit skirts	[2]	[2]	[2]	[2]	[2]	2	3	2
Knit slacks	[2]	[2]	[2]	[2]	[2]	5	5	5
Knit headwear [3]								
Total, gray cotton yarn consumed in the production of knitted outerwear	95	97	105	95	121	161	180	182
Adjusted 20 percent for waste	76	77.6	84	76	96.8	128.8	144	146

[1] Estimated.
[2] Not applicable.
[3] Estimated by National Knitted Outerwear Association based on production of knit headwear reported in the "Apparel Survey."

Source: National Cotton Council of America, "Cotton Counts Its Customers."

APPENDIX D

DOMESTIC CONSUMPTION OF WOOL YARNS IN THE PRODUCTION OF KNIT OUTERWEAR, 1960–67

[In millions of pounds]

Year	Domestic consumption of wool yarns in the production of—			Total wool yarn consumed in knit outerwear	Weight of finished knit outerwear (adjusted for 20 percent waste)
	Knit underwear, nightwear, and outerwear	Knit outerwear [1]	Knit cloth for sale to others for fabricating into garments		
1960	31.8	30.0	11.8	41.8	33.3
1961	32.9	31.0	11.8	42.8	34.2
1962	38.5	36.0	12.0	48.0	38.4
1963	45.9	44.0	14.3	58.3	46.6
1964	53.0	51.0	20.7	71.7	57.4
1965	50.5	48.5	[1] 21.0	9.5	55.6
1966	59.0	57.0	12.1	69.1	55.3
1967	[1] 47.0	[1] 45.0	17.4	[1] 62.4	[1] 49.9

[1] Estimated.

Source: U.S. Department of Commerce, Bureau of the Census, Current Industrial Reports, Apparel Survey, series M23A, and Knit Cloth for Sale, series M22K.

APPENDIX E

RATIO OF IMPORTS OF KNITTED OUTERWEAR OF ALL FIBERS TO DOMESTIC PRODUCTION AND TO APPARENT CONSUMPTION 1960–67

Year	Domestic production (pounds)	Imports (pounds)	Exports (pounds)	Apparent consumption (pounds)	Ratio of imports to—	
					Apparent consumption (percent)	Domestic production (percent)
[1]960	160,800,000	11,358,000	2,000,000	170,158,000	6.7	7.1
[1]961	164,000,000	12,336,000	3,000,000	173,336,000	7.1	7.5
[1]962	175,200,000	19,738,000	2,000,000	192,938,000	10.2	11.3
[1]963	171,200,000	25,304,000	2,000,000	194,504,000	13.0	14.8
[1]964	200,000,000	30,010,000	2,000,000	228,010,000	13.2	15.1
1965	290,400,000	46,993,000	3,000,000	334,393,000	14.1	16.2
1966	313,600,000	55,466,000	3,000,000	366,066,000	15.2	17.7
967	[1] 301,600,000	64,426,000	[1] 3,000,000	[1] 363,026,000	[1] 17.7	[1] 21.4

[1] Estimated.

RATIO OF IMPORTS OF KNITTED OUTERWEAR BY TYPE OF FIBER TO DOMESTIC PRODUCTION AND TO APPARENT CONSUMPTION, 1960–67

Type of fiber	Domestic production (pounds)	Imports (pounds)	Exports (pounds)	Apparent consumption (pounds)	Ratio of imports to—	
					Apparent consumption (percent)	Domestic production (percent)
Knitted outerwear of wool:						
1960	33,300,000	6,532,000	200,000	39,632,000	16.5	19.6
1961	34,200,000	7,399,000	223,000	41,376,000	17.9	21.6
1962	38,400,000	11,486,000	183,000	49,698,000	23.1	29.9
1963	46,600,000	16,918,000	227,000	63,291,000	26.7	36.3
1964	57,400,000	19,275,000	314,000	76,361,000	25.2	33.6
1965	[1] 55,600,000	26,673,000	244,000	82,029,000	32.5	48.0
1966	55,300,000	24,954,000	255,000	79,999,000	31.2	45.1
1967	[1] 49,900,000	23,757,000	[1] 200,000	[1] 73,457,000	[1] 32.3	[1] 47.6
Knitted outerwear of cotton:						
1960	76,000,000	4,518,000	1,000,000	79,518,000	5.7	5.9
1961	77,600,000	4,550,000	924,000	81,226,000	5.6	5.9
1962	84,000,000	6,671,000	1,011,000	89,660,000	7.4	7.9
1963	76,000,000	6,003,000	1,103,000	80,900,000	7.4	7.9
1964	96,800,000	6,152,000	1,529,000	101,423,000	6.1	6.4
1965	128,800,000	9,801,000	1,364,000	137,237,000	7.1	7.6
1966	144,000,000	14,381,000	1,361,000	157,020,000	9.2	10.0
1967	[1] 146,000,000	13,296,000	[1] 1,300,000	[1] 157,996,000	[1] 8.4	[1] 9.1
Knitted outerwear of man-made fibers:						
1960	51,500,000	308,000	1,000,000	50,808,000	0.6	0.6
1961	52,200,000	387,000	1,515,000	51,072,000	0.8	0.7
1962	52,800,000	1,581,000	708,000	53,673,000	2.9	3.0
1963	48,600,000	2,383,000	631,000	50,352,000	4.7	4.9
1964	45,800,000	4,583,000	558,000	49,825,000	9.2	10.0
1965	[2] 106,000,000	10,519,000	1,202,000	115,317,000	[2] 9.1	9.9
1966	114,300,000	16,131,000	898,000	129,533,000	12.5	14.1
1967	[1] 105,700,000	27,373,000	[1] 900,000	[1] 132,173,000	[1] 20.7	[1] 25.9

[1] Estimated.

[2] The sharp increase between 1964 and 1965 in the figures reflecting domestic production of knitted outerwear of man-made fibers does not actually indicate an expansion in the U.S. industry, but rather a correction in the data of the National Cotton Council. Not included in 1964 or the earlier years were the following classifications: knitted dresses and suits (included only are those made in integrated knitting mills; those made of purchased knitted fabric were not included); knit skirts; and knitted slacks. All the omitted classifications were included for the first time in 1965, and the total for that year, as in the case of the succeeding year, is therefore not directly comparable to the figures for the preceding series. Consequently, the ratio of imports of knitted outerwear of man-made fibers to apparent consumption of such articles is somewhat overstated for the years prior to 1965. But they are bellieved to bevalid for the last 3 years shown.

Sources: Appendix B, C, and D.

Appendix F

AVERAGE HOURLY EARNINGS OF PRODUCTION WORKERS IN THE U.S. KNITTED OUTERWEAR INDUSTRY, 1957–67 AND MARCH 1968

Period	Amount	Period	Amount
1957	$1.51	1963	$1.74
1958	1.53	1964	1.82
1959	1.55	1965	1.88
1960	1.60	1966	1.99
1961	1.66	1967	2.12
1962	1.69	March 1968	2.26

Note: Not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

APPENDIX G

PERCENTAGE OF TOTAL QUANTITY OF U.S. IMPORTS FOR CONSUMPTION OF WOOL KNITTED OUTERWEAR BY LEADING COUNTRIES OF ORIGIN, 1953–67

Year	United Kingdom	Japan	Italy	Hong Kong	All other countries
1953	55.8	2.4	7.1	0	34.7
1954	50.1	6.0	10.4	0	33.7
1955	35.9	19.4	14.4	0	30.3
1956	20.6	45.5	13.8	.4	19.7
1957	17.3	46.5	15.7	.8	19.7
1958	14.7	45.0	21.2	1.8	17.3
1959	11.6	43.4	27.1	3.4	14.5
1960	8.8	31.4	39.7	5.5	14.6
1961	8.6	19.9	48.7	7.6	15.2
1962	7.8	14.4	52.3	10.2	15.3
1963	6.8	6.2	64.9	10.0	12.1
1964	5.5	3.5	62.4	17.5	11.1
1965	4.6	3.3	48.7	33.4	10.0
1966	5.3	3.7	39.8	38.4	12.8
1967	5.1	2.6	36.1	42.6	13.6

Source: U.S. Department of Commerce, Bureau of the Census, "U.S. Imports of Merchandise for Consumption," Reports FT–110, FT–125, FT–246, and IM–146.

APPENDIX H

U.S. IMPORTS FOR CONSUMPSION OF KNITTED OUTERWEAR OF WOOL AND MAN-MADE FIBERS BY LEADING COUNTRIES OF ORIGIN, 1959–67

KNITTED OUTERWEAR OF WOOL

[In thousands of pounds]

Year	Italy	Japan	Hong Kong	South Korea	Taiwan	Total
1959	1,314	2,101	166			4,839
1960	2,592	2,053	359			6,532
1961	3,606	1,473	563			7,399
1962	6,011	1,657	1,170			11,486
1963	10,996	1,050	1,687			16,918
1964	12,025	675	3,382			19,275
1965	12,977	867	8,917			26,673
1966	9,939	932	9,586		636	24,954
1967	8,587	610	10,110	41	784	23,757

KNITTED OUTERWEAR OF MAN-MADE FIBERS

1959		50	3			85
1960		216				308
1961		237	1		3	387
1962	149	936	163		2	1,585
1963	171	1,314	281		208	2,384
1964	260	2,899	354		489	4,584
1965	409	5,762	2,068	768	761	10,519
1966	569	9,069	2,273	1,913	1,404	16,131
1967	892	9,966	5,325	5,703	4,493	27,373

Source: U.S. Department of Commerce, Bureau of the Census, U.S. Imports of Merchandise for Consumption, Reports FT–110, FT–125, FT–246 and IM–146.

APPENDIX I

U.S. IMPORTS FOR CONSUMPTION OF KNITTED OUTERWEAR—TOTAL OF WOOL AND MAN-MADE FIBERS AND SHARE OF TOTAL HELD BY LEADING COUNTRIES OF ORIGIN, 1959–67

Year	Italy	Japan	Hong Kong	South Korea	Taiwan	Total
			In thousands of pounds			
1959	1,314	2,151	169	----------	----------	4,924
1960	2,592	2,269	359	----------	----------	6,840
1961	3,606	1,710	564	----------	3	7,786
1962	6,160	2,593	1,333	----------	2	13,071
1963	11,167	2,364	1,968	----------	208	19,302
1964	12,285	3,574	3,736	----------	489	23,859
1965	13,386	6,629	10,985	768	761	37,192
1966	10,508	10,001	11,859	1,913	2,040	41,085
1967	9,479	10,576	15,435	5,744	5,277	51,130
			As a percent of total			
1959	26.7	43.7	3.4	----------	----------	100.0
1960	37.9	33.2	5.2	----------	----------	100.0
1961	46.3	22.0	7.2	----------	0	100.0
1962	47.1	19.8	10.2	----------	0	100.0
1963	57.9	12.2	10.2	----------	1.1	100.0
1964	51.5	15.0	15.7	----------	2.0	100.0
1965	36.0	17.8	29.5	2.1	2.0	100.0
1966	25.6	24.3	28.7	4.7	5.0	100.0
1967	18.5	20.7	30.2	12.3	10.3	100.0

Source: Appendix H.

APPENDIX J

FIRST JOINTLY OWNED KOREAN-AMERICAN KNITTING MILL IN KOREA HAS IMMEDIATE IMPACT ON SWEATER INDUSTRY

A new company has made the American scene all the way from Seoul, South Korea; and it seems destined to change the thinking of American retailers, manufacturers and consumer buying patterns of women's knitwear here in the U.S.A.

The arrival of Westar Ltd., the very first Korean-American venture into the American sweater industry, is causing everyone to take a closer look at the quality and marketing concepts of imported, full-fashioned, hand-loomed, hand-crocheted sweaters from South Korea. For some time, manufacturers in the U.S.A. have been discovering exotic new places in Southeast Asia and Asia as new sources of supplying the American market with hand-detailed sweaters to be retailed at reasonable prices due to the East's unlimited sources of cheap labor. It has taken three Americans from widely diverse backgrounds, and three Koreans in the hotel business in South Korea, along with the cooperation of the South Korean government, to come up with the means for the American retailers that takes all the gambling out of importing.

Westar Ltd. is the only jointly owned Korean-American knitting mill—a *direct* source to the finest hand-knitters in the world. The sweaters are designed in the U.S.A. for American women, produced in South Korea in Westar's own mill under strict quality controls, shipped to Westar's own warehouse in Boston, Mass. and Nashua, N.H., and permits Westar Ltd. to offer quality conformity of production at prices far below imports from Japan, Hong Kong, Okinawa or Taiwan.

The formation of Westar Ltd. is as unusual as its product and the backgrounds of the principles of the company.

The President is Dr. Arthur Tyler, a world renowned Nuclear Physicist, a former U.S. Olympic Bobsledder champion, and a rare combination of businessman, scientist and human being. Dr. Tyler was one of the original founders of Itek Corp., specializing in information, storage, and retrieval systems and equipment. Itek is now an 80 million dollar company and on the New York Stock Exchange. Dr. Tyler is also the founder of Tyco, Inc. and its subsidiary. Tyco Laboratories which specializes in the manufacturing of electronic equipment for the U.S.A. Government. He is one of the three founders and organizers of the Komy Corp., which produced electronic devices in the Republic of Korea for export to the U.S.A.

While involved in transistor and eelctronic production in Korea, and the development of mineral deposits in conjunction with the South Korea Government, Dr. Tyler became interested in finding ways to achieve further development of the vast human resources and talents of the South Korean people, and to attract investment by American businessmen into Korea. The greatest asset seemed to rest in the unusual high quality workmanship of a most willing, inexpensive and vast labor market which was readily available. The first to join him were two close friends from New Hampshire: Isay Friedman, who operated a shoe manufacturing business in Boston; and Murray Samels, President of Kimmerick Discount Stores in Nashua, and formerly with Brookshire Knitting Mills in Manchester, New Hampshire.

They found their way through the three Suh brothers who own the Ambassador Hotel in Seoul, and who had purchased a knitting mill two years ago that had been operating for seven years previously for the European market. The three Americans formed a joint American-Korean enterprise under the name of Pan-Korea Industrial Ltd., and they, with the principals of the South Korean company received official recognition from the government as a means of aiding the country economy. Westar Ltd. is the U.S.A. company with warehousing, design and selling facilities set up in this country. Herbert Rindenow was appointed as General Sales Manager of Westarknits—the sales division of Westar Ltd., located at 1407 Broadway, New York. Mr. Rindenow, heavily experienced in the knit business, was formerly with Globe Knitwear of Philadelphia for 14 years. Mr. Samels became Executive Vice President of Westar Ltd., and Mr. Friedman, the Treasurer of the company. The entry of these American businessmen, together with the large influx of ready capital, enabled the company to invest in machinery and yarn which had been difficult to bring into South Korea. The results have been electrifying.

Mr. Rindenow reported that on August 25th, a shipment of 80,000 hand-loomed, hand-crocheted fall sweaters for women arrived at the Boston warehouse. By September 6th, every single sweater had been bought up by the first few chains and department stores to see the merchandise. The new spring line of fine gauge knits, novelty knits, and bulky knit sweaters opened last week. One chain confirmed an initial order of 2,700 dozen. It is now certain that 10,000 dozen will be sold by October 15th, and by November 30th, over 30,000 dozen will be confirmed for delivery from January through February 1st. It is expected that the capacity of 50,000 dozen sweaters will be fulfilled before Thanksgiving.

According to Dr. Tyler, a new plant is already being built in Seoul consisting of 50,000 square feet and will be ready early in 1967. It will increase employment by 825 people, which will include 200 additional hand-crochet knitters. The present mill has more than 150 hand knitting frames, and employs 450 South Koreans. Planned output will be increased to a minimum of 2,000 dozen sweaters per week in full-fashioned styles. This is feasible because of the abundance of quality hand labor. The mill will also make cut and sewn sweaters and coordinates. Over $500,000 has already been invested, which is equal to 135 million won in South Korean currency. The labor costs range from three to seven cents per hour to 21 cents, Dr. Tyler said, but living costs are scaled proportionately, and South Korea does not have the galloping inflation problems of other countries.

The United States and South Korean governments are fostering investment in Korea, according to Dr. Tyler, and the U.S. Operations Mission in the American Embassy in Seoul was especially helpful in ironing out the rough spots in initiating so large a venture.

Westar has already opened up distribution facilities and offices in Canada, and is exploring the possibilities of warehousing in New York and California in the near future. The company claims to have unlimited production potential, and is offering full-fashioned, hand-crocheted, and hand-loomed sweaters at incredibly low wholesale prices, considering the detail and quality offered, to retail from $3.98 to $12.98. The hand-crocheted sweaters are wholesaling from $4.75 each in $7.75 each in 100% acrylics, and hand-loomed sweaters from $36.00 to $91.00 per dozen, all full-fashioned.

Mr. Rindenow believes that the company's policy of offering the highest quality sweaters to retailers will ultimately benefit the consumer, while permitting the store higher retail mark-ons. Orders are now being taken on the spring line for December/January delivery.

Mr. BURKE. Our next witness is Mr. Charles I. Rostov. Will you identify yourself?

STATEMENT OF ROBERT E. HERZSTEIN, COUNSEL, FLOOR COVERING GROUP, AMERICAN IMPORT ASSOCIATION; AND WILTON AND VELVET CARPET AND RUG IMPORTERS

Mr. HERZSTEIN. Mr. Chairman, my name is Robert Herzstein. I am a partner in the Washington law firm of Arnold and Porter. We are counsel to the floor covering group of the American Import Association, and also to the Wilton and Velvet Carpet and Rug Importers.

I informed the committee staff earlier that both of my clients are out in Chicago this week. This is one of the 2 weeks in the year when they write most of their orders, and so they all felt it would be a great penalty on their business to appear.

Mr. BURKE. If you want to skip any part of your statement, you may, and the entire statement will appear in the record.

Mr. HERZSTEIN. Thank you.

My plan was, in fact, just to orally summarize it, especially in view of the hour.

Mr. BURKE. Do you want Mr. Rostov's entire statement submitted for the record.

Mr. HERZSTEIN. Yes.

We also submitted an appendix A.

Mr. BURKE. The statement and appendix will be received for the record.

Mr. HERZSTEIN. Thank you.

Mr. Chairman, as we indicate in the statement, we don't believe any quota on textile imports is needed, but out facts and arguments are set forth in the statement, and you heard a great deal on that topic today, so that I won't go into that at this point.

Our particular interest is in making clear to this committee the special circumstances of the carpet and rug industry.

There has been little or no mention of the carpet and rug industry or carpet and rug imports in the Senate Finance Committee import quota hearings that were held last fall or in the lengthy and numerous congressional speeches that have appeared on this subject.

We believe it is a fair inference that the proponents of textile import quotas do not view them as encompassing carpets and rugs.

We also feel it likely that they would not care to have carpets and rugs associated with their testimony, because of the phenomenal prosperity that the domestic carpet and rug manufacturers have been enjoying in recent years.

In essence, we feel we have a particular specialty situation, which we think it is important for you to know about.

We feel that carpets and rugs are in issue here only because the draftsman of the textile quota bill used an unduly broad pen when referring to something called textile products, which happens to include these things in a technical way.

We feel that economically the considerations are quite different. Whatever considerations this committee may feel are applicable in the textile industry, it is fair to say they don't govern the carpet and rug industry.

The health of this industry, the domestic part of it, in recent years, is little short of phenomenal. The industry has enjoyed record sales and profits, and imports have been almost insignificant.

There are two principal reasons for the health of the domestic industry. The first is the revolution in manufacturing techniques which has come into the carpet and rug industry in the last 8 or 10 years.

For approximately 100 years before that, since the middle 19th century, carpets were made on a machine-powered loom by a weaving process very similar to the way other woven products were made, although it was, of course, a special kind of loom for handling the heavier work involved in carpets.

There was little change in the technique until the first tufting machine was introduced in this country in 1946.

Tufting didn't really catch on. It started out in 1946, after the war, in bathmats, and that kind of product. It didn't really catch on until the late 1950's.

In the tufting process, quite distinguished from the weaving process which had been used before, a prepared backing, a special backing that looks somewhat like burlap is run through a machine which has hundreds of needles which operate simultaneously, and at great speed, to insert individual tufts through that burlap backing.

The backing is then run through other machines which put on a rubberized substance on the back, to hold those tufts in, and then adds other layers of burlap and other things to give the carpet the necessary body and other qualities.

This tufting process has tremendous economic advantages over the old weaving process. A tufting machine can produce 20 to 30 times as many square yards of carpet as a weaving machine, what we call a Wilton machine.

It uses only a fraction of the labor. The labor cost on a square yard of carpet comes out to a few cents, 5 or 6 cents.

But apart from this economy in the manufacturing process itself, the tufting process permits other very substantial economies.

Woven carpet produced by the old method has to be made out of colored yarns, and in the design that one wants. One has to use red and blue yarns, if he wants a red and blue carpet. The design has to be woven into the rug.

If a manufacturer wants to produce carpet in 30 colors, he has to produce each color on his machine, and keep it in stock, which, of course, is very expensive.

With the tufting process, he produces carpet in gray goods, produces it in the natural color of the yarn, undyed. The carpet is made that way and stocked in rolls, then as he sells it, he runs the completed carpet, as it were, through a vat which puts dye in it, and there are now dyes which can, because of different kinds of yarn, already built into the carpet, cause the carpet to come out with several different colors in it.

There are also techniques recently being developed which permit designs to be printed on these tufted carpets.

All of these techniques have established, as we referred to earlier, a revolution in the manufacturing of carpets, and the result of this has been that tufted carpets now constitute some 90 percent of domestic carpet and rug production.

The second reason for the tremendous health of the domestic carpet and rug industry is the expansion of the domestic market, which has taken place in recent years.

I will mention a few of the factors that have accounted for the expansion, which we document more fully in our written statement.

One is the increasing affluence of the American home owners. The second is the fashion trend toward wall-to-wall carpets.

A third is the trend in commercial and industrial uses to putting carpets into office buildings, department stores, hotels and motels.

Even 25 percent of the new schools being built in this country are being carpeted wall to wall.

This is not for reasons of luxury, but because of the lower installation and lower maintenance costs that carpet permits.

Another new development which is accounting for a substantial part of this expansion in the domestic market is the development of indoor-outdoor carpet, which can be put on patios, kitchens, bathrooms, even athletic fields.

In the face of this technological revolution in domestic manufacturing, and this tremendous expansion of the domestic market, imports constitute only a trickle of specialty products.

Imports simply do not have a significant place in the domestic carpet and rug industry.

The development of tufting has been an American phenomenon. Tufting machines are made in the United States. They were developed here. The United States is well ahead of other countries in the manufacture of tufted carpets.

The dynamic, lucrative, growing U.S. market for large volume sales, both commercial and residential, of carpets is served almost entirely by the domestic manufacturers.

What is it that is being imported? I will describe a few of the specialty products.

One is a very small quantity of the old fashioned machine woven carpets and rugs. This amounted to some $6 million worth in 1966, which was down to less than a fifth of what it had been in 1961.

This is a declining market. There are still a few importers, some of my clients, who make a good business out of it, but what they import are high priced speciality items which do not really compete in any significant way with domestically made carpets.

Another specialty product coming in, of course, is handmade Oriental and Persian rugs, which are not made in this country at all, which appeal only to the prosperous family with a special taste for that kind of floor covering.

Another is the so-called tubular braided rug, which came in in relatively small quantities over recent years, compared with the tremendous size of this booming U.S. carpet and rug industry.

These tubular braided rugs also have a very limited appeal, because they have an oval shape. They are not a pile kind of floor covering, but are a flat surface, and look like the old American colonial rug.

They are widely advertised in the department stores, largely on a price basis, and sell to the householder who seeks a serviceable rug at the lowest possible cost, but they cannot compete with the domestically made carpets and rugs in any of the vast applications which have accounted for the prosperity of this industry.

A total of $16 million worth of these rugs came in in 1967, and that was down 26 percent from the previous year.

There is pending in this committee a special bill on these rugs, these tubular braided rugs, to reclassify them in a category which would increase the tariff.

I am not going into the details of that now.

As I say, it is a very specialty item compared with the rest of the carpet and rug industry.

Mr. Chairman, before these hearings end, we would hope to submit a separate statement on that, addressed to that bill that is pending.

Mr. BURKE. We will keep the record open for you to submit the statement, but submit the statement as soon as you can. (See p. 2618.)

Mr. HERZSTEIN. Thank you.

Then there are miscellaneous other rugs which are really so insignificant that they are not worth describing at this point.

Well, in terms of economics, the results of the above technical developments and market growth can be summarized as follows:

The domestic manufacturers are going through a period of rapid growth. U.S. production in 1966 was 441 million yards, about $1.4 billion worth of carpets and rugs. This was double the national production in 1961.

Profits of the domestic carpet and rug companies are at record levels.

The appendix A which we have submitted for the record contains summaries of earnings statements of a number of the domestic companies, and articles that appear in the trade journals, describing the condition of these companies, and their market.

Prices are lower than in 1932, at the depth of the depression, because of these new manufacturing techniques, and yet, in spite of these low prices, the companies are achieving record levels of profits.

Future growth for this industry is estimated at 8 to 10 percent a year.

In the face of all this, imports account for approximately 3.4 percent of the U.S. market.

In conclusion, imports don't, and can't conceivably, pose a threat to the dynamic and growing U.S. carpet and rug industry.

The United States has the largest, strongest, and most efficient carpet industry in the world. Through automation and mass production, it has conquered the problem of high labor costs that bothers many other American industries.

Through new and even better products, and more effective marketing techniques, it has opened up expanding markets, and the end is certainly not in sight.

Mr. Chairman, as I indicated earlier, we don't believe there is any need for quotas on any textile products, but in your determinations concerning the textile industry, we respectfully suggest that you should first exclude the carpet and rug industry, as being irrelevant to these determinations.

Thank you.

(Mr. Rostov's prepared statement and appendix referred to follow:)

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

was put into commercial operations. These machines follow an entirely different production principle and manufacture floor covering by punching individual tufts, in huge numbers and at great speed, through previously prepared backings. Such machines can produce rugs and carpets from twenty to thirty times faster than they can be produced on mechanical looms and with a small fraction of the labor required to attend such looms.

In the first years of tufting, the process could produce only floor coverings of uniform pile height and of uniform color, and they were generally somewhat inferior to those made by the traditional processes. Recent technological developments, however, have permitted the manufacture by a tufting process of almost any quality or style of floor covering that was previously made on the Wilton and velvet looms. Furthermore, tufted floor coverings, unlike Wiltons and velvets, can be produced from undyed yarn and maintained in gray goods inventories, to be piece-dyed prior to sale in the colors demanded by the markets. This piece-tying process permits tremendous savings in inventories and great flexibility in meeting market demands quickly. Quite recently, processes have been developed to permit printing of designs of several colors on the finished tufted carpets; previously, such designs were the exclusive province of Wilton and Axminster carpets.

The result of these innovations has been that tufted floor coverings are both cheaper and of equal quality or, in some cases, of better quality than Wiltons, velvets, and Axminsters manufactured by traditional processes. As a consequence, tufted floor coverings now dominate the United States market, representing some 90 percent of the volume of domestic production.

The manufacturers who have gained from this revolution in floor coverings are American manufacturers. The technique of tufting was invented and first put to use in this country. The most sophisticated tufting machinery is made in this country and is controlled by American manufacturers. Furthermore, the development of even newer tufting techniques by domestic producers is just around the corner. Processes are being refined for using new and radically different yarns, cheaper and more serviceable backing materials, and, most importantly, faster and finer gauged tufting machines. It is little wonder that domestic industry spokesmen, such as the president of E. T. Barwick Mills, have been stating that "the tufted carpet industry has every reason to be proud of its accomplishments"; a "$1.3 billion industry" has been built "literally from scratch," and it is expected to triple in volume and dollar value of shipments within the next fifteen years.

(b) *Expansion of domestic carpet market.*—In conjunction with the revolution in manufacturing techniques, there has come an enormous expansion in the domestic carpet market. Rising affluence has permitted increasing numbers of home-owners to purchase carpets. This development has been accentuated by fashion trends in favor of wall-to-wall carpets and by the lower installation and upkeep costs of carpets as compared with hard-surface floor covering. At the same time, a growing demand has developed for contract carpets for institutions and commercial buildings. Twenty-five percent of newly-constructed schools are being completely carpeted. Department stores and supermarkets, as well as hotels and motels have found carpets necessary to improve the comfort and luxury which have become one of their principal competitive selling tools. Vehicles and conveyances of all sorts are being equipped with increasingly durable and easy-to-clean carpets. Finally, carpets and rugs are also being used in areas previously reserved for hard-surface floor covering. This has been made possible chiefly by the development of the "indoor-outdoor" carpet, which is not only of unprecedented durability but is easy to maintain and therefore well suited for use in kitchens, bathrooms, patios, and even athletic fields.

(c) *Growth and profits of domestic carpet manufacturers.*—As might be expected from the foregoing account of the technological developments in carpet and rug manufacturing and of the wider markets for floor coverings, domestic manufacturers are going through a period of rapid growth marked by expanding sales and profits. United States carpet and rug production reached a total of 441,564,000 square yards in 1966, double the total of 1961. In the words of the American Carpet Institute:

"Yardage has increased [since World War II] at an annual average rate of approximately 10 percent per year and dollar value at approximately 6.5 percent. In recent years, however, the rate of growth has been much higher. By way of comparison, over the same period gross national product and personal consump-

tion expenditures of U.S. consumers increased by approximately 3.5 percent per year."

The profits of domestic carpet and rug manufacturers are at record levels and are still climbing (see Appendix A), despite the fact that the average carpet price today is lower than it was in 1932, at the depth of the depression. Most predictions for future industry growth estimate the probable rate to be between 8 and 10 percent per year. Clearly, this is a booming industry with a very bright future during the coming years.

3. U.S. carpet and rug imports

With these basic facts in mind, we can now turn to an examination of floor covering imports. To describe the situation briefly, imported floor coverings do not have a meaningful share of the dynamic, growing, and lucrative U.S. market for large volume sales, either for residential or for contract installations. This market is served largely by tufted floor covering, and tufted technology is far more advanced in the United States than abroad. Moreover, even if foreign tufters could develop a comparable technology, they would have great difficulty competing in the United States market. Labor costs are such a minute factor in the production of tufted floor coverings that any advantages which foreign manufacturers may obtain from reduced labor costs will be far outweighed by high yarn and shipping costs, plus the substantial U.S. tariff. Even more importantly, no foreign manufacturer or U.S. rug or carpet importer is equipped with either a sufficiently large and specialized nationwide sales force or adequate warehouse facilities or the capability to make the necessary inventory investments in order to compete effectively in the American market.

The evidence to support these statements is clear. In 1966, imports of tufted rugs were responsible for slightly over 1 percent of domestic consumption, and according to the Tariffi Commission, "consisted largely . . . of types not produced domestically in significant quantities."

As for those types of floor coverings in which imports play any role, the key descriptive term is specialty items. This category consists of the following kinds of rugs and carpets:

(a) *Machine-woven and machine knitted pile floor covering.*—In 1966, imports of these types of machine-made ruge—consisting of Wiltons, velvets, Axminsters and chenilles to name just a few types—were valued at $6 million. The quantity of these imports was 1,700,000 square yards which was less than 5 percent of the machine-woven and machine-knitted pile floor coverings manufactured in the United States. Moreover, it was less than 20 percent of the quantity of machine-made floor coverings imported into this country during 1961.

(b) *Handmade oriental and Persian rugs.*—In 1966, about $15 million of imports or some 850,000 square yards consisted of handmade pile floor coverings, predominantly oriental rugs. As the Tariff Commission reported: "There is little or no commercial production of handwoven or hand-knitted floor coverings in the United States. . . ." In short, these are specialty rugs which sell in this country on the basis of novel designs, color, and prestige. They retail at relatively high prices—more than $18 a square yard for many oriental rugs—and obviously serve only a limited number of fashion-conscious and prosperous customers who want and are willing to pay for the handmade products.

(c) *Tubular braided rugs.*—In 1967, some 12.8 million square yards of tubular braided rugs were imported into the United States, with a total value of these rugs of $16.1 million. This represents a decrease in value of 26.8 percent from the 1966 level. Tubular braided rugs appeal only to a very small part of the residential market. They sell—essentially on a price basis—to the householder who seeks a serviceable rug at the lowest cost. Their distinctive oval, flat-surface style limits their use in many applications and makes them only marginally competitive with other kinds of rugs and carpets.

(d) *Miscellaneous rugs and carpets.*—A few miscellaneous types of floor coverings—such as druggets, which are woven on hand looms and usually have filling yarns of various colors, and numdahs, which are felt rugs ornamented in most cases with embroidery—are imported into the United States. The quantity of such imports has declined from 1.4 million square yards in 1964 to less than 1.1 million square yards in 1966. These imported rugs take up less than 7 percent of the United States market for miscellaneous carpet and rug products.

4. Conclusion

It is the belief of the Floor Covering Group that a careful examination makes clear that rug and carpet imports do not pose a significant threat to the dynamic and growing floor covering industry. The United States has the strongest, largest, and most efficient carpet industry in the world. Through automation and mass production techniques it has conquered the problem of high labor costs. By creating new and ever better products and by developing more efficient marketing techniques it has opened up expanding markets, and the end is not in sight.

Imports consist almost entirely of novelty items which are not manufactured in this country in significant quantities, along with a few low-priced items which are sold primarily to families with very limited incomes. On a quantitative basis, imports take up 4.3 percent of the market; on a value basis they take up only 3.4 percent of the market.

Mr. Chairman, while the Floor Covering Group believes that no quantitative import restrictions should be imposed on any textile and apparel articles, my organization feels strongly that in your determinations concerning the textile and apparel industry, you should first exclude the carpet and rug industry. For whatever problems may exist regarding the domestic textile and apparel industry, they simply are not present when a careful examination of carpet and rug production in the United States is made.

APPENDIX A

[From the Home Furnishings Daily, Aug. 24, 1967]

BOOM PUTS THE BLOOM ON TUFTERS

(By Ron Gunter)

DALTON, GA.—Booming business and rising prices characterize the floor covering manufacturing scene in this tufting capital.

Carpet manufacturers here are raising prices on certain lines following recent price hikes in nylon carpet yarns by major producers.

And they are also witnessing booming business—and predicting that the fall season will be one of the best despite (or because?) of prices in fibers now on the upswing.

M. B. Seretain, president, Coronet Industries, Inc., said. "We will raise our prices immediately to reflect the price increases on continuous filament nylon. We're still studying other prices in our line."

Peter R. Spirer, general manager, Painter Carpet Mills, noted, "We are taking a look at our revised costs based on the increased fiber price coupled with increased labor costs and operating cost with an eye toward coming out with new selling prices within the next week or ten days.

"Although not all carpets will be affected to the same degree," he pointed out, "all products which we make have been subject to increased costs and we anticipate the price rise will be of a general nature, although varying in amounts."

The higher prices in nylon were confirmed Monday when Du Pont made its announcement. It increased prices on all bulked continuous filament nylon carpet yarns: Antron, cationic cross-dye yarn, three types of BCF styling yarns (light, medium and dark) and also color-sealed solution-dyed black yarns.

The upswing of nylon yarn prices was triggered a week ago by American Enka, Allied Chemical and Monsanto. When Du Pont made its move, carpet executive could no longer play it cool, and had to reevaluate all existing price levels immediately.

Paul Kamens, president, Imperial Carpet Mills, Inc., commented: "August has been the best month we have had since we started in the business. And we look forward to a very strong fall even with our across-the-board increases on all continuous filament nylon numbers." Mr. Kamens did not give specific details.

I. V. Chandler, president, Patcraft Carpet Mills, said: "Our business for the past 30 days has been the best we've had in the past 18 months. And I feel the price increases on continuous filament nylon will make for a healthier market. We're looking forward to an excellent fall."

J. P. Turner, president, carpet and rug division of West Point-Pepperell, says: "We think the outlook for business is bright. We expect good business this fall and feel this will be true for the industry. We are currently running at an excellent rate of production activity."

Virgil Hampton, president of Cavalier Carpets, Inc., says "business has increased phenomenally during the past six weeks, and I personally expect the entire industry to enjoy the best fall in its history."

Pete Lewis, vice-president of Atlantic Carpets, Inc., of Calhoun, Ga., says, "We've been real happy all year with our advance order position and in the past month we've started working overtime. Our current business is far ahead of last year."

From Regent Mills, Inc. in Calhoun comes the report from Martin Greenwood, vice-president, manufacturing that it is currently running "pretty good" and that business for the fall looks real good. He says scatter and room-size rug business has been good all year. Regent is also planning another expansion program.

Jim Hodge, president of Eagle Carpet Mills, Cartersville, Ga., says, "Our business is very good. We're running about 30 per cent ahead of last month and our projected fall shipping schedule looks even better." Eagle Carpet Mills is currently doubling the size of its plant.

Jim Jorges, president of Masters Carpet Corp., Chattanooga, Tenn., says his firm's business is up more than 30 percent over last year and that he has had a nice pickup in orders during the past month.

"We have every reason to expect a phenomenal pickup in business by the first of the month."

J. O. Smith, vice-president of sales, E. T. Barwick Mills in Chamblee, said: "It is apparent that with the increase there will be changes in prices and in programs. There is no question but that the industry will have to increase prices, probably around Sept. 1."

Speaking for Monarch, J. B. Quirk, vice-president of sales, echoed Mr. Smith's comment.

A. B. Edge, III, vice-president of manufacturing for the floor coverings division of Callaway Mills at Lagrange, Ga., said: "We are also making a study of the situation and hope to be able to increase our prices."

Meantime, in Philadelphia, Hardwick & Magee's sales manager, Norman Klein, said: "Someone's going to break, I'm sure, now that Du Pont has announced a 7 percent increase.

"I venture to say the industry increases will range anywhere from 6 to 9 percent, depending on the type of carpet. I know we are going to be giving the situation a lot of hard study. There's every justification for a price increase. With one boost in the cost of manufacture after another, the situation has grown very serious."

As previously noted, Bigelow-Sanford has indicated it expects to raise prices in excess of 6 percent next month.

(NOTE.—Celanese, Wednesday, increased the price of nylon carpet yarn by about 7 percent.)

[From the Journal of Commerce, Dec. 11, 1967]

NEARLY DOUBLE 1960 TOTAL—CARPET INDUSTRY SEEN HITTING $2 BILLION MARK

There is no such thing as a flying carpet but the rug industry seems to have taken off into the wild blue yonder, according to the U.P.I.

Latest industry estimates indicate sales for 1967 will reach almost $2 billion, nearly double those of 1960.

"In the last five years, the carpet industry has expanded at an average of about 13 per cent a year, or at a growth rate of more than double that of the gross national product," Herbert Barg, president of Aldon Rug Mills, Inc., one of the nation's largest makers of tufted broadloom carpets, said recently. "By 1970, retail sales are expected to top the $3 billion mark."

WALL TO WALL

Mr. Barg said the industry has prospered because of the popularity of wall-to-wall carpeting. He said about 40 per cent of the nation's living rooms have wall-to-wall carpets, compared to only 12 per cent in 1955.

New synthetic fibers have made it possible for carpet makers to reduce wholesale carpet prices substantially.

And a rule by the Federal Housing Administration permitting the cost of carpeting to be included in mortgage financing also has pushed carpet sales.

SYNTHETIC USE RISING

The carpet industry uses more than 800 million pounds of natural and man-made fibers yearly. Synthetics now account for about 80 per cent of the total while the old standbys—wool and cotton—account for only about 10 per cent.

Mr. Barg said commercial carpeting may open new markets.

"Within 10 years most of the nation's supermarkets will have wall-to-wall carpets and they will be found in schools, churches, convention halls and department stores," Mr. Berg said. "The supermarket field alone offers the carpet industry a potential $450 million market in the next 10 years."

Manufacturers of weatherproof outdoor carpets also are accounting for the boom in the rug industry.

[From the Floor Covering Weekly, Jan. 29, 1968]

NEWS FROM THE MARKETS

(By Benn Ollman)

ATLANTA.—This market has plenty going for it: the weather is Spring-like and retailers all through the southeast are racking up the strongest January many of them can recall.

Coming off a very active last quarter of '67, dealers attending this show reflect confidence in the period ahead.

This confidence is enhanced by the expanded list of exhibitors here and space after space laden with attractive, salesworthy merchandise. With the public more carpet conscious than ever, it's easy to perceive why the southeast's dealers are optimistic at this point.

According to Peyton Randolph, president of Vol T. Blacknall Co., one of the area's key distributors: "Buyers at this market are doing what buyers are supposed to do—buy. It looks like a very strong first quarter is shaping up. Dealers I have spoken to see the demand for consumer goods extending well into next Summer. After that? We'll have to cross that bridge when we come to it."

[From the Floor Covering Weekly, Feb. 5, 1968]

WALTER CARPET MILLS NEW TUFTING PLANT IS NEARING COMPLETION IN CALIFORNIA

CITY OF INDUSTRY, CALIF.—What bids to be the newest, most modern, most up to date, most efficient and most highly automated carpet tufting plant in America is in the final stages of completion here by the newest carpet manufacturer in the industry, namely Walter Carpet Mills.

FCW's editor was taken on a guided tour of this new facility during his visit to the recent Los Angeles market. Our guide was Sol Moss, vice president and general manager of Walter Carpet Mills and the man mostly responsible for the overall planning of the physical layout and blueprinting of the big new plant. We were accompanied on the tour by Fred Gemperle, executive vice president of the company.

The plant will be a completely automated operation, and will have yarn moving in at one end of the building and coming out as finished carpet. Here, so far as we can recall, are some of the details of the new Walter facility as given to us by Mr. Moss: Because of the great efficiency accomplished in layout of the plant, the 200,000 sq. ft. area will equal the floor capacity of a 300,000 sq. ft. plant of lesser efficiency. Inventory storage will be in a vast area with a 34-ft. clear high ceiling, equal to about a three-story high building with rolls stored 10 ft. high. Because of this height, special fork-lift trucks have been ordered.

About 7,000 rolls of carpet will be stored in the area. The company owns an additional six acres of ground adjoining the plant for future expansion. The plant will have 13 machines for custom fabrics in the custom tufting area, in addition to three automatic pass machines.

All Departments throughout the plant will make use of a pneumatic tube system for immediate transmission of communications. Continuous cascading water

down both sides of two walls on the front exterior of the building will be a feature for decorative as well as for practical purposes in cooling water which goes through the latex ovens. This use of cascading water will also take the place of the need for a water tower. For further decorative effect, a fountain will shoot water upwards from the cascading water and this whole view will be exposed to employees in their dining room, where a tremendous window permits an unobstructed view of the water and fountain.

Cost of equipment and machinery will run about $3 million, excluding the cost of the building itself. About 12,500 sq. ft. is being devoted to a sample room, which is being built on a high mezzanine directly over the shipping area.

Adjoining the sample room will be a computer room and also throughout this mezzanine area a number of executive offices, conference rooms, a showroom, and so on, all air-conditioned. Hot meals will be available to employees in an upstairs lunch-room through a battery of vending machines.

A combined conference and educational room will make use of projection machines, screens and other equipment designed to make the room useful for sales seminars and so on. Also high, upon the mezzanine, an observation platform is being constructed for visitors as well as civic and social groups on planned tours, with telescopes on the observation deck so that visitors may use them to get close-ups of some of the various manufacturing operations going on throughout the plant.

Movement of certain types of equipment will be made via use of in-floor conveyors, employing cables very similar to those used by the San Francisco cable cars. A 160-ft. single pass drying oven, with a total running length of over 300 ft. for the drying process, will be used not so much to provide heat as to give the fabric ample drying time.

No part of the plant will use less than 75 ft. candlelight power and no natural light will be employed because the plant will operate around the clock and, according to Mr. Moss: "We want goods looking the same at 2 p.m. as 2 a.m."

Along the executive suite offices "in use" lights will be used on all doors to indicate that an important conference is in session or, in other words, "Do Not Disturb." Other areas on the mezzanine will be devoted to an important contract office, a spacious showroom for sales training groups and designers' offices.

Initial production is expected to get under way by March 15. Everything in the plant will be color-keyed, even including long carts for the movement of carpet rolls. Each cart will handle from six to 15 rolls at a time, depending on weight. Rolls will be made from 600 to 1,500 ft. long, which will be folded into the carts for movement into other areas. The shipping area will accommodate 12 trucks and there are two railroad sidings alongside the plant.

The tufting room will be fully enclosed and temperature and humidity controlled at all times for pre-conditioning of the yarn. Some tufting machines will be employed initially. The sealed tufting room is being created to maintain steady consistency of humidity and yarn on creels will be kept in the room two days to pick up the temperature and humidity levels of the room before being put to use. The objective here is to get better pattern definition and less streaking. Trucks will move into and out of the tufting area through rubber doors which contain some kind of transparent plastic. Trucks will simply push right through the doors. Yarn on creels will be some 10 ft. from the floor and about two stories high in the air. "This whole system of temperature and humidity control in a carefully sealed room is a very unusual technique in the carpet industry," says Mr. Moss. All tufters will be 15 ft. wide.

About 300 to 350 people will be employed and many of them will be transferred from Walters' old plant.

All lighting throughout the entire plant is color corrected. A substantial amount of greige goods will be kept in the storage area and tufted goods will be stored in cantilever racks four high and will be conveyed to and from the racks by overhead bridge cranes, very much like those used in a steel plant. This crane will carry containers holding anywhere from six to 15 rolls of goods. About 3,500 rolls in greige goods will be kept in the storage area.

Even the color of the walls throughout the plant has been carefully selected for morale and decorative purposes, but more so to offer as little conflict as possible with the continuous exposure of colors in the processes of production of carpet by workers. The color: grey.

Fourteen dye becks will be totally enclosed to insure even water temperature for the purpose of minimizing side match problems. The first four becks will be

automatically programmed or, to be more specific, each will go through cycles somewhat similar to a home washing machine. This automatic programming will be supervised by remote control in an overhead laboratory with huge plate-glass windows in a high mezzanine area, which will look right down on the main floor dye becks.

Mr. Moss is of the belief that no manufacturer is the carpet industry today has a system of automatic programming in the dyeing operation. This area also utilizes automatic conveyors in the floor a la the San Francisco cable cars.

Immediately adjoining the dyeing operation is a large area for a printing operation.

A water storage area will hold 400,000 gallons of water, since the plant requires at least 800 to 900 gallons of water a minute in its operation.

Near the six acres of adjacent ground, the company expects to erect an additional building in the next three months. The company will process its own latex. Somewhat unusual is the use of screens far up near the ceiling to maintain zone temperature.

Exerything in the plant has been created and designed, including all working areas, with an eye toward attracting the best people obtainable," says Mr. Gemperle.

An interesting note is the fact that someone came up with the idea that it would be simpler and quicker and more practicable to use a helicopter to locate the air-conditioning units on the roof of the building rather than a crane. The plant will make use of two maintenance departments for different areas of operations and is installing two 1,750 H.P. boilers. Mr. Gemperle is of the opinion that the western area alone will absorb the plant's entire capacity and he ventures a figure of around $35 million as the company's immediate sales goal, once the plant is in full swing. He further indicated that it might be somewhat illogical to attempt to compete for business in the east, freight charges being what they are, and hinted that it might become necessary for Walters to build a new plant somewhere closer to the east if the company intends to invade the eastern market.

These are some of the brief, and what must be somewhat vague, highlights of this newest of carpet mills and its impressiveness can only register upon a person by seeing it. Whether it's Sol Moss, or Fred Gemperle, or president Stanley Sinton, they are all so justifiably proud and enthused over this new facility that any one of them is only too happy to take you on a guided tour almost at the drop of a hat. But the man who can intrigue you with the actual descriptions of what goes where and the reasons for why this is here and why that there is Sol Moss.

[From the Floor Covering Weekly, Apr. 1, 1968]

MAND COMPLETES PLANT EXPANSION

LOS ANGELES, CALIF.—Mand Carpet Mills has just completed a 120,000 sq. ft. expansion, it was announced by president Emery (Mac) Mand.

"While the expansion project was at its peak late in 1967 the dramatic increase in Royalweve sales nationwide actually forced production on existing equipment to over 100% of capacity," Mand stated.

"Our increased capacity has come just in time because the success of our new fabric introductions at winter markets, especially our new multi-colored shags Painted Desert and Samoa, have resulted in orders far beyond even our most optimistic expectations."

In detail, Mand said, the mill's expansion consists of these major items:

Buildings—two new warehouses, dye house, sample department.

Modifications—four tufting machines have been rebuilt. Cut-order equipment has been modified to make the process more automatic and speedier, especially in handling and wrapping larger rolls resulting from increased production of heavy shag plush qualities.

New equipment—three new tufting machines have been installed, (and a third shift activated) which have brought production volume up to demand. Two new dye becks have been installed in the expanded dye house. In addition, various pieces of equipment have been added to materials handling, sample department and back-sizing facilities to increase volume and quality. Also, the Royalweve highway-hauler fleet of semi's began service nationwide, transporting Mand Carpet Mills' fabrics to the company's warehouses in Chicago, New York and Dallas.

Already ordered or in process of actual installation are more tufting machines, a new vacuum extractor to speed-up drying, and improved area-rug equipment.

"This huge expansion program is our statement of faith in our judgment of what the consumer wants in floor-covering fabrics, outstanding California styling, unique colorations and textures, and obvious quality and value. We have been creating such fabrics. The consumers of America are responding. The growth of Mand Carpet Mills is the result."

[From the Floor Covering Weekly, Apr. 8, 1968]

WEST POINT STARTS MAJOR EXPANSION FOR CARPET DIVISION

WEST POINT, GA., March 28.—A major expansion program designed to double capacity by 1973 was announced today for the Carpet & Rug Division of West-Point Pepperell by Jack P. Turner Jr., Dalton, Ga., division president.

Initial phases of the program, representing an investment of $2,100,000 at the company's Springdale Plant in Dalton, will include: major building additions of 144,000 sq. ft., an enlarged carpet dye house with fully automated equipment, an expanded product development department, and the addition of broadloom carpet printing equipment.

"These carpet printing facilities will provide great flexibility in color and design, giving us maximum ability to respond to market needs," Turner pointed out.

Work on all projects will begin immediately.

[From the Floor Covering Weekly, Apr. 22, 1968]

BARWICK REPORTS RECORD SALES OF $135 MILLION

ATLANTA, GA., April 11.—E. T. Barwick Mills Inc. will achieve record sales of approximately $135 million in the fiscal year ending April 30, 1968, it was announced today by Eugene T. Barwick, president and founder of the company bearing his name. (The sales figure includes Monarch Carpet Mills volume as well.)

Mr. Barwick also estimated that the company would reach $164 million in sales in the upcoming year, an increase of some 20% in volume.

The sales projections were made public here today on the occasion of the premiere of "Spring Into Action," Barwick's latest and most elaborate presentation of carpet merchandising and display ideas in the grand ballroom of the Regency Hyatt House here.

The carpet extravaganza, accompanied by a reception and dinner was staged by Barwick for Southeastern dealers and members of the press this evening. For the event, the company completely carpeted the huge 13,000 sq. ft. ballroom of the Regency Hyatt House, and created room setting vignettes and displays—all for the purpose of impressing retailers with the full scope of the Barwick product line.

Following its Atlanta debut, "Spring Into Action" will be staged similarly for dealers in a number of other major regional market areas across the nation in the next six months. The "road show" is typical of the imaginative marketing techniques which have helped spark the growth of Barwick Mills, the pacesetter of the nation's tufted carpet industry and the biggest company in the business.

The company has 3,300 employees and produces over 40 million sq. yds. of carpet yearly in six American plants (four of them in Georgia) and in England and Holland.

In 1950, Barwick Mills grossed $2.5 million, a figure which doubled a year later, reached $14 million by 1953, and has since grown at an average annual rate of about 25% to reach the $135 million mark in the year now ending.

[From the Floor Covering Weekly, Apr. 29, 1968]

MASLAND REPORTS SHARP GAINS IN 1ST QUARTER SALES AND EARNINGS

CARLISLE, PA., April 23.—C. H. Masland & Sons had sharp gains both in sales and profits for the first quarter of 1968 compared with a year ago, it was reported today by F. E. "Mike" Masland III, president.

First quarter 1968 sales amounted to $13,658,925 compared with $10,371,877 for the comparable quarter in 1967, an increase of 32%. Net profits for the first quarter of 1968 came to $257,416, equal to 23¢ a common share compared with $17,076 or 1¢ a share in the like quarter in 1967.

Mr. Masland said that 1968 earnings were effected to the extent of 10¢ a share in non-recurring start-up costs involved in the company's new tufting plant in Atmore, Ala.

The regular quarterly dividend of 10¢ per share was declared payable June 7 to stockholders of record May 24.

MOHASCO REPORTS SHARP FIRST QUARTER GAINS IN SALES AND EARNINGS

NEW YORK CITY. April 30.—Mohasco Industries Inc. today reported to shareowners at the company's annual meeting that net sales in the first quarter totaled $47,697,889 compared to the $43,409,811 reported in the same period in 1967, an increase of 10%. Net earnings were $1,897,369 or 49¢ per share after allowing for preferred dividends versus the $725,200 or 18¢ per share in the 1967 quarter.

President Herbert L. Shuttleworth II commented that both carpet and furniture were in strong demand and the company's operations were at favorable levels, making possible these important gains in both sales and earnings over the similar 1967 period. Mr. Shuttleworth pointed out that the operations in the first quarter confirmed the favorable outlook projected in the recent annual report to shareowners and stated, "We continue to feel that, barring a serious downturn in the economy, our operations for the full year 1968 will record a worthwhile improvement over the prior year."

Mr. Shuttleworth told the stockholders that 1967 was the fourth successive year that the company's carpet divisions used more acrylic fibers than wool. He said that the tufting process continued its growth in the carpet industry last year and reached an all-time high of 90% of the industry's total output and accounting for 80% of the industry's dollar volume. He pointed out that the average square yard price of carpet continued its recline—a steady progress of decline since 1952—hitting a new low of $3.59 in 1967 against $5.78 in 1952.

"I think the fact that this industry has been able to give a better product to the consumer at continually declining prices so many years is an outstanding example of our industry's performance pattern when compared with other industries in their economic battle and their increasing prices," Mr. Shuttleworth commented.

Mr. Shuttleworth stated that Mohasco would further expand tufting facilities at its Laurens Park Mill in Dublin, Ga., this year.

Stockholders voted approval of an executive incentive plan and a stock option plan.

[From the Floor Covering Weekly, May 6, 1968]

OZITE'S KIMMEL SEES CONTINUED INCREASES IN SALES, EARNINGS

CHICAGO, ILL., April 25.—Ozite Corp. expects first quarter net to rise about 20% on approximately a 17% sales increase, and projects a 40% rise in both categories for the full year, shareholders were told today.

Speaking at the annual meeting here, Richard Kimmel, president, also revealed a new multicolored, outdoor/indoor carpet. Made of the same polypropylene needlebonded textile with which Ozite pioneered the outdoor/indoor market four years ago, the floor covering offers a rich floral combining three separate colors, he said.

The development follows an Ozite breakthrough, announced in January, in which the company revealed its Fiesta line of patterned outdoor/indoor carpet with a single-color design overlaid on solid color background. Until then, polypropylene carpets, because of their non-absorbency and resistance to stain, could not have patterns applied without "burning in" the design.

"Through further refinement of our screened printing process," Kimmel said, "we can now offer for the first time the type of colorful designs available only in expensive woven carpets, combined with outdoor durability and an economical price." The new line, called the Fiesta "Garden" series, has a suggested retail price of $5.50 per sq. yd. Shipments will begin soon, Kimmel said.

At the meeting, shareholders voted to increase the company's authorized common shares from 2 million to 5 million.

Although first quarter results are not yet final, Kimmel said, indications are that sales for the period ended March 31 rose to a record total of approximately $12.5 million from $10.8 million for last year's quarter, a gain of about 17%. Net income, he said, is estimated at a record of more than $520,000, up approximately 20% from $435,647 last year, not including results of Foremost Processing Co., acquired late in 1967.

Kimmel said that current trends indicate a total 1968 performance increase of 40%, in both volume and earnings. He based the belief on the broadening market acceptance of Ozite's new needlebond carpets—representing about two-fifths of total current volume—and on rapid increases in capacity through the firm's $5.5 million facilities expansion program now underway.

In 1967, Ozite had reported sales of $51,674,000—up 53% from the prior year—and net of $2,467,000 or $1.62 per share, up 21%.

Looking beyond year end, Kimmel pointed out that the needlebond process, a major change in carpet construction developed by Ozite in 1963, presently accounts for only 3½% of the more than $1.8 billion volume of hard and soft floor coverings in the U.S. With continued acceptance in both commercial and residential markets, he said, the needlebond share of the field could well rise to 20% of the total within the next five years.

INTRODUCES 'GARDEN'

CHICAGO, ILL.—Ozite has announced the introduction of its first multi-color carpet suitable for outside use. A new development in dyes and techniques by Ozite now allows them to market an outdoor carpet that blends several colors in a gay floral pattern.

Called "Garden," each carpet in the line has three colors and is manufactured using an exclusive silk screening process developed by Ozite, "Garden" represents a major breakthrough in the area of outdoor carpet, says the company.

"Garden" is an addition to Ozite's "Fiesta" line of outdoor patterned carpets introduced last January. It is being introduced in two color combinations. One has an avocado background with rust and charcoal green. The other comes in two tones of rust plus avocado.

The synthetic Vectra fibers used in the "Garden" Fiesta carpet are not only among the strongest but also the most soil and stain resistant yet developed by modern science, says Ozite. The fiber is unaffected by moisture, direct sunlight, and mildew; it will not rot or shrink. Moreover, it is nonallergenic and virtually nonstatic. Outdoors it may be laid loose, semi-permanently with double faced tape or permanently with Ozite AP–400 waterproof adhesive.

Maintenance is simple; the carpet may be hosed down or scrubbed when used outside.

It is also an ideal floor covering for indoor areas, "Garden" offers new design possibilities for kitchens, bathrooms, dining rooms, hallways, bedrooms, dens, even utility areas and basements.

Indoors, the carpets may be installed loose, with double faced tape, the conventional tackless strip method over carpet cushion, or permanently laid with Ozite AP–400 adhesive. Maintenance consists of routine vacuuming, prompt attention to spills as they occur and periodic overall cleaning as required.

It may be cut with scissors, a razor or sharp knife, making it easy to install wall-to-wall in any room or shape it to cover irregularly-designed patios. It requires no binding, lies flat and will not curl.

The carpet is also recommended for commercial installations including restaurants, motels, hotels, schools, theaters, supermarkets, and industrial applications.

Available in 12-ft. widths, the suggested retail price of the carpet is $5.50 per sq. yd.

[From the Floor Covering Weekly, June 10, 1968]

MARKET LOADED WITH NEW OFFERINGS BUT ADVANCE INFORMATION IS MEAGER

From what we understand the Chicago market—which opens next Sunday and is then followed by New York, Dallas, Seattle, Atlanta, Los Angeles and finally San Francisco, which takes us into the third week of July—is going to be loaded with new introductions by manufacturers.

But, just as happened a year ago, up to the moment of going to press with this pre-market issue of FCW, the supply of information from manufacturers is quite meager, to say the least.

When we ask "Why?" the usual answer is that most mills don't know until the last minute exactly WHICH new fabrics they actually want to introduce or are READY to introduce, at the Chicago market, and thus cannot provide us with any concrete information in time to make our issue a week before the market.

Retailers attending the markets can be certain of one thing: when a salesman shows them something new, his sales pitch will quickly identify the fiber, and like it or not, fiber is the name of the carpet game today and probably will be for a long time to come. Retailers won't have to ask "What's it made of?" That will come almost automatically.

Did we hear that there's a "move" afoot by manufacturers to stop using the widely advertised and promoted trade names of fiber producers on the labels of their carpet and replace same with their own, such as "Barwick approved acrylic" or "Bigelow approved nylon" and so on? Yes, we did, in several quarters. Is this a good idea? Perhaps not. Fiber producers have a tremendous stake in the carpet industry and taken together with their own advertising had coupled with co-op advertising allowances to manufacturers as well as retailers, they still outspend carpet manufacturers for advertising by some pretty tremendous odds and probably do more to make America carpet conscious than anything carpet manufacturers ever did on their own.

These are simple basic truths and some of this malarkey about giving the carpet industry back to carpet manufacturers is plain cockeyed nonsense. Sure, tufting was greatly responsible for seeing the carpet industry zoom to record-breaking heights both in production and sales, but it was the fiber producers who did practically the total job in telling Mr. and Mrs. America that there WAS such a thing as tufted carpet, regardless of whose fiber that carpet happened to be made of.

Let's face it: when in the memory of the oldest oldtimer in the carpet business did anyone ever see the Wool people advertise wool carpet? And it so happens that the wool people will be around at the Summer markets making some noise about all the new fabrics that will be shown made of Wool.

Funny thought: are there any manufacturers around who are going to use their own label saying ". . . approved WOOL"?

Item: at this stage of the game there is hardly a manufacturer left who hasn't gone into the so-called indoor-outdoor business with a carpet or carpets that supposedly can "take it" when it comes to rain and snow and hail and soot and dirt and everything else you have to contend with outdoors. The fact is that even some manufacturers who labeled indoor-outdoor carpet as little more than a "gimmick" had to move in to this business once they began being "impressed" with sales figures. Be that as it may, it could be that this indoor-outdoor or inside-outside carpet IS a gimmick because when it comes to the outdoors, an awful fraction of all this carpet actually DOES go outdoors, which only goes to prove something, and that something is that such a thing as carpet doesn't have the "guts" to stand up with any degree of longevity in fighting the elements.

Item: Kitchen carpets. Is there a manufacturer in the house who hasn't gotten on this bandwagon? No question about it but Jim Marcus and his Viking Carpets really got something started in THIS department. But what with all the competition Viking has created for itself, it continues to get the fattest slice of this kitchen business—or what there IS of it—if only by virtue of its hard-hitting and consistent program of advertising, merchandising and promotion. As yet no other manufacturer of kitchen carpet has come close in matching Viking in these departments. But the tough baby in this kitchen carpet business is Mrs. Housewife, most of whom will look at you like a nut when you mention putting carpet in her kitchen. This is one area where the lady really has to be given a high-pressure sales pitch. The soft-sell just won't do it in convincing Mrs. Housewife that carpet belongs in her kitchen.

Item: Contract carpet. Best labeled as commercial carpet. What is it? ANY carpet sold and installed for other than residential use. Just as simple as that. Many commercial jobs call for carpet specifications. An expert in commercial carpet—Sid Schwartz of Trend Mills—recently gave out with some pretty strong language—and a virtual condemnation—of the whole area of commercial carpeting so far as specifications are concerned. But that belongs in the technical

section and we are more concerned with the present and future POTENTIAL of commercial carpet. We don't need the so-called experts in this industry to tell US about the future of carpet for commercial use. The industry hasn't scratched the surface in covering floors with commercial carpet and here is where the industry can look ahead to years of fruitful business.

Add to the above the carpet that is going to be needed when the nation begins catching up with the demand for new housing, for multiple apartments, for replacement of worn-out carpet, and you can readily see why the hard surface boys have all come into the carpet business and why so many giant outfits have bought into the carpet industry. All told it continues to look like a boom and growth industry for some years to come.

Hold it, now. Don't go away. There's more. Carson's president Virgil Martin made quite an observation at the recent convention of the Tufted Carpet and Rug Institute in the Bahamas. He said that if it ever comes to reality that the nation can do something in the way of better housing and better living conditions for the millions of people who live in sub-standard housing, the carpet industry with ALL of its fantastic productive capacity would scarcely be able to grind out enough of its products to fill the nation's needs.

So now that you've seen everything through rose-colored glasses, what are some of the negatives facing the industry, fiber producers, carpet manufacturers, wholesalers, retailers?

Now, now, don't crowd Genett. He doesn't like to be pushed. But we do everything right, so let's take them one at a time.

THE INDUSTRY

As a whole, the negatives are not too serious, not too disturbing. The world situation still continues to be a muddled, mixed-up, messy case. You read it all in your daily papers, hear the news on your radio, see it on your TV. The world can blow up in 24 hours. If it ever does, the industry won't have a thing to worry about.

FIBER PRODUCERS

They're going to bring out MORE fibers, better fibers and no one knows what their R&D (that stands for Research and Development) people might discover 24 hours after this is written as they fool around with their ions and molecules and nodes and structural hydromagicalicoluses. Who expected Allied Chemical to suddenly hit the industry with SOURCE? You just can't tell what might come tomorrow.

CARPET MANUFACTURERS

Despite the fact that there's more of them than ever before, they never had it so good. Just go and try to buy a carpet mill in "distress." Nobody's "distressed." Every mill is making money, big and small alike, and the best answer is this: if you can't make money in this day and age, in this prosperous and affluent society, when people want the good things of life—including carpet—then WHEN are you going to make it? So we see more and more of our friends in the industry starting up with new carpet plants although here and there some of them just "don't make it" when they discover they might have been great sales executives but lousy businessmen.

WHOLESALERS

Off and on you've heard talk that the day of the wholesaler is over. Like high button shoes and the horse and carriage, they were going to become extinct. Wholesaler after wholesaler across the nation has built bigger, finer, better and more modern warehouse complexes than at any time in the history of the industry. And if anything, wholesalers have become even MORE important in the marketing complex, as witness time and again where manufacturer after manufacturer has come up with "special" lines created just for the distributor, especially the distributor who has dropped ALL key resources to go in for his own private label lines. This, of course, does kind of remove the right for a distributor to CALL himself a distributor when he no longer works under a manufacturer-distributor relationship as we know it. Be that as it may, the distribu-

tor's role has assumed a much more meaningful posture in today's fast-paced carpet industry and the truth is that good, sound, aggressive distributors are not easy to come by, and are ardently wooed by many manufacturers seeking to expand their markets.

RETAILERS

Their future seems to be paved with gold. The retail business is so good that for the past 10 years it has attracted fast-moving, fast-talking, unscrupulous, unsavory characters of all kinds preying on gullible suckers looking for bargains in carpet. Only an industry where sales come fast, quick, easy and profitable do these characters move in, and move in they did in the carpet business. However, the kind and amount of business they get you can stick in your right eye. We only point to these scoundrels to prove that the retail business in carpet is good and it will continue to be good, and get better in spite of inflation, the high cost of living, taxes and what not. People want carpet and they're going to buy it when they want it. WHAT they buy is up to the salesmen on America's retail selling floor. It is they who will call the shots and sell what they want to sell and that's a basic truth that fiber producers and carpet manufacturers had better learn and learn soon. All their fancy and beautiful advertising won't do a thing in selling any specific product. It will do a magnificent job in making people more aware of carpet and what it means. But it's the salesmen on the retail selling floor who will swing the customer over to the carpet that he wants to sell and push, or what his boss wants him to push.

Now what about the new things that manufacturers are bringing out at these Summer markets? Like we said in our opening paragraph, we have it that there will be lots to look at but unfortunately as this issue of FCW goes to press there is very little we can tell you in advance.

Mohawk's information comes to us by way of its advertising in which it says that in introducing 17 new grades in plushes, twists, random shears and contract qualities in Antrons (with copper wire) and wools (with Brunsmet) and Source (Allied Chemical's newly introduced bi-constituent fibers).

Philadelphia Carpet lets us know that it has three new offerings which are described elsewhere in this issue.

Masland will be in the market with at least six new fabrics, also described in this issue and World Carpets gives us information on three new introductions.

Likewise, Monarch and Barwick simply announce that they will have quite a few new things for dealers to look at, but no specific details are forthcoming.

ARMSTRONG CORK CO. (E. & B. CARPET MILLS)

The E. & B. Carpet Company has sustained over six years of rapid growth, as set forth in the chart below, from less than $4,000,000 in sales in fiscal 1961 to almost $24,000,000 in sales in fiscal 1966.

Year	Net sales	Net earnings
1961	3,926,436	$6,874
1962	6,069,262	104,687
1963	8,708,439	116,545
1964	9,882,028	231,040
1965	15,949,676	489,260
1966	23,956,729	754,614

Note: The growth continued into 1967, when the company was acquired by the Armstrong Cork Co. (Armstrong Cork Co. annual report 1967).

Source: From E. & B. Carpet Mills, Inc., annual report 1966.

BIGELOW-SANFORD, INC.

From 1962 through 1966 the Bigelow-Sanford Company has shown dramatic increases in net sales and net earnings, as set forth in the Table below:

[In millions of dollars]

	1962	1963	1964	1965	1966
Net sales	78.54	87.60	88.38	96.26	102.62
Net earnings	2.42	3.01	3.78	4.52	5.08

Note: From 1965 to 1966, alone, the company showed a 6.6 percent increase in net sales (1966 annual report).

Source: From Bigelow-Sanford, Inc., annual report 1966.

CORONET INDUSTRIES

Year	Net sales	Net earnings
1960	8,933,300	311,376
1961	11,805,834	600,439
1962	18,365,561	1,222,499
1963	21,043,913	1,255,387
1964	28,620,686	1,654,209
1965	33,540,719	2,221,645
1966	48,516,649	3,246,228
1967	52,859,975	3,344,752

Source: From Coronet Industries, Inc., annual report 1967.

DAN RIVER MILLS (DAN RIVER CARPET, WUNDA-WEAVE)

The Carpet Division of Dan River Mills, the largest part of which is the recently acquired Wunda-Weave Company, has shown and is expected to show significant growth. In 1964 Wunda-Weave's sales were $13,000,000. In 1965 the Carpet Division of Dan River sales were 17.5 million and the 1966 sales were projected in March of 1966 to be $23,000,000. (Goldman, Sachs & Co. Report, March 3, 1966) As the report went on to say: "[The acquisition of Wunda-Weave] put Dan River into tufted carpeting, the fastest-growing area in textiles." (Ibid.)

In a 1965 report by Mitchell, Hutchins & Co. the following statement on Dan River Carpets was made:

"Acquisition of Kingston Mills and Wunda-Weave within the past 15 months has given the Company a $17 million tufted carpet operation in the current year. We expect this Division's volume to reach $20 mililon next year and become a growing percentage of total sales and profits over the longer term." (Mitchell, Hutchins & Co. Report, Dec. 1965)

Referring to the acquisition of Wunda-Weave, one analyst stated that:

"The above average growth expected for the carpet and rug industry certainly creates a favorable environment." (L.F. Rothschild & Co., Internal Memorandum, July 30, 1965, p. 6)

WORLD CARPETS, INC.

This Company is the outgrowth of a business started in 1953 by Shaheen Shaheen, its President and chief executive officer, with $80,000 in capital. The Company's present assets are almost $12,000,000, with 1965 sales of $25,000,000, 1966 sales of $30,00,000 and 1967 sales of $35,000,000. Sales volume has rapidly expanded and operations are profitable. Business has been so good that an expansion of assets has been accomplished primarily with funds generated internally.

In February 1968 the Company announced the start of construction of a new manufacturing plant to be completed by June 1968. Again, financing reportedly will be handled internally. In March 1968 the Company announced that it is currently constructing a new warehouse in Chicago.

(The following supplemental statement was received by the committee:)

ADDITIONAL STATEMENT OF THE FLOOR COVERING GROUP OF THE AMERICAN IMPORTERS ASSOCIATION

The recent testimony of the Floor Covering Group of the American Importers Association dealt only with the reasons why quotas should not be imposed on foreign rugs and carpets. Included within the Floor Covering Group, however, are the principal United States importers of tubular braided rugs. H.R. 6959 proposes to increase almost threefold the U.S. tariff on these rugs. We are opposed to this bill and would therefore like to offer a short summary of our reasons for believing that this tariff increase would not serve the national interest.

The purpose of H.R. 6959 is to change the tariff schedules so as to classify tubular rugs in the same category as true braided rugs in the Tariff Schedules of the United States. The effect of this reclassification would be to increase the tariff from approximately 15 percent ad valorem to 42.5 percent ad valorem. There is no technical or practical reason for such a change. Tubular braided rugs are entirely different in construction and market price from true braided rugs. True braided rugs are made by braiding strips of fabrics and sewing the resultant braid into an oval shape.

Tubular braided rugs are made by an entirely different process: a machine wraps multicolored threads around shredded fiber material and thus produces a long tube with a core of fiber material and a covering of threads. This tube is then sewn into an oval shape to produce the finished rug. This process does not involve braiding and thus the tubular braided rugs have quite properly been held by the U.S. customs courts as distinct from the true braided rugs for tariff classification purposes. The only thing the two types of rugs have in common is their oval shape.

True braided rugs normally sell at a price ranging from $150 to $200 for a rug of approximately 9 feet by 12 feet. A tubular braided rug of the same size commonly sells for $30 to $70. It is obvious that there is no possibility of significant competition between these two types of rugs and that customers preferring one of them will do so for reasons which will not lead them to consider the other as an alternative.

For these reasons, the U.S. manufacturers of true braided rugs will not benefit from an increase in the tariff on tubular braided rugs.

To the extent that support for H.R. 6959 comes from U.S. manufacturers of tubular braided rugs, we believe that the proposal also lacks any sound justification. Our belief is based on the following reasons:

1. On a production cost basis, no reason exists which would prevent domestic manufacturers of tubular braided rugs from competing effectively with their foreign counterparts. Although direct labor costs are somewhat lower abroad, the labor component in the manufacture of tubular braids is not substantial. Any cost saving resulting from wage payments are more than offset by other charges incurred in bringing these rugs to the American market. For example, foreign producers and domestic importers must add to their direct production costs the following charges:

Indirect labor costs resulting from high fringe benefits and retirement payments;

Ocean freight payments amounting to between 15 and 30 percent of production costs and marine insurance costs which add several more percentage points to production costs; and

The current United States tariff rate.

When these additional expenses are coupled with basic manufacturing charges, all foreign cost savings have more than vanished. In fact, with these additional costs, foreign tubular braided rugs are able to compete with domestic goods only because of superior purchasing and designing methods, and because of a willingness by foreign manufacturers and importers to accept a reduced profit ratio on each sale.

2. Thus, it is clear that on a production cost basis, the granting of new benefits to domestic braided rug manufacturers through a tariff increase is not justifiable. New import restrictions will only enable those domestic producers of tubular braided rugs who have failed to modernize their production facilities to maintain a share of the rug market. In this guise, the tariff increase serves

as a bonus to inefficient manufacturers—a result which is not consistent with our traditional economic concepts regarding the survival in the market place of efficient manufacturers.

On the other hand, those domestic manufacturers who are efficient and who have kept pace with technological developments are not at a cost disadvantage. They therefore do not need a tariff increase to maintain their share of the domestic market.

3. An increase in the tariff will work to the detriment of both American consumers and retailers. The most significant group to suffer will be low-income consumers who now constitute the major purchasers of these rugs. If higher tariffs are imposed, the retail price of tubular braided rugs will rise sharply. The inevitable effect will be to squeeze low-income consumers out of the buying market because as the Tariff Commission recently found in its comprehensive survey of the textile and apparel industries "cost is a major consideration" for these "lower income groups." [1]

The second group to suffer from this contraction in the buying market will be those retailers who specialize in low-cost rugs and those importers who have developed the tubular braided rug market. The market which they succeeded in creating will have shrunk drastically under the pressure of stringent new import restrictions whose justification is sorely lacking.

4. Added to the domestic detriment that will result from new import restrictions is the harm that will accrue to foreign producers who make virtually all of their tubular braided rugs for export to the United States. For example, in Japan—the largest exporter of tubular braids—approximately 20 times as many persons are directly supported by the tubular braided rug industry as in the United States. As a result, the ratio of jobs relating to the production of tubular braided rugs to population is over 30 times as great in Japan as it is in the United States. If tariffs on tubular braids increase, the inevitable result will be an increase in rug prices, a constriction of the American buying market, and a loss of hundreds of jobs in Japan and other foreign countries. In short, a tariff increase will only exacerbate the present problems of foreign tubular braided rug manufacturers, whose exports to the United States declined significantly during 1967—dropping by some 26.8 percent.

5. Finally, the proposal for a threefold increase in the tariff on tubular rugs is obviously contrary to the entire U.S. position on foreign trade and the strenuous efforts made in recent years to expand foreign markets by reciprocal tariff reduction. At a time when foreign trade policy is the subject of such broad discussion as at present, there is obviously no need for us to elaborate on the disruption of U.S. foreign trade that would result from this tariff increase. Tubular braided rugs—little known in the vast and prosperous U.S. economy except among low-income families and the stores who serve them—are extremely important to the economies of the countries from which they are imported. These countries are important U.S. trading partners and political allies, and the United States constitutes by far their principal market for these articles.

The burden is clearly upon the supporters of H.R. 6959 to demonstrate clearly and conclusively strong public interests (as distinguished from their own self interests) which justify sacrificing the important national interests described above. No such ground have been shown to date and we believe any careful investigation will show that they do not exist.

Sincerely,

CHARLES I. ROSTOV.

Mr. BURKE. Thank you.

Mr. CONABLE. That is a very interesting statement, sir.

Of course, this technology that you mentioned will be transferred abroad eventually.

---

[1] U.S. Tariff Commission, Textiles and Apparel 10 (1968). It would appear that the Braided Rug Manufacturers Association of the United States has little concern for the plight of the low-income consumer. As its executive director recently stated before the Senate Finance Committee:

"Another justification for increased imports is the lower prices they provide consumers. Consumers, being the beneficiaries of our economic system, are not entitled to bargains at its expense." Hearing before the Senate Committee on Finance, 90th Cong., first sess. 696 (1967).

I take it that labor is such an insignificant factor in the tufting process that you still feel that acquisition of the technology abroad will not constitute any threat to the American market. Is that correct?

Mr. HERZSTEIN. That is precisely right.

In fact, this is already beginning to happen. There is tufting beginning in Germany, now, very frequently being started by some of the American companies, or licensees.

Mr. CONABLE. You didn't say much about exports. Is carpeting exported substantially?

Mr. HERZSTEIN. There are some exports, but I wouldn't characterize them as substantial, compared with domestic production.

I think the reason for this is that the shipping costs on carpet are rather high, and as tufting has come in in this country, the foreign companies who used to supply woven carpets to this country have concentrated more on their home markets and tended to take care of them, so that there wasn't too much of an export market.

That took care of things for a few years. Now tufting has begun to come into the foreign markets, also, and I think that the economies of it will be such that one will tend to find tufted carpets produced locally, and not shipped great distances.

Mr. CONABLE. This industry that you are representing here today is not concerned about retaliations in the event of some restrictive legislation affecting other parts of the imports?

Mr. HERZSTEIN. Since I am representing importers, I think that they are not themselves directly concerned about retaliation by other countries against U.S. exports.

I think that is true in terms of each individual's business. They are generally men devoted to trade. They have earned their livings on trade, and I think generally it can be said that they believe that the future lies in the direction of liberal trade.

But I wouldn't say that any one of them would be directly affected by retaliation.

Mr. CONABLE. That is all I have, Mr. Chairman.

Mr. BURKE. Thank you very much.

Our next witness is Mr. Alvin Hayim, Wilton and Velvet Carpet and Rug Importers.

Mr. HERZSTEIN. I was delivering my statement on his behalf, too. We consolidated the statements.

Mr. BURKE. They will both be in the record.

Mr. HERZSTEIN. He was not able to come, either.

Mr. BURKE. Mr. Howard Johnson.

In the interest of conserving time of the committee, Linen Thread Co. has canceled its appearance, but requests that its prepared statement be inserted at this point in the record.

Without objection, it is so ordered.

(The following statement of Howard Johnson, was received for the record:)

STATEMENT OF HOWARD JOHNSON, SALES MANAGER, LINEN THREAD CO.

Mr. Chairman and members of the committee, my name is Howard Johnson, and I am Sales Manager of the Netting Division of the Linen Thread Company of Blue Mountain, Alabama, which is the largest manufacturer of fish netting in the United States. The Linen Thread Company is a Division of Indian Head Mills, Inc., of New York. I am making this statement on behalf of eight manu-

facturers of fish netting in the United States which comprise perhaps 85 percent of the domestic production of fish netting.

Although we are a relatively small industry, we believe we have problems which will be of interest to you and we appreciate this opportunity of presenting them.

FISH NETTING: DESCRIPTION AND METHOD OF MANUFACTURE

The nets made from the netting which we produce are used by the commercial fishing industry for catching menhaden, shrimp, salmon, tuna, and other species.

The netting we make varies in size of mesh and in the weight or strength of twine of which the netting is made. Single or double knots are used to make the webbing and some netting is made knotless. Netting may also be dyed and sometimes treated with a preservative.

These days, over 90 percent of our netting is made of synthetic yarns. Netting used to be made of cotton, but unless properly dried right after use, the cotton mildews and rots. The synthetic textiles are largely impervious to these conditions and so outlast cotton 4 to 1. Even at somewhat higher prices, the synthetic textile nettings have pushed cotton right out of the running.

The industry still makes some cotton netting used as a base for camouflage netting for our Armed Forces in Southeast Asia. Shortly after the Korean War, the Department of Defense considered the availability of supply of this item so essential that it stockpiled looms for its manufacture. Fortunately, our industry today can meet requirements, but in view of the steadily mounting import pressure we strongly doubt that we will be able to guarantee a supply a few years hence.

Fish netting is made on specialized knitting machines. The newest equipment comes from Japan, embodying the latest designs and we have a number of these looms.

Although we have little funds available for research and development, we have endeavored to obtain the latest improvements available commercially and to innovate where possible with our own ideas.

HIGH LABOR COST EVEN OF MACHINE OPERATION

One important problem in the operation of these knitting machines is the cost of replacing bobbins which have run out of twine. Since the number of bobbins equals the number of twines in the warp and the latter are but small fractions of an inch apart, the size of the bobbin and the amount of twine which a bobbin can contain are limited. Thus the bobbins have to be replaced frequently. On some netting there may be several hundred bobbins in use on a machine at one time. As the twine on a bobbin runs out, the loom automatically stops. A full bobbin is inserted in place of the empty one and the end of the new twine is twisted together with the old end to make a continuous thread.

This results in inefficiency, high labor costs and machine down-time expense. On the finer meshes, the machine may be operating much less than half time. As the splices have to be well distributed over the length of the netting, in order to maintain its strength, all the splices obviously cannot be made at one point. There appears to be no remedy for the situation.

This problem is particularly significant to us now, because labor costs in Japan—the chief source of imports—are so much lower than ours, that the Japanese can afford to cut their prices sharply below ours, particularly in the smaller meshes.

It is interesting to note that even the Japanese are sensitive to labor costs. Some of the Japanese netting manufacturers have established netting plants in South Korea where, with the newest equipment and lower labor costs than in Japan, these manufacturers can afford to undersell some of their Japanese competition. For example, in the U.S. market, the average unit foreign value of imports of synthetic fish netting from Japan in 1967 was $1.45 per pound; corresponding imports from Korea were valued at $1.02 per pound.

IMPORTANCE OF COMMERCIAL FISHING

Commercial fishing is big business. In 1966, United States fisheries provided 2.6 billion pounds of human food and 1.8 billion pounds of industrial (including animal food) products, primarily meal and oil.

Contrary to the belief of some people, the population's appetite for fish is not declining. U.S. per-capita consumption of fish, at about 10 pounds in 1966 was

the same as it was in 1940, notwithstanding sharply higher prices. However, our fish netting market, though not declining, is not growing at the present time.

GREATLY EXPANDED USE OF FISH FOR FOOD FORESEEN IN FUTURE DECADES

If we are able to survive the probable deluge of Japanese (and Korean) imports of fish netting during the next few years, we might be in a position to contemplate and prepare for greatly expanded markets for fish netting in a decade or two. The distant future appears bright.

Under Secretary Black of the U.S. Department of Interior at the Commercial Fish Exposition in Boston last October said in part:

"With the land in many underfed countries already producing at levels of near-maximum yield, it is natural that we turn our attention to the sea. As population pressures mount in these countries, they are being backed up against the oceans. We can count ourselves uncommonly blessed that the oceans are so full of food.

"Experts vary in their assessments of the food potential of the seas, but we do know that the present world marine catch is approximately 52 million metric tons per year. At the Law of the Sea Institute meetings at the University of Rhode Island in June, experts presented exciting estimates of potentials ranging from 200 million to 4 billion metric tons or nearly 100 times the present world catch."

INDUSTRY SUFFERING FROM IMPORT COMPETITION

Right now, our industry is in trouble because another country—Japan—is vying for our presently stagnant market. U.S. imports (mostly from Japan) of synthetic fish netting—our chief product—within the last three years have increased over 200 percent, and now supply nearly 21 percent of U.S. apparent consumption (recorded imports plus domestic shipments; exports are negligible as explained below).

JAPAN'S EXPORTS POSE DIRE THREAT TO INDUSTRY'S EXISTENCE

Of even greater concern to us is the vast export capacity of the Japanese fish netting industry. In 1966, only 5.2 percent of Japan's exports of fish netting came to the United States, although we were in sixth place among the world's fisheries, having been barely nosed out of fifth place by Norway. Only about half of this amount actually entered the United States; part of the difference could be accounted for by shipments to the U.S. Free Trade Zones—New Orleans and Seattle. The half that did enter trade in the United States accounted for 15 percent of the total U.S. apparent consumption of fish nets and netting. In 1967, incidentally, this market share jumped to nearly 20 percent.

Expressing this towering strength of the Japanese fish netting industry in another way, Japan could have supplied the entire U.S. market in 1966 with only 18 percent of her exports that year (See Chart). In many commodities, the U.S. takes the bulk of Japan's exports. Is our industry going to be next? Drastically reduced prices (in spite of upward pressures on costs) at which Japanese netting is now being offered indicate that Japan is looking to this country where she can make up for her sales declines in other areas that are becoming saturated. Japanese nylon shrimp netting delivered ex-duty at New Orleans was $1.25 per pound in January 1967. By January 1968, prices had dropped 12½%.

Another indication that Japan is turning her attention to sales in the United States is the fact that the share of Japan's exports of synthetic netting that went to the United States increased from 3.1% of the total in 1965 to 6.3% during the first eleven months of 1967, and for cotton netting the share increased from 36% to 65% in the same period. Thus, whereas Japan's world exports of fish netting declined from 7.7 million kilograms in 1965 to 6.8 million kilograms in the first 11 months of 1967, her exports to the United States increased from 307 thousand kilograms to 522 thousand during the same period.

INDUSTRY MAY SOON BE CANDIDATE FOR RELIEF

If the present trend continues, we will be candidates for tariff adjustment and/or adjustment assistance. Already we are feeling many of the symptoms of serious injury. During the first quarter of this year, we at Blue Mountain were forced to lay off some 50 employees in our fish netting division, representing

about a third of our normal employment in that operation. We have already referred to the increasing imports and declining prices of Japanese netting and of even lower prices for South Korean netting, as well as increasing penetration of our markets by imports.

PROPOSED "TRADE EXPANSION ACT OF 1968"

We have read with interest the provisions of H.R. 17551 which would liberalize the criteria of eligibility of individual firms and workers to apply for adjustment assistance.

But frankly our company and workers are much more interested in *preserving* the jobs we have rather than "adjusting" them out of existence and then attempting to create new jobs which in turn would be subject to predatory foreign competition, in a never-ending cycle.

I think, from the standpoint of cost to our federal budget and national economy, it would be most interesting if this Committee were to obtain a computation of the actual cost of creating a stable job as against preserving one that already exists by way of tariff adjustment. I believe you would find that with an equitable law, the cost of preserving jobs would be much less in the long run than paying adjustment assistance and attempting to create alternative employment.

We therefore would hope that this Committee would liberalize the tariff adjustment provisions of the law to no less an extent than the Administration is asking that it liberalize the adjustment assistance provisions. All we ask is a fair chance to fight the low-cost foreign producer with a workable escape clause provision. Clearly, the present one is *not* workable, as the record shows.

Of course there is a fallacy to the theory that American industry must keep "adjusting" to low-cost foreign competition. At first blush this may seem plausible from an economic standpoint. But what happens when the foreigner has run the domestic industry completely out of business with its low prices? Once the domestic plants are dismantled, it is clear that the foreign competitor can then raise his prices to a point just short of the expensive threshold where the domestic industry would be reconstructed or reassembled and production resumed. Furthermore, we believe it would not be in the national interest to have the important U.S. commercial fishing industry—as well as our military establishment—entirely dependent on foreign supplies of fish netting.

We ask only that we be given as good a chance to stay in business as we are given to "adjust".

SUPPORT FOR QUOTA LEGISLATION

Another and more definitive form of relief to us, of course, is the protection afforded all segments of the texitle industry by H.R. 11578, a bill to provide for orderly trade in textile articles. The provisions of this bill afford us absolute and immediate protection against the mounting threat of inundating imports from the Far East, particularly Japan. Our industry thus strongly supports H.R. 11578 or its equivalent.

LIST OF FISH NET PRODUCERS

The Linen Thread Company, Blue Mountain, Alabama 36004.
Koring Brothers, Inc., 2050 West 16th Street, Long Beach, California 90013.
Nylon Net Company, Seven Vance Avenue, Memphis, Tennessee 38103.
A. M. Starr Company, Inc., Box #38, East Hampton, Connecticut, 06424.
Fish Net and Twine Company, 933 First Street, Menominee, Michigan 49858.
Bayside Net and Twine Company, Inc., Sea Garden Sales, Brownsville, Texas 78521.
First Washington Net Factory, Inc., Fourth Street, Blaine, Washington 98230.
Hope Fish Netting Mills, Hope, Rhode Island 02831.

Mr. BURKE. At this point, I ask unanimous consent to have inserted in the record a telegram from the National Footwear Manufacturers Association, 342 Madison Avenue, New York, N.Y., addressed to the Honorable Dean Rusk, Secretary of State, Washington, D.C.

(The telegram follows:)

NATIONAL FOOTWEAR MANUFACTURERS, ASSN.,
New York, N.Y., June 13, 1968.

Hon. DEAN RUSK,
Secretary of State,
Washington, D.C.:

As representatives of domestic footwear manufacturers, we are aghast at your statement before the House Ways and Means Committee. Your comment that in the case of shoes, imports represent only 7.3% of total U.S. consumption by value is grossly deceptive and inconsistent with the standards of full disclosure that the Ways and Means Committee assuredly deserves. We cannot help but believe that you are not receiving the full story about the impact of imported footwear on domestic producers from the office of trade representative Roth.

While it is true that in terms of dollar value imports represent only 8% of domestic shoe consumption, that 8% of dollars represents close to 30% of footwear consumption. Nothing could more dramatically point up the domestic footwear manufacturers plight. Foreign labor is able to produce over ¼ of all our shoes and sell them for less than ⅒ of all the money paid for shoes. The American consumer purchases and wears shoes not dollars.

I strongly urge that you submit to the Ways and Means Commitee an amended statement pointing out that in terms of shoes sold, the percentage now is running close to 30%, not the 7.3% figure misleadingly presented to the House Ways and Means Committee.

Very truly yours,

MARK E. RICHARDSON,
President.

Mr. BURKE. The committee stands adjourned, to meet at 10 a.m., Friday, June 21, when the hearings will resume.

(The following letters and statements were received, for the record, by the committee:)

STATEMENT OF HON. DAN K. MOORE, GOVERNOR OF NORTH CAROLINA

Mr. Chairman and gentlemen of the committee, I am Dan Moore, Governor of the State of North Carolina. I wish to thank you for the privilege of appearing before the House Committee on Ways and Means to discuss a matter of major importance to my State and to other states in this nation. I have discussed this with other governors of textile producing states, including the Governor of Delaware, the Governor of Virginia, the Governor of South Carolina, the Governor of Georgia and the Governor of Alabama. They concur, generally, in the position of this paper.

Let me begin by saying a healthy, viable and dynamic textile industrial complex is not only essential for the economies of our respective states, but it is absolutely essential for our national economic and military survival. Any factors which impinge upon this industrial complex beyond the capacity of the industry itself to resolve, merit the careful consideration of all elements of government—local, state and national.

In those states in which the textile industry is primarily situated, our economy is dependent upon the health and welfare of the industry. The textile industry is the leading manufacturing employer in the States of North Carolina, South Carolina and Georgia, supplying 52 percent, 65 percent and 41 percent of the manufacturing jobs, respectively. In Virginia, the textile industry provides 28 percent of the manufacturing employment; in Alabama, 28 percent; in Tennessee, 30 percent and in Delaware, 15 percent.

The textile industry means a great deal to my State. In 1966, the textile industry became the first and only industry in North Carolina's history to have an annual payroll in excess of $1 billion. North Carolina produced almost 25 percent of the nation's man-made fiber fabrics and 10 percent of our woolen and worsted goods. The State's spinning mills turn out nearly one-half of the country's cotton yarns. Our knitting mills produce one-half of the country's hosiery. The value of textile products made in North Carolina is $5 billion a year.

North Carolina's textile and apparel industries pay more than $40 million to the State in various taxes, not including sales and income taxes paid by the industry's employees.

It is easy to see that the welfare of the textile industry and its ability to grow and expand is a key factor in the ability of my State to grow and expand.

The story is similar throughout the textile-producing states of the Southeast.

I am certain that this committee is aware of the impact of textile imports into the United States over the last 10 years.

For a number of years, the Southern Governors' Conference has been concerned about the steady buildup of textile imports which is holding back the ability of our states to realize their full potential for growth. In fact, the Conference again last week approved a resolution calling for Congressional action to stem the flow of textile imports. I have already forwarded a copy of that resolution to the Chairman.

Mr. Chairman, your committee has heard the case for reasonable restraints on imports. I hope you agree with me that textile imports have reached serious proportions. This trend must be reversed if we are to have a growing, viable textile industry in this country.

The difference in economic factors between the United States and the rest of the textile producing world has been called to your attention. It amounts to a situation whereby the domestic industry is at an unfair advantage in competing against unrestrained imports of foreign textiles. Practically every factor that enters into the finished product in the United States costs more than the same item does in some foreign textile producing area. We pay higher wages. We pay more for equipment, supplies, utilities and transportation. We pay more for items that enter into the competitive consideration of putting into the marketplace our end-product as compared with an end-product that is prepared, by way of illustration, in Hong Kong.

The argument which has been presented to you—that by permitting uncontrolled imports to enter into the United States, we are thereby providing the consuming public with products costing less than the equivalent domestically produced article—carries little persuasion with it when the textile worker is offered in the retail store a shirt produced in the Orient for a dollar less than a domestically produced one if he has lost his job and doesn't have the resources to buy a shirt at any price.

As Governor of North Carolina, I am concerned first and primarily with the welfare, livelihood and future of our own citizens. All the theories and philosophies about the desirability of providing absolutely no protection to American industry from foreign imports are of no benefit if their practice results in the economic collapse and massive unemployment among our citizens.

I do not come here contending that imports should be barred. I do assert without reservation, however, that a system of orderly controlled imports must be established or the economy of this nation may well be wrecked. What I would like to emphasize, Mr. Chairman, is the impact of this rising level of imports on our states in terms of jobs and our ability to create new employment.

The textile industry is the lifeblood of many communities throughout the Southeast. In many cases, the textile mill or man-made fiber plant is the largest or a major employer in a community. During the past decade, textile employment has played a particularly important role in the transition of tens of thousands of people from farming to manufacturing. Communities have grown around textile facilities.

As Governor, I am constantly concerned with providing more jobs for our people. Here, again, a growing textile industry can provide part of the answer. The textile industry has always been concentrated in smaller towns, in the communities that are in or near areas that once were basically farm communities. Many textile employees still live on farms and commute to their jobs. A textile mill offers opportunities for advancement and training, so employees can move up the ladder to better and better jobs.

One of the reasons the United States has such a liberal trade policy is that we want to help some of the underdeveloped nations become first-class citizens in the community of nations. This certainly is a praiseworthy goal, and it would be a good thing if that were what was happening. But in the case of textiles, we find today that about one-third of our imports come from Japan, which has the fourth-largest gross national product in the world and is anything but an underdeveloped nation.

It is high time we started paying more attention to the effect import trade policies are having on the underdeveloped areas within our own country.

The Appalachia Regional Development Area is a case in point. The textile industry complex, apparel, textile mills and man-made fiber production provide one out of every four jobs in the counties designated as Appalachia. During the past 25 years, textile and apparel employment in this region has increased by some 160,000 jobs.

As you gentlemen know, the Federal Government is spending millions of dollars in Appalachia, and our states are making an additional contribution, to build highways and stimulate industrial development. It just does not make sense to undercut all of this effort by exporting more and more textile jobs to Asia every year.

Textile product imports last year reached a level of some 2.6 billion square yards. It has been estimated that this amounts to the equivalent of some 200,000 textile jobs in this country. In spite of this, our trade negotiators agreed in Geneva last year to reduce textile tariffs further. As a result, imports during the first quarter of this year have set new records.

I cite these figures to illustrate the fact that the textile import problem is not going away. In fact, it is getting worse month-by-month. No one is suggesting that imports should be stopped or rolled back. But it is obvious that the continuing upward trend must be reversed.

It is for this reason that we are appealing to Congress for legislation which will bring about orderly trade in textiles; legislation which will provide for a reasonable amount of imports, but at the same time safeguard the hundreds of thousands of people in this country who depend upon the textile industry for a livelihood.

At the rate imports are entering the United States, we are approaching the point where all of the future growth of the textile industry will be taken over by products from foreign countries. It borders on the ridiculous to take one of the three basic incredients for survival—food, clothing, and shelter—and turn it over to foreign interests.

Our country is faced with tremendous problems at home and abroad. These problems have taken on new dimensions which require new solutions.

As elected officials, all of us, in state offices and in Congress, must be attuned to the needs of our country and our people. The people are asking us for answers to these problems. We must provide the leadership and the programs which will help turn our country around and get it back on the track.

Our relations with overseas countries need to be reassessed. We must take the necessary steps to bolster our economy at home.

We cannot do this by undercutting one of our basic industries which provides employment for more than two million people.

Passage of legislation as outlined in the Mills Bill would be a major step toward restoring confidence and building a sound future for one of our basic and most important industries.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 20, 1968.

Hon. WILBUR MILLS,
Chairman, Committee on Ways and Means,
House of Representatives.

DEAR MR. CHAIRMAN: Mr. James Utsey of Selma, Alabama, President of the Alabama Garment Manufacturers Association, has asked me to convey the enclosed resolution to you. I would respectfully ask that you enter this resolution in the testimony concerning textile import legislation which your Committee recently heard.

Thank you very much for your consideration of this important matter.

With best wishes, I am

Sincerely,

BILL NICHOLS, M.C.

ALABAMA GARMENT MANUFACTURERS ASSOCIATION,
Montgomery, Ala., June 18, 1968.

Hon. WILBUR MILLS,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MILLS: On behalf of my Association, the Alabama Garment Manufacturers Association, I respectfully transmit to you a resolution recently adopted by our Board of Directors by a unanimous vote.

We request that this be incorporated into the record of the hearings for the Textile and Apparel Industries being held on June 19, 1968.

Sincerely,

JAMES UTSEY, *President.*

A RESOLUTION

Whereas, the relatively uncontrolled flow of textile and apparel imports into the United States has done and is doing grave damage to our industries and endangering the jobs of thousands of Americans working in these industries, and

Whereas, this dangerous situation is a major contributor to the unfavorable trade balance of our country and to its balance of payments problem and is deserving of the attention of the Congress and of all those interested in the economic stability of our country: now Be it unanimously

Resolved by the Board of Directors of the Alabama Garment Manufacturers Association, That the Ways and Means Committee of the United States House of Representatives and the House itself be urged to adopt legislation to impose meaningful quantitative controls on imports of textile and apparel into this country and that firm enforcement of these controls be required; and be it further

Resolved, That copies of this resolution be sent to Hon. Wilbur Mills, Chairman of the House Ways and Means Committee and to all Alabama Members of the United States House of Representatives.

I certify that this resolution in this exact form was adopted by the Board of Directors of the Alabama Garment Manufacturers Association on June 14, 1968, in the City of Montgomery, Alabama.

CHARLES MCDONALD, *Executive Secretary.*

NATIONAL ASSOCIATION OF SECONDARY MATERIAL INDUSTRIES, INC.,
New York, N.Y., July 10, 1968.

Re Hearings on Textile Import Taxes or Restrictions.

Hon. WILBUR MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR CONGRESSMAN MILLS: The Textile Devision of the National Association of Secondary Material Industries, representing the country's exporters of textile secondary materials from the United States wishes to record our strong opposition to any legislation to enact a tax on textile imports or otherwise restrict their importation. Legislative proposals currently being considered by the House Ways and Means Committee would impose oppressive and unwarranted import burdens on textile materials.

Secondary textiles largely move in international commerce and the industry is dependent on the ability to market these materials to other nations without the duress of trade barriers. The only way our segment of the United States textile industry maintains its economic lifeline is through continuous existence of overseas markets for our textile exports. Millions of dollars of these secondary materials are sent annually to overseas manufacturers who, in turn, through the application of various processes, create new textile end-products which they re-export to many other international manufacturers.

Thus, if Congress takes restrictive action on textile imports, there will certainly be disastrous results for our segment of the domestic industry as other countries similarly impose import restrictions and/or duties in retaliation.

Many textile exporters will lose their historical overseas marketplaces—markets which our own Government encouraged them to develop as part of its export expansion policy. Secondary textile exporters, many of whom have large plant investments and labor forces, will surely have to curtail their operations as they lose their competitive position in the world economy.

In addition, since other important segments of the textile industry depend on the services performed by this industry for the disposal of their textile by-products, the adverse results we fear will not be limited to the exporters and their employees alone. A chain reaction will be initiated which will be felt throughout the entire domestic economy. Far from protecting American business and assisting the U.S. balance-of-payments problem, the proposed legislation will only set off a restrictive cycle that will limit exports and seriously damage U.S. business interests.

The utilization of secondary textiles is an important factor in the country's solid waste disposal network. Erosion of secondary markets only breaks down the collection system on which the industry—and public—depends and compounds the problems of finding sufficient economic usage of the nation's industrial and household by-products.

Protectionist measures will disturb efforts to expand international trade at a very time when such international marketing is vital. It has been a basic policy of the Government to foster American competition in world markets. The need for improvement in our balance-of-payments position with other countries cannot be overstressed. The passage of this proposed import tax will lead to violent inter-actions in textile markets here and abroad, and eventually will result in an undesirable economic backlash for American industry and prove detrimental to our best interests as a nation.

We believe there is no need to support the impcsition of such import restrictions at this time, and for all these reasons we urge the Ways and Means Committee to disapprove any such legislative proposals.

We ask that the preceding statement be placed in the record of the hearings.

Respectfully submitted.

TEXTILE DIVISION,
HAROLD KURTIN, *President.*

STATEMENT OF GEORGE BALDANZI, INTERNATIONAL PRESIDENT, UNITED TEXTILE WORKERS OF AMERICA, AFL–CIO

In lieu of personal appearance by the United Textile Workers of America, AFL–CIO, I am herewith submitting a statement of our position on International Trade.

First of all, we would call to the attention of the Committee that the AFL–CIO has submitted the position and the action of the 1967 Convenion on the entire question of International Trade, Tariffs, etc. and our union is in agreement with the basic principles.

We desire, however, to emphasize sections of the statement directly applicable to the textile workers and the textile industry. Quote: "The AFL–CIO cannot ignore the fact that rising imports have disrupted some domestic markets and resulted in adverse impacts on some industries. These developments have imposed severe hardships on thousands of American workers. Agreements with other countries, like the International Cotton Agreement, should be concluded, covering trade in textiles and apparel of wool and man-made fibers. The Cotton Textile Arrangements should be effectively enforced and no erosion permitted in its safeguards against disruption."

The AFL–CIO continues "that it is a matter of growing concern to note the sharp rise of imports of non-durable goods such as textiles, apparel, shoes, toys, etc. from low-wage countries for sale at U.S. prices in this market. This relationship may be controlled by a relatively few integrated firms with international subsidiaries or other investment and sales arrangements. To look at aggregate country data in the United States and determine that the U.S. Textile Industry is thriving because some large firms are making big profits,—or to determine that the United States shoe industry as a whole is doing well,—is to ignore the specific impact on United States production and employment in many parts of the country."

The United Textile Workers of America, AFL–CIO, would call and ask for the particular attention of the Congress to the following resolution adopted by the unanimous vote of the delegates at our International Convention held last month. This resolution embodies the desires and struggles of men and women who are striving to hold their jobs against those-many in high places who are willing and ready to sacrifice the workers in the textile and garment industries. They

attempt to scare the American people and intimidate the Congress with the cry of higher prices of which they cannot prove, but in their own willingness to expend our domestic industry, they are against a reasonable control of excessive, harmful and injurious imports.

This resolution is a brief summary of all of the things we have been saying to the Congress for several years in appearing before the House and Senate committees in complete detail, and in this year we have witnessed our position justified by large majorities in the House and Senate. And still our opponents are serving up the same old shibboleths. They attempt to pacify the jobless with promises of compensation if imports terminate their employment.

The United Textile Workers of America finds no solace or solution in the adjustment provisions of the 1962 Trade Expansion Act, whereby American firms and workers adversely effected by imports, would be safe-guarded and assisted. I believe that I can speak for all import-effected industries, durable and non-durable, and the list is constantly growing, when I say that the "so-called" escape clause has been proven absolutely useless. In support of this, I again quote from the AFL–CIO testimony before the Ways and Means Committee on June 13, 1968. Quote: "As a result of the Tariff Commission's interpretation of that law, all petitions for trade adjustment and assistance have been rejected. The record of these 14 cases in six years is a shameful mockery, a fraud on the American people and the American workers."

We note the amendment in the 1968 Bill substituting the Executive for the Tariff Commission, and this brings me to other Bills before the Committee. One of these, the "so-called" Omnibus Bill, covering all effected industries, calling for ceilings after investigation by the Tariff Commission. We favor legislation for any and all industries injured by excessive imports, and we would suggest the same amendment substituting the Executive or the Congress. In fact, the Tariff Commission is the creature of the Congress, and there should be a measure of supervision, and, if necessary, correction of its decisions.

We also have noted that under certain conditions the Administration's Trade Expansion Act of 1968 does allow the President to order quota import curbs. On the other hand, the President's special trade message to the Congress states that new restrictions on imports are undesirable and the Administration favors special Federal tax aid for the employers, and adjustment for the workers. We cannot speak for the employers, but the workers are still faced with Tariff Commission fact-finding. Our unions and membership has and will continue to petition the President for the establishment of quotas in the textile industry, and we urge our supporters in the Congress to continue this objective, and for favorable action at this session of the Congress.

The opponents of "quotas" have raised another scare balloon, this one has to do with retaliation by importing countries, or what they called negative reciprocity. Of course, they know that reciprocity is a two-way street. Perhaps they don't know that no less than 70 Nations restrict imports from the United States. If they do know, the retaliation balloon is punctured before it gets off the ground. Would our opponents say: "This is free trade." It should be known that while textile and apparel imports into the United States are rising, exports are static at a relatively low level. According to the U.S. Department of Commerce, in 1967 textile and apparel imports were valued at $1,461 billion compared with $695 million for exports. In the first quarter of 1968 imports were at a record $387.6 million while exports were at $169.3 million. And, according to the same source, imports of the three major textile fibers, Cotton, Wool and Man-made totalled 274.9 million equivalent square yards in April of this year—an increase over the previous month and April a year ago.

The January–April cumulative total this year was 582 million square yards, compared with 541.6 million square yards a year ago. In addition, we find that the countries of the World that have cried the loudest and threaten retaliation if the U.S. sets up controls over word and man-made fiber, and apparel imports, have set up their own barriers in a secure network of quotas, tariffs and licensing procedures.

We hear much about hard-core unemployment and the millions of poor mainly from the South, as well as the Appalachian region. Our program is a humane measure. We are trying to save any appreciable erosion of the textile and apparel industries, and all others victimized by excessive and uncontrolled imports.

Finally, we know that the Committee has all necessary information on low and cheap labor in importing countries.

We rest our case on the report and recommendations of the Special Subcommittee of the Senate Committee on Interstate and Foreign Commerce, back in 1959. "Since the wages of textile workers in foreign countries range down to as much as one-tenth of the earnings of American textile workers, foreign mills have a pronounced competitive advantage over domestic mills and can dispose of their products in our markets at prices substantially below which American mills must receive. Therefore, we recommend that quotas be established which will permit foreign producers of textile products to sell in our markets within limits which will not further endanger existing textile capacity. We also recommend that quotas be established by specific categories of textile products."

Time is running out; the situation is far more serious today than it was in 1959, and we respectfully urge the Congress to act now in support of the workers in our domestic industries deprived of their livelihood by unfair, unjust import regulations.

STATEMENT OF GEORGE PERKEL, DIRECTOR OF RESEARCH, TEXTILE WORKERS UNION OF AMERICA, AFL–CIO

On behalf of the 200,000 workers represented by our organization who are engaged in the production of synthetic fibers and textile mill products in the United States, we welcome this opportunity to present our views on the need for import quotas on synthetic fibers and all textile products.

The Committee has heard testimony from industry representatives concerning the growing volume of textile and apparel imports. We do not intend to recapitulate the figures. It should be evident from the record that the present tariff and trade practices of the United States permit foreign textiles to enter this country at a rate which threatens the survival of the domestic industry. The annual rate of imports in the first quarter of 1968 (3.1 billion square yards) is more than double the volume of 1964 (1.5 billion). Continuation of this trend can only mean the destruction of the textile and apparel industry.

NEED FOR ACTION TO SAFEGUARD DOMESTIC JOBS

Our concern for the survival of this industry stems from the special character of the labor force. The personal characteristics of the workers and the geographic distribution of the plants strongly militate against an orderly transition to new jobs for displaced textile workers. The contraction and liquidation of hundreds of textile mills in the fifties resulted in untold hardship for many thousands of textile workers. The lot of these displaced workers was persistent and long-term unemployment, the loss of savings and homes, and the utter despair of facing a future without hope.

Our memory of these sufferings in the fifties is too strong to permit complacency in the face of the ominous threat of rising imports. It is inconceivable that the United States Government would fail to take action to safeguard the jobs of the millions of Americans whose livelihood is threatened by the massive influx of textile product imports.

THE SPECIAL CHARACTER OF THE TEXTILE LABOR FORCE

The nature of the textile work force makes it imperative that effective government action be taken to prevent the continued erosion of the industry by imports. The history of this industry clearly demonstrates the serious difficulties encountered by textile workers in finding reemployment after being displaced. The fact is that these workers face severe distress in the event of a major contraction of the industry. The impact of such a development on the social and economic condition of the communities which are dependent on the industry would be catastrophic.

Geographic Distribution

The 2½ million employees engaged in the manufacture of manmade fiber, textiles and apparel are distributed among 33,000 establishments located in 45 states. The industry is so widely distributed that the injury caused by sharply rising imports cannot be gauged simply in local or regional terms. However, the concentration of employment in particular localities and regions make them especially vulnerable to the harmful effects of a decline in the industry.

The region which would be most seriously affected is the Appalachian Region. According to a study made by the Man-Made Fiber Producers Association, Inc., the manmade fiber, textile and apparel industry accounts for 452,957 of the total of 1,709,844 manufacturing employees in the 373 counties of Appalachia.[1] Inasmuch as others have testified on this subject we shall not enter into further discussion, except to note that a decline in the industry which accounts for more than a quarter of the industrial jobs in this depressed region would strike a devastating blow at the efforts being made to restore it to prosperity under the Appalachian Regional Development Act of 1965. It should also be noted that while this region employs more than 20% of the workers in the manmade fiber-textile-apparel complex, it accounts for approximately one-half of the jobs in the manmade fiber producing segment (50,300 out of 104,000).

The outstanding geographic characteristic of the textile mill products segment of the industry is the fact that a large majority of the plants are located in small towns or rural areas where they comprise the major source of industrial employment opportunities. This fact is vital to an appreciation of the importance of the industry to the areas in which they are located. It is also a key to understanding the difficulties faced by workers who lose their jobs as a result of mill curtailment or liquidation. In most cases they have no where to turn for alternative employment in the area.

The limitations of available statistics make it impossible for us to furnish the Committee with a comprehensive picture of the distribution of the industry's establishments by size of area. Regulations restricting the publication of employment statistics which might disclose information relating to an individual reporting unit preclude us from access to the necessary information.

The following data clearly indicate the predominant location of the textile industry in small labor areas where the mills comprise the major source of employment.

1. *Textiles and Major Labor Areas*

The Bureau of Employment Security of the United States Department of Labor compiles monthly statistics on employment for 150 Major Labor Areas for purposes of analyzing the adequacy of their local labor supply. These areas are defined as follows:

"Major" labor areas usually have at least one central city with a population of 50,000 or more, according to the 1960 Census. In most instances, boundaries of major labor areas coincide with those of Standard Metropolitan Statistical Areas, as determined by a Federal interagency committee chaired by the Budget Bureau.[2]

These areas comprise the principal centers of industrial employment in the United States. In 1966 they accounted for 68% of the nation's manufacturing employees (13,035,000 out of 19,186,000). However, only 34% of the textile mill employment is located in the 150 major labor areas (326,000 out of 961,500). Almost two-thirds of the textile labor force is employed in areas outside of the major labor areas. (Table 1.)

2. *Textiles and Standard Metropolitan Statistical Areas*

Another indication of the predominant location of textile employment in small areas is afforded by a statistical breakdown of production workers in the major subdivisions of the industry. These are available from wage surveys conducted by the Bureau of Labor Statistics of the United States Department of Labor in recent years. They show that 70.5% of the production workers in five divisions of the textile mill products industry were employed in establishments outside of Standard Metropolitan Statistical Areas.[3] (Table 2.)

The proportions of workers located in nonmetropolitan areas vary from a low of 53.0% in Textile Dyeing and Finishing to a high of 78.6% in Children's Hosiery. These proportions are representative of the textile mill products indus-

[1] *Impact of Imports on American Industry and Employment,* Hearings before the General Subcommittee on Labor, House Committee on Education and Labor, 90th Session, Part 2, 1967, p. 1042 ff.

[2] *Directory of Important Labor Areas,* Bureau of Employment Security, U.S. Department of Labor, July 1, 1965, p. i.

[3] Defined by the U.S. Bureau of the Budget as an area containing "at least one city of at least 50,000 inhabitants," and including "the county of such central city, and adjacent counties that are found to be metropolitan in character and economically and socially integrated with the county of the central city." (*Standard Metropolitan Statistical Areas,* 1967, pp. vii-viii.)

try as a whole. The production workers in these 5 divisions accounted for 71% of the industry's total in 1966.

3. *Textiles in South Carolina*

Because of the availability of detailed tabulations in the annual reports of the Department of Labor of the State of South Carolina, it is possible to analyze the distribution of textile employment data for this state in a more comprehensive manner than for the other states. Inasmuch as South Carolina is one of the leading textile states (accounting for 145,800 of the nation's 961,500 textile jobs in 1966) and its locational characteristics are representative of the industry as a whole, we have made a study of the distribution of the state's textile mills and employees to determine the importance of this industry to the industrial structure on a local area basis.

The basic unit for analyzing local labor areas outside of Standard Metropolitan Statistical Areas is the county. Consequently, our study is based on an analysis of the distribution of textile mills and employees among the counties in the state which contain textile establishments (Table 3). For counties whose textile employment is not disclosed by *County Business Patterns* (U.S. Department of Commerce), estimates of employment were made on the basis of nonsalaried employment reported by the South Carolina Department of Labor.

The counties with textile establishments were distributed by size of manufacturing employment (Table 4). The following locational characteristics of the textile industry are evident from these data:

(*a*) More than half of the textile mills and employees are located in counties with less than 15,000 manufacturing employees (175 of the 345 mills and 72,749 of the 143,959 textile employees).

(*b*) In counties with less than 15,000 manufacturing employees, textiles accounts for 43% of total manufacturing jobs. Clearly, the textile industry is the predominant industrial employer in the smaller counties in which textiles are located.

(*c*) In the larger counties with textile employment (i.e., those with 15,000 or more manufacturing jobs) the predominance of the textile industry is even greater than in the smaller areas: textile employment comprises 57% of all manufacturing jobs in these counties.

(*d*) A large majority of textile employment is located in counties in which textiles accounts for more than half of manufacturing jobs: 69% of the textile workers are employed in counties with a ratio of textile to total manufacturing employment of 50% or more.

Personal Characteristics

The textile labor force is highly immobile. The age, sex, education and skill distribution of textile workers all conspire to prevent them from taking advantage of opportunities for reemployment in other industries and areas. Consequently, the theoretical means of adjusting to the dislocations caused by increased imports—retraining and relocation—are no solution to the problems confronted by textile workers in the event of a contraction in the industry.

It is obvious that women are handicapped by their sex and family status in utilizing relocation as a means of adjusting to the loss of employment. The ratio of women to total employment in textiles is exceptionally high (45% compared to an average of 27% for all manufacturing industries).

In appraising the geographic mobility of American workers, the United States Department of Labor has found that "older workers, the unskilled and the uneducated are those least likely to move and those who fare the worst when they do." [4] The particular difficulties faced by older workers are described as follows:

Migrants 45 years old and over have a more severe unemployment problem after they move than men 25 to 44 years old. They have less education and face age discrimination. And since community and family ties are stronger among older persons, migration is probably a last resort for this greatly disadvantaged group.[5]

The textile labor force has a disproportionately high ratio of workers aged 45 and over. The latest available census shows that 40.1% of the males employed in the textile mill products industry were 45 years old and over compared with 35.9% for all manufacturing industries in 1960. Similarly, the proportion of

[4] *A Report on Manpower Requirements, Resources, Utilization and Training.* Transmitted to the Congress March 1965, p. 146.

[5] *Ibid.*, p. 149.

female employees 45 years and older in textiles was 37.2% compared with 34.2% for all manufacturing.[6] These disparities have worsened since 1960 as a result of the greater increase in employment of young people by other manufacturing industries than by textiles since 1960.

The educational attainments of textile workers tend to be appreciably below the averages for all manufacturing industries and the civilian labor force as a whole (Table 5). The median years of school completed by textile workers run between 2% and 23% below the corresponding medians for workers in the same occupational groups in manufacturing and the civilian labor force, with the most numerous textile occupation (Weavers) falling 12% below the median for Operatives in the case of males and 9% below in the case of females. Moreover, the high proportions of textile workers employed in unskilled and semiskilled occupations reinforces the tendency of textile workers to suffer from educational handicaps to mobility.

The importance of education to labor mobility is evident from the following findings of the aforementioned Labor Department appraisal of the geographic mobility of American workers:

"In general, migrants have an above-average level of education. Of the 25- to 29-year-old men who migrated between 1955 and 1960, for example, 25 percent were college graduates, as compared with 9 percent of the nonmigrants. And a lower proportion of the migrants than of the nonmigrants in this age group had completed only 8 years or less of school (14 and 23 percent, respectively). To look at the figures a different way, 55 percent of all male college graduates 25 to 29 years old lived in a different county in 1960 than in 1955, compared with only 29 percent of the men who had completed but not gone beyond high school. It is apparent that geographic mobility drops off sharply with decreasing education." [7]

The proportions of textile workers employed in unskilled and semiskilled occupations are much higher than for manufacturing as a whole. In 1960, 66.6% of textile employees were in semiskilled occupations (Operatives and Kindred Workers) compared with 42.6% for all manufacturing employees (Table 6). The addition of unskilled occupations brings the total for semiskilled and unskilled groups to 72.4% of total employment for textiles compared with 50.1% for manufacturing as a whole.

The heavy concentration of textile workers in the unskilled and semiskilled occupations is a highly significant barrier to the mobility of textile workers. As noted in the aforementioned Labor Department study of geographic mobility, unskilled and semiskilled workers "have much lower rates of migration because they usually lack information about job opportunities, seldom have the resources for moving, and have limited employment opportunities in other areas, as well as locally. The barriers to migration of unskilled workers make it very difficult for them to move even from the worst depressed areas, where their competitive difficulties in finding jobs are compounded by the presence of jobless workers with higher qualifications." [8]

It is especially significant that the Labor Department found that Operative and Kindred Workers (the predominant occupational group in textiles) had the lowest rate of out-migration of all groups in the ten areas of high unemployment whose migration experience was studied. While 9.0% of all male employees in these areas migrated out of the areas in the period from 1955 to 1960, only 6.2% of the male Operatives and Kindred Workers did so.[9]

The distinctive character of the labor force which militates against the mobility of textile workers has long been recognized. Numerous studies over the years have confirmed the existence of this special problem.

Gladys L. Palmer conducted an intensive analysis of the experience of 862 weavers in three cities during the decade of 1926–35 for the purpose of ascertaining the transferrability of their skills to other industries.[10] The following findings are relevant:

1. The experience of the weavers in all three cities (Manchester, N.H., Paterson, N.J., and Philadelphia, Pa.) "was highly specialized in character. For

---

[6] Computed from *U.S. Census of Population: 1960,* Vol. I, Characteristics of the Population, Table 212.
[7] *Ibid.,* p. 147.
[8] *Ibid.,* p. 148.
[9] *Ibid.,* p. 152.
[10] "The Mobility of Weavers in Three Textile Centers, *"The Quarterly Journal of Economics,* May 1941, pp. 460–487.

most of the workers it was concentrated in one industry. For a significant proportion of the weavers in two of the cities, the work experience was confined to one plant." [11]

2. "Less than a third of the weavers in the three cities had changed occupation or industry in the ten years prior to 1936. Many of the changes which occurred represented movement into or out of the textile industries, or between various textile industries, only (i.e., not involving movement to other industries)." [12]

3. "The degree of industrial mobility reported by weavers was likewise small. Almost as many weavers in the three cities reported no changes in industry as had reported no changes in occupation in the years 1926 to 1935." [13]

4. "Weavers, and other textile workers, too, for that matter, are usually members of families where other workers are customarily employed in textile mills, frequently in the same mills * * *. Studies made of the post-lay-off experience of textile workers, including weavers, from shut-down mills indicate that a high proportion of women workers drop out of the labor market after shutdown * * *. Dropping out of the labor market, in this instance, is a reflection of a very high degress of immobility among married women weavers." [14]

5. "The relative immobility of weavers may be considered representative of that of most textile workers. Although some occupations are less specialized in character than weaving, others are more highly specialized from the point of view of possible transfer of skills to other kinds of work * * *." [15]

6. "Geographic mobility for weavers is a distinct function of industrial mobility within a region. There is no evidence that weavers have moved from one region to another, as, for example, from New England to the South, when New England mills were declining and southern mills expanding." [16]

7. "The social implications of what has been rightly called the 'stickiness of the job relationship' in the textile industry are far-reaching. Mute evidence abounds in the 'ghost' towns of old New England cotton centers, the economic chaos of such centers as Paterson, and the idle mills scattered throughout the country." [17]

In study after study these findings have been confirmed. The United States Department of Labor found in 1946 that "like the coal miners of Wales, who all through the desperate 1920's and 1930's suffered, yet stayed amid the shut-down collieries, and like many miners in this country during the great depression, textile workers show a strong attachment to their trades and their communities * * * Workers' attachments have not only been solidified by family traditions, but also by the fact that community life has to a large extent centered on mill employment. In some towns the textile mill is the only source of jobs while in larger communities with greater diversification, such as Fall River, New Bedford, and Lewiston, the mills exert a dominant influence. Since people are generally hesitant and reluctant to change homes, friends, and manner of life, the high degree of economic homogeneity of the community is a force directed toward retaining the status quo." [18]

It is noteworthy that the major New England textile centers which lost their pre-eminence in the twenties as the industry expanded in the South have still not recovered from the blow to their economies. New Bedford, Fall River and Lowell, Massachusetts, are still classified as areas of substantial unemployment, having suffered from exceptionally high unemployment rates continuously over the past decade and a half. In February 1968, when the average unemployment rate for the United States was 4.2%, these old textile centers had unemployment of 7.9% (New Bedford), 6.4% (Fall River) and 6.1% (Lowell).

The impact of mill closings on New England textile workers was the subject of intensive study by several investigators during the fifties. A study sponsored by the New England Textile Committee (appointed by the Governors of the New England states) is typical.[19] Six mills were selected for study as "representative cases under varying labor market conditions." The following findings are pertinent:

---

[11] *Ibid.*, p. 476.
[12] *Ibid.*, p. 476.
[13] *Ibid.*, p. 482.
[14] *Ibid.*, pp. 484–485.
[15] *Ibid.*, p. 485.
[16] *Ibid.*, p. 486.
[17] *Ibid.*, p. 487.
[18] "Work and Wage Experience of Skilled Cotton-Textile Workers," *Monthly Labor Review*. U.S. Department of Labor. July 1946. p. 13.
[19] William H. Miernyk, *Inter-Industry Labor Mobility*, Northeastern University, Boston, 1955.

1. "Of the total group contacted (1,705 workers) . . . only 45% were at work at the time of our survey. (1 year to 2½ years after displacement.) Another 12 per cent had withdrawn from the labor force." [20]

2. "Men were more successful than women in finding new jobs. Fifty-eight per cent of the male workers in the sample were employed compared to 35 per cent of the women." [20]

3. "More than half of the workers that found new jobs after their displacement were under 45 years of age. By way of contrast, only 29 per cent of the unemployed were 45 years of age or under." [21]

4. "In all but one of the labor market areas, textile employment was declining during the period covered by our survey. In spite of this, however, textile mills provided a larger number of jobs to both male and female workers than any other industry or occupation. Thirty-six per cent of all employed sample workers were once again at work in textile mills, more than five times the number who found jobs in any other manufacturing industry." [22]

5. "To some extent the relative immobility of textile workers in New England may be related to age. The average textile worker is older than the average industrial worker and often the textile worker has not had experience in other occupations. Having grown old in one kind of work he may have neither the inclination nor the ability to seek and find employment in another industry. One might expect textile workers to remain with their trade in times of stable or rising employment, but the most striking result of the present survey, and this is supported by earlier studies, is the continued attachment to the industry (whether voluntary or involuntary) during a period of declining employment." [23]

6. "We also attempted to discover the *willingness* of the displaced workers to move from the area if they knew of a job (or a better job) elsewhere * * * 58 per cent of these (responses) replied that they would *not* be willing to leave the area. Many said they were too old to consider changing their place of residence, and others felt that they could not move because other relatives (usually parents) were dependent upon them. While we have some reservations about answers to hypothetical questions, they are at least consistent with the actual behavior of the sample workers. Women showed a greater unwillingness to leave the area than men, but even among the men almost half said they were unwilling to move." [24]

7. "It is evident that workers displaced by the liquidation of textile mills in New England are not being absorbed in large numbers by the industries which have been expanding in this area. * * * the highly aggregative comparisons of recent employment trends in New England conceal the fact that industrial growth and decline do not always coincide in the same areas. And the displaced textile worker is unwilling, or sometimes unable, to relocate to other areas where there might be a better opportunity to find work. Perhaps the greatest barrier to interindustry mobility is the advanced age of many of the displaced workers. Although not all of the younger workers had found jobs, those under 40 were relatively more successful than those past this age. Many of those between the ages of 40 and 65 felt they were being prematurely forced out of the labor market." [25]

8. "The protracted decline in textile employment and the relative immobility of the displaced workers have produced a considerable amount of persistent unemployment in many textile centers in New England. The problem is not being solved by the growth of new industry in the region, although obviously it would be much worse if employment had not increased in other industries. Aggregative comparisons which show that more jobs have been added than lost in the region, during a given time period, while accurate indicators of overall employment trends, conceal the short-run problems created by changes in the industrial structure of the regional economy. Nor can this unemployment be regarded as a temporary phenomenon if there is to be a further exodus of mills from New England. There is no reason to expect a larger proportion of displaced workers to be absorbed by other industries in the future than has been true in the past. Indeed, if total textile employment in New England continues its secular decline, the level of persistent unemployment may be expected to rise as opportunities for re-absorption by other mills through normal turnover are diminished." [26]

---

[20] *Ibid.*, p. 16.
[21] *Ibid.*, p. 17.
[22] *Ibid.*, pp. 18–19.
[23] *Ibid.*, p. 20.
[24] *Ibid.*, p. 27.
[25] *Ibid.*, p. 144.
[26] *Ibid.*, p. 155.

The difficulties of displaced textile workers in finding reemployment have continued in the sixties. The United States Department of Commerce sponsored a study, *Economic Effect of Textile Mill Closings, Selected Communities in Middle Atlantic States*, published in 1963. This study examined the experience of six communities resulting from textile mill liquidations and found the same basic story as earlier investigations: "Much evidence of hardship and suffering. Many older workers were unable to find new jobs; many younger men left their home communities to find employment elsewhere. Long periods of unemployment were common, and many displaced textile workers were forced to seek assistance from relatives or public relief agencies, or eventually to take lower paying jobs in other industries. Emigration and lower paying jobs for women had the effect of changing the character of the labor force in some communities, raising the average age of workers and increasing the proportion of women." [27]

The latest in the series of these studies was published by the United States Department of Labor in 1966. "The Post-Layoff Experience of Displaced Carpet-Mill Workers," by N. Arnold Tolles, examines the workers' experience following layoff from a carpet mill which halved its employment between mid-1960 and mid-1962.[28] The following excerpts from the Summary of the report are relevant:

"In April 1963, at the time of the case study of carpet-mill workers who were laid off when the mill halved its employment between mid-1960 and mid-1962, 1 of every 12 had ceased to look for work and 1 of 4 of those still in the labor force was unemployed. The unemployment rate among these workers was over 5 times the national rate at the time. It was 2½ times the rate prevailing even in the small, economically depressed northeastern community where the carpet mill was located.

"The unfavorable employment situation of the carpet-mill workers, compared with other local workers, epitomizes problems confronting jobless workers in areas such as this. There were no other carpet mills within 150 miles of the community, and although manufacturing industries dominated its economy, few of them utilized skills of the kind these workers had acquired at the mill. Most of the workers were middle aged and older persons with comparatively little education or training that would equip them for other kinds of work. These characteristics were especially pronounced among the fairly small number of women in the group studied.

"Moreover, many of the carpet-mill workers had spent most of their lives in the community, to which they were tied by extensive home ownership and, frequently, the local employment of a husband or wife. More than three-fourths of them expressed unwillingness to accept a job beyond commuting distance of their homes, even if such a job should be offered." [29]

PRESERVATION OF TEXTILE INDUSTRY IS IN THE NATIONAL INTEREST

Measures to preserve the textile industry in the face of growing erosion by imports are clearly in the national interest. The importance of this industry to the nation goes beyond the fact that its 2½ million employees comprise 13% of the country's manufacturing workers. The essentiality of the industry to our national defense is so clear and pressing that it hardly needs elaboration. In addition to providing clothing for our armed forces the industry produces thousands of articles which are indispensable to the defense establishment. The highest priorities have been assigned to textile products during national emergencies. They are a prime necessity in wartime, both for military and for essential civilian uses.

The textile industry has a potention role of particular importance to play in helping to meet the critical manpower problems confronting the nation. The vast technological changes in American agriculture have displaced millions of farm workers. The migration to the cities of millions of people with relatively little education and no industrial skills has created the basis for the current urban crisis.

---

[27] *Economic Effect of Textile Mill Closings, Selected Communities in Middle Atlantic States*. 1963. p. 2.

[28] *Weathering Layoffs in a Small Community, Case Studies of Displaced Pottery and Carpet-Mill Workers*, June 1966, pp. v–47.

[29] *Ibid.*, p. 1.

The Department of Agriculture has estimated that "average farm employment in 1980 will be about 3.6 million workers, a 36 percent decrease from 1965 * * *. Decreases in farm employment are expected to occur in all regions but will be greatest in the Northeast and the three southern regions, where declines from two-fifths to almost one-half are anticipated. Most of the declines will come from continuation of large reductions in farm operators and family labor in the southern areas." [30]

The geographic distribution and the types of jobs required by the textile industry make it especially suitable as a major source of employment for the workers who will be displaced from the farms. More than 95% of textile mill products employment is located in the regions which face the greatest reduction in farm employment. (Table 7) In the textile-apparel-manmade fiber complex, the Northeast and South comprise 88% of the industry's total.

Because of its relatively low educational and skill requirements, this industry has historically served as a means of entry into the industrial labor force for people with little or no industrial experience. As noted by Professor Donald B. Osburn, "The textile mill industry may serve as a training ground for Negroes in the future as it has for whites in the past * * * employment in this industry teaches skills to workers who have previously engaged in unmechanized agricultural production, thus allowing them to participate in an industrial or at least non-agricultural society, and perhaps to move on to higher paying jobs as the opportunities present themselves." [31]

The rapid increase in employment of nonwhites in the textile mill products industry in recent years provides clear evidence of the great potential in this industry for helping to meet the need for expanded job opportunities for Negroes. The ratio of nonwhites to total employment in the industry increased from 4.6% in 1962 to 5.3% in 1964 and 8.0% in 1966. (Table 8) Both males and females have participated in the sharp rise: Males boosted their ratio from 6.4% in 1962 to 10.0% in 1966 while females rose from 2.5% to 5.3%. While later statistics are not yet available, our observations indicate that the ratio of nonwhites to total employment in the industry now exceeds 10%.

SUMMARY AND RECOMMENDATIONS

Import quotas on synthetice fibers and all textile products are needed to prevent the crisis confronting textile workers from causing the destruction of thousands of jobs and creating severe distress in many textile communities. The Government has recognized the special vulnerability of the textile and apparel industry to disruption from imports from low-wage countries. A system for regulating imports of cotton products through international arrangement has been effectuated but no controls have been instituted for manmade fiber and wool products. Consequently, import of these articles are threatening to engulf the domestic market. The tariff mechanism is inadequate to deal with this situation. Adoption of import quotas is essential to safeguard the jobs of 2½ million textile and apparel workers in the United States.

The special character of the textile work force makes government action imperative. The industry is predominantly located in small towns, where alternative employment opportunities are not available. The age, sex, educational and skill characteristics of the labor force all militate against mobility. Consequently, the dislocation of textile workers would lead to persistent unemployment and human suffering.

Preservation of the textile industry is clearly in the national interest. The industry is essential to the national defense. Moreover, it has a major contribution to make in helping to meet the critical manpower problems confronting the nation. It should be encouraged to fulfill its historic role of serving as a means of entry into the industrial labor force for people with little or no industrial experience.

---

[30] *Report on Manpower Requirements, Resources, Utilization and Training,* U.S. Department of Labor, April 1967, p. 106.

[31] *Negro Employment in the Textile Industries of North and South Carolina,* Equal Employment Opportunity Commission, November 1966, pp. 49–51.

TABLE 1.—*Distribution of employment in textile mill products industry by size of labor area, 1966*

Area	Employment
United States	961,500
Areas outside of major labor areas[1]	635,500
Major labor areas[1]	326,000
Arkansas: Little Rock-North Little Rock	1,600
California:	
Los Angeles - Long Beach	5,800
San Francisco	800
Connecticut: Hartford	3,200
Delaware: Wilmington	1,400
Georgia:	
Atlanta	7,100
Augusta	10,100
Columbus	10,100
Macon	2,700
Illinois: Chicago	3,000
Maryland: Baltimore	1,800
Massachusetts:	
Boston	6,200
Fall River	3,300
Lawrence-Haverhill	3,300
Lowell	4,100
New Bedford	3,200
Springfield-Chicopee-Holyoke	3,300
Worcester	2,600
New Hampshire: Manchester	3,000
New Jersey:	
Jersey City	5,200
Newark	3,700
Paterson-Clifton-Passaic	13,500
Perth Amboy - New Bruswick	1,400
Major labor areas—Continued	
New York:	
Albany-Schenectady-Troy	4,100
New York City	41,000
Utica-Rome	1,300
North Carolina:	
Asheville	3,500
Charlotte	8,300
Greensboro-High Point	17,700
Winston-Salem	10,400
Durham	3,200
Ohio: Cleveland	5,600
Oregon: Portland	2,300
Pennsylvania:	
Allentown-Beth-Easton	6,600
Lancaster	2,100
Philadelphia	28,100
Reading	9,700
Scranton	2,700
Wilkes-Barre-Hazleton	3,400
York	3,800
Altoona	1,700
South Carolina:	
Greenville	24,200
Pawtucket	22,600
South Carolina: Greenville	24,200
Tennessee:	
Chattanooga	11,000
Knoxville	4,900
Nashville	2,900
Texas:	
Dallas	800
Houston	800
San Antonio	700
Wisconsin: Milwaukee	1,440
Puerto Rico: San Juan	800

[1] Major Labor Areas are descignated by the Bureau of Employment Security for monthly classification according to the adequacy of their local labor supply.

Source: United States Department of Labor.

TABLE 2.—DISTRIBUTION OF TEXTILE PRODUCTION WORKERS BY TYPE OF AREA AND INDUSTRY DIVISION, 1964–66

Industry division	Date of survey	Number of workers		Total	Percent in nonmetropolitan areas
		Metropolitan areas[1]	Nonmetropolitan areas		
Cotton textiles	September 1965	50,888	168,589	219,477	76.8
Synthetic textiles	do	31,545	68,808	100,353	68.6
Wool textiles: yarn and broadwoven fabric mills.	September 1966	13,161	28,604	41,765	68.5
Hosiery:					
Women's	October 1964	14,872	29,453	44,325	66.4
Men's	do	7,479	13,774	21,223	64.9
Children's	do	3,721	13,643	17,364	78.6
Textile dyeing and finishing	Winter 1965–66	25,761	29,013	54,774	53.0
Total of above		147,427	351,884	499,821	70.5

[1] Refers to standard metropolitan statistical areas as defined by the U.S. Bureau of the Budget.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

TABLE 3.—COUNTIES IN SOUTH CAROLINA WITH TEXTILE ESTABLISHMENTS, MARCH 1966

County	Textile mill products		All manufacturing industries—employment	Ratio of textile to manufacturing employment (percent)
	Number of establishments	Employment		
Abbeville	6	3,016	3,889	78
Aiken	14	6,088	15,867	38
Allendale	2	[1] 257	730	35
Anderson	35	13,754	19,898	69
Bamberg	1	[1] 200	1,219	16
Barnwell	1	[1] 400	1,452	28
Beaufort	1	[1] 400	903	44
Berkeley	3	862	1,637	53
Charleston	1	[1] 1,087	10,820	10
Cherokee	14	4,163	6,025	69
Chester	11	4,883	5,743	85
Chesterfield	14	1,863	3,560	52
Darlington	4	426	6,885	6
Dillon	3	[1] 1,272	2,253	56
Edgefield	2	[1] 462	1,600	29
Fairfield	1	[1] 1,500	2,604	58
Florence	4	[1] 1,422	8,303	17
Georgetown	2	[1] 462	3,542	13
Greenville	50	19,447	40,669	48
Greenwood	17	7,568	14,097	54
Kershaw	4	[1] 2,221	4,824	46
Lancaster	3	6,766	8,815	77
Laurens	10	4,640	8,414	55
Lee	1	[1] 200	541	37
Lexington	5	1,095	7,021	16
Marion	1	[1] 561	2,296	24
Marlboro	9	3,310	5,016	66
McCormick	1	[1] 750	857	88
Newberry	6	[1] 1,998	3,793	53
Oconee	7	5,245	8,976	58
Orangeburg	3	897	7,398	12
Pickens	19	4,612	11,957	38
Richland	4	[1] 3,199	10,219	31
Saluda	4	1,021	1,666	61
Spartanburg	47	21,328	32,225	66
Sumter	3	[1] 615	5,357	11
Union	9	5,176	5,700	91
Williamsburg	1	[1] 200	1,614	12
York	25	10,593	16,102	66

[1] Estimated from South Carolina Department of Labor data.

Source: Bureau of the Census, U.S. Department of Commerce, except where otherwise indicated.

TABLE 4.—DISTRIBUTION OF TEXTILE EMPLOYMENT BY COUNTY, SIZE OF MANUFACTURING EMPLOYMENT, AND RATIO OF TEXTILE TO MANUFACTURING EMPLOYMENT, SOUTH CAROLINA, MARCH 1966

Manufacturing employment in county	Textile employment in counties with specified ratio of textile to manufacturing employment				Employment		Ratio of textile to manufacturing employment (percent)
	Less than 25 percent	25 to 49 percent	50 to 74 percent	75 percent and over	Textile	Manufacturing	
Less than 2,000	400	1,719	1,883	750	4,752	12,219	39
2,000 to 3,999	1,023	----------	6,633	3,016	10,672	21,937	49
4,000 to 5,999	615	2,221	3,310	10,059	16,205	26,640	61
6,000 to 7,999	2,418	----------	4,163	----------	6,581	27,329	24
8,000 to 9,999	1,422	----------	9,885	6,766	18,073	34,508	52
10,000 to 14,999	1,087	7,811	7,568	----------	16,466	47,093	35
Subtotal	6,965	11,751	33,442	20,591	72,749	169,726	43
15,000 to 19,999	----------	6,088	24,347	----------	30,435	51,867	59
20,000 and over	----------	19,447	21,328	----------	40,775	72,894	56
Subtotal	----------	25,535	45,675	----------	71,210	124,761	57
Grand total	6,965	37,286	79,117	20,591	143,959	294,487	49
Percentage distribution of textile employment	4.8	25.9	55	14.3	100	----------	

Source: Bureau of the Census, U.S. Department of Commerce and South Carolina Department of Labor.

TABLE 5.—EDUCATIONAL LEVELS OF TEXTILE MILLWORKERS AND PERSONS EMPLOYED IN ALL MANUFACTURING INDUSTRIES AND IN THE CIVILIAN LABOR FORCE BY OCCUPATIONAL GROUP, 1960

Occupational group	Median years of school completed			Ratio of textiles to all manufacturing or civilian labor force (percent)
	Textile mill products industry	All manufacturing industries	Civilian labor force	
Craftsmen, foremen and kindred workers: Male	[1] 8.1		10.5	77
Operatives and kindred workers:				
Male			9.6	
Dyers	8.7			91
Knitters, loopers, and toppers	9.0			94
Spinners	8.1			84
Weavers	8.4			88
Female			9.4	
Knitters, loopers, and toppers	9.2			98
Spinners	7.7			82
Weavers	8.6			91
Operatives and kindred workers: [2]				
Male	8.2	9.4		87
Female	8.8	9.3		95
Laborers, NEC: [2]				
Male	8.0	8.7		92
Female	8.4	9.3		97

[1] Loom fixers.
[2] Not elsewhere classified.

Source: U.S. Census of Population, 1960, vol. PC(2) 7A, Occupational Characteristics, table 9.

TABLE 6.—PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS BY OCCUPATION, MANUFACTURING AND TEXTILE MILL PRODUCTS INDUSTRY, 1960

Occupation	Manufacturing	Textile mill products
Professional, technical, and kindred workers	7.6	1.8
Managers, officials, and proprietors	5.1	2.8
Clerical and kindred workers	12.0	7.6
Salesworkers	3.8	1.2
Craftsmen, foremen, and kindred workers	19.6	11.9
Operatives and kindred workers	42.6	66.6
Service workers	1.6	1.8
Laborers	5.9	4.0
Occupation not reported	1.8	2.2
Total	100.0	100.0

Source: Computed from U.S. Census of Population, 1960; vol. I, "Characteristics of the Population," table 209.

TABLE 7.—REGIONAL DISTRIBUTION OF TEXTILE EMPLOYMENT, MARCH 1966

	Textile mill products		Textile, apparel & man-made fibers	
	Employment	Percent	Employment	Percent
United States	927,432	100.0	2,389,761	100.0
Northeast	251,915	27.2	914,754	38.3
New England	96,300	10.4	180,878	7.6
Maine	12,140		15,967	
New Hampshire	10,633		12,723	
Vermont	705		2,286	
Massachusetts	37,746		[1] 94,648	
Rhode Island	21,848		[1] 25,875	
Connecticut	13,228		[1] 29,379	
Mid-Atlantic	155,675	16.8	733,876	30.7
New York	58,772		[1] 375,453	
New Jersey	27,933		106,795	
Pennsylvania	68,910		[1] 251,628	
South	630,336	68.0	1,189,090	49.8
Delaware	1,639		[1] 6,605	
Maryland	2,773		[1] 29,220	
Virginia	40,072		[1] 91,180	
West Virginia	1,537		[1] 9,356	
North Carolina	246,000		[1] 316,542	
South Carolina	141,199		[1] 190,469	
Georgia	104,988		[1] 168,573	
Florida	1,932		[1] 24,423	
Kentucky	2,793		[1] 28,364	
Tennessee	30,832		117,201	
Alabama	38,875		[1] 80,837	
Mississippi	6,464		39,180	
Arkansas	3,360		16,278	
Louisiana	306		[1] 6,901	
Oklahoma	595		6,913	
Texas	6,971		57,048	
Other	[1] 45,181	4.9	[1] 285,917	12.0

[1] Partially estimated.

Source: Bureau of the Census, U.S. Department of Commerce, except where otherwise indicated.

TABLE 8.—RATIOS OF NONWHITE EMPLOYEES TO TOTAL EMPLOYMENT, TEXTILE MILL PRODUCTS INDUSTRY 1962–66

[In percent]

	1962	1964	1966
Males	6.4	6.8	10.0
Females	2.5	3.6	5.3
Total	4.6	5.3	8.0

Source: Bureau of Labor Statistics, U.S. Department of Labor.

NEW YORK, N.Y., *June 14, 1968.*

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. MILLS: This statement is filed with your committee in lieu of personal appearance by the International Ladies' Garment Workers' Union, AFL–CIO, and the Amalgamated Clothing Workers of America, AFL–CIO (hereafter referred to respectively as ILGWU and ACWA) in connection with the hearings on the balance of trade between the United States and foreign nations.

The apparel industry plays a unique role in the American economy as a major source of employment of women workers in widely scattered localities throughout the nation. At the same time, it is an indigenous industry that supplies essential commodities to the American public. It is the industry that has demonstrated to the world that ready-to-wear garments can be produced at low competitive prices and, at the same time, meet the highest standards of fashion. It is highly competitive, with narrow margins of profit on its sales dollar. Despite the presence of some larger garment companies, the industry continues to be a mainstay for the small enterpreneur. It is one of the very few industries in the United States in which the intensity of internal competition is sufficiently strong to eliminate the need for imports as a discipline to assure best values to the consumer.

As a result of the peculiar characteristics of the apparel industry, it is urgent, in the national interest, that it be safeguarded against the impact of cut-throat foreign competition, much of which originates in the lowest wage areas of the world, and against the destructive consequences that would follow as some irresponsible domestic firms yield to the temptation to produce garments abroad for export to the United States. A detailed discussion of the economics of the apparel industry and the many problems it faces in the domestic market, including those caused by the recent avalanche of imports, are presented in Exhibit 1: "Domestic Apparel Industry: Economic Background and the Impact of Imports", attached herewith as an integral part of our presentation. In view of the high degree of import penetration, which approximated 16 percent of domestic production in 1967 (and which continues to grow even higher) as compared with only four percent a decade earlier, prompt action by the United States is essential to prevent market disruption and insure orderly trade. Unless the executive branch of our government can negotiate satisfactory international arrangements—with or without the assistance of a congressional mandate—to regulate all trade in apparel and textile products, irrespective of the fiber from which they are made, there is no alternative to legislation by the Congress to safeguard the industry and the jobs of workers employed by it.

It is most unfortunate that the Tariff Commission, in its two volume report on apparel and textile industries prepared at the request of the President and the Chairman of the Ways and Means Committee of the House of Representatives, missed the opportunity to explore in depth the special problems and character of the apparel industry. It is the considered judgement of the ILGWU and the ACWA that the Commission's report failed to present a comprehensive unbiased picture of existing conditions and prospective developments in the apparel industry, as can be seen from Exhibit 2: "A Brief Appraisal of the Tariff Commission Report on Textiles and Apparel", attached herewith as an integral part of our presentation.

The concern of the ILGWU and ACWA and their respective membership is expressed in the resolutions introduced and adopted at their recent conventions and attached herewith as an integral part of our presentation as Exhibits 3 and 4.

The two organizations urge your committee to take account of the special nature of problems facing the apparel and textile industries in the United States and to act promptly to safeguard them from future erosion. A vast number of manufacturing jobs are at stake, jobs that are vital to the economy of the United States if it is to assure a broad spectrum of employment opportunities essential for the health of our complex industrial society. Unless there is decisive government action, the tendency of domestic firms to transfer their operations abroad will grow, adding to the already increasing stream of imports. The trend is irreversible. It can only be checked by government action to safeguard the domestic apparel and textile industries against unfair competition from substandard labor conditions in foreign countries.

MILTON FRIED,
Director of Research,
Amalgamated Clothing Workers of America, AFL–CIO.
LAZARE TEPER,
Director of Research,
International Ladies' Garment Workers' Union, AFL–CIO.

EXHIBIT 1

DOMESTIC APPAREL INDUSTRY: ECONOMIC BACKGROUND AND THE IMPACT OF IMPORTS

MILTON FRIED
Director of Research, Amalgamated Clothing Workers of America, AFL-CIO

LAZARE TEPER
Director of Research, International Ladies' Garment Workers' Union, AFL-CIO

(2643)

This analysis of the apparel (knit and woven) industry, including a review of the present and prospective impact of imports on the domestic industry and its workers, is offered on behalf of the Amalgamated Clothing Workers of America (referred to hereafter as ACWA) and the International Ladies' Garment Workers' Union (referred to hereafter as ILGWU).[1/] The two labor organizations represent over 850,000 workers engaged in the production of men's, boys', women's, misses', girls', children's and infants' apparel and apparel accessories made by cutting and sewing woven and knit textile fabrics, by knitting from yarn, or by cutting, sewing, cementing or fusing related materials such as rubberized fabrics, plastics and leather. These members work in every state of the Union in which apparel (knit and woven) is produced in significant amounts, as well as in the Commonwealth of Puerto Rico and the Virgin Islands.

The apparel (knit and woven) industry is an indigenous industry. Mass production of ready-to-wear garments was developed in this country.

1/The industry referred to in this analysis as the apparel (knit and woven) industry is made up of establishments and firms producing garments and accessories for men, boys, women, misses, girls, children and infants by cutting and sewing woven and knit textile fabrics, by knitting from yarn, or by cutting, sewing, cementing or fusing related materials such as rubberized fabrics, plastics and leather. It does not include such items as hosiery, hats, caps, furs, handbags and similar items. The 4-digit S.I.C. classifications or portions thereof that correspond to this definition are listed in Annex A. The available statistical information, it should be noted, does not always strictly conform to the definition of industry given above, but the definition conforms closely to the industry with which the ACWA and the ILGWU normally deal and in which their members work. Yet in view of the substantial similarity in the characteristics of the different branches of the industry, the minor differences in coverage and definition do not affect the validity of the analysis as applied to the industry defined above.

From the latter part of the 19th century, the industry grew steadily over the years, supplying the apparel needs of the American people, both civilian and military. By developing the science of pattern making which made mass production possible, by helping to standardize sizing, by offering a large variety of designs and styles to satisfy a broad spectrum of consumer taste and by promoting the acceptance of ready-to-wear garments as distinguished from made-to-order clothing, the industry built up the existing mass market for apparel. Moreover, it demonstrated to the world that ready-to-wear apparel could be produced economically and, at the same time, meet the highest requirements of fashion. The industry is currently the world's largest producer of ready-to-wear garments. The bulk of its production is sold to domestic consumers. In 1967, the industry's dollar volume of sales approximated $14 billion at wholesale.

From the March 1968 data compiled by the Bureau of Labor Statistics, employment in the apparel (knit and woven) industry can be estimated at 1,400,000 production and non-production employees. For the most recent picture of the distribution of the industry's employment in the various areas, the only available statistics are data compiled in County Business Patterns by the Bureau of the Census from Social Security records. In mid-March 1966, as can be seen from Annex B, the industry was made up of some 29,000 establishments employing approximately 1,600,000 persons in production and non-production jobs.[2/] Its plants were located in every

2/Variations in data applicable to the apparel (knit and woven) industry arise occasionally because of the unavailability of statistics which conform precisely to the definition of this industry. To approximate the correct figure, data were either combined for SIC 23 and SIC 225 or else data for SIC 239 were subtracted from the total for SIC 23 and SIC 225.

State, Puerto Rico and the Virgin Islands, with only a handful of areas having employment of under 1,000. Typically, however, the plants of the industry were concentrated either in a relatively small number of urban centers in which the industry provided a major source of jobs for the type of workers it employed, or else they were located in the smaller scattered communities in which not infrequently the garment manufacturing plant provided the only or key source of jobs.

Over 660,000 apparel (knit and woven) workers, or 40 percent of the number of them working throughout the nation, were employed in 42 Standard Metropolitan Statistical Areas in which they represented at least ten percent of manufacturing employment. While the relative importance of apparel (knit and woven) employment varied in these standard Metropolitan Statistical Areas up to 54 percent, for the 42 Areas as a whole apparel (knit and woven) workers accounted for one-fifth of manufacturing jobs. The remaining 970,000 workers in the industry were employed elsewhere throughout the country, to a considerable degree in small communities (for details, see Annex C).

There are three types of firms in the apparel (knit and woven) industry. Some firms are manufacturers. They purchase raw materials, employ production workers in their own plants to produce apparel and otherwise perform all the manufacturing functions. Others are jobbers or converters (the term "jobber" as used in the apparel industry is entirely different from the term used in wholesaling where the word "jobber" is used to describe firms or persons assembling job lots of merchandise from different sources solely for the purpose of resale).

Jobbers or converters in the apparel (knit and woven) industry perform all the entrepreneurial functions of a manufacturing company. They buy raw materials, develop designs for the products that are to be manufactured, may do some processing of the raw materials in preparation for the manufacture of the final product, and sell the finished product to wholesalers or retailers. The actual making of the garments or processing of raw materials such as yarn, in whole or in part, is done for them however by firms known as contractors. These contractors provide the facilities and personnel needed to produce garments to the specification of the jobbers from materials owned by the latter. Contractors may also receive work from manufacturers in the industry seeking to supplement their own capacity to meet temporary or permanent demands on their firms.

The contracting system, at times referred to as the "outside system of production", is a basic characteristic of the garment industry not only in the United States but elsewhere. It makes for great flexibility in increasing and decreasing the supply of garments. It permits firms in the industry to expand output easily by spreading production over a large number of relatively small producing units. On the other hand, when these firms have no need for the additional production assigned to contractors, the costs of carrying the resulting idle capital equipment are, in effect, transferred to the contractors.

The operation of the contracting system as an essential component of the nation's apparel-producing machinery has been the source of many of the evils which have historically beset and continue to plague the

garment industry and its workers. It has been a mechanism for shifting production from one area to another in quest of competitive advantage, particularly labor cost advantage, and has thus been a factor in the geographic instability of the industry. It has had the effect of lowering the capital investment required for going into the apparel business by making it unnecessary for entrepreneurs entering it to own their own plant and equipment and hire their own workers. This has facilitated the flow into the industry of small investors, contributing to the cut-throat competition and instability traditionally associated with the industry. The contracting system, moreover, has stimulated strong downward pressures on wages and working conditions by permitting jobbers and manufacturers to play off against each other the contractors, who typically are more numerous and economically weak and ready to underbid each other to get work. Then, in order to produce the garments at the reduced bid prices, the contractors, in turn, shift the pressure to their workers by reducing wages and cutting labor standards. "When work is scarce, as it usually is, except for a few weeks in the season," stated a report of the Governor's Advisory Commission investigating the women's coat and suit industry of New York, "the workers are told that in order to meet the exigencies of price competition and to bring some work into the shop they must enter into secret arrangements contrary to the minimum labor standards which have been agreed upon."

The average establishment in the industry is small. This can be readily seen from Annex B which shows that in mid-March 1966, the average

establishment had only 57 production and non-production employees (including those employed in executive, administrative or professional capacity), and this at the peak of the spring season when employment is normally higher. While the average size of establishments varies between the several areas, in all cases the average is below the lowest level used by the Small Business Administration in defining small business. Although these statistics provide information on an establishment rather than on a company basis, they are significant because the number of establishments operated by the average company in the apparel (knit and woven) industry is only fractionally greater than one. This can be seen from Annex D, which provides information on the average number of establishments per company based on the latest Census of Manufactures. It showed that the average number of establishments owned by an average company in the industry in 1963 ranged from a low of one to a high of 1.53, depending on the branch of the industry. Were more recent figures available, they would not be materially different.

As might be expected, the smaller firms predominate numerically in the industry. This is apparent from Annex E which provides Census data on the distribution of companies in the different branches of the industry classified by the number of persons on their payrolls. Depending on the branch of industry, the number of companies with less than 50 employees ranged from a low of 29.8 percent to a high of 97.9 percent, while the number of companies with less than 100 employees ranged from a low of 48.1 percent to a high of 99.1 percent.

A somewhat different perspective on the size of the individual firms in the apparel (knit and woven) industry is provided by data compiled by

the National Credit Office, which periodically collects information on the number of jobbers and manufacturers in the industry classified by their dollar volume. The latest available tabulation is for 1963. It shows that in that year 62.1 percent of companies in the apparel (knit and woven) industry did an annual volume under $1,000,000 while companies with business ranging from $1,000,000 to $2,500,000 represented 22.6 percent of those in the industry. Only 9.0 percent of the companies were in the $2,500,000 to $5,000,000 range and 6.4 percent did a volume in excess of $5,000,000. All of these figures attest to the predominantly small business character of the industry.

As a result of the small size of the typical undertaking in the industry and the large size of the nationwide market for which it is producing, establishments in the apparel (knit and woven) industry of the United States tend to be highly specialized. The typical establishment either produces a single generic product, or else a small number of closely related ones. Thus, an establishment which manufactures ladies' coats is not likely to produce blouses or skirts, while another establishment engaged in the production of men's suits does not make men's shirts or ties. This high degree of specialization characteristic of the industry in the United States is not paralleled abroad, where it is much more usual for establishments to produce a wide range of garments, switching from one to another.

The extent of specialization in the United States is indicated by data collected in the course of the 1963 Census of Manufactures which are summarized in Annex F. Depending on the branch of the industry, primary products represent 79 to 98 percent of the total value of shipments or production in the particular branch of the industry.

Specialization is not limited to individual establishments or even companies. Similar specialization exists at the retail levels, where buyers tend to specialize in the purchase and handling of a limited line of products. In many cases, specialization is not even as broad as a generic product, but is narrowed further by United States buyers and producers of apparel (knit and woven) who specialize in handling specific ranges of quality or price ranges of a given product. This makes it difficult to switch production, whether it be to the same item in a price range distinctly different from the ones they have been producing, or to entirely different items. The switch involves not only formidable production obstacles, but the need to develop a new network of personal retail relationships because the people with whom they are accustomed to deal are not the ones in the market for the other types of goods. 3/

The small size of the average firm in the apparel (knit and woven) industry is related to the industry's relatively simple technology. Most of the machines in actual use are fundamentally mechanized tools, the handling of which can be mastered within a relatively short period of time. The basic piece of equipment is the sewing machine, the design of which has remained substantially unchanged throughout this century. At the same time, the addition of auxiliary equipment and increased subdivision of labor has simplified operations in garment production. The same is true for most other equipment utilized

3/Even the larger apparel companies, which produce and market a wider range of products, tend to have their individual establishments specialize in the production of a single product or a small number of very closely related products, and tend to maintain separate sales organizations to handle the distribution of different products.

in the industry. Most of it is worker-paced rather than automatic, and does not require substantial capital investment. This makes it possible to set up garment production with relatively little capital resources, a phenomenon that is further facilitated by the existence of specialized contractors who provide service on such work as may require pleating, curing permanent press garments, or other specialized tasks. The fact that apparel manufacturing equipment can frequently be purchased on an installment plan or rented, and, in the case of contractors, the fact that they have no need to invest in inventory since they obtain the bulk of their raw material from jobbers or manufacturers, helps to keep low the amount of capital required to enter the apparel (knit and woven) industry. Dun & Bradstreet shows, for example, that net worth required by jobbers and manufacturers in the industry ranges, on the average, from 9.6¢ to 27.6¢ per each dollar of sales. A similar study made by the National Association of Bank Loan Officers and Credit Men showed that in the case of companies with assets under $250,000 average net worth per dollar of sales ranged from 12.3¢ to 21.3¢ depending on the branch of the industry; from 10.9¢ to 23.8¢ in the case of companies with assets of $250,000 to $1,000,000; and from 17.9¢ to 29.4¢ in the case of the larger companies (for details see Annex G).

A small firm in the apparel (knit and woven) industry has a reasonable chance of success, irrespective of the size of its capital assets, in the competition with larger companies. Much depends on the ingenuity of its principals in meeting market demand, in anticipating fashion developments and in providing the ultimate consumers of their

products with good value. The road is, of course, risky. There are many firms in the industry competing for the same business. Even in the absence of low wage competition from abroad, many companies succumb in the process. We estimate business turnover in the industry today (including discontinuances and transfers) at approximately 18 percent per year.

The comparatively simple technology, the modest capital and skill requirements and the ability of smaller firms to compete successfully against larger ones serves to make relatively easy the entry of new firms into the industry and, at the same time, to stimulate the competitive environment in which the individual firms in the industry function. One of the consequences has been the tendency of the industry to suffer from chronic overcapacity. At the same time, these characteristics have permitted the industry to increase its output very rapidly, virtually overnight, either in response to changes in demand, or as a result of the constant search for competitive advantage, and without attention or regard to the resulting disruption of markets. This has been a constant source of instability in the domestic industry, which has been intensified in recent years by the ease with which large quantities of imports are turned on and off.

The characteristics previously mentioned --- simple technology, modest capital and skill requirements, ease of entry, small firms producing for a potentially large market --- have made the apparel (knit and woven) industry one of the most competitive in the

nation. The large number of small, privately owned or controlled firms, each seeking to outdo the other, intensifies rivalry for business. Competition is not confined to producers manufacturing the same type of products, but extends to firms making other types of garments which can be substituted. Companies making overcoat and topcoats compete with those making raincoats, car coats and other types of sportswear. Companies making dresses face competition from those making skirts, blouses, sweaters, suits, slacks and other sportswear items.

The effects of the intense competition in the industry are manifold. It contributes to high business turnover and general instability. It spurs individual firms to utilize their know-how to attain the highest productivity possible in order to survive in competition with their domestic counterparts. It also provides internal discipline that keeps prices in line with costs and prevents unwarranted price increases. This is manifest in the long-term behavior of price indices for apparel as compared to overall price movements. Thus, the Bureau of Labor Statistics shows that wholesale prices of apparel in 1967 were only 2.6 percent higher than in 1951 as compared with a 10.3 percent increase in wholesale prices of all items (see Annex H). During the same period, prices of apparel at retail, where price discipline is not as effectively exercised, rose 8.7 percent as compared with a 28.5 percent increase in the Consumer Price Index (see Annex I).

As a result of the industry's competitiveness, its profit margins on the sales dollar are the lowest in all manufacturing. An examination of quarterly data compiled by the Federal Trade Commission and the Securities and Exchange Commission, shows that profits in the apparel industry were 2.9 percent of the sales dollar after taxes in the last quarter of 1967 as compared with 5.5 percent for all nondurable goods industries and 5.0 percent for durable goods industries (see Annex J). Moreover, data gathered by the National Association of Bank Loan Officers and Credit Men for the purpose of evaluating the "health" of applicants for credit, show that profit margins are not significantly different in the different branches of the industry or as between companies of different size (see Annex K).

One of the most significant factors in the competition among domestic firms in the industry is its cost structure in which labor cost represents a very high proportion of the sales dollar. Wages and salaries, depending on the branch of the industry, range from an average of 22.6 percent to 38.0 percent of the value of the product[4/] (see Annex L). The particular ratios represent labor costs incurred directly by manufacturers and jobbers (or converters) as well as the labor expenditures incurred by their contractors. In the case of contracting establishments, which are basically purveyors of labor service, labor costs are substantially higher, ranging from

4/Wage and salary costs in relation to value added in the different branches of the apparel (knit and woven) industry range from 49.6 to 64.2 percent.

60 to 80 percent of their total receipts. In view of this cost structure and the competitive nature of the industry, the differentials between domestic labor costs and labor costs in the countries which export apparel to the United States take on a critical significance. The problem is magnified by the fact that wages and salaries are the major item of cost subject to management control. While material costs (including the cost of parts, containers, fuel, electricity and other supplies) loom larger than the outlays on wages and salaries, the prices of material are not subject to control by the apparel manufacturer and tend to balance out to no special advantage of any particular firm (see Annex L).

Because of the cost structure of the industry, a firm which obtains lower wage costs obtains a substantial advantage over competitors. In view of the highly competitive nature of the industry, this advantage, however, is not typically retained as profits. Often it is utilized to spur more intensive competition, through price concessions, through increasing the quantity of labor or material input of the garment, or through increased expenditures for advertising and product promotion. The result is continuous pressure on other firms in the industry to seek lower labor costs.

The constant pressure to cut labor costs is the economic basis for the sweatshops which once characterized the production of apparel (knit and woven) in this country and for the many sweatshops that continue to operate abroad in this industry. In response to

public opinion, and as a by-product of the development of strong unions in the apparel trades, the sweatshop was finally eliminated in the United States. It is now a matter of public policy, recognized in the Fair Labor Standards Act as well as other legislation, that labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers are not acceptable in this country. Nevertheless, powerful pressures to compete unfairly in terms of labor cost continue to plague the industry. It is the economic basis for the industry's continued high degree of geographic instability, with its wasteful transfer of production and employment from one area at the cost of idle facilities and unemployment in another. Today there is a growing tendency for some entrepreneurs either to establish their own plants abroad or foster foreign operations, particularly in the low-wage areas of the world, for the production of apparel for export to the United States.

The ease with which inexperienced workers in the apparel (knit and woven) industry can be trained on the job within a short time permits new firms to open up in areas where there are no experienced workers and permits existing firms to expand output by hiring persons with no prior training or industrial know-how. This is due in large measure to the fact that most of the tasks performed by workers in the industry do not fall into the skilled category. With the development of technology, such skills as may once have been required in the industry have been diluted by new production techniques, by minute subdivision of labor, and by the resulting specialization which calls

for the performance of highly simplified tasks. In the case of sewing machine operators, for example, the work is subdivided to such a degree that most operators may do no more than sew single, short-run seams on garment parts. Once the elementary instruction in the handling of a sewing machine is given to an inexperienced worker --- and it requires very little time --- the rest of the learning process consists of a progressive and relatively rapid acquisition of maximum operating speed. It is not surprising, therefore, that the performance of most of the tasks in the industry do not call for high educational attainment. Data derived from the 1960 Census of Population for the apparel (knit and woven) industry's labor force demonstrate that one out of every four persons failed to complete primary schooling and that virtually three out of every four persons did not complete high school education.5/

A few other figures bearing on the profile of the industry's personnel can be cited. Approximately 40 percent of them are 45 years of age or over.6/ Around 30 percent of them live in rural communities.7/ About eight out of ten persons on the payrolls of the industry are female.8/ About one-third of them are either single, widowed, divorced or separated.9/ Most of the women in the industry are not casual workers.

5/The above information is for labor force engaged in work on apparel and other fabricated textile products and knitting mills (U.S. Bureau of the Census, Census of Population 1960, Industrial Characteristics, PC(2)7F, Table 21).

6/Data are for the employed wage and salary earners (Ibid., Table 5).

7/Data are for the employed labor force (Ibid., Table 1).

8/U.S. Bureau of Labor Statistics, Employment and Earnings Statistics for the United States, 1909-1967, Bulletin No. 1312-5 (data for SIC 23 and 225).

9/Data are for employed women (U.S. Bureau of the Census, Census of Population 1960, Industrial Characteristics, PC(2)7F, Table 20).

Their work is essential to support themselves and their dependents. This has been demonstrated by a study conducted by the Women's Bureau of a sample of the ILGWU membership. For every 100 women who reported, 64 supported or partly supported dependents (including children, husbands, parents or other relatives) in addition to supporting themselves. More married women than single used all of their earnings for daily living, irrespective of whether the particular woman was or was not the sole support of the family.[10/] Nearly one-third of the women had at least one other person to support, one-fifth had two and one-eighth of them had three or more persons to support.[11/]

These statistics are indicative of the type of workers that readily find jobs in this industry. They have very few alternative opportunities for employment. For the most part, they are women whose family ties prevent geographic mobility. Many of them share characteristics which recent experience indicates mark persons in the ranks of the hard-core unemployed. It is particularly significant, therefore, that the apparel (knit and woven) industry provides one out of every four jobs in the manufacturing sector of the economy for women workers and is the largest single employer for women seeking factory work.[12/] The industry thus performs a dual function in the economy. On the one hand, it provides the American people with a basic necessity. On the

10/U. S. Women's Bureau, Women Workers and Their Dependents (Bulletin 239, pp. 52f).
11/Ibid., p. 17.
12/Data for 1966 in U. S. Bureau of Labor Statistics, Employment and and Earnings and Monthly Report on the Labor Force, March 1968, pp. 73ff.

other hand, it is the source of jobs for a huge number of persons throughout the nation who would otherwise remain unemployed or be out of the labor force.

The ease with which persons without prior skill or experience can be employed and trained facilitates the development of the chronic overcapacity characteristic of the industry. Underemployment is therefore quite general, even in periods of relative prosperity. As a result, the unemployment rate in the industry is typically much higher than for all workers in the economy or those who are employed in manufacturing. The unemployment rate for garment workers does, of course, fluctuate with changes in general economic conditions as does the rate for workers in all manufacturing. During the period under Presidents Kennedy and Johnson, when the general economy grew at a much faster pace than in the immediately preceding years, this improvement was reflected in the unemployment rate for the apparel industry as well as other industries. However, as can be seen from data on the rate of unemployment of experienced workers or workers covered by unemployment compensation (see Annexes M and N), the ratio of apparel unemployment to that of manufacturing has been rising in recent years. This suggests the possibility that the relative severity of unemployment in apparel when matched against unemployment in manufacturing as a whole is rising. The increase in apparel imports which has been taking place in recent years seems the most plausible explanation.

Under the stress of domestic competition, aggravated by the rise in imports, wages of apparel workers in this country have fallen behind the general wage level in this country. In 1947, the difference between the wages of apparel workers and those for all manufacturing was only six cents an hour. Since then it has steadily widened. The differential rose in 1956 to 54 cents an hour. In 1967 it rose further to 80 cents an hour (see Annex O). The 1967 average wage in apparel was $2.03 as compared with $2.83 for all manufacturing. Workers in the apparel (knit and woven) industry are among the lowest paid in the nation.13/

Admittedly, a certain amount was added to the wages of apparel (knit and woven) workers since the end of the Second World War in the form of negotiated, voluntary and legally required fringe benefits. A periodic study made by the Chamber of Commerce of the United States showed that total fringe benefit payroll additions in the textile and apparel industries in 1965 amounted to 18.9 percent of payroll, or 38.7 cents per hour (see Annex P). The corresponding figure for all manufacturing was 23.6 percent or 67.6 cents per hour.

13/ Examination of the most recent U.S. Bureau of Labor Statistics, Employment and Earnings and Monthly Report on the Labor Force, April 1968, pp. 64ff., reveals that wages lower than in apparel are found only in a few industries, including retail trade and services. Average annual earnings for all persons engaged full time in the apparel and other finished products industry (including proprietors, executives, administrative, professional, technical and sales personnel) are the lowest in all manufacturing industry and only exceed earnings of persons in farming, hotels and other lodging places, medical and other health services, and private households (Survey of Current Business, July 1967, p. 35).

The foregoing profile of the apparel (knit and woven) industry showed its special characteristics --- small firms competing vigorously with each other, ease of entry into business and high rate of business mortality, industrial over-capacity, excess competition operating as a discipline against price increases, low profitability, easy-to-train labor force, under-employment, relatively low rates of worker compensation, a work force composed largely of women for whom little or no alternative employment opportunities exist in the economy, and yet, an industry that does provide employment for some 1,400,000 persons, the largest single employer of women workers in manufacturing and the major customer of the domestic textile industry.

In the years following the Second World War, until very recently, the industry's total employment remained relatively stagnant, fluctuating up and down along a relatively level axis in the wake of changes in the general economic conditions. Employment in 1963, when it approximated 1,345,800 (see Annex Q), was not much different from 1953 when it approximated 1,344,100. In the last 11 years, however, largely after the inauguaration of President Kennedy when the national economy began to grow at a more vigorous pace, the industry added about 130,000 persons to its payrolls. Patterns of employment have not, of course, been uniform in all branches of the industry. Some branches gained employment and others lost, partly as a result of shifts in demand due to style and other

competitive influences, and partly as a result of the growing volume of imports.

The wholesale volume of domestic production of apparel (knit and woven) has grown at a faster pace. The dollar volume advanced from $10.1 billion in 1956 to $13.9 billion in 1967 in actual prices, and from $10.1 billion to $13.0 billion in constant prices (see Annex R). Despite deflation of the dollar volume of shipments by the wholesale price index, the dollar volume figures in constant prices tend to overstate the growth in production because of the tendency of the American public, fostered by the rise in personal incomes, to switch to apparel of higher quality, and hence higher price, than they bought previously. This tendency on the part of the consumers to upgrade their purchases is widely recognized. Yet data are lacking to enable us to eliminate fully the effect of such uptrading[14/] from the statistical

14/An indication of uptrading by consumers is indicated by the data collected by the U.S. Bureau of the Census on production by price lines for a limited number of garments for women, misses and juniors. In 1956, for example, dresses wholesaling by the unit for less than $6 a piece, constituted 46.8 percent of production as compared with 39.9 percent in 1965. The corresponding figures for untrimmed coats showed a decline from 45.3 percent to 41.8 percent for untrimmed coats wholesaling under $16 per unit; a drop from 61.1 percent to 59.0 percent in the case of suits wholesaling under $16 per unit; a decline from 49.4 percent to 47.1 percent in skirts wholesaling under $39 per dozen; and a drop from 57.3 percent to 50.8 percent in the case of blouses wholesaling under $23 per dozen (U.S. Bureau of the Census, Apparel Survey, 1957 and 1965). Parenthetically it should be noted that the Federal Reserve Board index of industrial production of apparel and its several subdivisions suffers from the same weakness as the data referred to above.

series measuring changes in the real volume of production, such as the deflated wholesale values of apparel (knit and woven) production (presented in Annex R) which records an advance of 29.0 percent, or an average annual rate of growth of 2.3 percent between 1956 and 1967.

Substantially all of the output of domestic industry is for domestic consumption. Thus, in 1967, when exports of apparel (knit and woven) amounted to $114.7 million (Annex S) exports represented only 0.8 percent of the domestic output.[15/]

Prior to 1950, imports of apparel (knit and woven) to the United States, except for a few items, were insignificant. Thereafter, however, first at a relatively slow tempo, and then at an accelerated though variable pace, imports of apparel (knit and woven) began to exhibit a remarkable rate of growth. This, in turn, led to numerous dislocations and market disruption in the industry already beset by excessive competition and instability.

Several indicators can be used to measure the degree to which apparel (knit and woven) imports have grown. The first of these are the data provided in the foreign trade reports of the Bureau of the Census which contain values of imports for consumption or general imports in market values in foreign

---

15/ Beginning with 1965, shipments of U. S. made clothing and footwear donated for relief and charity began to be combined with other exports classified under Standard Industrial Trade Classification (S.I.T.C.) group 841. Previously, data for such clothing was not combined with other clothing exports. As a result the official statistics show an abnormal rise in exports between 1964 and 1965 as a result of the anomaly created by the change in the publication rules.

countries (exclusive of custom duties, freight and insurance). A tabulation of these data shows that apparel (knit and woven) imports in foreign valuation increased between 1956 and 1967 close to five-fold (see Annex T).

The value of imports expressed in foreign valuation in the official statistics of the United States does, however, understate the real impact of apparel (knit and woven) imports on the United States market. In the first instance, the data do not include freight and insurance charges required to bring the merchandise from the point of exportation in the foreign country to the point of entry in the United States. Nor do they include additional costs, such as buying commissions, custom duties, and importer or distributor margins.[16/] The values reported in the Census tabulations are not comparable therefore to prices charged for imported goods at the same point of distribution at which domestically-produced articles enter trade. The true value of imported apparel (knit and woven) materially exceeds the figures extracted from the U. S. Bureau of the Census reports.

Another indicator of apparel import growth is provided by the data regularly compiled and published by the U. S. Department

16/ It is incorrect to compare the value of imports as reported by the Census with the corresponding value of domestic products except for balance-of-payment purposes. Even then data has to be adjusted, before it can be used, for other costs that are paid by domestic sources abroad in foreign currencies. To measure the degree of market penetration a different measure is required that would provide reasonable commensurability as between the goods originating abroad and those originating domestically.

of Agriculture. For this purpose, the Department examines data on the physical quantities of the imported textile goods and translates them into equivalent poundage of cotton, wool and man-made raw fiber required for their production. Information from this source is presented in Annex U. Poundage figures show that between 1956 and 1967 apparel imports nearly sextupled; shipments of cotton apparel were four times greater than in 1956, wool apparel shipments were five times greater, and those made of man-made fibers 69 times as large. The rising shipments of apparel made of man-made fiber, whether knit or woven, are significant in view of the development of new processes in textile and apparel manufacture which invite an increasing use of synthetic fibers or blends, for these are utilized in the production of permanent press or soil resistant clothing. Importers are thus taking advantage of consumer demand in the United States to invade markets developed by the efforts and expenditures of domestic producers. This also enables them to increase market penetration in areas which are not regulated by the International Cotton Textile Arrangements or bilateral agreements concluded between the United States and a number of foreign countries with regard to cotton textiles and apparel.

A third method used to gauge the volume of apparel imports is the conversion of the quantities of imports of the different groupings of products into the equivalent number of square yards required for their manufacture. This technique was first

developed by Japan in connection with the administration of her voluntary program of export limitation to the United States. It is currently utilized in the administration of the International Cotton Textile Arrangements and in the tabulations of textile and apparel imports prepared by the Office of Textiles of the Department of Commerce. The summary of these data, available only beginning with 1962, is presented in Annex V. Apparel imports between 1962 and 1967 expressed in square yard equivalent increased by 84 percent, as compared with a 80 percent rise shown by data expressed in equivalent pounds of raw fiber shown in Annex U. 17/

Conversion of imports into equivalent poundage of raw fiber or into equivalent square yards provides an important and useful, though a limited, device for measuring changes in textile and apparel imports. Poundage, however, is primarily an indicator of raw fiber consumption used in the production of imported goods. Square yard equivalent is primarily an indicator of the coverage provided by imported textile products, whether these come in the form of fabrics, made-up goods or apparel. 18/ This approach to

17/The data on the value of imports of apparel (knit and woven) at foreign valuation showed a 73 percent rise in this period. The definition of this series differs somewhat from the concept used by the Departments of Commerce and Agriculture.

18/Imports of yarn are also converted into equivalent square yards of fabrics, but this is done solely for the purpose of providing a common measure with other textile imports.

the measurement of imports recognizes that a specific weight of raw textile fiber can be utilized to produce a variable quantity of piece goods, made-up goods, or apparel, depending on the construction, specifications and fiber used. Neither measure, however, takes account of the fact that different items are made up of fibers of different quality and specification and of differing physical quantities of labor and capital input. In a domestic competitive market, such differences in the make-up of different products are approximated, at a given point of time, by their respective prices. This approach fails, however, when more than one country is involved. Even when two countries produce an identical product and when it is produced under identical conditions (with physical productivity of labor and capital per unit of output or per manhour the same), pricing of such goods in each of the countries would be made on a different basis and would reflect the economic conditions and standards prevailing in each. In the case of labor-intensive products, such as apparel, prices are prone to be set on a lower level in a country where wages are generally low than in a country where compensation standards are higher. Thus, a different yardstick is called for in order to provide a more meaningful measure of apparel imports compatible with data on domestic production and exports than one that solely reflects either the poundage of raw fiber or the equivalent yardage of

fabrics used in their manufacture.

Value of apparel produced in the United States deflated by appropriate price indexes does provide a reasonable measure of changes in real output over a period of time. Exports constitute a fraction of domestic production. Their prices are determined by the same market forces as those affecting all domestic production. A measure of the physical changes in exports of apparel can, therefore, be obtained by deflating the value of exports by similar price indexes as are used for deflating all domestic production. The two series are compatible (i.e. additive) since they measure total output and exports in comparable units. In order to develop a compatible measure of imports, it is necessary to convert their prices into prices charged for comparable goods produced in the United States. The resultant series can then be deflated by the same price indexes used to deflate domestic value of production. This would provide a series representing changes in the real volume of imports expressed in the same units as are used to measure domestic output and exports. A reasonable approximation of such measure, expressing apparel (knit and woven) imports in constant United States prices, has been developed by the ILGWU Research Department and is presented in Annex W together with data on domestic production and exports for the period between 1956 and 1967. It shows that in the eleven years, the physical volume of imports of apparel (knit and woven) rose 5.0 times (compared with a 4.6 times rise

in the dollar value in market values in foreign countries shown in Annex T). Between 1962 and 1967, the physical volume of these imports increased 70.0 percent (as compared with the increase of 84.2 percent for apparel imports expressed in square yard equivalent shown in Annex V).

The three series shown in Annex W --- imports, domestic production and exports --- are compatible, i.e. additive. It is, therefore, possible to compute the degree to which imports have penetrated the domestic apparel market. Imports of apparel (knit and woven) in 1956 equaled 4.0 percent of domestic production. The ratio of imports to domestic production grew steadily. The preliminary 1967 estimates indicate that it was 15.6 percent, or about two-thirteenths of domestic output. We can expect further import growth in 1968. However, domestic apparel production so far in 1968 was down as compared with the same months of last year, according to available information on production activity.[19/] However, imports of apparel, measured by the available data in square yard equivalent, increased.[20/] It thus appears that the ratio of apparel imports to domestic production will reach a new high in 1968. These figures also indicate that

19/ For example, the Federal Reserve Board's index of industrial production of apparel products was down 3 percent in January 1968 as compared with January 1967. Similarly, Bureau of Labor Statistics data on manhours of employment indicate that production workers in the apparel (knit and woven) industry worked one percent less during the first quarter 1968 than in the first quarter 1967 and two percent less than in the first quarter 1966.

20/ As can be seen from Annex V, general imports of apparel rose 13.1 percent in the first three months of 1968 as compared with the same months of 1967.

the downturn in domestic apparel production was not paralleled by a downturn in shipments from abroad --- they continued to grow both in 1967 and early in 1968.

The import statistics tell only part of the story. In the atmosphere of cut-throat competition which pervades the apparel industry on both the manufacturing and retail levels, a relatively small volume of imports can be disruptive. Most apparel (knit and woven) is promoted and sold at retail in this country in terms of price appeal. When a retail outlet undersells his competitors on the basis of imports from low-wage countries, competing retailers demand equivalent price concessions from their domestic suppliers, and shop for them from manufacturer to manufacturer. When domestic manufacturers find that they are losing accounts to competition from abroad which they cannot possibly meet, they are under pressure to resort to undesirable practices, such as lowering the quality of their products, cutting wages and speeding-up their workers, particularly in nonunion factories, in order to meet this price competition. Some abandon manufacturing and become importers themselves, thereby closing down factories, eliminating jobs, and causing distress to their former employees and to the communities in which they had operated. This down-spiraling and self-destructive process tends to be accelerated with higher levels of apparel imports, and cut-backs in the employment level of the domestic apparel (knit and woven) industry and the closely related textile

industry are the inevitable result.

The prospect is for an increasing degree of import penetration in the domestic apparel (knit and woven) market, with accompanying market disruption and job curtailment for the industry's workers.

There are numerous reasons for this. For one, imports have been shifting into non-cotton garments. As can be seen from Annex U, cotton apparel imports in 1956 amounted to 81 percent of apparel imports measured in terms of raw fiber poundage. Wool apparel represented 16 percent of the total and that of man-made fiber accounted for 3 percent. The poundage of different fibers used in imported apparel increased in the next ten years but their relative importance shifted. Cotton accounted for only 59 percent of apparel imports in 1967. The relative share of wool dropped slightly, to 14 percent. On the other hand, man-made fibers gained at the expense of cotton and their share advanced to 27 percent of the total apparel imports expressed in pounds. In square yard equivalent, imports of apparel of man-made fibers accounted for 39 percent of apparel imports, wool apparel represented 7 percent of the total, and cotton apparel 54 percent. In the first three months of 1968 the share of man-made fiber apparel accounted for 40 percent of all imported apparel (the relevant data are in Annex V). Obviously, the swing in imports is in the direction of apparel not subject to the regulatory influences of the International Cotton Textile Arrangements and the bilateral agreements applicable to cotton textiles and apparel. The shift towards an increased

shipment of apparel of man-made fibers is also stimulated by technological developments (previously referred to) which invite increased use of man-made fibers in garment production.

The rapid rise in imports of apparel (knit and woven) following the Second World War was facilitated by the reductions in custom duties made by the United States under Reciprocal Trade Agreements or under the General Agreement on Tariffs and Trade. The concessions granted prior to this year were made, for the most part, against an entirely different background of trade from the one that has subsequently developed. When those concessions were negotiated, they only took account of the then existing pattern of trade. At the time the rise of apparel shipments from low-wage, low-cost countries was not even contemplated. And yet, this is precisely what took place.

A further growth of apparel (knit and woven) imports is in the offing as a result of the most recent Kennedy Round negotiations. Up to the present, our tariffs and import practices with regard to apparel were among the most liberal in the world. As a result of the recent Kennedy Round discussions, the United States agreed to lower duty rates on apparel made of silk, cotton and other vegetable fibers and on a few selected wool and man-made products. Some tariff rates on apparel were also cut by foreign nations, but the likelihood is great that a number of them, as they have in the past, will use non-tariff barriers to offset duty reductions they made in the course of the Kennedy Round. Even prior to the conclusion of

these tariff negotiations, a variety of devices were used by the more developed countries to limit imports of apparel, particularly from low-wage areas. Included were the use of individual country or global quotas on all or specified types of apparel, license requirements for imports, the distribution of licenses to large numbers of importers to make it uneconomic for many of them to utilize their individual allocations, cumbersome administrative practices involving delays in the issuance of licenses, delays in the release of foreign exchange, requirement for a full or partial pre-payment of orders placed abroad in order to tie up importers' capital, and the imposition of various tax or service levies over and above custom duties. These various practices have been used by the different countries in varying degrees. As a result, countries eager to export have tended to concentrate on the easier-to-enter United States market. The future is likely to see a continuation of this push of apparel shipments to the United States as foreign countries implement old and new mechanisms to control the flow of apparel imports.

The growth of apparel imports to the United States will continue to be facilitated by the ease with which individual countries can expand their shipments. This is true not only of the older suppliers but of the new starters as well. It can be seen from a diagram contained in Annex X which shows the levels of imports to the United States from the different countries in 1956 and 1966. A number of countries that did not ship apparel to the United States in 1956 have done it ten years later and frequently in substantial amounts.

Similarly, a number of the smaller suppliers in 1956 increased their apparel shipments and now rank among the top of the volume exporters to the United States. Another significant development portrayed by this chart is a large number of new starter countries that are shown in 1966. For the moment, their shipments are small. But, as experience demonstrates, these shipments can be built up rapidly.

The rapidity with which imports of specific items of apparel can be built up is repeatedly illustrated in the official statistics published by the Bureau of the Census. For example, prior to 1965, Taiwan shipped no sweaters made of synthetic textile fibers. In 1965, it sent 8,028 dozens to the United States, 53,100 dozens in the following year and 309,382 dozens in the year ended in August 1967. This performance was paralleled by South Korea. It shipped 2,363 dozens in 1964 and 31,689 dozens in 1965. Thereafter, South Korea sent 91,280 dozens in 1966 and 364,891 dozens in the year ended in August 1967. Even an older supplier like Japan skyrocketed its shipments of these sweaters from 192,755 dozens in 1964, to 395,171 dozens in 1965, to 1,084,045 dozens in 1966 and to 1,172,058 dozens in the year ended in August 1967. The overall volume of imports of sweaters made of synthetic fibers from all countries rose from 229,900 dozens in 1964 to 2,229,797 two-and-a-half years later --- a ten-fold increase.

Examples of this rapid growth recur continually. Korea shipped no dress shirts for men and boys made of woven man-made fibers in 1964. In the next two years, 1965 and 1966, her shipments to the

United States amounted to 111,088 dozens and 136,961 dozens respectively. In the year ended in August 1967, however, Korea shipped 236,654 dozens. In the case of Japan the picture is similar but the build-up was more rapid, from 10,064 dozens in 1964 to 92,172 dozens in the following year; shipments then went up to 349,488 dozens in 1965 and 457,519 dozens in the year ending in August 1967. Hong Kong boosted its shipments to an even greater degree. In 1964, they amounted to 90,663 dozens. In the following year shipments faltered slightly and only 80,600 dozens were sent, but this temporary retrogression was more than made up when 508,211 dozen shirts were shipped to the United States in 1966 and 1,096,091 dozens were shipped in the year ended in August 1967. Shipments from all countries rose in this period from 121,970 dozens in 1964 to 1,991,564 dozens in the year ended in August 1967.

Poland, which shipped no cotton knit shirts (other than T-shirts and sweat shirts) to the United States prior to 1966, sent us 67,952 dozens in that year and 219,109 dozens in the year ended in August 1967.

These examples can be multiplied, each one underscoring how rapidly new starters and old suppliers can boost their shipments of apparel without any strain. The ability to expand production rapidly is basic in the apparel industry. It is fostered by low capital requirements and the ease with which inexperienced personnel can be trained within a relatively short time to top proficiency.

Continued improvements in the means of transportation and

communication have shrunk the size of the world and made it possible to overcome the previously existing barriers of time and space. This has facilitated the movement of apparel production out of the United States to distant parts of the globe. It provided another means by which certain kinds of entrepreneurs in this country could evade the wage and labor standards of the domestic industry. To this end, they deliberately encouraged expansion of garment production in low-wage countries and provided, whenever necessary, financial assistance, technical and managerial guidance, as well as advice on styling and merchandising. Others fostered "run-away" shops on an international scale by setting up their own factories abroad solely or principally for the purpose of exporting finished garments to this country. The rise of apparel imports will stimulate further plant displacement. As competition from the low-wage, low-cost areas increases in severity, additional domestic manufacturers are bound to eye foreign operations as a possible way out. A number of firms in this country have already suspended all or part of their operations in this country and have become importers of apparel produced either in their own foreign plants or else in plants operated by foreign nationals. More will follow this road as imports rise, inevitably worsening unemployment in the very group in our population for whom alternative jobs are hard to find and for whom alternative employment opportunities outside this industry are few and far between.

Another and continuing inducement to the relocation of plants and the increase in the volume of apparel imports results from the many

special incentives offered by foreign countries to their nationals as well as to those of other countries to manufacture within their boundaries solely for export purposes. Depending on the country, these incentives differ. Income and other taxes are remitted in full or in part. Custom duties may be waived on materials and machinery used for the production of goods to be exported in full or in part, or else may be payable in installments. New plant construction may be partly subsidized through lower interest loans or partly financed by governmental agencies. Working capital and material may be supplied and special credit terms arranged for the purchase of machinery and equipment. Minimum return on capital and investment may be guaranteed. Where monetary controls are in force, arrangements are made for preferential treatment in securing foreign exchange or taking profits out of the country. This is just a partial list of the various devices used in many countries. The existence of these unfair competitive practices magnifies the serious competitive disadvantage which confronts apparel firms in this country and which continually helps to spur a rising tide of apparel imports.

Another stimulus to a continued rise in garment imports is the common practice among retailers of taking much higher mark-ups on foreign-made apparel than they do on garments made in this country. This enables them to raise their profit margins by paying less for merchandise of foreign origin than for the identical domestically-produced goods and not passing the differential on to the ultimate consumers. "By buying foreign goods for less and taking the larger

markups, retailers improve their operating margins at the expense of both the industry and the ultimate consumers of the products", Richard J. Schwartz, President of Jonathan Logan, Inc., one of the largest domestic manufacturers of knit and woven garments, told the House Committee on Education and Labor in 1966. The effect of this practice, as described by Mr. Schwartz, is to foster imports: "Already the open-to-buy position of many store buyers for our merchandise --- even though it meets with an excellent consumer response and is competitively priced --- is affected when buyers reduce their commitments to our merchandise and increase their commitments to imported merchandise".[21/]

The most significant factor in the rapid and large increase in the shipment of apparel to the United States from abroad is the great difference between labor standards in American garment factories and their counterparts abroad. For the most part, there is little difference in output per manhour here and abroad. Technology and management know-how in this industry, as previously noted, is relatively simple. Today they are internationalized. The same machine producers and management consultants frequently operate throughout the world and provide firms everywhere with similar equipment and advice. The relatively low cost of new capital equipment makes it relatively easy for firms everywhere to furnish their shops with

21/House of Representatives, Committee on Education and Labor, Hearings on Impact of Imports on American Industry and Employment (89th Cong., 2nd sess., 1966), p. 547.

latest machinery and equipment when such are needed to attain peak productivity. Thus, for example, when permanent press ovens first made their appearance in the apparel industry of the United States, Hong Kong producers immediately followed suit by purchasing this heavy equipment in this country and airlifting it to Hong Kong. The internationalization of technical know-how is illustrated by a recent description of the state of apparel production in Korea, a relatively new starter exporting goods to the United States:[22/]

Apparel produced in Korea are of immense variety in kind and quality. The industry, while requiring the intense application of labor, employs relatively simple production techniques, and its capital requirement is also low..... Modern production techniques are rapidly being incorporated both to increase the efficiency of production processes and lower costs even while improving production quality... The industry now boasts a full complement of high-performance sewing machines and processing facilities, including Durable Press facilities, many of which are fully automated. The installation of modern, up-to-date production facilities has led to diversification into hitherto unexplored fields, and the range of production is greatly expanded.... In quality and design, Korean-made apparel and garments are rated as inferior to none on the world market.

A similar picture emerges when production of Korean sweaters is reviewed:[23/]

The rapid growth of export was due chiefly to the constant effort of manufacturers to rationalize their production setup and process, which resulted in a great modernization and renovation of production facilities and the introduction of up-to-date equipment and techniques..... The industry has a full complement of knitting, linking, setting and pressing machines, most of which are fully automated and fully up to the prevailing international standards in efficiency and the quality of the final product.

It is also impossible for American manufacturers compete with

---

22/"Apparel" in Korea Trade, April 1967, p. 20.
23/"Sweaters" in Korea Trade, April 1967, p. 10.

foreign suppliers on the basis of increased efficiency. The intensity of competition in the domestic apparel (knit and woven) industry constantly drives individual firms to operate near the peak level of productivity attainable with existing know-how and technology. In this respect they are no different than producers abroad. The latter, however, have a large and unfair competitive advantage over American producers as a result of the great difference between wages in American factories and their foreign counterparts. With labor cost representing a high proportion of total cost in apparel manufacturing, relative wage levels thus become crucial. As can be seen from Annex Y, average hourly earnings in key exporting countries in Europe range from 17 cents to 88 cents an hour. Elsewhere the wages range from 8 cents an hour to 35 cents an hour. These figures on hourly earnings exclude the earnings of cottage workers employed in significant numbers in many countries. Their earnings are but a fraction of the average wages paid to apparel workers employed as factory workers in the same countries. The competitive advantage is not modified when account is taken of fringe benefits which are paid to some workers abroad. Dollar for dollar, fringe benefit payments in the United States are substantially higher than those found in the foreign apparel factories, even though at times it may appear lower if expressed in terms of percentages of hourly earnings. As a matter of fact, however, apparel workers in many parts of the world do not receive fringe benefits. Also unlike the United

States, where time-and-a-half is paid for hours over 40 under the Fair Labor Standards Act or, under collective bargaining agreements, after regular daily hours and 35 hours per week, workers in a number of countries work up to 60 hours per week without premium pay.

Because productivity in the apparel (knit and woven) industry of the United States is substantially the same as abroad, one can estimate the impact of the recent growth of imports on domestic employment from data contained in Annex W and Annex Q. The data on domestic output, imports and exports in Annex W, as previously noted, are in compatible units. The ratio of import or export volume to domestic production will therefore be substantially identical with the ratio between the number of workers employed in producing apparel (knit and woven) for import or export and domestic employment in this industry, which is shown in Annex Q. On the basis of these data it would appear that in 1956, when domestic industry employed 1,314,800 persons, approximately 8,900 workers were engaged in producing goods for export and 52,800 workers in manufacturing apparel (knit and woven) imported to this country. In 1967, when domestic industry had 1,447,700 persons on its payrolls, approximately 12,000 workers were producing apparel for export and 226,100 workers for import to the United States. If there were no apparel imports whatsoever in 1967, domestic industry could have employed over 225,000 workers to satisfy the level of demand for apparel (knit

and woven) that existed in that year.[24/] Viewing the changes that have taken place since 1956, the increase in the number of workers engaged in the production of goods imported to the United States rose by approximately 173,000, a measure of job loss in this country. This number of workers would have been placed on the domestic industry's payrolls if imports did not rise in this period. Even if one were to offset this figure by the additional 3,100 employees engaged in the production of merchandise for export, the net loss of jobs in the last decade approximates 170,000 jobs badly needed by the many hard-to-place persons in our nation.

24/ It is assumed in this calculation that the real volume of goods sold in the United States market would be substantially identical if apparel (knit and woven) that was, in fact, imported had been manufactured in this country. The reason underlying this assumption is the fact that a much smaller price differential exists between the prices of domestic and foreign-made goods in retail stores in the United States than exists between the prices received by domestic and foreign producers for the merchandise they sell. The narrowing of this differential is ascribable to the fact that many charges (including freight, insurance, custom duties, buyers' commissions and the markups of the various handlers of such goods before they are sold to the retailers) are added to the price received by foreign manufacturers as well as to the fact that American retailers take substantially higher markups on apparel of foreign origin than on domestically produced apparel. The differential in retail prices is not sufficient to change significantly the demand for apparel by consumers in the different income brackets in view of its relatively low elasticity.

The erosion of employment opportunities for many workers for whom the apparel (knit and woven) industry provides a logical and natural place for employment underlines the importance of governmental action to safeguard this industry and its workers from the type of unfair competition that emanates from low-wage countries. Failure to face up to the special problems of the industry will ultimately have not only wasteful and destructive consequences in this country but also abroad. Overcapacity, which already plagues the domestic industry, increasingly becomes world-wide. As domestic importing interests play off producers of one nation against another low wages and appalling labor conditions are viewed as virtues instead of something in need of redress. Japan, for example, is discovering that it is no longer the haven for low-priced merchandise that it once was. Taiwan, Hong Kong and Korea have been undercutting it. "These days," writes Tsukasa Furukawa, "American buyers invite bids from all four Asian sources, and almost automatically pick the lowest bidder, as quality is no longer a problem."[25/] Instead of reporting the progress they make in improving the conditions of their people, countries begin to boast of their too low standards, as was the case in a promotional advertisement which proclaimed that Taiwan's "Wages are lower than those of Hong Kong or Japan".[26/]

25/"Japan Exporters Suffer Ailments of the Affluent" in the Daily News Record, October 18, 1957.

26/New York Times, January 18, 1965 (text space in the full page advertisement was contributed by the Taiwan Foreign Exchange & Trade Commission, Industrial Development & Investment Center, and China Productivity & Trade Center).

The competition becomes so intense that low-wage areas seek to take business away from each other through the development of extra incentives on top of the low-wage attraction. Thus, recently, the Executive Yuan (cabinet) of Formosa approved a five-year moratorium on the payment of customs duties by manufacturers who would move their plants from Hong Kong or Macao and provided additional incentive to make the particular package deal sweeter.[27]

A foundation is thus laid, to which our own entrepreneurs contribute, for sustaining depressed labor conditions in many parts of the world and for building up excess capacity generated when businessmen switch their orders from one country to another. The inevitable result is the multiplication of production facilities, increasing underemployment, and international tension. Competition ceases to be a constructive force and becomes destructive. The possibility that this might happen has long been feared by experts on international development who cautioned countries against the wasteful buildup of duplicating export facilities. Jan Tinbergen, for example, urged in his "The Design for Development", p. 24, that

> Expansion of exports should ... be based on demand analysis, in this case for foreign markets. There might be still a danger of inconsistencies if two or more countries independently planned to expand the same line of production. Such uncoordinated programs might result in overproduction. Therefore it is desirable that duplication be avoided.

27/ Daily News Record, July 14, 1967.

The drive to increase apparel exports to the United States, which is already powerful, will increase many-fold as present exporting countries continue to expand their production facilities, as new starters join the ranks of exporters, and as overcapacity continues to grow abroad. The result would be a thorough disruption of the United States apparel market. This is a real possibility in view of the numerous devices that other countries continue to use to limit the expansion of exports into their markets in contrast to the ease with which apparel can be shipped to the United States. Even the secretariat of the United Nations Conference on Trade and Development is conscious of this threat and tells the lesser developed countries that "The distribution of ... exports over as many markets as possible is ... necessary in the interest of avoiding disruption in certain markets which are favourite destinations for exports".[28/] Unfortunately, this policy is not, in fact, pursued in the case of apparel shipped to this country. Country after country tend to view the United States as the favored market in which their exports are to be concentrated. As capacity to produce grows abroad and nations are faced with overcapacity, competition between low-wage, low-cost foreign producers will be intensified and this will have reverberations on our own production and employment. With labor cost the most significant factor in cut-throat, destructive competition, domestic producers cannot hope

28/United Nations Conference on Trade and Development, Non Tariff Barriers: Report by the UNCTAD Secretariat (TD/20/Supp.3, 12 October 1967), p. 57

to stand up for long against an ever-increasing flow of goods from abroad produced under labor standards and at a cost no domestic producer can hope to match. The moderating influence that International Cotton Textile Arrangements has thus far to some extent been exercising is being diluted by the increasing use of man-made fibers.

The United States is thus confronted by a situation in which decisions made abroad will largely determine the proportion of the domestic apparel industry to survive and the extent of how much additional unemployment to which the nation's garment workers are to subjected. Moreover should it become clear that the United States is either unable or unwilling to implement the special program for textiles and apparel of which the International Cotton Textile Arrangement is a part or take alternative action to safeguard the domestic industry and its workers, the unavoidable tendency on the part of many domestic producers will be to relocate their operations abroad. This is already taking place. Furthermore, business casualties are likely to rise as firms in the industry, particularly the smaller ones, find it increasingly difficult to withstand the competition of low-wage areas. This will mean additional unemployment and underemployment to the apparel (knit and woven) workers. In turn, this will have inevitable negative repercussions on the nation's industries closely related to apparel production.

This is a serious and disturbing prospect for our nation to contemplate. In the last few years this country has become aware that

even when business is booming and gross national product is advancing rapidly, poverty remains a problem for the nation and many of its citizens. At the same time experience has taught us that the problem of fitting people into jobs is far more stubborn and complex than had hitherto been imagined. We have discovered that even in a technologically advanced economy such as that of the United States, jobs must be available at all levels of technical proficiency and competence, from the least skilled to the most advanced. It has become clear that if maximum employment opportunities are to exist, it is essential to have a whole gamut of occupational opportunities open to the nation's job seekers. If a segment of the nation's job structure which is essential to balance out employment opportunities for all segments of our population is permitted to erode, there is no guarantee whatsoever that such workers will find ready employment elsewhere in the economy through transfer to other occupations, for there are distinct limiting factors on occupational adaptability. This is apparent from current experience and the inability to find jobs for persons now in the ranks of the hard core unemployed or for persons who are out of the labor force because of discouragement and disillusionment when they discovered that they could not find suitable work. The fact is that this nation needs to create a broader spectrum of job opportunities than now exists rather than reduce its scope on the theory that persons abroad can perform the particular tasks for less and that our own workers displaced by

imports can readily secure other jobs or be retrained for other employment. In the case of garment workers, it is most doubtful that such alternative employment opportunities do in fact exist or can be readily developed.

The issue is not that of choosing between free trade and protection. In the case of the apparel industry the problem is one of weighing the full consequence for the nation as a whole of permitting the erosion of an indigenous industry which provides a large number of jobs to persons for whom few alternative job opportunities exist. The issue cannot be defined in terms of the international division of economic activity based on comparative efficiencies and technological capabilities, product quality or distinctiveness, peculiar nature of raw material going into the manufacture of apparel or the need for price discipline as a countervailing force needed when competition lags in the domestic market. None of these points apply to the domestic apparel (knit and woven) industry as has been demonstrated in the preceding pages. The only advantage that foreign producers have over those in this country is the payment of extremely low wages and the maintenance of sweatshop conditions banned from this nation as a matter of public and private action. It would indeed be an irony if, after eliminating such conditions at home and still enabling the domestic apparel industry and its employment to expand, the United States would now consciously permit it to be eroded by sweatshops abroad. It is precisely because

international competition in the apparel (knit and woven) industry is affected to such a great degree by differences in labor standards that the need to develop and implement programs to regularize international trade in apparel of all fibers, preferably through international agreements, is an essential and a desirable objective of national and international policy.

Annex A

Branches of the Apparel (knit and woven) Industry,
by Standard Industrial Classification Code Number

SIC Code	Branch of Industry
2253	Knit outerwear mills
2254	Knit underwear mills
2259	Knitting mills, not elsewhere classified
2311	Men's, youths', and boys' suits, coats and overcoats
2321	Men's, youths', and boys' shirts (except work shirts), collars and nightwear
2322	Men's, youths', and boys' underwear
2323	Men's, youths', and boys' neckwear
2327	Men's, youths', and boys' separate trousers
2328	Men's, youths', and boys' work clothing
2329	Men's, youths', and boys' clothing, not elsewhere classified
2331	Women's, misses' and juniors' blouses, waists, and shirts
2335	Women's, misses' and juniors' dresses
2337	Women's, misses' and juniors' suits, skirts, and coats (except fur coats and raincoats)
2339	Women's, misses' and juniors' outerwear, not else where classified
2341	Women's, misses', children's, and infants' underwear and nightwear
2342	Corsets and allied garments
2361	Girls', children's, and infants' dresses, blouses, waists, and shirts
2363	Girls', children's, and infants' coats and suits
2369	Girls', children's, and infants' outerwear, not elsewhere classified
2381	Dress and work gloves, except knit and all-leather
2384	Robes and dressing gowns
2385	Raincoats and other waterproof outer garments
2386	Leather and sheep lined clothing
2387	Apparel belts
2389	Apparel and accessories, not elsewhere classified
2395	Pleating, decorative and novelty stitching, and tucking for the trade
2397	Schiffli machine embroideries
3069	Fabricated rubber products, not elsewhere classified (insofar as it includes vulcanized rubber clothing)
3079	Miscellaneous plastic products (insofar as it includes plastic clothing)
3151	Leather gloves and mittens
3842	Orthopedic, prosthetic, and surgical appliances and supplies (insofar as it includes surgical corsets, belts, trusses, and similar articles
3962	Feathers, plumes, and artificial flowers (insofar as it includes artificial flowers)

95-159 O - 68 - pt. 6 - 25

Annex B

Number of Establishments and Employees, Apparel (knit and woven) Industry, by State, Mid-March 1966

	Establishments	Employment	
		Total	Per Establishment
United States, total	29,028	1,646,097*	57*
New England	1,578	94,650	60
Maine	47	4,245	90
New Hampshire	55	4,361	79
Vermont	35	1,690	48
Massachusetts	1,032	62,029	60
Rhode Island	90	5,539	62
Connecticut	319	16,786	53
Middle Atlantic	16,982	649,444	38
New York	12,082	349,275	29
New Jersey	2,348	87,651	37
Pennsylvania	2,552	212,518	83
East North Central	1,796	111,444	62
Ohio	384	22,496	59
Indiana	164	14,452*	88*
Illinois	806	41,104	51
Michigan	248	21,084*	85*
Wisconsin	194	12,308	63
West North Central	769	55,201	72
Minnesota	166	9,784	59
Iowa	72	3,743	52
Missouri	416	35,879*	86*
North Dakota	5*	10*	2*
South Dakota	6*	44*	7*
Nebraska	35	1,658	47
Kansas	69	4,083	59
South Atlantic	2,867	339,797	119
Delaware	31	3,797	122
Maryland	324	25,202	78
D. of C.	20	147	7
Virginia	209	38,899	186
West Virginia	43	5,519	128
North Carolina	1,052	131,167	125
South Carolina	261	47,678	183
Georgia	486	71,007	146
Florida	441	16,381	37
East South Central	891	191,631	215
Kentucky	138	27,168	197
Tennessee	355	83,336	235
Alabama	236	44,438	188
Mississippi	162	36,689	226

Annex B

Number of Establishments and Employees, Apparel (knit and woven) Industry, by State, Mid-March 1966

	Establishments	Employment	
		Total	Per Establishment
West South Central	805	77,152	96
Arkansas	85	13,737	162
Louisiana	62	6,420	104
Oklahoma	69	6,518*	94*
Texas	589*	50,477	86*
Mountain	235	8,865	38
Montana	3*	9*	3*
Idaho	10	41	4*
Wyoming	1*	3*	3*
Colorado	76	1,657	22
New Mexico	20	520	26
Arizona	73	3,787*	52*
Utah	45*	2,837*	63*
Nevada	7*	11*	2*
Pacific	2,680	81,424	30
Washington	134	4,818	36
Oregon	79	3,912*	50*
California	2,393	70,386	29
Alaska	1*	3*	3*
Hawaii	73	2,305	32
Puerto Rico	425	36,489	86

Note: Products of the Apparel (knit and woven) Industry not covered by the data are leather, rubber and plastic gloves, vulcanized rubber garments and garments made from rubberized fabrics produced in the same establishment, surgical corsets produced in establishments primarily engaged in manufacturing surgical and orthopedic appliances, and artificial flowers. Products covered by the data which are not products of the Apparel (knit and woven) Industry are hosiery, knit fabrics, hats, millinery, fur garments and accessories, and miscellaneous fabricated textile products.

* Partly estimated

SOURCE: U.S. Bureau of the Census, County Business Patterns, 1966

Annex C

List of Standard Metropolitan Statistical Areas Where Employment in the Apparel (knit and woven) Industry* Equaled or Exceeded 10 Percent of Manufacturing Employment, Mid-March, 1966

Standard Metropolitan Statistical Area	Percent of Manufacturing Employment
Abilene, Tex.	10 %
Albany-Schenectady-Troy, N.Y.	10 %
Allentown-Bethlehem-Easton, Pa.-N.J.	23 %
Asheville, N.C.	14 %
Atlantic City, N.J.	36 %
Brownsville-Harlingen-San Benito, Tex.	10 %
Charleston, S.C.	11 %
Charlotte, N.C.	15 %
Columbia, S.C.	13 %
Dallas, Tex.	11 %
El Paso, Tex.	54 %
Fall River-New Bedford, Mass.	28 %
Greensboro-High Point, N.C.	19 %
Greenville, S.C.	18 %
Harrisburg, Pa.	12 %
Honolulu, Hawaii	12 %
Jersey City, N.J.	20 %
Johnstown, Pa.	19 %
Knoxville, Tenn.	22 %
Lancaster, Pa.	14 %
Laredo, Tex.	36 %
Lynchburg, Va.	13 %
Mayaguez, Puerto Rico	39 %
McAllen-Pharr-Edinburg, Tex.	10 %
Miami, Fla.	19 %
Nashville, Tenn.	10 %
New York City, N.Y.	27 %
Ogden, Utah	12 %
Paterson-Clifton-Passaic, N.J.	11 %
Philadelphia, Pa.	13 %
Ponce, Puerto Rico	12 %
Reading, Pa.	23 %
Roanoke, Va.	16 %
San Antonio, Tex.	15 %
San Juan, Puerto Rico	26 %
Scranton, Pa.	34 %
Sherman-Denton, Tex.	36 %
Waco, Tex.	17 %
Wichita Falls, Tex.	13 %
Wilkes-Barre-Hazleton, Pa.	40 %
Winston-Salem, N.C.	23 %
York, Pa.	13 %
42 Standard Metropolitan Statistical Areas	20 %

Manufacturing Employment in 42 S.M.S.A.'s	3,274,408
Apparel (knit and woven) Industry Employment:	
In 42 S.M.S.A's	665,370
Elsewhere in the United States	970,727
Distribution of Apparel (knit and woven) Industry Employment:	
In 42 S.M.S.A.'s	40%
Elsewhere in the United States	60%
United States	100%

* Data are for Standard Industrial Classifications 23 and 225
SOURCE: U.S. Bureau of the Census, County Business Patterns, 1966

Annex D

Number of Establishments Per Company*, Apparel (knit and woven) Industry, United States, By Branch of Industry, 1963

Branch of Industry	Number of Companies	Number of Establishments	Establishments Per Company
Men's and Boys' Suits and Coats	1,031	1,112	1.08
Men's Dress Shirts and Nightwear	659	832	1.26
Men's and Boys' Underwear	65	80	1.23
Men's and Boys' Neckwear	341	341	1.00
Separate Trousers	667	735	1.10
Work Clothing	301	439	1.46
Men's and Boys' Clothing, n.e.c.	529	554	1.05
Blouses	1,130	1,175	1.04
Dresses	4,577	4,752	1.04
Women's Suits, Coats and Skirts	2,481	2,516	1.01
Women's Outerwear, n.e.c.	1,252	1,297	1.04
Women's and Children's Underwear	978	1,069	1.09
Corsets and Allied Garments	296	351	1.19
Children's Dresses	630	667	1.06
Children's Coats	269	285	1.06
Children's Outerwear, n.e.c.	602	624	1.04
Fabric Dress and Work Gloves	170	197	1.16
Robes and Dressing Gowns	268	271	1.01
Waterproof Outergarments	223	341	1.53
Leather and Sheeplined Clothing	114	114	1.00
Apparel Belts	388	389	1.00
Apparel, n.e.c.	265	270	1.02
Schiffli Machine Embroideries	755	759	1.01
Pleating and Stitching	2,061	2,072	1.01
Knit Outerwear	1,175	1,185	1.01
Knit Underwear	104	118	1.13
Knitting Mills, n.e.c.	86	88	1.02
Fabricated Rubber Products, n.e.c.	1,046	1,173	1.12
Leather Gloves	160	166	1.04
Artificial Flowers	367	384	1.05

* A company is defined to include all manufacturing establishments owned by the company, plus all manufacturing establishments of subsidiaries or affiliates over which the company has acknowledged control.

n.e.c. -- Not elsewhere classified

SOURCE: U.S. Bureau of the Census

Annex E

Distribution of Companies by Size of Employment, Apparel (knit and woven) Industry, 1963

Branch of Industry	All Companies	Number of Employees: Less than 50	50 to 99	100 to 249	250 to 499	500 to 999	1,000 to 2,499	2,500 and over
Men's and boys' suits and coats	100.0%	61.0%	15.2%	13.4%	4.8%	2.5%	1.7%	1.4%
Men's dress shirts and nightwear	100.0	51.6	12.7	18.5	7.4	4.0	1.8	4.0
Men's and boys' underwear	100.0	40.0	15.4	12.3	7.7	7.7	4.6	12.3
Men's and boys' neckwear	100.0	86.5	9.1	3.2	0.6	-	-	0.6
Separate trousers	100.0	59.2	11.0	15.0	7.6	2.4	2.1	2.7
Work clothing	100.0	45.8	11.0	18.6	12.0	5.0	4.0	3.6
Men's and boys' clothing, n.e.c.	100.0	58.0	19.3	15.7	4.0	1.1	0.4	1.5
Blouses	100.0	73.6	14.6	8.1	1.9	0.4	0.4	1.0
Dresses	100.0	75.2	17.5	5.6	1.0	0.4	0.2	0.1
Women's suits,coats and skirts	100.0	79.5	14.8	4.3	0.8	0.3	0.2	0.1
Women's outerwear, n.e.c.	100.0	72.6	16.3	7.9	1.2	0.6	0.7	0.7
Women's and children's underwear	100.0	67.6	13.7	10.8	3.7	2.4	0.6	1.2
Corsets and allied garments	100.0	56.4	14.9	19.3	3.4	2.0	1.7	2.3
Children's dresses	100.0	69.7	16.3	9.0	3.2	0.5	0.8	0.5
Children's coats	100.0	75.1	13.7	7.8	2.6	0.4	0.0	0.4
Children's outerwear, n.e.c.	100.0	70.3	13.9	10.8	2.5	1.0	0.2	1.3
Fabric dress and work gloves	100.0	70.0	12.3	7.1	5.3	2.9	1.8	0.6
Robes and dressing gowns	100.0	77.6	10.1	9.0	1.9	0.0	0.3	1.1
Waterproof outergarments	100.0	73.2	16.0	6.3	2.4	1.2	0.3	0.6
Leather and sheeplined clothing	100.0	78.9	13.2	6.1	0.9	0.9	0.0	0.0
Apparel belts	100.0	86.3	8.5	3.6	0.5	0.3	0.3	0.5
Apparel, n.e.c.	100.0	85.6	7.2	3.4	3.4	0.0	0.0	0.4
Schiffli machine embroideries	100.0	97.9	1.2	0.4	0.4	0.1	0.0	0.0
Pleating and stitching	100.0	95.5	3.1	0.7	0.2	0.2	0.2	0.1
Knit outerwear	100.0	73.8	12.7	7.4	3.0	1.7	0.1	0.7
Knit underwear	100.0	29.8	18.3	22.1	9.6	6.7	2.9	10.6
Knitting mills, n.e.c.	100.0	75.6	10.5	7.0	2.3	3.5	0.0	1.1
Fabricated rubber products,n.e.c.	100.0	67.4	10.0	8.7	3.5	3.0	2.5	4.9
Leather gloves	100.0	71.8	12.5	10.0	1.9	1.9	1.9	0.0
Artificial flowers	100.0	95.9	1.6	2.2	0.3	0.0	0.0	0.0

SOURCE: U.S. Bureau of the Census

Annex F

Specialization Ratios*, Different Branches of Apparel (knit and woven) Industry, United States, 1963

Men's and Boys' Suits and Coats	92 %
Men's Dress Shirts and Nightwear	85 %
Men's and Boys' Underwear	89 %
Men's and Boys' Neckwear	98 %
Separate Trousers	83 %
Work Clothing	81 %
Men's and Boys' Clothing, n.e.c.	83 %
Women's Blouses	86 %
Women's Dresses	96 %
Women's Suits, Coats and Skirts	88 %
Women's Outerwear, n.e.c.	80 %
Women's and Children's Underwear	93 %
Corsets and Allied Garments	95 %
Children's Dresses	90 %
Children's Coats	92 %
Children's Outerwear, n.e.c.	79 %
Fabric Dress and Work Gloves	94 %
Robes and Dressing Gowns	96 %
Waterproof Outergarments	92 %
Leather and Sheeplined Clothing	97 %
Apparel Belts	91 %
Apparel, n.e.c.	93 %
Schiffli Machine Embroideries	96 %
Pleating and Stitching	98 %
Knit Outerwear Mills	92 %
Knit Underwear Mills	89 %
Knitting Mills, n.e.c.	93 %
Fabricated Rubber Products, n.e.c.	86 %
Leather Gloves	81 %
Artificial Flowers	97 %

* The specialization ratio compares the given industry's value of shipments or production of its primary products to its total value of shipments or production of products.

SOURCE: U.S. Bureau of the Census

Annex G

Average Net Worth per Dollar of Sales, Different Branches, Apparel (knit and woven) Industry, 1966
(cents)

Branch of Industry	Net Worth Per Dollar of Sales
Blouses and waists	11.1¢
Children's and infants' outerwear	11.9
Men's and boys' coats and suits	21.9
Women's coats and suits	12.8
Dresses	9.6
Knitted outerwear	16.1
Overalls and work clothing	27.6
Men's shirts, underwear and pajamas	18.3
Men's and boys' trousers	23.4
Women's and children's underwear	17.6

SOURCE: Dun and Bradstreet, Inc.

Branch of Industry	Size of Assets			
	Under $250,000	$250,000 to $1,000,000	$1,000,000 to $10,000,000	All Sizes
Knitgoods (*)	19.2¢	19.2¢	24.4¢	28.6¢
Men's suits and coats	21.3	20.0	29.4	28.6
Men's shirts, collars, nightwear	n.a.	n.a.	18.5	18.9
Men's work clothing	n.a.	23.8	23.3	23.8
Men's sports clothing	19.2	23.3	23.3	28.6
Men's pants	n.a.	21.7	26.3	25.0
Women's coats, suits, skirts, sportswear	12.5	14.7	18.5	19.6
Women's dresses	12.3	10.9	17.9	18.2
Women's undergarments and sleepwear	n.a.	15.2	n.a.	27.8
Children's clothing	15.9	16.4	20.4	21.7

n.a. -- Not available
(*) -- Except hosiery

SOURCE: National Association of Bank Loan Officers and Credit Men

Annex H

Wholesale Price Index, United States, Apparel and All Commodities
(1957-59=100)

Year	Apparel	All Commodities
1951	104.2	96.7
1952	100.4	94.0
1953	99.7	92.7
1954	98.9	92.9
1955	98.9	93.2
1956	100.0	96.2
1957	100.0	99.0
1958	99.7	100.4
1959	100.4	100.6
1960	101.3	100.7
1961	100.9	100.3
1962	101.5	100.6
1963	101.9	100.3
1964	102.8	100.5
1965	103.7	102.5
1966	105.0	105.9
1967	106.9	106.1

SOURCE: U.S. Department of Labor

Annex I

Consumer Price Index, United States,
Apparel (other than footwear) and All Items
(1957-59=100)

Year	All Apparel	All Items
1951	101.7	90.5
1952	100.8	92.5
1953	99.8	93.2
1954	99.0	93.6
1955	98.2	93.3
1956	99.2	94.7
1957	100.1	98.0
1958	99.9	100.7
1959	100.0	101.5
1960	101.1	103.1
1961	101.7	104.2
1962	101.8	105.4
1963	102.8	106.7
1964	103.6	108.1
1965	104.4	109.9
1966	106.3	113.1
1967	110.5	116.3

SOURCE: U.S. Department of Labor

PROFITS PER DOLLAR OF SALES, BY INDUSTRY
(Cents)

Industry	Before Federal income taxes					After taxes				
	4Q 1966	1Q 1967	2Q 1967	3Q 1967	4Q 1967	4Q 1966	1Q 1967	2Q 1967	3Q 1967	4Q 1967
All manufacturing corporations, except newspapers	9.0	8.3	8.7	7.8	8.4	5.5	4.9	5.2	4.7	5.2
Durable goods	9.7	8.7	9.4	7.4	8.7	5.4	4.8	5.3	4.3	5.0
Transportation equipment	10.0	7.9	9.2	3.8	8.0	5.3	4.4	5.1	2.3	4.5
Motor vehicles and equipment [1]	12.1	9.4	11.3	3.0	9.7	6.4	5.3	6.3	1.9	5.4
Aircraft and parts [1]	5.2	4.7	4.7	4.7	5.2	2.9	2.6	2.5	2.6	2.9
Electrical machinery, equipment, and supplies	8.4	7.9	8.0	7.7	8.5	4.6	4.2	4.4	4.2	4.8
Other machinery	10.7	10.6	11.5	10.2	9.9	5.9	5.7	6.3	5.5	5.3
Metalworking machinery and equipment [1]	11.0	10.2	11.0	10.1	9.4	6.3	5.7	6.2	5.6	4.9
Other fabricated metal products	7.5	8.1	8.7	7.4	7.5	4.2	4.6	4.9	4.2	4.2
Primary metal industries	11.4	10.3	9.5	6.8	8.8	6.8	6.1	5.9	4.4	5.9
Primary iron and steel [1]	9.5	7.9	7.6	5.9	8.6	5.8	4.8	4.8	3.9	5.7
Primary nonferrous metals [1]	14.2	14.0	12.4	8.2	9.2	8.4	8.1	7.7	5.3	6.0
Stone, clay, and glass products	7.9	4.8	9.1	9.6	8.4	4.9	2.3	5.4	5.7	5.4
Furniture and fixtures	6.8	5.9	6.3	6.4	6.9	3.7	3.2	3.5	3.6	3.8
Lumber and wood products, except furniture	3.7	4.0	5.4	6.0	5.3	2.5	2.4	3.4	4.0	3.7
Instruments and related products	18.1	14.8	14.7	16.2	16.1	9.9	8.0	7.9	8.8	9.1
Miscellaneous manufacturing and ordnance	8.7	7.1	7.0	7.2	7.6	5.7	4.2	4.1	4.2	4.1
Nondurable goods	8.2	7.9	7.9	8.1	8.1	5.5	5.1	5.2	5.2	5.5
Food and kindred products	4.5	4.3	4.6	5.1	4.8	2.6	2.3	2.5	2.8	2.8
Dairy products 1/	4.0	3.7	4.4	4.5	4.2	2.3	2.1	2.5	2.5	2.3
Bakery products 1/	5.0	3.7	4.9	4.6	5.4	2.9	2.0	2.7	2.5	3.2
Alcoholic beverages 1/	7.7	6.7	7.9	8.6	8.5	4.3	3.3	4.3	4.7	4.6
Tobacco manufactures	10.8	10.0	11.0	12.3	11.5	5.8	5.1	5.8	6.4	6.2
Textile mill products	6.0	4.5	5.0	5.3	6.1	3.4	2.4	2.7	2.9	3.4
Apparel and other finished products	4.1	3.2	3.3	4.7	4.7	2.4	1.8	1.7	2.8	2.9
Paper and allied products	8.9	8.2	8.3	7.4	7.3	5.4	4.8	4.9	4.5	4.7
Printing and publishing, except newspapers	8.5	7.6	8.0	8.7	7.2	4.9	4.3	4.6	4.9	3.9
Chemicals and allied products	12.3	12.4	12.1	11.5	11.7	7.4	6.9	7.0	6.5	7.0
Basic chemicals [1]	11.4	12.2	11.6	9.7	10.3	7.1	7.1	6.8	5.8	6.4
Drugs [1]	18.4	18.6	17.3	19.7	17.3	10.5	9.9	9.5	10.8	10.2
Petroleum refining and related industries	13.0	13.0	12.3	12.4	12.5	11.2	11.0	10.8	10.7	11.1
Petroleum refining [1]	13.2	13.1	12.5	12.4	12.6	11.4	11.2	10.9	10.7	11.2
Rubber and miscellaneous plastics products	7.6	6.8	6.0	6.3	8.0	4.5	3.7	3.4	3.6	5.1
Leather and leather products	5.3	5.7	4.1	5.3	6.1	3.0	3.2	2.1	3.0	3.4

1/ Included in major industry above.

SOURCE: Federal Trade Commission and Securities and Exchange Commission

Profits as a Per Cent of Sales, by Size of Assets, Different Branches, Apparel (knit and woven) Industry 1966

Branch of Industry	Size of Assets: Under $250,000	$250,000 to $1,000,000	$1,000,000 to $10,000,000	All Sizes
AFTER TAXES				
Knitgoods (*)	0.7%(L)	1.5%	2.6%	2.8%
Children's clothing	2.1	1.2	2.5	2.3
Men's suits and coats	1.1	1.7	3.1	3.0
Men's shirts,collars and nightwear	n.a.	n.a.	2.0	2.1
Men's work clothing	n.a.	2.7	2.0	2.3
Women's coats,suits,skirts,sportswear	1.6	1.4	2.5	2.9
Women's dresses	1.4	1.4	1.9	2.6
Men's sports clothing	1.7	1.6	1.8	2.7
Men's pants	n.a.	1.5	1.3	1.4
BEFORE TAXES				
Knitgoods (*)	0.2%(L)	2.4%	5.0%	5.7%
Children's clothing	2.9	1.8	4.7	4.2
Men's suits and coats	1.9	2.8	5.8	5.6
Men's shirts,collars and nightwear	n.a.	n.a.	3.7	3.8
Men's work clothing	n.a.	4.8	3.7	4.4
Women's coats,suits,skirts,sportswear	2.1	2.2	4.7	5.4
Women's dresses	2.0	2.2	3.8	4.9
Men's sports clothing	2.6	2.6	3.1	5.1
Men's pants	n.a.	2.7	2.7	2.7

(*) -- Other than hosiery
n.a.-- Not available
(L) -- Loss

SOURCE: National Association of Bank Loan Officers and Credit Men

Annex L

Ratios of Payrolls* and Material Costs# to Value of Shipments, Manufacturers and Jobbers, Apparel (knit and woven) Industry, United States, 1963

Branch of Industry	Payrolls	Materials	Payrolls and Materials
Men's and boys' suits and coats	36.6%	39.0%	75.6%
Men's dress shirts and nightwear	28.1	48.9	77.0
Men's and boys' underwear	22.6	56.9	79.5
Men's and boys' neckwear	25.9	50.5	76.4
Separate trousers	29.3	49.5	78.8
Work clothing	24.0	56.6	80.6
Men's and boys' clothing, n.e.c.	29.5	53.0	82.5
Women's blouses	30.3	46.2	76.5
Women's dresses	33.7	41.8	75.5
Women's suits, coats and skirts	29.4	49.7	79.1
Women's outerwear, n.e.c.	29.5	49.5	79.0
Women's and children's underwear	26.6	52.3	78.9
Corsets and allied garments	29.2	41.1	70.3
Children's dresses and blouses	33.3	42.3	75.6
Children's coats and suits	30.6	46.9	77.5
Children's outerwear, n.e.c.	29.9	48.3	78.2
Fabric dress and work gloves	26.0	52.6	78.6
Robes and dressing gowns	26.6	52.7	79.3
Waterproof outergarments	30.8	45.0	75.8
Leather and sheeplined clothing	23.9	57.2	81.1
Apparel belts	32.8	42.0	74.8
Apparel, n.e.c.	29.0	49.2	78.2
Schiffli machine embroideries	37.4	32.4	69.8
Pleating and stitching	38.0	34.9	72.9
Knit outerwear mills	28.4	51.1	79.5
Knit underwear mills	28.0	52.1	80.1
Knitting mills, n.e.c.	31.7	51.6	83.3
Fabricated rubber products, n.e.c.	29.4	44.9	74.3
Leather gloves	30.3	52.2	82.5
Artificial flowers	27.1	50.5	77.6

* Payroll includes direct payrolls of manufacturers and jobbers and indirect payrolls of contractors.

\# Material costs include materials, parts, containers, supplies, fuel and electric energy consumed directly or indirectly.

n.e.c. -- Not elsewhere classified

SOURCE: U.S. Bureau of the Census

Annex M

Average Rate of Insured Unemployment, Apparel and Related Products* and Manufacturing Industries, United States

Period	Apparel	Manufacturing	Ratio of Apparel To Manufacturing Unemployment
1956	7.5%	3.8%	197%
1957	n.a.	n.a.	n.a.
1958	n.a.	n.a.	n.a.
1959	n.a.	n.a.	n.a.
1960	12.2%	5.9%	207%
1961	13.4%	6.8%	197%
1962	11.0%	5.0%	220%
1963	11.6%	5.0%	232%
1964	10.3%	4.2%	245%
1965	8.8%	3.2%	275%
1966	7.6%	2.6%	292%
1967	8.2%	3.0%	273%
January 1967	10.5%	3.6%	292%
January 1968	10.3%	3.4%	303%

n.a. -- Not available
* Standard Industrial Classification 23
NOTE: Data not available prior to 1956

SOURCE: U.S. Department of Labor

Annex N

Average Rate of Unemployment Among Experienced Workers, Apparel and Other Finished Textile Products* and Manufacturing Industries, United States

Period	Apparel	Manufacturing	Ratio of Apparel To Manufacturing Unemployment
1957	8.0%	5.0%	160%
1958	12.0%	9.2%	130%
1959	9.6%	6.0%	160%
1960	10.5%	6.2%	169%
1961	11.4%	7.7%	148%
1962	9.8%	5.8%	169%
1963	9.6%	5.7%	168%
1964	8.0%	4.9%	163%
1965	7.3%	4.0%	183%
1966	6.0%	3.2%	188%
1967	6.5%	3.7%	176%
Jan.-April 1967	6.9%	3.8%	182%
Jan.-April 1968	7.2%	3.8%	189%

* Standard Industrial Classification 23
NOTE: Data not available prior to 1957

SOURCE: U.S. Department of Labor

Annex O

Average Hourly Earnings, Production Workers, Apparel and Related Products Industry* and All Manufacturing, United States

Year	Apparel and Related Products	All Manufacturing
1947	$ 1.16	$ 1.22
1948	1.22	1.33
1949	1.21	1.38
1950	1.24	1.44
1951	1.31	1.56
1952	1.32	1.65
1953	1.35	1.74
1954	1.37	1.78
1955	1.37	1.86
1956	1.47	1.95
1957	1.51	2.05
1958	1.54	2.11
1959	1.56	2.19
1960	1.59	2.26
1961	1.64	2.32
1962	1.69	2.39
1963	1.73	2.46
1964	1.79	2.53
1965	1.83	2.61
1966	1.89	2.72
1967	2.03	2.83

* Standard Industrial Classification 23

SOURCE: U.S. Department of Labor