TARIFF AND TRADE PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

Part 5 of 16 Parts

(May 20 and 21, 1970)

Printed for the use of the Committee on Ways and Means

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3'/

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Wyoming-Western Nebraska Regional Export Expansion Council, Elmer C. Winters, acting chairman, letter, dated June 9, 1970, to Chairman Mills 2633
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TARIFF AND TRADE PROPOSALS

WEDNESDAY, MAY 20, 1970

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

The Chair understands that our colleague from South Carolina, Mr. Gettys, would like to introduce our first witness.

STATEMENT OF HON. TOM S. GETTYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. GETTYS. Thank you, Mr. Chairman.

Mr. Chairman, gentlemen of the committee, it is my pleasure to introduce to you your first witness, one of my distinguished constituents from Camden, S.C., a very brilliant lawyer, the next Governor of South Carolina, present Lieutenant Governor of South Carolina, the Honorable John Carl West.

The CHAIRMAN. Governor West, we appreciate having you with us this morning. You are recognized, sir.

STATEMENT OF HON. JOHN CARL WEST, LIEUTENANT GOVERNOR, STATE OF SOUTH CAROLINA, ON BEHALF OF GOV. ROBERT E. McNAIR

Lieutenant Governor WEST. Mr. Chairman and members of the committee:

First of all, I appreciate the generous remarks made, of course, I am sure in a nonpartisan way, by Congressman Tom Gettys.

The CHAIRMAN. We allow those things here.

Lieutenant Governor WEST. Do you mean politics are not prohibited in the major leagues in Washington, sir?

The CHAIRMAN. Not at all, Governor. We appreciate Mr. Gettys coming with you.

Lieutenant Governor WEST. It is a privilege for me to be here today and to be able to express to you, Mr. Chairman and distinguished members of the committee, our growing concern over the difficulties that confront our domestic textile industry.

My remarks will be directed primarily at your bill, Mr. Chairman, H.R. 16920.

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I speak today in favor of this bill and on behalf of three parties to this problem—the textile industry in general, the people of South Carolina who depend upon textiles for their livelihood, and the State of South Carolina itself. The fact that all three of these interests can be represented today in a single voice indicates in itself the extent of our concern, and the far-reaching impact which this situation has on our entire State.

On behalf of these general interests, I wish to thank the committee members for this opportunity to be heard on a matter which goes to the very heart of the economic future of South Carolina and any other State which depends heavily upon the textile industry.

There is an old saying around our State which applies well to the present situation; it says that when the textile industry sneezes, the State of South Carolina catches cold, and when the textile industry catches cold, the State winds up with pneumonia.

I am no diagnositician, but I would say that we are somewhere between a bad cold and pneumonia at the present time.

Whereas, for several years the textile industry itself has been warning of the consequences of uncontrolled imports, I come to you today because those consequences are becoming realities. There is no longer a question of what may happen, or what will happen, it is a simple matter of what is happening.

Layoffs, reduction of work weeks, plant closings, and ultimate increases in unemployment are the realities in South Carolina which we are suffering as the result of the drastic increases in textile imports.

We are not a wealthy State; that revelation should come as no surprise to any member of this committee. For decades, South Carolina and its southeastern neighbors have occupied the lower rungs of the statistical ladders in the important economic indices. Paralleling these economic shortcomings have been general deficiencies in educational achievement, health and social services, and other vital aspects of the State's human development programs.

During the past decade, South Carolina has participated as an active leader in efforts to reduce these gaps through economic progress. It has spearheaded many significant accomplishments. The same statistics which rank us near the bottom economically also indicates that we have grown rapidly, and built up sizeable momentum to strike for the ultimate success we seek. It should be pointed out, however, that as we bring in billions of dollars in new industry, and tens of thousands of new jobs, we have retained a distinctly textile-oriented economy.

Through the great industrial boom of the 1960's, many new types of industries came into South Carolina, but modern textile and fiber operations continued to develop with faith that government would not allow the textile industry to be destroyed by low-wage competition. We were two-thirds textile-oriented in South Carolina 10 years ago. We are two-thirds textile-oriented today, even with much broader diversification of other industries.

The stability of the basic textile industry has been crucial to the development of textile-related fiber and chemical plants, which have provided the bulk of the investment in new industry in the State in recent years.

Thus, while some may say that South Carolina is moving away from its total dependence upon textiles, it is at the same time involving textiles directly in the building of a new economy. It would be my unqualified position at the present time that a healthy textile industry is the very basis of future economic growth in South Carolina.

The facts which confront us today, however, indicate that the health of the South Carolina textile industry is in jeopardy. Textile imports last year reached an all-time high of 3.6 billion equivalent square yards, 10 percent higher than the 1968 level, and more than double the volume only 6 years ago. This increase in imports has not been absorbed by growing markets; more than 90 percent of it has directly displaced domestic products.

In these difficult times of general economic slowdown in all aspects of our Nation's economy, it can be clearly seen that a continuing increase in textile imports will have a doubly depressing effect on the domestic industry. Already, the American textile industry reports that sales in 1969 were 0.9 percent below the 1968 level although the level of textile consumer sales has continued to rise in the United States.

Profits and earnings are generally down. Entire segments of the industry are being taken over by imports. All of this is taking place despite the fact that the textile industry in South Carolina has responded to the challenge of modernization and has fought overseas competition with the full force of its technological capability.

Please do not listen to anyone who says that American inguenity is lacking in textiles. The truth is that the Carolinas have the most modern and productive textile industries in the world.

Mr. Chairman, you have seen with your own eyes what we have, touring the Greenwood Mills. I might add that the president of Greenwood Mills is with me today, along with the president of Allison Manufacturing Co., another of our locally owned companies, and Mr. Barrett of the J. P. Stevens Co., one of the giants of the industry—all are with me today.

As the domestic industry suffers, however, the effects are being felt most directly by the individual textile worker in South Carolina. His work schedule is declining. Whereas, in 1968, he worked an average of 276 days, last year he lost an average of 7 days down to 269. That was a full week's vacation that he wasn't paid for and didn't ask for, and didn't appreciate. Similarly, in March of 1968, the average textile workweek was 42.6 hours. Two years later, it had dropped to 41.2 hours.

These reductions in work periods affect the entire industry. The most serious casualties, however, have come from the permanent layoffs. During the 13-month period ending February 1970, a total of 2,400 textile workers lost their jobs in South Carolina, and during 1968 and 1969, eight plants went out of business altogether.

In a State which has 474 textile plants, and more than 150,000 textile employees, this type of economic erosion is a desperately serious development. Another 50,000 South Carolinians are employed in garment, manmade fiber and textile machinery plants which are located in South Carolina because the basic textile industry is located in the State. So, textiles account for over 200,000 South Carolina jobs. Left unchecked, the import crisis in textiles could directly affect the economic security of virtually every person in the State of South Carolina.

The problem, of course, is not limited to a single State or region. It is a national problem, and in wrestling with the immediate issues facing us, we must look to the future implications of these present difficulties. Under Japanese leadership, the textile industry of Southeast Asia is expanding vigorously, and is concentrating primarily on the U.S. market.

At the present time, imports account for about 12 percent of the U.S. textile market, and many leaders foresee a doubling—or even tripling—of this percentage within the immediate future. The textile trade deficit grew from $1.1 billion in 1968 to $1.4 billion in 1969 and the situation has worsened in 1970. Beyond the 200,000 jobs in South Carolina, we are talking about 2.3 million jobs in the United States, and we are confronted with the fact that more than 250,000 American jobs have been displaced by the current level of textile imports.

It is important to realize that we are discussing more than numbers in a statistical chart. We are discussing lives, and we are discussing some very important lives. We are discussing homes and families dependent upon textiles for generations.

We are discussing economic opportunity for many persons who may have difficulty finding employment outside the textile industry. Textiles is a business which relies heavily on semiskilled workers, workers who do not have the type of occupational dexterity and mobility that others may have. Many of the textile workers in South Carolina are older—beyond the age they can undergo major retraining. Almost 40 percent of them are women; 20 percent of the textile workers in South Carolina—some 30,000 persons—are black.

The textile industry in South Carolina, and I am told throughout the State, has taken the lead in trying to provide opportunities and jobs for black Americans. Their level in employment in the last 3 or 4 years has been tremendous. Unfortunately, when the pinch comes, and the normal practice is followed of laying off the last hired, it hits the black people hardest. Therefore, this textile import situation has a doubly depressing effect upon our race situation and the opportunity of black Americans in South Carolina.

As a State whose average per capita income level is below $3,000, South Carolina can ill-afford to suffer a further deterioration of its textile industry.

Far from denying these people jobs, our Nation should set about to open new and better economic opportunities for all its people. There are more than 200,000 families in South Carolina whose income is less than $3,000 per year. I believe that is the accepted poverty standard.

Their future is dependent upon economic expansion, and not economic contraction—of our State.

We project a normal economic growth rate of about 10 percent in our State. We gear our budget to it. When that doesn't happen, we run into a deficit and that means increased taxes which none of us politicians, especially in an election year, like to start talking about. I am sure members of this committee are familiar with that problem of increasing taxes when speaking to the public.

At a time when our State, and the Nation—is seeking to solve the problems of its low-income citizens, it is distressing to observe the systematic deterioration of an industry which holds such a key to their future.

Our concern, however, goes beyond the welfare of the textile industry, and its employees. As I stated at the beginning of my remarks, I represent a third interested party to this problem—the State of South Carolina itself. The entire operation of our State government, including education, health, welfare, transportation, and all the many other facets of our concern, depends upon the continuing well-being of our textile industry.

As an example, the loss of 2,400, in the past year, jobs due to increased imports has resulted in $12.2 million in lost payroll income, not counting many thousands of new textile jobs which would have opened up with textile expansion if imports had not crippled the industry.

The decline in the average workweek from 42.6 hours to 41.2 hours over the past 2 years cost textile employees some $37 million in payrolls and resulted in heavy reduction in revenues for the State. These are tangible losses South Carolina has suffered—not just the textile industry and its people, but all those persons in South Carolina who receive services from the State. These are losses which are felt in the classroom, in the clinic, and in the kindergarten. Often a teacher pay increase depends upon whether the textile business in our State is good or bad.

Only a few weeks ago, an announcement was made in one of our coastal areas that a textile manufacturing corporation had delayed construction of a major plant because of the import problem. This plant would have provided 500 jobs in a section of our State which badly needs new employment opportunities. This one plant alone would have generated $3.6 million in new personal income, $1.7 million in new retail sales, $1.2 million in new bank deposits. This particular area of our State is part of the Coastal Plains Commission program, a three-State regional compact which has been designated by the Federal Government as a target area for economic development.

This has been recognized by the Federal Government as an area needing economic development, yet, we witness firsthand how the economic expansion of the area has been slowed down directly by the problems of the textile industry.

The present administration—similar to the last—professes concern for our problems. The present administration—similar to the last—has refused, however, to take the necessary steps to do anything about our problems despite a promise, in writing, in a telegram sent to Senator Strom Thurmond in South Carolina on August 21, 1968, to provide "prompt relief." That was 21 months ago.

Administration spokesmen who have preceded me in testifying before this committee have said nothing to indicate any real change in this do-nothing stance.

Mr. Gilbert, the President's special advisor on this subject, has recommended that no quotas be imposed. Secretary Stans is again asking for delay—just as in the past.

I submit, gentlemen, that the only way any results will be forthcoming is for this Congress to wield a sufficiently large legislative club to force, and I emphasize the word "force"—the administration to the recognition that the only alternative to acceptable administrative relief is definitive legislative relief.

The Japanese have made it abundantly clear that they will not move until they have to, and this makes sense from their point of view.

Unfortunately, our negotiators appear to need something of this same prod. This legislation offers them the most effective possible weapon if they really seek voluntary restrictions and yet all they seem to ask of the Congress is delay.

If what they need to reach agreement is only a little more time there is no real need for legislative delay. In the normal course of legislative action, Congressman Mills' bill cannot become law for a substantial period of time—ample time for voluntary agreement, if that be possible.

As it makes its way through the legislative process, its increasing imminence will provide our negotiators with the best possible weapon they could possess—if a strong negotiating position is what they really want.

Should voluntary agreement prove impossible within the "little more time" sought by the administration, then Congressman Mills' bill proceeding through the Congress without delay would then provide the legislative relief that is the only alternative to effective administrative action.

I respectfully urge that you act promptly and affirmatively on this bill.

Thank you, Mr. Chairman.

The CHAIRMAN. Governor West, we thank you, sir, for coming to the committee and giving us this very fine statement of your position and the effect of the problem upon your own State and the people of your State. You have done a very fine job in presenting that point of view.

Mr. Burke.

Mr. BURKE. I would like to make the observation that Governor West has made an excellent presentation.

Of course, you came here highly recommended by Congressman Dorn, Congressman Gettys, and many others.

Lt. Governor WEST. It is good to have prejudiced friends.

Mr. BURKE. We appreciate your testimony. You have pointed out very graphically what has happened to industry in your State. I know this will have a great bearing on the decisions this committee will make.

Lt. Governor WEST. Thank you, Mr. Burke.

The CHAIRMAN. Are there any further questions?

Governor West, if you will, please relay my very warm personal regards to Governor Bob McNair when you see him.

Lt. Governor WEST. I certainly will.

The CHAIRMAN. Thank you very much for coming to the committee.

Our next witnesses are representatives of the American Textile Manufacturers Institute: Mr. McCullough, Mr. Dent, Mr. Jackson.

Will you please come forward?

STATEMENT OF DONALD F. McCULLOUGH, PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE; ACCOMPANIED BY FREDERICK B. DENT, CHAIRMAN, INTERNATIONAL TRADE COMMITTEE, AND ROBERT C. JACKSON, EXECUTIVE VICE PRESIDENT; ROBERT BOOTH, CHAIRMAN, NORTHERN TEXTILE ASSOCIATION; MORTON H. DARMAN, CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS; AND MERLE C. ROBIE, CHAIRMAN, EXECUTIVE COMMITTEE, CORDAGE INSTITUTE

Mr. McCullough. Mr. Chairman, I would like to introduce my team here today, if I may: Mr. Frederick B. Dent, president, Mayfair Mills, and chairman of ATMI's international trade committee; Mr. Robert Jackson, executive vice president, ATMI; Dr. Buford Brandis, international trade director, ATMI; Mr. Robert Booth, vice president, Kendall Co., and chairman, Northern Textile Association; Mr. Morton Darman, on my right, president of the Top Co., Boston, Mass., and chairman of the board, National Association of Wool Manufacturers; Mr. Jack Crowder, president, National Association of Wool Manufacturers; Mr. James Fry, executive vice president, American Yarn Spinners Association; Mr. Merle Robie, executive vice president, Columbia Rope Co., and chairman of the executive committee, Cordage Institute; Colonel J. M. Chambers, Washington representative, Cordage Institute; and Mr. Bill Sullivan, president, Northern Textile Association.

Mr. Chairman and members of the committee:

I am Donald F. McCullough of New York City, president of Collins & Aikman Corp. I appear before you today in my capacity as president of the American Textile Manufacturers Institute, the major trade association of the U.S. textile manufacturing industry.

At this time, Mr. Chairman, I would like to request of the committee the privilege of presenting all of our formal testimony and then responding to questions.

The Chairman. The Chair agrees with the gentleman. That is the better way to proceed.

Without objection, we will hear all of your testimony.

Mr. McCullough. Thank you, sir.

The ATMI represents some 85 percent of the spinning, weaving, and finishing capacity in the cotton, silk, and manmade fiber sectors of the industry, with member companies located from Maine through Texas.

In response to the chairman's request in the announcement of these hearings, this testimony begins a joint presentation on a consolidated basis by key textile trade organizations. In addition to ATMI, these include the American Yarn Spinners Association, the Cordage Institute, the National Association of Wool Manufacturers, the National Knitwear Manufacturers Association and the Northern Textile Association; also the Alabama, Georgia, North Carolina and South Carolina Textile Manufacturers Associations.

The American Yarn Spinners Association of Gastonia, N.C., is the central trade organization for combed and carded cotton, man-made fiber, and blended sales yarn producers with 200 member mills in several States.

The Cordage Institute represents virtually all U.S. rope and twine production. The National Association of Wool Manufacturers is the national trade organization of the wool textile industry, having companies in 32 States. The National Knitwear Manufacturers Association represents manufacturers of underwear, nightwear and allied products in 22 States. The Northern Textile Association represents man-made fiber, wool, and cotton mills located principally in the northeast. The Alabama, Georgia, North Carolina, and South Carolina associations represent the basic textile mill industry in their respective States.

The industry manufactures a wide range of textile articles and those are correctly defined, in H.R. 16920 and companion bills introduced by some 200 members of the House, including a majority of this committee. They are: top, spun yarn, fabric, apparel, cordage, man-made staple fiber, filaments, and filament yarns, and all other textile manufactures whether of cotton, wool, man-made fiber, or silk, or any combination or blend thereof.

NATIONAL ASSET JEOPARDIZED

To conserve the committee's time, my testimony will be confined to outlining some of the major reasons why action is needed now to bring textile imports under reasonable restraint. Some of my associates will then discuss in more detail the components of what become a most critical domestic and international problem.

We submit, Mr. Chairman, that the American textile-apparel industry, with its 2.4 million employees along with the additional hundreds of thousands of people engaged in the allied activity of cotton, wool, and man-made fiber production, is far too valuable a national asset to be traded off to foreign producers.

We appreciate as well as anyone that questions of international trade policy must be weighed carefully in the light of overall foreign and domestic economic and diplomatic policy. We do not want to see a so-called "trade war" any more than anyone else does, and there is no reason in the world why one should occur.

But the textile import problem has been unresolved for so long, and the accelerating impact of virtually unlimited volumes of low-wage textile imports is so great, that the future course of one of this Nation's most basic and essential industries is being shaped not here, but in Tokyo, Hong Kong, Taipei and other overseas areas.

This is a problem that transcends any narrow geographic boundaries, partisan political considerations, or any particular product category. The basic issue, in simplest terms, is the very future of this industry and whether it will continue to function as one of the country's major sources for employment of men and women at all skill levels, as a customer for great amounts of supplies and services that sustain jobs in many other industries, and as a major consumer of important agricultural products.

That is why the administration has spent the past 15 months in a concerted effort to negotiate voluntary agreements with other textile nations on sharing the domestic market in a way that will sustain and expand the American industry's growth.

That is why you, Mr. Chairman, have taken such a continuing interest and now, with some 200 of your colleagues, have moved ahead with this legislation as the only reasonable solution to this long-festering problem.

That is why all segments of the textile industry, including manufacturers, organized labor and all who comprise the fiber-textile-apparel complex are wholeheartedly behind your efforts to legislate a meaningful, long-range solution.

UNENDURABLE IMPORT PENETRATION

But time is running out. No industry, no labor force, no nation can long endure the type and trend of low-wage import penetration which is assaulting the textile industry. And no nation that wants to preserve such a vital asset as this industrial-agricultural complex represents, should be expected to permit the import situation to get so out of hand.

In less than 10 years we have seen a tripling of textile imports, creating a mammoth textile trade deficit now running well over $1 billion.

The raw cotton industry is being battered by a volume of cotton textile imports which are equivalent to more than 1 million bales of cotton annually.

Man-made fiber textile imports have leaped geometrically, from 221 million square yards in 1963 to double that amount in 1965, then double again to 934 million in 1967, and double again to 1.8 billion yards in 1969.

Wool imports have also increased relentlessly. Today, one out of every 4 yards of wool products sold in the United States is of foreign origin.

What does all this mean in lost production, and in lost potential? For one thing, obviously, it has meant lost job opportunities for thousands upon thousands of American men and women. The import volume in 1969 alone represented the displacement of well over a quarter of a million American textile and apparel jobs.

ENTIRE ECONOMY AFFECTED

This is not a regional problem, but a national one that strikes at the heart of our entire economy.

My own company is headquartered in New York City. In our town, some 270,000 people are employed in the textile and apparel industry. The textile-apparel payroll of $1.7 billion in New York City is about equal to the city's annual welfare bill, as it was last year. More and more textile-apparel workers will be showing up on those welfare rolls unless the process of large-scale job transfers via imports is halted.

The several rather unique characteristics of the textile industry—its size, dispersion, its many competitive centers of initiative—have important social and economic significance for this country's future. It has been refered to as a "gateway industry," for example, because it offers opportunities for people of diverse skills and talents to hold down good jobs—ranging from those who can be trained in just a few weeks to scientists, engineers, data processors and other highly specialized technicians.

The industry employs an unusually large number of black Americans, considerably more than the national manufacturing average. Minority employment is increasing at a faster rate in textile mills than the average for all types of manufacturing.

We offer broad opportunities to women, likewise. Many women in textile and apparel occupations gain supplemental income for families that simply could not make it otherwise. The Labor Department reports that 80 percent of the apparel workers and 43 percent of the textile workers are women. This is a fact not generally appreciated. Where would these thousands of women turn if it were not for their textile and apparel jobs?

EMPLOYMENT DECLINES

This is why we are so distressed when the labor force drops by 59,000 jobs in a little over a year—as it has done—and our industry is forced to cut back substantially on operations and on investment in the new plants and equipment necessary to create the jobs of the future.

Large-employment industries such as textiles, apparel and footwear, that have a high increment of labor in the cost of their finished products, cannot avoid being particularly hard hit by concentrations of imports in unchecked amounts. Let me mention just two or three examples of the kinds of situations happening at this very moment throughout the textile industry.

One is plant closings. No doubt you of the committee are aware that these have been reported extensively in the press and they continue to occur.

Secondly, many companies are being forced to reduce their workweek. Much of the basic textile-manufacturing structure is geared to operate three shifts 6 days a week—this has been the historical pattern for many years. Countless employees depend on that sixth day, at overtime pay, for extra money to make their payments on homes, cars, TV sets, refrigerators or what other necessities and luxuries they want. Cutting off this sixth day hurts them individually and, of course, slashes into the total economy of their communities.

Third, outlays of funds for plant and equipment are being either curtailed or postponed. These reductions have been substantial over the past 3 years. Yet, modernization is essential for any company that hopes to stay competitive and keep its employees on the job.

UNCERTAINTIES OF THE FUTURE

With markets and manufacturing operations constantly being washed away by imports and nobody able to foresee where it all will end, the textile-apparel industry faces an uncertain future. Yet, any business seeking to move forward in America's dynamic, competitive environment needs to set clear future goals.

Managements must make crucial long-range decisions. Money decisions: what they can afford to spend and whether they can earn it back.

Sound judgment are impossible to reach for textile executives who do not know when and where to expect the next attack from abroad. I can tell you from personal experience, Mr. Chairman, that this cloud of doubt, of wondering what may happen next in imports, hangs over almost every meeting of textile company directors when forward plans are discussed.

If the items entering this country in such volumes were better designed or more attractive, more durable or more efficiently produced, we would have little reason to object. But the vast majority of imports sell here primarily because they are cheaper; and they are cheaper for one reason only—they are made at wages and under working conditions that would be illegal and intolerable in this country.

Only until and unless the textile industry gains some measure of assurance that imports will not indefinitely go on gaining a larger share of the American market, can our industry look to the future with confidence. This whole Nation stands to gain—in terms of broadening job opportunities, the buttressing of industries allied to textile activity, and the generation of economic activity in hundreds of cities and towns—if the import problem can be alleviated.

REASONABLE SOLUTION OFFERED

It is our opinion that H.R. 16920 provides the framework for an eminently fair and reasonable solution, by assuring both domestic and foreign producers opportunities for sharing in the growth of the American textile market.

U.S. textile import policies under H.R. 16920 would remain so generous relative to those of other members of the General Agreement on Tariffs and Trade that there should be absolutely no reason for any nation to retaliate against us or claim compensation from us.

We are well aware that certain textile exporting nations—Japan, in particular—might threaten to reduce their buying of our raw cotton, soybeans, wheat or other commodities if their textile shipments to the United States were brought under orderly control. Contentions that this might happen do not hold up, however, in light of the realities of international trade as it actually is practiced today.

You can look at the trade in commodity after commodity and see that there is little, if any, relationship between what a major exporting country like Japan buys from us in relation to its textile shipments to us. The record shows quite clearly that Japan buys her raw materials wherever and whenever she can get the best deal, with no evident regard for her exports to a given country.

Take cotton, for example. We have seen our exports of raw cotton to Japan decline steadily during the past 10 years—the very time that we have experienced such a phenomenal rise in textile imports. On the other hand, Mexico, which permits virtually no textile imports from Japan, sold Japan more cotton last season than the United States did. I am not aware of any trade war between Mexico and Japan.

CONSUMER INTEREST

Another contention is that import restraints will bring an automatic increase in the price of textiles to consumers. This is either a misrepresentation of the bill's objectives or a misunderstanding of economic reality. First, there is nothing in the legislation that necessarily would alter substantially existing relationships between foreign and domestically produced textiles in the U.S. market.

Moreover, import growth is permitted and anticipated. So how can it be valid that prices automatically will increase?

But there is an overriding consideration. It is that the U.S. textile industry historically has been and remains one of this country's most competitive big industries. Unlike some other major industries where a few companies dominate production and distribution, textiles is composed of hundreds of efficiently operated competitive companies constantly vying with one another for the business at hand.

Maintaining a highly competitive, expanding domestic textile-apparel industry is the consumer's best assurance that he or she will receive quality textiles at reasonable prices. It is this competition to attract consumer's interest and to cater to their needs and wishes that has created in America the world's greatest textile market.

However, when any segment or large part of that market falls under foreign domination, the competitive influence on prices can be lost. Let us look at one area where this has happened. Prices of silk products have leaped 69 percent since 1957–59. The U.S. market for raw silk and silk textiles is dominated by foreign suppliers. Once any foreign interest gains this kind of domination, provisions of U.S. law for protection of consumers and employees alike—antitrust regulations, prohibitions against conspiracy to fix prices, wage and hour laws and so on—no longer prevail.

And in looking out for the consumer's interest, we must never forget that in order for a person to be a consumer, he must first be an income earner.

It is high time, Mr. Chairman, to end the present insanity of exposing the American home market to indefinite, no-end-in-sight increases in textile and apparel imports from countries that have no obligation whatsoever to feel any legal or moral responsibility toward American employees, consumers, or communities.

This your bill can do. Thank you for this opportunity to present our views.

Now, with the chairman's permission, I would like to call on Mr. Frederick B. Dent, president of Mayfair Mills, Arcadia, S.C., and chairman of ATMI's International Trade Committee, to present in visual fashion the compelling facts and trends which make the import problem so intolerable for our industry.

The CHAIRMAN. Thank you, Mr. McCullough.

Mr. Dent, you are recognized.

STATEMENT OF FREDERICK B. DENT

Mr. DENT. Thank you, Mr. Chairman and members of the committee.

If we take the textile and apparel industry as a unified complex, it forms one of the key elements of the foundation of the American economic structure. It not only provides products which are essential to people, vital to national defense, but also livelihoods and economic activity to hundreds of communities, both rural and urban throughout the United States.

It employs 2.4 million people on a payroll totalling $10.8 billion a year, and pays in Federal, State, and local taxes, $2.5 billion a year.

(See chart, page 1224.)

Mr. DENT. In addition to these direct contributions, it is also a major factor involving other elements in our economy. The textile and apparel industry purchases $4 billion of fibers a year. That is two-thirds of the production of 300,000 cotton farms in the United States, and all of the domestically-produced wool.

It spends $630 million a year for plants and equipment; $240 million for packaging products; $600 million for chemicals and dyestuffs; $420 million for power and fuel; $100 million for trucking services.

In addition hundreds of thousands additional jobs in the United States depend on the economic health of this industry.

(See chart, page 1227.)

Mr. DENT. In the United States there are 20 million manufacturing employees. Of these, 2.4 million are in textile and apparel. This represents one out of every eight industrial jobs in the United States.

The United States depends upon industrial employment almost more than any other nation for the livelihood of its people. We cannot afford to see a decline in industrial jobs; rather we need additional jobs.

(See chart, page 1227.)

Mr. DENT. On this chart you can see that black employment in the textile industry averaged 3.3 percent in 1960. By 1969, this had grown to 12 percent as compared with a 10 percent average for all U.S. industry.

The rate of growth during this 9-year period in the textile industry is four times greater than all U.S. industry.

Furthermore, the textile industry employs 45 percent women. The apparel industry employs 80 percent women, as compared with 27 percent in all U.S. industry.

The textile industry offers tremendous opportunities to a diverse, broad section of American employees.

(See chart, page 1228.)

Mr. DENT. The next chart depicts the growth, on the upper line, of imports from 1958 through 1969 when it reached a level of $2.1 billion. The bottom line shows our exports which have been virtually level.

The result of this growing import trend has been a widening trade deficit. The question is: How much will this grow, and how much can the United States afford to have it expand?

(See chart, page 1229.)

Mr. DENT. Much of our trade is done with Japan, which has the most restrictive international trade policy of any major trading nation in the world. Yet, at the same time, she insists that the United State maintain an open-market policy.

This next chart indicates in 1968 that we accepted from Japan imports totaling $478 million, while at the same time it received from the United States exports totalling only $11 million.

In 1969, this figure had grown to $540 million, and our exports to Japan had grown to only $15 million.

By comparison EFTA, for instance, accepted from Japan $45 million worth of Japanese exports while exporting to her $36 million worth of goods; and the Common Market accepted $59 million from Japan and exported $35 million to Japan.

(See chart, page 1230.)

Mr. DENT. No other country or group of trading nations affords Japan the trade advantage that the United States does. This chart does not bespeak the difference totally. The August 28, 1969, issue of a Tokyo newspaper indicated that 25 percent of Japanese textile exports came directly to the United States; whereas, about 10 percent more came to the United States after shipment to Korea, Hong Kong, Taiwan, or other third countries for further processing.

The next chart shows that imports into this country generally have a great advantage in that they are produced at wage rates which are well below the minimum wage permitted in the United States.

This chart shows that U.S. textile wage rates average $2.43. In Japan, the major contributor to this market, the wage exclusive of fringes, is 45 cents. Ours are more than five times greater than Japan, and almost eight times as much as Hong Kong and these other nations show a disparity even greater than these levels.

(See chart, page 1231.)

Mr. DENT. Frequently, the impression is given that industrial progress throughout the world is narrowing the wage gap between the United States and other nations.

This chart indicates that the wage differential between Japan and the United States in 1960 amounted to a total of $1.44.

By 1970, contrary to these popular opinions, the wage gap had widened 37 percent, to a total of $1.98 per hour.

(See chart, page 1232.)

Mr. DENT. This chart in unit volume indicates the growth of textile imports from 1958 through 1969. We have to go back to 1959, 10 years ago, when the level was 976 million yards which at that time was a new record.

By 1969, this had quadrupled to a total of 3.7 billion square yards.

During the first quarter of this year, imports are running at an annual rate of 4 billion yards per year.

(See chart, page 1233.)

Mr. DENT. This chart shows the importance of the woolen segment of the imports. Although by a square-yard basis it is relatively smaller compared to the others, this indicates that in 1969, $406 million worth of woolen products came into this country, representing 25 percent of consumption in wool and 50 percent in worsteds.

(See chart, page 1234.)

Mr. DENT. Any voluntary agreement which is negotiated that does not cover all fibers across the board merely encourages the substitution of other fibers.

As you know, the long-term cotton textile arrangement which was negotiated under the Kennedy administration did not include fibers other than cotton.

This graph shows the rapid switch to man-made fibers on the green line, and last year, for the first time, man-made fiber imports exceeded cotton imports.

If these are not restrained, the growth rate can be anticipated to continue at this rate indefinitely into the future.

(See chart, page 1235.)

Mr. DENT. One of the most discouraging aspects of this trade problem is that relating to investment in new plants and equipment. No industry can stand still. It must modernize and innovate. This can only be accomplished through confidence brought about by proper trade relations.

Here you see in 1962 when the long-term cotton textile arrangement was negotiated, the industry was investing at a rate of $380 million a year. Confidence was restored through this negotiation, and we see investment going up as high as $820 million in 1966.

Since then, a lack of confidence has prevailed and you can see the decline which has occurred. This must be rectified if the future is to be as promising as it can be.

(See chart, page 1236.)

Mr. DENT. During the period from 1958, textiles have done a remarkably fine job in keeping pace with wage increases. Despite an increase of 58 percent in wages, the blue line, and the cost of other supplies going into the manufacturing processes, the wholesale price index for textile products, as indicated by this red line, has gone up only 1 percent.

I doubt that there is another industry in America which can indicate a record as fine as this in fighting inflation.

(See chart, page 1237.)

Mr. DENT. And yet, this is brought out more clearly as we look at this next chart comparing the wholesale price index for all manufactured commodities, which has gone up 13 percent, from the 1957–59 level, to textiles which rose only 1 percent.

(See chart, page 1238.)

Mr. DENT. The textile industry, whether measured by profits as a percentage of sales, or percentage earned on equity is substandard as compared with all U.S. manufacturing.

Here are the figures for 1969. On sales, after taxes, textiles earned 2.9 percent, whereas, all manufacturing industries in the United States averaged 4.8 percent.

Calculated on equity, it was 7.9 percent for textiles, and 11.5 percent for all U.S. manufacturing industry.

(See chart, page 1239.)

Mr. DENT. Mr. Chairman, gentlemen of the committee: Today, the industry faces a fork in the road. One course leads downward; the other to a more confident, more active future. Which way the industry takes is a decision in which the entire Nation has a stake, and it will depend in large measure on what is done about restraining imports.

World textile trade has become increasingly unbalanced because the United States is the only remaining relatively free market on earth.

We are taking an inordinate share of the world's textile exports. The result: The textile trade deficit widens every year. The wage gap grows broader. The technological gap narrows. Capital investment by the American industry is inadequate. Each of these factors is contributing to a reduction in the job-producing potential of this vast industry.

The textile-apparel complex has tremendous potential for sustaining and, indeed, developing employment opportunities in those areas of the country and among those people most in need of them.

It can realize this potential if its growth is not stunted by the sky-is-the-limit imports. The answer will come through trade agreements encouraged by law.

The textile industry does not ask that all imports be shut off. Instead, H.R. 16920 would result in flexible import controls with adjustments up or down in the import levels to correspond with increases or decreases in domestic consumption.

This is a reasonable approach and generous when compared to the restrictive practices of other countries. It would provide foreign nations and the domestic industry equitable access to the U.S. market as that market continues to be developed through the ingenuity and promotional efforts of American manufacturers.

The CHAIRMAN. Thank you, Mr. Dent, for a very interesting statement.

(The chart presentation and the charts referred to follow:)

CHART PRESENTATION—TEXTILE TRADE

Chart 1.—Taken together as a single industrial complex, textiles and apparel manufacturing form a key foundation element in America's economic structure. Not only does this industry make products essential to people and vital to national security, but it fills a primary role in providing livelihoods and economic activity for hundreds of communities, large and small, urban and rural, throughout the land.

The textile-apparel industry directly employs some 2.4 million men and women, in a broad range of occupations. It pays its employees close to $11 billion a year. It generates revenues for government—more than $2.5 billion in federal, state, and local tax revenues.

TEXTILE-APPAREL INDUSTRY

A MAJOR FACTOR IN U.S. ECONOMY

- JOBS-2.4 MILLION
- PAYROLL-$10.8 BILLION
- FEDERAL, STATE AND LOCAL TAXES - $2,500,000,000

Chart 2.—The industry's impact on the economy of the United States goes even further. In a normal year it buys $4 billion worth of fiber, including two-thirds of the output of this country's 300,000 cotton farms and all of the domestically produced wool; $600 million worth of chemicals and dyestuffs; $630 million in plant and equipment and millions more for other supplies and services. Obviously, additional hundreds of thousands of jobs are dependent upon the textile-apparel industry.

TEXTILE-APPAREL INDUSTRY

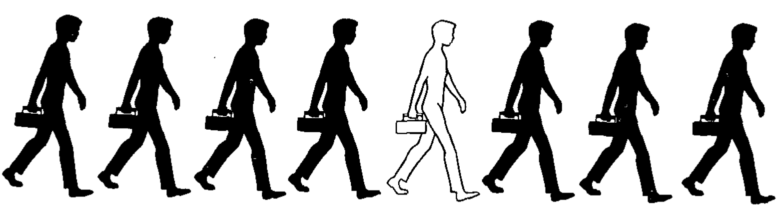
A MAJOR FACTOR IN U.S. ECONOMY

PURCHASES ANNUALLY

- FIBERS - $4.0 BILLION
- PLANT AND EQUIPMENT - $630 MILLION
- PACKAGING PRODUCTS - $240 MILLION
- CHEMICALS & DYESTUFFS - $600 MILLION
- POWER AND FUEL - $420 MILLION
- TRUCKING SERVICES - $100 MILLION

Chart 3.—Of the 20 million manufacturing employees in this country, the textile-apparel industry directly employs 2.4 million, or one in every eight. A broad employment base such as this comprises a national asset of top importance because the United States stands near the head of the list of nations depending on manufacturing activity for employment of the labor force. To accommodate the great numbers of people involved, our country needs more manufacturing occupations, a vigorously expanding industrial employment level.

ONE IN EIGHT OF ALL U.S. MANUFACTURING JOBS IS IN TEXTILES & APPAREL



ALL INDUSTRIES	TEXTILE & APPAREL INDUSTRY
20.1 MILLION	2.4 MILLION

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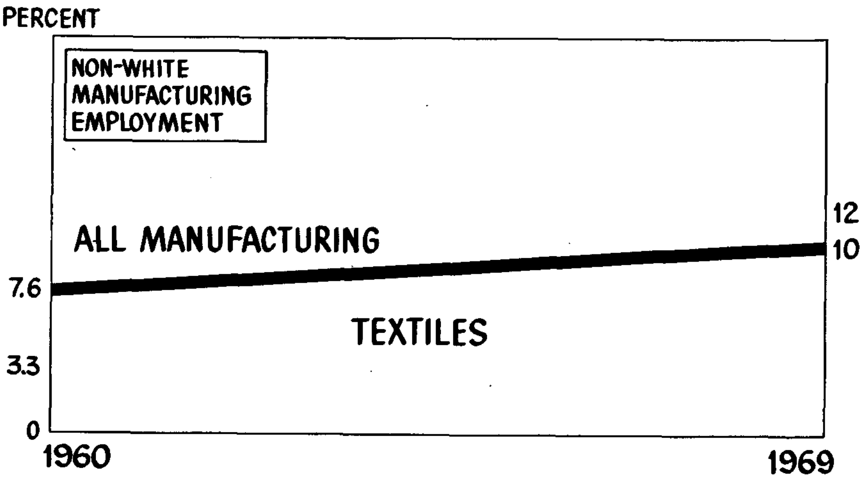
Chart 4.—As you can see in this chart, non-white employment in the textile industry has grown from 3.3 per cent in 1960 to 12 per cent currently, whereas the present level for all manufacturing is 10 per cent. Negro employment in the textile industry has advanced four times faster than the national average for all manufacturing since 1960—and in certain textile areas the percentage of black employees is much more concentrated, running as high as 40 per cent.

Another significant aspect of textile-apparel employment is the number of women involved. Women constitute about 45 per cent of the textile labor force and 80 per cent of the apparel workers. This compares with the all-manufacturing average of 27 per cent. In terms of opportunities for people, regardless of race, regardless of sex, regardless of educational background or their lines of interest, the textile-apparel industry is remarkably unique as to what it can offer—that is, provided it has a reasonable chance to grow and progress along with the nation's economy as a whole.

SOCIAL AND ECONOMIC IMPACT OF TEXTILE JOBS



Source: U.S. Department of Labor

Chart 5.—The upper line on this chart shows how imports have been rising. This is shown in terms of dollars—the foreign market price of textiles and apparel, which had soared to \$2.1 billion in 1969 and keeps going higher. The lower line shows the total dollar value of textile and apparel products exported from the United States to other countries.

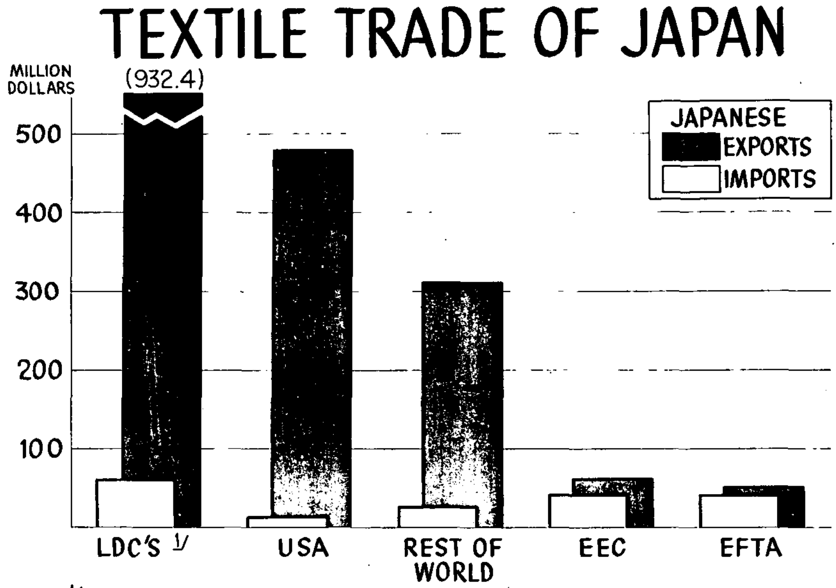
You would have to go all the way back to 1957 to find a time when the United States had a favorable textile trade balance. The result is a constantly widening textile trade gap—it is getting bigger every year. Where will it end? Can the United States afford to see this gap keep growing indefinitely?

Chart 6.—Much of this trade gap is accounted for by Japan. Japan has some of the most restrictive trade regulations in the world to protect its own markets, but at the same time seems to feel it should have completely free access to our market. In 1968, Japan had a favorable textile trade balance of \$1.7 billion. It sent \$478 million worth of textiles to the United States while importing only \$11 million from us. (In 1969 we received \$540 million worth of textiles from Japan, while we exported only \$15 million worth to her.) On the other hand, the European Free Trade Association nations received \$45 million in textiles and exported \$36 million worth to Japan. The European Economic Community imported \$59 million worth of textiles from Japan while shipping it \$35 million worth.

No other developed nation, nor trading group, provides Japan with the favorable trade balance that we do. But this does not tell the entire story.

Included among the LDC's are such countries as Hong Kong, Taiwan, and Korea. Much of what they process and export to the United States was originally produced in Japan. According to the August 28, 1969 issue of Tokyo's *Asahi Eve-*

ning News: "A quarter of Japan's total textile production was exported to the U.S. last year. The percentage, however, is believed to be about 10% higher if textiles exported indirectly to the U.S.—those exported to other countries which in turn export to the U.S. after processing them—are included."



1/ Economic Class II Countries
Source: United Nations

Chart 7.—Items made abroad at wages far below the legal U.S. minimum give foreign producers cost advantages that cannot be overcome even by superior American efficiency. U.S. wages are 5 times higher than in Japan and about 8 times greater than in Hong Kong, while Korea, Taiwan and other Asian countries show a wider disparity.

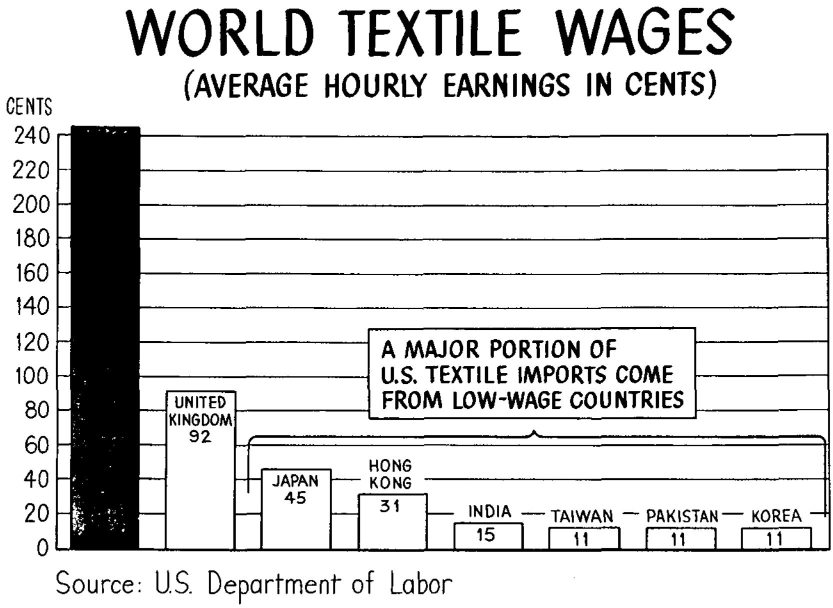
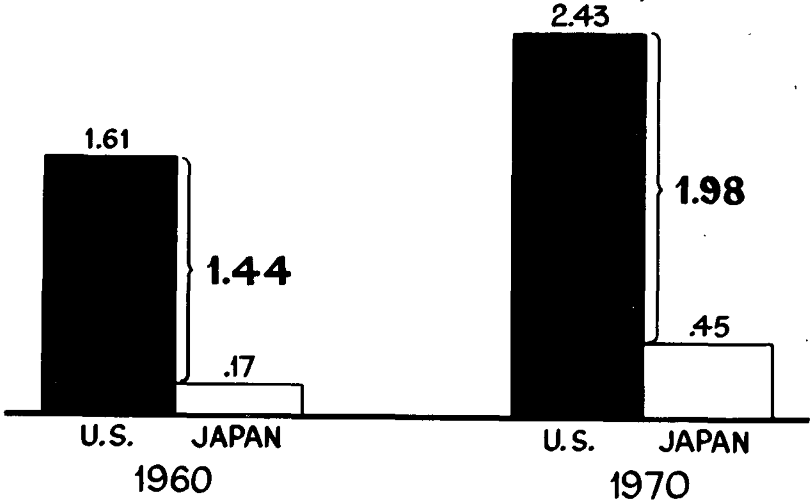


Chart 8.—Contrary to claims often heard, the wage gap between the United States and its major foreign competitors is not narrowing, but widening. This chart shows that the gap with Japan in 1960, for example, was $1.44. In 1970 it is up to $1.98—a 37 per cent increase in the gap. Japan's textile wages could have been increased 100 per cent or more but the actual dollars-and-cents amount of rise fell far short of the increase in wages that has taken place in the United States. And, Japan pays the highest wage of the Asian nations.

U.S.-JAPAN WAGE GAP WIDENING
(HOURLY $ TEXTILE EARNINGS)

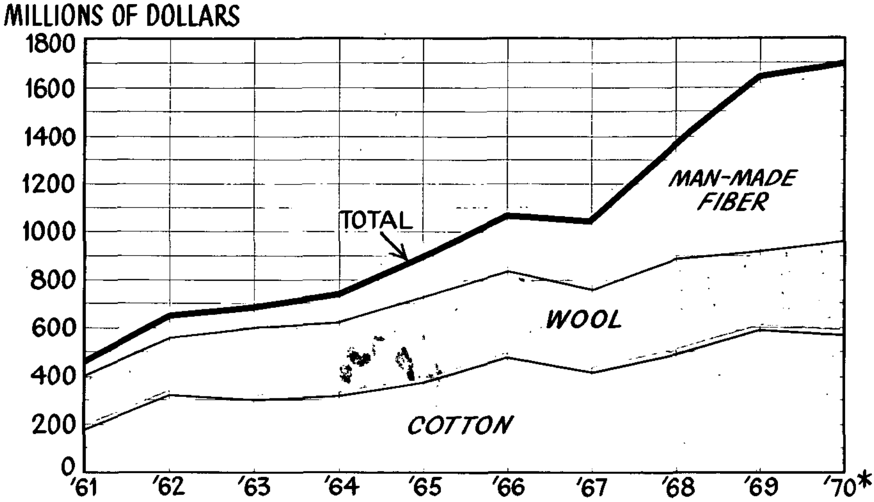


Source: U.S. Department of Labor

Chart 9.—This chart shows the import picture in volume of items instead of dollar values. You can see that in a 10-year period this volume has swollen fourfold from 976 million yards in 1959—then an all-time record—to nearly 3.7 billion in 1969. During the first months of 1970 the flow grew still larger, reaching an annual rate of nearly 4 billion yards. In this context wool textile imports look small by comparison, but the next chart puts the volume of our wool imports in better perspective.

Chart 10.—You can see, for example, that wool and worsted items that came in during 1969 accounted for $406 million. Wool textile imports have captured a quarter of our domestic market, and, in the case of worsteds, 50%.

UNITED STATES IMPORTS OF COTTON, WOOL AND MAN-MADE FIBER TEXTILES



Data: U.S. Dept. of Commerce * 1st Quarter Annual Rate

Chart 11.—When any plan for controlling the flow of shipments fails to cover all textiles regardless of fiber content it only shifts the burden of imports from one area to another. This happened under the cotton textile arrangement, known as the LTA. It was not geared to dramatic changes in fiber use that occurred after it was negotiated during the Kennedy Administration. Imports of textiles and apparel manufactured from man-made fibers sky-rocketed so fast that they now exceed those of cotton products. Unless restrained, man-made fiber textile imports can be expected to continue to take over larger shares of this important market.

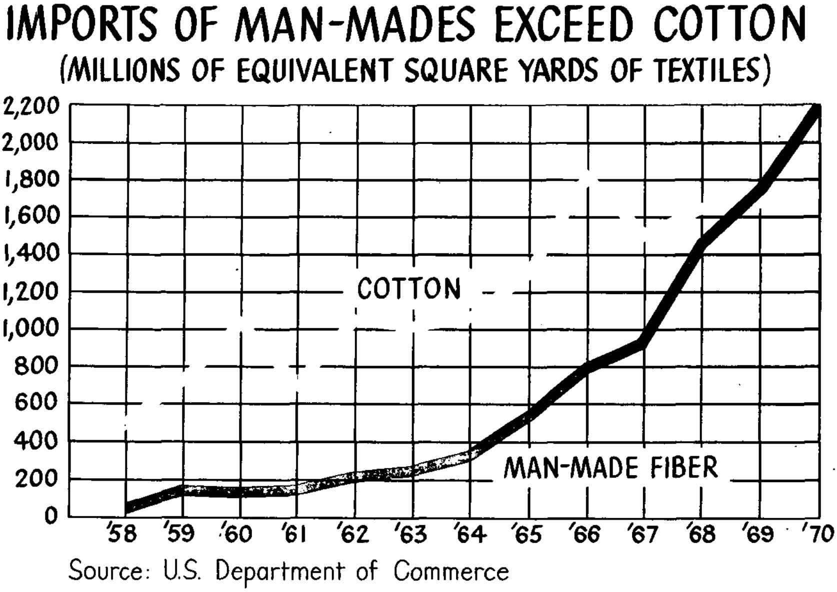
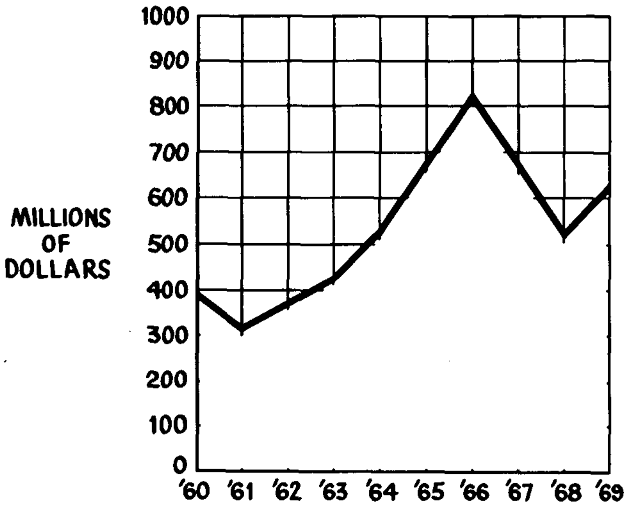


Chart 12.—One of the most alarming aspects of this entire import situation is the impact it is having on capital investment. In our dynamic economy, industry must constantly innovate and modernize. No industry can stand still. As matters stand, it is extremely difficult for United States manufacturers to plan ahead with any degree of certainty. In the past, when government actions created confidence, the textile industry invested heavily in the future. As this chart illustrates, outlays for new plant and equipment rose from $380 million in 1962, when the cotton LTA went into effect, to $820 million in 1966. After that they began to decline—a situation which cannot be tolerated for very long.

NEW PLANT AND EQUIPMENT EXPENDITURES



Source: Securities & Exchange Commission and U.S. Dept. of Commerce

Chart 13.—In spite of rising costs of wages and materials in this country, the textile industry has managed to keep prices relatively stable. Textile wages have risen 58% above the 1957–59 average. At the same time, wholesale prices for textile mill products have increased only 1% over the 1957–59 average. Not many items have held the line against the inflationary spiral as well as textiles.

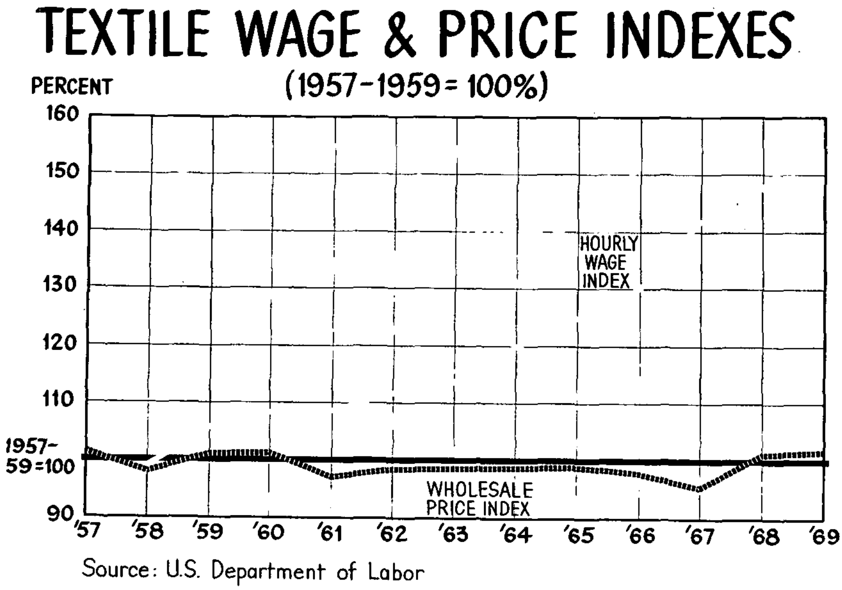


Chart 14.—This point comes out even more clearly when you compare the price performance of the textile industry with that of all manufacturing industries. Here you observe that wholesale prices of all manufactured commodities have risen 13 percent above the 1957–59 base, in contrast with the 1 percent rise in textile prices.

The best way to hold the textile price line for consumers is to encourage healthy competition among the hundreds of American textile companies. Once the control over a major part of a product line falls into the hands of foreign interests, provisions of U.S. law for the protection of American consumers and employees—antitrust regulations, prohibitions against price fixing conspiracies, minimum wage requirements and the like—go out the window. No foreign producer has any obligation to feel any legal or moral responsibility toward this country's consumers.

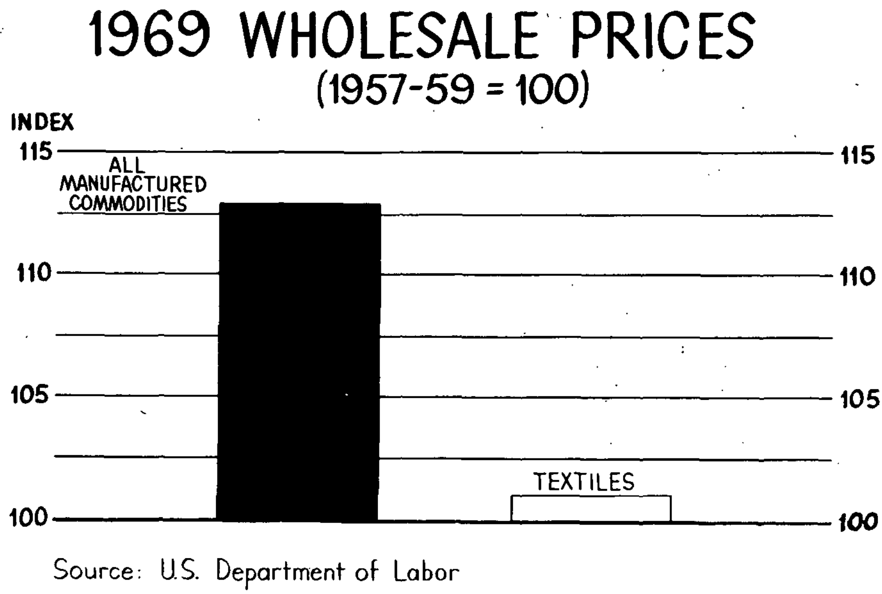


Chart 15.—Profits in the textile industry, whether measured on sales or percent of equity, lag behind other manufacturing industries. Net profits after taxes, on sales, for 1969 were 2.9% compared with the all-manufacturing of 4.8%. Expressed as a percent of equity, textile profits were 7.9% compared to 11.5% for all manufacturing.

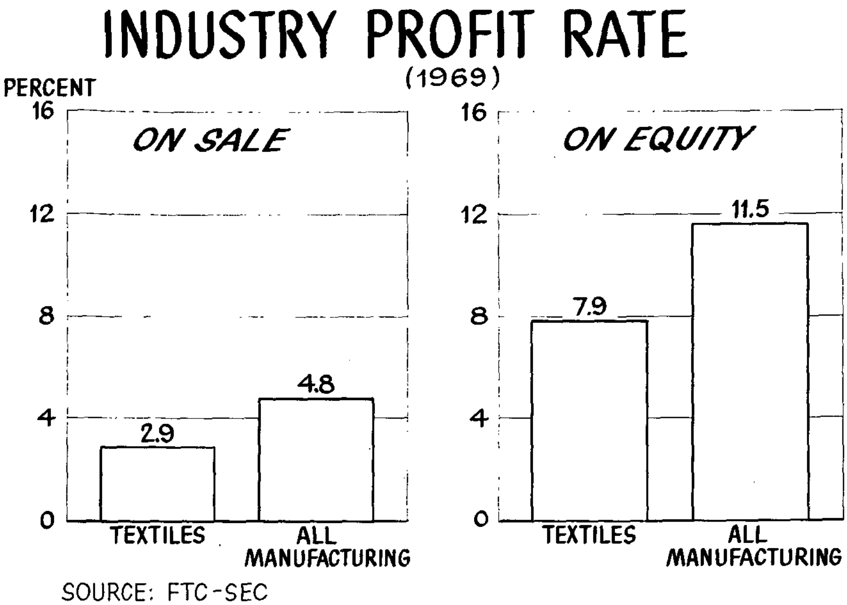


Chart 16.—Today the industry faces a fork in the road—one course leads downward, the other to a more confident, more active future. Which way the industry takes is a decision in which the entire nation has a stake, and it will depend in large measure on what is done about restraining imports.

World textile trade has become increasingly unbalanced. Because the United States is the only remaining relatively free market on earth, we are taking an inordinate share of the world's textile exports. Result: the trade deficit widens every year; the wage gap grows broader; the technological gap narrows; capital investment by the American industry is inadequate—and each of these factors is contributing to a reduction in the job producing potential of this vast industry.

The textile-apparel complex has tremendous potential for sustaining, and, indeed, developing employment opportunities in those areas of the country and among those people most in need of them. It can realize this potential if its growth is not stunted by sky's-the-limit imports.

The answer will come through trade agreements encouraged by law. The textile industry does not ask that all imports be shut off.

Instead, H.R. 16920 would result in flexible import controls, with adjustments up or down in the import levels to correspond with increases or decreases in domestic consumption. This is a reasonable approach—and generous when compared with the restrictive practices of other countries. It would provide foreign nations and the domestic industry equitable access to the United States market, as that market continues to be developed through the ingenuity and promotional efforts of American manufacturers.

THE SOLUTION

HR 16920

Mr. McCULLOUGH. Mr. Chairman, I would now like to ask my associate, Mr. Robert Booth, chairman of the Northern Textile Association, to make his presentation.

STATEMENT OF ROBERT BOOTH, CHAIRMAN, NORTHERN TEXTILE ASSOCIATION

Mr. BOOTH. Chairman Mills and members of the committee: My name is Robert Booth. I am chairman of the Northern Textile Association, 211 Congress Street, Boston, Mass. I am group vice president and director of manufacturing of the Kendall Co. with headquarters in Boston and operating 10 textile mills in the United States.

I am here today, however, also representing smaller manufacturers in our area.

The association, founded in 1954, represents textile manufacturers of cotton, wool and manmade fiber fabrics and yarns located primarily in the Northeast with the greater number in New England. The association has several divisions. In addition to cotton and manmade fiber weavers, it includes manufacturers of pressed felt, elastic fabrics, wool fabrics, as well as blended fabric and yarns.

I endorse the testimony of Mr. McCullough of the American Textile Manufacturers Institute. I wish to emphasize the urgent need for limitations on imports of wool and manmade fiber textiles. I will be brief and would like permission to file a supplemental statement with the committee before these hearings close.

The members of the Northern Textile Association support the Mills bill, H.R. 16920, and identical bills introduced by other members of the committee.

Our members tend to be the small to medium-sized textile mills located in many communities throughout the Northeast where they frequently provide the principal source of manufacturing employment. We number about 85 manufacturing corporations; many employ 200 to 300 workers. Only a few employ more than 1,000 workers.

In the Northeast there are 880,000 textile-apparel jobs of which 177,000 are in the New England States, 250,000 in Pennsylvania, and 343,000 in New York.

I need not review the background of the import problem which began to grow in the mid-1950's and, except for the restraints imposed by the LTA, continues unabated. Imports in the first quarter of 1970 exceed a billion square yards equivalent and are 33 percent higher than the same period last year and 44 percent higher than the same period in 1967. They are 122 percent higher than the level of 1965.

Since 1953, 249 mills employing 89,000 workers in New England have been liquidated. Not all of these mills have closed because of imports alone, but imports have been a substantial contributing factor.

Two years ago, we appeared before this committee urging similar action. Since then, imports of cotton, wool, and manmade textiles have risen 45 percent. Man-mades alone have increased 97 percent. Apparel imports have risen 75 percent. The apparel market is the only market for a majority of our mills.

In the past when the market declined in the United States, imports tended to decline although to a lesser extent. A disturbing factor of the past year is that in spite of a decline in the United States market, imports have moved ahead 18 percent. Secretary Stans, in his testimony, has pointed out that the trade balance in textiles has increased from a deficit of just over $500 million in 1967 to almost $1 billion last year. And it is growing.

These changes are not just statistics to us. Last year, Berkshire Hathaway, Inc., of New Bedford, Mass., had to abandon the production of gingham fabrics, both cotton and blends. Imports took an increasingly large part of the American market and 1,100 production workers lost their jobs permanently. There are still 1,000 workers at this mill and they want to keep their jobs.

In addition, there is short time and we don't feel we will have summer jobs for students.

The Stanrich Mills and Paul Whitin Manufacturing Co. in Massachusetts, the Wyandotte Mill in New Hampshire, and the French Worsted Mill, and Syntextiles, Inc., both in Rhode Island, went out of business in 1969 and eliminated another 1,100 jobs.

Already in 1970, the Abbott Worsted Mill in New Hampshire and Crown Alexander, Inc., in Maine, with 300 jobs, have announced liquidation and pointed out that they can no longer compete with imports. Last week, employees of the Pepperell Sheeting Mill in Biddeford, Maine, a Division of West Point Pepperell, were notified that the plant would close. Nine hundred employees will lose their jobs as this operation is phased out during the coming months. The company notice to employees pointed out that due to the effect on the company of low-cost foreign textile imports and changes in market demand, other company facilities are not now being fully utilized nor will they be in the foreseeable future; 750 employees still have jobs and want to keep them. There are others and many are threatened with closing now.

Displaced textile workers, because of seniority and age, usually find little alternate employment and when they do, it is generally a lower skilled job at lower pay. The whole community is adversely affected.

This is not the whole story, however. In most communities such as New Bedford and Lowell in Massachusetts; Manchester, N.H., and Lewiston, Maine, there are approximately 2,000 so-called "hard-core" unemployed at each location. Poverty is not limited to the ghettos. Our mills provide employment for the unskilled, training for semiskilled, jobs and promotion to skilled jobs. We want to make our contribution to our communities and our Nation in this regard, but we cannot so long as our products are driven out of the American market by unfair competition from low-wage, low-cost producers in other countries.

As Mr. McCullough has pointed out, in the textile and apparel industry this is a matter not only of regional importance but of national importance as well.

The Mills bill is a reasonable approach to a problem with which four administrations have been struggling for over a decade.

President Eisenhower accomplished the first Japanese Cotton Bilateral. President Kennedy brought all cotton textiles under the LTA and was in the process of attempting to bring wool textile imports under control when he died. President Johnson promised to carry this on and several conferences with Japan and other foreign producers were held. But the exporters have remained adamant. President Nixon has followed the same course, and Secretary Stans has told you of his major efforts with the Japanese and others.

Frankly, in our opinion, no comprehensive international agreements will be made until this legislation becomes law. Only when it becomes law will the exporting countries find it to their advantage to negotiate in good faith with the United States. The bill encourages voluntary solutions because agreements made after its enactment (or before) supersede the quota levels established by the bill.

Our Government has recognized for over a decade that the textile industry has a unique import problem. The time has come to adopt this legislation so that a reasonable solution can be attained. The time has come to stop going with hat in hand, pleading with foreign governments to solve a U.S. domestic social and economic problem. We must take the first essential steps, namely, adopt this bill. If not, we cannot expect foreign governments to do for us what we are unwilling to do for ourselves.

Thank you, gentlemen.

The CHAIRMAN. Mr. McClullough?

Mr. McCULLOUGH. I would now ask, Mr. Chairman, that Mr. Morton H. Darman, Chairman of the Board, National Association of Wool Manufacturers, to give his testimony.

STATEMENT OF MORTON H. DARMAN, CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. DARMAN. Mr. Chairman and members of the committee:

My name is Morton H. Darman. I appear here today as chairman of the board of the National Association of Wool Manufacturers, 1200 17th Street NW., this city. I am President of The Top Co., 470 Atlantic Avenue, Boston, Mass., a manufacturer of wool tops.

The association is the national trade organization of the wool textile industry. Its members manufacture more than 70 percent of the textiles made in the United States on the woolen and worsted systems, except carpets and rugs. The Boston Wool Trade Association, representing almost all the wool dealers of this country, is an affiliate of our association.

I am also speaking on behalf of the National Wool Growers Association, which represents the quarter million producers of raw wool in the United States. Mr. Edwin Marsh, the executive secretary of the national association, is seated at the table behind me.

The wool textile industry is situated principally in the Southeastern, New England, and Middle Atlantic States, although there are mills in 32 of the 50 States. Wool is grown in all 50 States of the Union, principally in the Rocky Mountain States, Texas, California, and certain of the Midwestern States.

The wool manufacturing industry of the United States provides the only market for domestically-produced raw wool. The welfare of the wool-growing industry is therefore directly related to the health of the domestic wool textile industry. In this connection, I should point out that Congress in enacting and extending the National Wool Act of 1954 has declared that production of raw wool in the United States is essential to the national security; but wool has no security value unless the capacity exists within this country to manufacture it into usable textile products.

Mr. Chairman, we concur in the statements which have been made here by Mr. McCullough, Mr. Dent and Mr. Booth, and fully support their conclusion that a comprehensive all-fiber solution to the textile import problem is urgently needed. And while I represent the segment of the textile industry which has been most severely damaged by imports—wool—I do not intend to burden the committee with statistics beyond reminding you that imports of wool textiles and apparel now exceed one-third of U.S. domestic production, more than twice the level existing as recently as 1961, and that these imports in 1969 contributed $391.5 million to this country's balance of trade deficit, also more than double the 1961 figure.

Secretary Stans, in his testimony before this committee last week, has made the case for reasonable quantitative controls on textile imports. We believe such controls can best be achieved by prompt en-

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actment of H.R. 16920. I will therefore confine my remarks to an explanation of why we believe such prompt enactment of this legislation is necessary and why we believe any undue delay would only serve to defeat the administration's declared objectives in the textile area.

WITHOUT CONGRESSIONAL ACTION, U.S. EFFORTS TO NEGOTIATE VOLUNTARY AGREEMENTS HAVE BEEN NON-PRODUCTIVE

First, Mr. Chairman, given the present attitude in the Orient, we believe it only remotely possible for the Administration to negotiate, within a period of weeks, a comprehensive solution to the textile import problem. This would in the first instance require a turnaround in position on the part of the principal exporting nation, Japan, which completely rejected U.S. proposals for such a solution in an Aide-Memoire delivered last March 9. This Aide-Memoire was released to the press in Tokyo, and is attached as exhibit A to my statement. Mr. Chairman, some have said it is notable chiefly for its arrogance. I consider it to be notable chiefly for its clarity.

I would urge each member to examine this document closely. I think it will give you a clear picture of the negotiating posture of the United States and the reaction of Japan under the existing relationship.

It should be recognized also that, while a comprehensive textile bilateral with one country—even if it could be achieved—would represent progress, it would not provide the needed solution to this problem. Imports from other exporting nations must also be controlled.

We are not aware of any progress whatsoever by the administration in achieving a negotiated solution to the textile import problem. Nor could any of the administration witnesses here last week provide this committee with evidence of any progress. They did, however admit under questioning that the movement in the Congress—and specifically these hearings—had contributed to the coming about of whatever it is that gives rise to their encouragement.

Therefore, why, we must ask, should not this committee and the Congress give prompt and favorable consideration to H.R. 16920, to assure that the job can be done before it is too late?

H.R. 16920 PROVIDES FOR NEGOTIATED VOLUNTARY AGREEMENTS

We resent very deeply the less than forthright descriptions of this bill by many of its opponents who apparently have read only that portion which would impose quantitative limitations on imports of textiles and leather footwear at the average 1967–1968 levels. Considering the growth of such imports in recent years, these are indeed very generous levels. But what the bill's opponents fail to note or, more probably, what they fail to disclose to the public, is that even these generous levels can be superseded by international arrangements. And these arrangements are only circumscribed by the requirement that they be such as to foster the maintenance and expansion of economically strong textile and footwear industries in the United States and to avoid disruption of domestic markets.

We are certain these are the kinds of arrangements President Nixon and his administration have been seeking, without success. We applaud them, particularly Secretary Stans, who has worked so diligently on this matter, but the fact remains they have not succeeded. We believe prompt enactment of H.R. 16920 will provide them with the negotiating posture they now so sorely lack.

THREAT OF RETALIATION EMPTY

U.S. textile import policies have been, and under H.R. 16920 would remain, so generous relative to those of other GATT members that "retaliation" and "compensation" can surely be avoided by vigorous presentation of the American case to our trading partners.

In view of the subsidies being paid on textile exports to the United States, the nontariff trade barriers raised against United States textile exports around the world, and the bilateral textile agreements between foreign nations which force additional exports onto the U.S. market, the real questions are these:

Why does not the U.S. Government invoke our right of retaliation?

Why does not free trade mean fair trade?

In any event, there is a distinction, in practice, between violating the rules of the GATT and invoking its provisions with respect to retaliation and compensation. Retaliation and compensation enter when the value of the concessions granted a party has been nullified or impaired by the illegal action taken.

This is to say, the GATT has not authorized retaliation or called for compensation unless the action in question has had an adverse effect on the trade of the complaining country, since, as a practical matter, it would be impossible to assess the amount of compensation or retaliation in the absence of trade effects.

It is only if the import quota has the effect of impairing the value of a tariff concession—if the trade flows involved were adversely affected—that there would be a basis for a material grievance.

Since what is contemplated as the negotiation of agreements under which some growth in imports would be allowed if growth occurs in the U.S. market, the U.S. Government would have a strong basis, both in GATT law and practice, to defend against any action by the contracting parties calling for compensation and retaliation.

WORLD'S HIGHEST PRODUCTIVITY OUTDISTANCED BY WAGE DISPARITY—TIME NOT IN FAVOR OF CLOSING THE GAP

As Secretary Stans pointed out last week, we in the United States pay our textile employees about $2.38 an hour—and I am using the Secretary's figures, Mr. Chairman—exclusive of fringe benefits, compared with about 53 cents an hour paid to Japanese workers.

I might add parenthetically that there are other Oriental countries where textile wages are much less even than those paid in Japan. The Secretary pointed out that in South Korea the wages for men were 13 cents an hour and for women, 7 cents an hour.

In any case, Japanese textile wages thus come to about 22 percent of the American standard. Yet, according to official estimates prepared and published in July 1969 by the economic planning agency of the Japanese Government, the average large Japanese textile enterprise's labor productivity is about 36.2 percent of the average for

American textile mills of equivalent size. Let me emphasize again that these are official Japanese estimates, not mine.

This means, Mr. Chairman, that in spite of being three times as efficient as the Japanese, by their statement, we cannot overcome their advantage of wages which are roughly one-fifth of our textile wages and one-third of the United States minimum wage. This wage differential is so large that we cannot hope to offset it through productivity, given the fact that everyone in the textile and apparel industries of the world has free access to new technology. And one cannot contemplate a rise in Oriental wages which would close this gap.

Thus, our competitive disadvantage will persist far into the future, far enough to guarantee the destruction of our textile and apparel industries as we know them today, unless reasonable restraints are put into effect on textile and apparel imports.

PROMPT ENACTMENT OF H.R. 16920 ESSENTIAL

We must confront the realities of the situation:

1. The U.S. market is the only unrestricted major market for textiles in the world.
2. Our advantage in productivity over the Orient is hopelessly outdistanced by the wage differential.
3. An ever-increasing share of textiles and apparel for the U.S. market is being produced abroad.
4. And time is not on our side.

Under these circumstances, Mr. Chairman, we must have the help of this committee and the Congress—now, before it is too late.

Mr. McCullough has detailed for you the economic and social importance to the United States of its textile and apparel industries. We are proud of our industry, and we want to be able to contribute more in the future, both economically and socially, to this country. We believe, Mr. Chairman, that we are deserving of the help we ask.

We urge prompt enactment of H.R. 16920.

Thank you, Mr. Chairman and members of the committee.

(The document referred to follows:)

AIDE-MEMOIRE

1. Reference is made to the Aide-Memoire of the Embassy of Japan, dated February 10, 1970, and that of the Department of State, dated February 19, 1970, concerning exports to the United States of textile and apparel products of wool and man-made fiber.

2. As has been stated on many occasions, the Government of Japan is unable to accept the proposal by the Government of the United States, dated January 2, 1970, as a basis for discussion. The Government of Japan believes that the Government of the United States has already been fully informed of the views of the Government of Japan with regard to the above-mentioned proposal, but the Government of Japan wishes to reiterate its position, by way of confirmation, as follows.

(1) The above-mentioned proposal differs from the previous United States proposal dated December 19, 1969, in that it does not call for the establishment of aggregate limits and group limits. On the surface, the proposal appears to have done away with comprehensive restrictions. However, in fact, the application of the "trigger" mechanism to all items not covered by specific limits results in the setting up of category by category ceilings and, in this regard, the proposal does not substantially differ from proposals calling for comprehensive restrictions.

This point is greatly to be regretted, inasmuch as the Government of Japan has consistently taken the position that comprehensive restrictions are wholly unacceptable.

(2) The proposal represents some improvement over the December proposal in that specific limits were somewhat increased. Yet, total export limits for 1970 under the proposal amount to less than the actual level of exports in 1969. This is contrary to the views expressed by the United States representatives on frequent occasions, including those expressed by Secretary of Commerce Stans on the occasion of his visit to Japan last year, to the effect that the Government of the United States does not seek to roll back the level of past exports.

(3) The proposal calls for an agreement effective for a long and fixed term of 5 years. This is in conflict with the Japanese position that export restraints should be considered as provisional measures undertaken for the sake of expediency until such time as the United States Government is in a position to resort to Article 19 of the GATT.

3. The basic views of the Government of Japan concerning ways and means for the solution of this issue are as follows.

(1) The Government of Japan can implement export restraints only on a selective basis, solely for those items which are subject to serious injury or threat of serious injury caused by increased imports, and only upon obtaining the understanding of the domestic industries concerned in Japan and following the consent of the major exporting countries.

(2) However, the normal manner to deal with this problem would be resort to Article 19 of the GATT by the United States. As stated in paragraph 2. (3), in case the measures referred to in (1) above should be put into effect, thy are to be considered interim measures to be employed until the United States will be in a position to resort to that Article. The Government of Japan reserves its rights under the GATT in case the United States resorts to Article 19.

(3) The Government of Japan can understand the United States position that, under Article 19 of the GATT, judgments as to the existence of injury is made, in the first instance, by the importing country. However, Article 19 provides for the holding of sufficient consultations with exporting countries concerning compensation and other matters. It is also noted that, in the United States, the existence of serious injury or the threat thereof is judged by an authoritative organ, the Tariff Commission, after careful investigation.

(4) However, the present case, where the Government of the United States is requesting that the exporting countries implement export restraints which have substantially the same trade effect as import restrictions, differs completely from normal Article 19 procedure. In this case, it is felt that it is only reasonable to ask for full consultations with the exporting countries, who are to implement the restraints, for obtaining their understanding concerning injury or the threat thereof.

4. As stated above, the Government of Japan can not in any way accept comprehensive restrictions. However, with respect to a selective approach, it is prepared, following the basic policy of paragraph 3. above, to conduct further talks, while obtaining supplementary data and explanations from the Government of the United States. The Government of Japan proposes that the preliminary discussions in Geneva be reopened for such purpose.

5. As the Government of Japan has explained during the preliminary discussions in Geneva and on other occasions, the existence of serious injury or the threat thereof due to increased imports with respect to individual items on a selective basis, should be determined on the basis of economic factors normally taken into account, such as production, imports, prices, employment and etc. On the basis of the incomplete data and explanations thus far presented by the Government of the United States, the Government of Japan cannot but conclude that it can find no items causing or threatening to cause injury.

6. However, if the Government of the United States is able to agree to reopen the preliminary discussions in Geneva, as referred to in paragraph 4. above, and giving due consideration to the various factors to be taken into account in determining injury as enumerated in paragraph 5. above, endeavors to demonstrate injury or the threat thereof for items whose import/consumption ratios, for example, are already at a considerable high level and are also growing significantly, the Government of Japan is prepared to give careful attention and to conduct further talks thereon.

7. Also, if the Government of the United States is willing to call upon the Tariff Commission to conduct investigations, and that the Commission conducts

investigations concerning the existence of serious injury or the threat thereof due to increased imports with respect to individual items, in accordance with impartial procedures including the holding of public hearings and the canvassing of the views of all interested parties, the Government of Japan is prepared to respect the conclusions of that Commission as much as possible, in its discussions with the United States.

8. The Government of Japan is of the view that, at a certain stage after discussions concerning the factual situation have progressed in accordance with the procedures set forth in paragraph 6. or 7. above, it is necessary to change to multilateral discussions to include other major exporting countries. This position has already been stated in the Aide-Memoire of this Embassy, dated February 10, 1970. The Government of Japan considers it necessary that such discussions should be connected in some manner with the umbrella of the GATT.

9. When the above considerations are met, and the understanding and the cooperation of the industries concerned are secured, the Government of Japan will be prepared to implement exports restraints.

As has been stated in the above-mentioned Aide-Memoire of this Embassy, export restraints can in no case be adopted without the understanding of the industries concerned.

10. As stated in paragraph 2, above, the Government of Japan is unable to accept the proposal by the Government of the United States concerning the treatment of items other than those subject to specific limits. The views of the Government of Japan in this connection have already been expressed on the occasion of the Geneva preliminary discussions of November, 1969. That is to say, if the Government of the United States considers it necessary to place restrictions on these items, it will refer the matter to a committee which is to be established beforehand and which will be made up of the United States and the major exporting countries, while submitting data indicating injury or the threat thereof. If agreement is reached at the above committee, the exporting countries are to exercise export restraint. The consultations in the committee are to be concluded within a month, as a general rule, and if agreement is not reached within this period, the United States will be free to take unilateral measures to restrict imports. In this case, however, it goes without saying that the exporting countries reserve their rights and privileges under the GATT.

11. While the Government of Japan is of the view that such matters as the duration of the restraints and the growth rate of the specific limits should be discussed in depth only after agreement is reached as to whether or not restrictions are necessary, and, if so, what items are to be subject to export restraint, its views with respect to the major elements of the United States proposal of January are set forth below.

(1) The restraints should be in effect for as short a period as possible inasmuch as export restraints are considered to be interim measures to enable the Government of the United States to resort to Article 19 of the GATT, as stated in paragraph 3. (2) above. The restraints should cease to be effective one year after the coming into effect of the new United States Trade Act or by the end of 1971, whichever comes earlier.

(2) Since restrictions are to be in effect only for a short period, the Government of Japan does not consider it appropriate to establish in advance a uniform growth-rate of the specific limits. In any case, the United States proposal to adjust the limits in accordance with the fluctuations of the United States domestic market is wholly unacceptable, because such a scheme freezes the share of imports in the years to come.

(3) The level of specific limits and growth-rates for the limits should not be determined uniformly in advance, but should be determined individually, depending on the nature of the injury caused or threatened to be caused. For this reason also, inquiry into the existence of injury or the threat thereof for individual items should be the initial task; discussion on reasonable growth rates can be held on the basis of the judgment or injury or the threat thereof.

The CHAIRMAN. Mr. McCullough.

Mr. MCCULLOUGH. Mr. Chairman, that ends our formal presentation.

I would like to add at this time that the Cordage Institute would like to file its statement for the record. However, Mr. Merle Robie is here and any questions regarding the cordage industry can be addressed to him.

The CHAIRMAN. Without objection, Mr. Robie's statement will appear in the record at this point.

(The statement referred to and the exhibits attached follow:)

STATEMENT OF SUPPORT OF H.R. 16920 SUBMITTED BY MERLE ROBIE ON BEHALF OF THE CORDAGE INSTITUTE OF THE UNITED STATES

INTRODUCTION

The Cordage Institute, which is composed of practically all of the rope and twine producers of America, welcomes the opportunity to submit this statement to the Committee. We heartily support the position held by the American Textile Manufacturers Institute in support of H.R. 16920.

The Cordage Industry is a relatively small, but important part of the Textile Industry. Cordage products have traditionally been included with other textile fibers and textile products for duty and customs treatment. Cordage products from both natural and man-made fibers are essential to various segments of our American industry and to the national security. Ropes and cables for domestic maritime, industrial and business use, as well as farm twines and industrial twines are vital.

BACKGROUND

In viewing the problems facing the Cordage section of the Textile Industry certain general conditions must be recognized. In the past, cordage products have all been made from natural fibers. With the development of synthetic fibers for cordage use there has been a corresponding decrease in the size of the market for cordage produced from natural fibers. During this same period imports of cordage from natural fibers has markedly increased. From Exhibit "A" attached hereto it will be seen that U.S. producers of cordage from natural fibers have a smaller and smaller percentage of a shrinking market. In the case of manila rope where the majority of imports are presently controlled by an absolute quota the domestic producers have managed to retain about 83% of the decreasing market. It is only here and in the field of cordage from man-made fibers that there still remains a substantial part of the market available to U.S. producers. However, imports of the latter are increasing at a most serious rate.

In the field of man-made fibers nearly all of the raw materials for cordage products are made and produced domestically. In the field of cordage made from natural fibers the raw material must be imported. The end products made from these natural fibers are so essential to our country in time of national emergency that the Government has maintained in the past and still continues to maintain a stockpile of natural fibers for the making of ropes and twines. During World War II the United States Cordage Industry along with the contiguous countries produced the tremendous quantity of rope and twine needed for the war effort. However, in 1945 there were 22 companies of the United States Cordage industry operating 23 mills producing cordage made from hard fibers. Shortly thereafter the imports of cordage products from Europe began to come into the United States in ever-increasing quantities. In part due to the continuing cheapness of labor in the European producing countries and, in the case of farm twines, the absence of duty of any kind, such imports grew at an alarming rate. The net effect has been that of these 22 companies with 23 mills in 1945 there are now only 10 companies operating 15 mills. Many of those have reduced their spinning capacity and all are operating at a greatly reduced level of production and sales. There is no question but that the number of mills being operated will be further reduced if the flooding of United States markets by low costs imports is allowed to continue. It is clear that the capacity of the industry to meet emergency requirements has been greatly reduced.

SUMMARY OF STATEMENT

1. The Cordage Industry is a small but important part of the Textile Industry.
2. The domestic markets for cordage products from natural fibers is shrinking due to the advent of cordage from synthetic fibers and the imports of both are increasing. Domestic producers now have a smaller and smaller percentage of a shrinking market.
3. In 1969 imports of cordage of natural fibers into the domestic market ranged from 88.8% in the case of agricultural twines and 88.1% in the case of industrial

twines to 28.8% for hard fiber ropes. The lower percentage for ropes is due to the presently existing absolute quota on manila rope from the Philippines.

4. There is in effect only one domestic commercial plant producing agricultural twines left in the country and this is producing at a materially reduced rate. There were once 15 companies producing agricultural twines. *Since twines are presently entering the country free of duty they are not covered by the Bill in its present form. We recommend amendment to correct this point.*

5. The entire hard fiber cordage industry has shrunk from 22 companies with 23 mills to 10 companies with 15 mills. In the majority of instances these remaining companies have also reduced their production capacity.

6. This reduction in spinning capacity is seriously effecting the national security. Ropes and twine are vital in a national emergency. The strategic stockpile contains both abaca and sisal to insure our ability to meet our military, maritime, agricultural and industrial requirements in times of emergency. Spinning capacity has already declined to the point where the industry could not meet there requirements at a level occasioned by World War II. Further reductions will face the country with an unacceptable risk.

7. The hard fiber cordage industry will disappear in the foreseeable future unless a fair share of the domestic market is kept available for the domestic producers.

8. The imports of cordage are from many countries with Mexico, Netherlands and Portugal among the leaders. Other countries such as Brazil and Japan are rapidly increasing their imports.

9. On page 8 of our statement we recommend three amendments. Two are merely technical and clarifying. The third will include agricultural twine in the coverage of the Bill.

HARD FIBER ROPE EXPERIENCE

One way to note the effects of imports on the domestic production is to look at the production and imports record on hard fiber rope which is the category in which imports have had the least impact. Following the end of World War II and by 1955 imports of hard fiber ropes had reached a significant level. This upward trend has continued to increase and at the present time it constitutes a substantial part of the factors forcing American firms to go out of business.

Starting in about 1960 the growth in the use of synthetic fiber ropes in the United States reduced the market for hard fiber rope from 105,000,000 lbs. per year in 1955 to approximately 56,700,000 lbs. in 1969. This record leading to 1969 is not truly revealing because in 1966 and 1967 there were abnormal increases in demand for rope due to the need for hard fiber rope by the United States Government to meet the needs of the war in Vietnam. Even with this increased military demand the 1969 figures show that since 1955 the commercial market for hard fiber rope has declined over 47%. During that same period the imports of hard fiber rope into the United States increased from 7.6% to approximately 28.8% of the market. Obviously, the United States producers are now selling about 50% less of the market than they were selling in 1955. If it were not for the absolute quota of 6,000,000 lbs. per year on manila rope from the Philippines this percentage would be much greater. It is the presence of this quota that has retained a share of the market for domestic producers.

SYNTHETICS

In the case of synthetic fiber cordage the upward trend of imports is the same as the historical pattern for cordage from natural fibers. The American Cordage Industry pioneered the research in the use of synthetics for the production of rope and twine. It was hopeful that this new development could restore its position in the American Cordage market. However, foreign manufacturers are now producing and selling synthetic fiber ropes at a price level which will make it impossible for United States manufacturers to compete profitably and the Kennedy Round further complicated the problem by reducing the duties.

The upward trend in imports of synthetic cordage is best shown by reference to Department of Commerce report on imports, Technical Quarterly #2310. This shows an increase from 28,000 pounds in 1965 to 294,000 pounds in 1969 and the rate of increase is continuing to accelerate. In addition, a great deal of synthetic cordage is coming in under the guise of braids which carries a lower duty. Synthetic material up to 2½ inch in diameter has been noted. But, such cordage items do not appear in the cordage import statistics. The parallel between this rate of increase and the historical rises of imports of cordage from natural fibers is strikingly plain to see.

WORLDWIDE PROBLEM

The time is long past when we could have retained a substantial part of the U. S. market for U. S. producers of cordage from natural fibers. However, there is still time to save some of the market for cordage made from man-made fibers.

The Congress must now weigh the facts of our economic viability against the benefits of a free trade policy and act accordingly if it is to help this industry retain some part of the domestic market which is still available to domestic producers.

The other nations of the world have traditionally recognized such economic facts and have taken steps to retain their domestic markets for domestic producers. The only recourse left to the Textile Industry is the Congress for all efforts of the Executive Branch have proven fruitless. Further, the Administration's concentration on imports from Japan overlooks the fact that Japan is just one of the many countries contributing to the steadily growing flood of cordage and other textiles into the United States. There is attached hereto Exhibit "B" which shows the steady growth of imports of cordage from those countries which presently have more than 10% of the market. In addition, such countries as Brazil, Tanzania and Mozambique are rapidly increasing their imports. It will be noted that cordage imports from Mexico, Netherlands, Portugal and many other countries are of equal or greater importance than those from Japan. From the standpoint of cordage it is only in the field of man-made fiber products that Japan presently poses the greater threat although Western European production is rapidly increasing. It is from these facts that we believe a control of imports from all countries is the only feasible method by which a part of our domestic markets can be retained for domestic producers.

IMPACT ON NATIONAL SECURITY

The effects of the continued decline in American production is bringing about a corresponding decrease in the spinning capacity for rope and twine. This is not only bad for industry but importantly it will make it impossible for the United States to produce its requirements in the event of national emergency. In World War II the United States was able to increase its production almost three-fold in order to meet our requirements. This production with support from the contiguous foreign nations enabled us to meet our emergency needs. We wish that we could say that is the case today. Due to the reduced number of cordage companies and the decline in spinning capacity, we seriously doubt that today we have the mobilization base which would permit us to repeat our efforts of World War II. Certainly if the cordage industry continues to decline our country will be faced with an unacceptable risk of rope and twine shortage in the event of war. Unfortunately, this applies with equal force to Canada's ability, which is under the same pressure from imports, to expand its production of cordage products which further increases our vulnerability. Indeed, two out of five of the major mills in Canada have closed in the last year.

In other industries our country spends considerable sums and energy to assure that we will have an adequate mobilization base to meet our emergency requirements. In some cases, out-right subsidies and grants are used to keep a sufficient domestic mobilization base available. This has never been true in the cordage field. Yet, without cordage products the equipment made by such protected mobilization base facilities will not be available to our country in time of need.

Our industry only asks for the opportunity to continue its production in peacetime at a level which will insure its capacity to meet emergency requirements. Information on military requirements for cordage products in wars of various sizes is classified, and, therefore, is not available to our industry. Certain facts that are apparent as to the effects of the decrease in production capacity have been revealed from the current experiences of the Cordage Industry stemming from the relatively modest increase in demand for cordage for the Vietnam war. The military requirements have increased but, in relation to those of World War II, are not significant. Yet, due to the reduced capacity of our industry even this modest increase has caused problems for the domestic producers of rope to meet this increased military demand and at the same time to meet the increased demand of commercial users such as the shipping, construction and other industries which are involved in war-supporting activities.

It may be argued by some that with the industry's modern facilities some of the "twine" spinning plants have the capacity to be converted to the making of rope. Practically this is not true, for most of the major twine producers do not have rope-making equipment. Furthermore, the same emergency pressures that would require increased production of rope for military use would result in a marked increase in the demand for farm twines to meet the new emergency requirements. The twine spinning capacity will simply not be available for the spinning of rope.

Over the years, the Cordage Institute has endeavored, on national security grounds, to obtain the relief provided in the Reciprocal Trade Act to bring about the establishment of quotas to help maintain the production capacity of the Cordage Industry. Unfortunately the predictions made by the industry over the years as to the decline in spinning capacity which would result if something was not done to control imports have proven to be accurate. The Office of Emergency Preparedness which administers this section has been so impressed by the neverchanging opposition to the establishment of quotas by the foreign countries expressed through our State Department and by the exponents of "free-trade" that such petitions have always been rejected. Since the present law has not resulted in the maintenance of spinning capacity it is reasonable that the Congress now re-evaluate the national security as well as the economic implications of the increased imports and establish a firm base to insure the continuance of the spinning capacity.

AGRICULTURAL TWINE EXAMPLE

The reduction in farm twine spinning capacity is the best example to demonstrate the effects of imports. In 1950, the year in which farm twines were made duty free, there were 15 companies in the United States producing such twines. One by one they gave up the production of farm twines until at the present time one company is producing over 99% of the domestically produced hard fiber farm twines. Today, the International Harvester plant in New Orleans is, in effect, the sole commercial producer of farm twines and within the last six months it has materially curtailed operations. Imports now supply 88.8% of the domestic market. The future availability of the Harvester plant will depend entirely on its ability to retain some part of our domestic market.

SUGGESTED AMENDMENTS

It is for the reasons set out above that the Cordage Industry feels that it is vital that the Mills' Bill be amended by inserting after the language on Page 6, lines 8 and 9 which read "or any article which is now entitled to entry free of duty," the language, "except for agricultural twines." Since agricultural twines are now duty free they will not be included in the Act unless the bill is amended. If the International Harvester plant closes down not only will there be no capacity to produce farm twine, but the American farmer will be completely dependent upon imports. This is completely unacceptable.

In addition there are two clarifying amendments which we recommend be made. While there is no question as to the intent of the present language it is believed the definition could be improved. Accordingly we recommend that (1) on Page 6, line 2, after the words "manmade fiber," insert the words "abaca or sisal," and (2) on Page 6, line 7, after the word "jute," insert the words "spun yarns of abaca and".

If the Mills' Bill, with appropriate amendments, becomes law it will not only insure the continued operation of the major plant but should permit some of the smaller mills to again produce farm twines. Both the smaller plants and the farmers would benefit by such a change.

QUOTAS ALREADY EXIST

While there is a great hue and cry from some when the question of quotas is raised, there is nothing new in U.S. quotas being established for many purposes. For example, oil quotas, sugar quotas and even quotas on some cordage items are in existence today. In 1954 the Congress established a workable format in controlling certain cordage imports by ratifying the Laurel-Langley Treaty with the Philippines. Interestingly enough this quota system assisted the Philippines by assuring them a segment of the United States cordage market and at the same time limited the amount of such imports by establishing a fixed quantitative quota on imports from the Philippines. As pointed out earlier the presence of this absolute quota has permitted domestic producers to maintain a fair share of the domestic market for hard fiber ropes. Those who object to quantitative limitations overlook the fact that quotas are both a help to the foreign producers as well as protection to the United States producers. The Mills' Bill, with appropriate amendments, if enacted will provide badly needed relief for the producers of textiles and shoes in a manner consistent with existing precedents in our country.

We are aware of the theoretical position advanced by many that no restrictions should be placed on imports into the United States in any field. However, we believe that such a broad position, which on the surface any normal businessman might be inclined to support, must be examined in the light of special situations. We in the Cordage Industry are doing all that we can through research and improved efficiency to remain competitive. If those efforts on which much energy and considerable funds have been and are being spent had proven effective we would not be asking for help from the Congress. However, the record clearly shows that our continuing efforts are not sufficient to meet the price levels at which foreign cordage manufacturers can sell in the U.S. markets, and therefore, other relief must be found. To us it is only reasonable that this relief take the form of Congressional action to assure that a fair share of the United States market be kept available for domestic producers. In the past this is the only type of assistance that has been meaningful in improving the position of American producers.

RESTRICTIONS BY OTHER NATIONS

Much has been made by Administration spokesmen and by those interested in promoting foreign trade of the fear that for the United States to impose any restrictions would be to invite retaliation against our exporters. While the genesis of these arguments is understood, they leave the impression that such restrictive actions would be unique to the United States, that the result would be for foreign governments to immediately retaliate and that our export trade would suffer.

The facts are that many foreign nations presently have various types of restraints on imports and many have effective methods of encouraging their exports through export subsidies and assistance in financing. Sometimes these arrangements have been worked out with specific nations and sometimes they have been arbitrarily and unilaterally established through other devices. The best evidence on this point is a memorandum prepared on December 27, 1967, by the Office of the President's Special Representative for Trade Negotiations. This memorandum dealt with the quantitative import restrictions on wool and man-made textiles. It did not discuss all textile items nor did it discuss the many import restrictions established by foreign countries on other products. Without endeavoring to quote out of context from this memorandum a few quotations make it clear that on the items covered in that memorandum and as this Committee well knows on many other items import restrictions have already been established by many foreign countries. We are not aware of any resulting retaliation arising as a result of such measures which has adversely affected the trade between such countries. The paper started out by saying:

"This paper identifies quantitative import restrictitons that *have been applied in the calendar year 1967* against wool and man-made textiles by 12 foreign countries—Austria, Belgium, Nethelands—Luxembourge (Benelux), Canada, Denmark, France, Italy, Japan, Norway, Sweden, Switzerland, United Kingdom and West Germany."

The paper by its definition shows that there are devices other than quotas and it refers to "licenses, 'voluntary' export controls and minimum import prices." The countries mentioned are significant exporters to the United States. They are obviously accustomed to establishing import restrictions on materials coming into their countries and presumably adjust their exports to meet the restrictions established by other nations.

We cannot see how it can be successfully argued that action by the United States to protect its essential industries would adversely affect its foreign trade. We believe it can reasonably be argued that if percentage quotas of the United States cordage market are made available to various nations they will permit a more orderly development of their production. Nations would thus avoid the dangers of over-production and reliance on the total U.S. market which might no longer be available to them due to imports into the United States from other competing nations.

We are not asking that our markets be denied to importing nations. To the contrary in the cordage from natural fiber field we are accepting the import levels of 1967–1968. Reference to Exhibit B will show that in 1969 import levels ranged from 88.8% for farm twines, 88.1% for industrial twines to 28.8% for hard fiber ropes. In the case of cordage from man-made fibers we would hope to retain the bulk of the domestic market because this market is still in its infancy. In both fields we grant a percentage of the normal growth in the markets to imports. We know of no instance where United States imports are given such a portion of the markets of any country. Our ability to export should not be adversely affected by such a pattern.

CONCLUSION

We in the cordage segment of the Textile Industry are well aware of the complexity of the problem to be resolved by the Congress in determining what type of trade legislation it will enact. The historical record of the last ten years of a rapidly declining industry can well be measured by the parallel reduction in the numbers employed in the industry, by the decline in the tax base, by the greater outflow of dollars for foreign cordage and by the substantial reduction in our capacity to produce cordage in times of war. The record speaks for itself.

To repeat, we are not asking that our markets be denied to importing nations, but we do ask that some portion of what is now left to us be retained for our domestic producers. If this is not done the Congress will be acquiescent to the ultimate disappearance of our industry.

The Mills' Bill (H.R. 16920) with the recommended amendments is a partial solution to our problem. If it is enacted and we continue our all-out efforts to improve our operations, we are confident that the Cordage Industry along with the other segments of the Textile Industry will regain a healthy and competitive position in our country's economy. Either without the other will be inadequate.

Accordingly, we earnestly request favorable actiton on this legislation and support fully the position expressed to your Committee by the representatives of the ATMI.

Thank you.

SUMMARY OF STATEMENT

1. The Cordage Industry is a small but important part of the Textile Industry.

2. The domestic markets for cordage products from natural fibers is shrinking due to the advent of cordage from synthetic fibers and the imports of both are increasing. Domestic producers now have a smaller and smaller percentage of a shrinking market.

3. In 1969 imports of cordage of natural fibers into the domestic market ranged from 88.8% in the case of agricultural twines and 88.1% in the case of industrial twines to 28.8% for hard fiber ropes. The lower percentage for ropes is due to the presently existing absolute quota on manila rope from the Philippines.

4. There is in effect only one domestic commercial plant producing agricultural twines left in the country and this is producing at a materially reduced rate. There were once 15 companies producing agricultural twines. Since twines are presently entering the country free of duty they are not covered by the Bill in its present form. We recommend amendment to correct this point.

5. The entire hard fiber cordage industry has shrunk from 22 companies with 23 mills to 10 companies with 15 mills. In the majority of instances these remaining companies have also reduced their production capacity.

6. This reduction in spinning capacity is seriously affecting the national security. Ropes and twine are vital in a national emergency. The strategic stockpile contains both abaca and sisal to insure our ability to meet our military, maritime, agricultural and industrial requirements in times of emergency. Spinning capacity has already declined to the point where the industry could not meet the requirements at a level occasioned by World War II. Further reductions will face the country with an unacceptable risk.

7. The hard fiber cordage industry will disappear in the foreseeable future unless a fair share of the domestic market is kept available for the domestic producers.

8. The imports of cordage are from many countries with Mexico, Netherlands and Portugal among the leaders. Other countries such as Brazil and Japan are rapidly increasing their imports.

9. On page 8 of our statement we recommend three amendments. Two are merely technical and clarifying. The third will include agricultural twine in the coverage of the Bill.

CORDAGE INSTITUTE

EXHIBITS

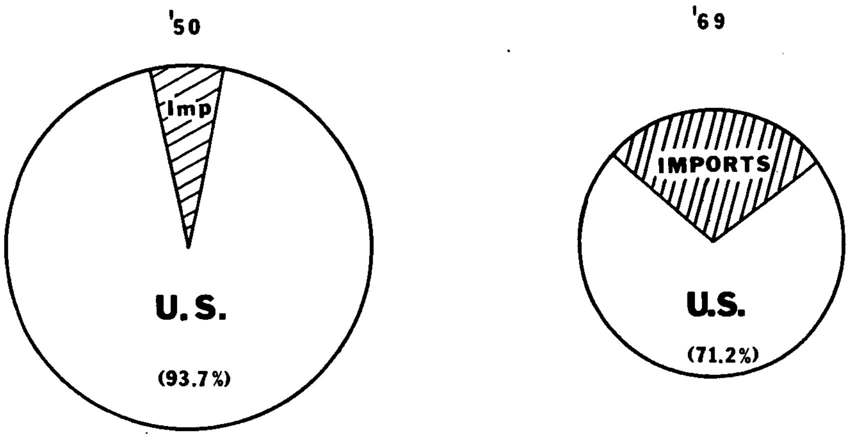
A - Three Parts

B - Three Parts

Statistical and Graphical Illustrations depicting the relationship of Imports and U.S. Production to the total U.S. Hard Fiber Market.

ROPE

HARD FIBER



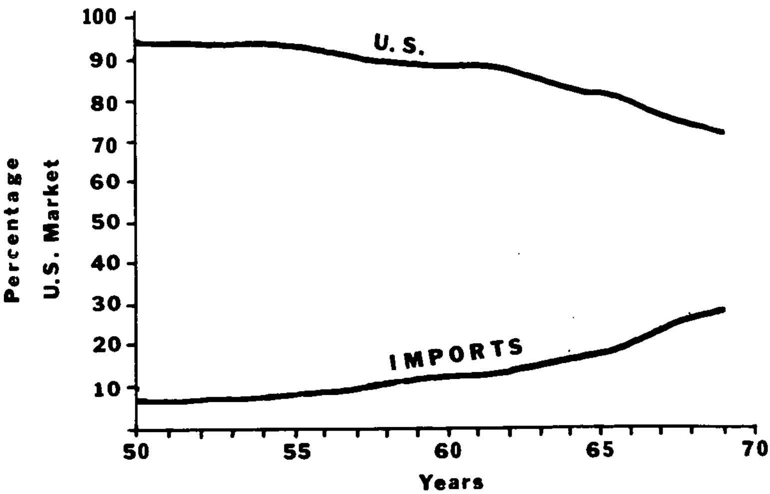
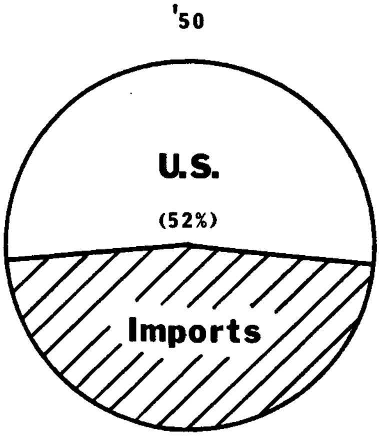
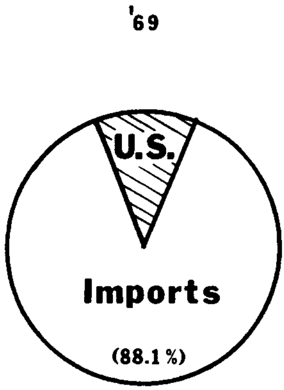


EXHIBIT A-1

INDUSTRIAL TWINE

HARD FIBER





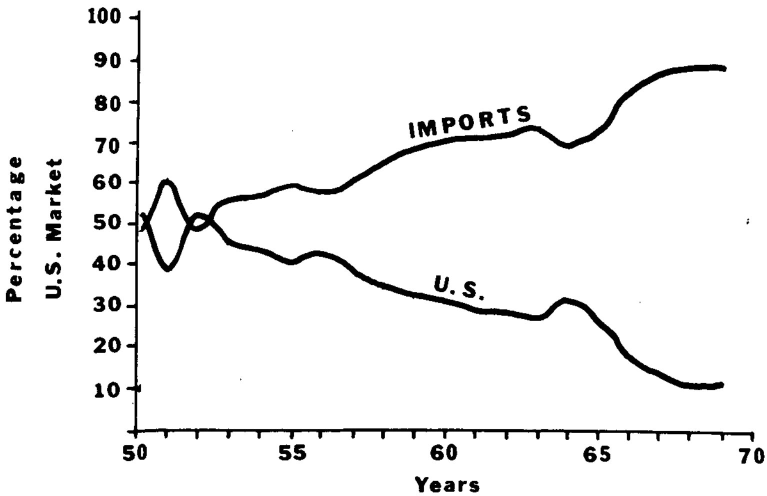
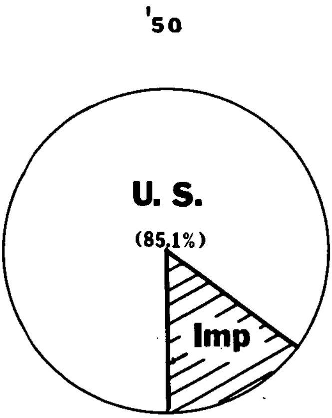
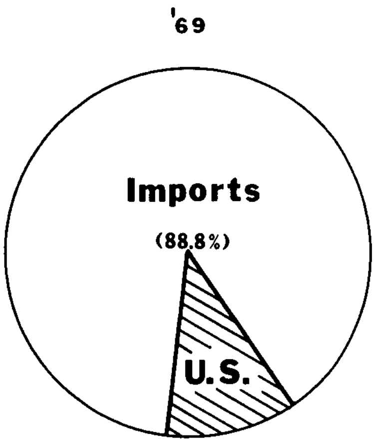


EXHIBIT A-2

AGRICULTURAL TWINE

HARD FIBER





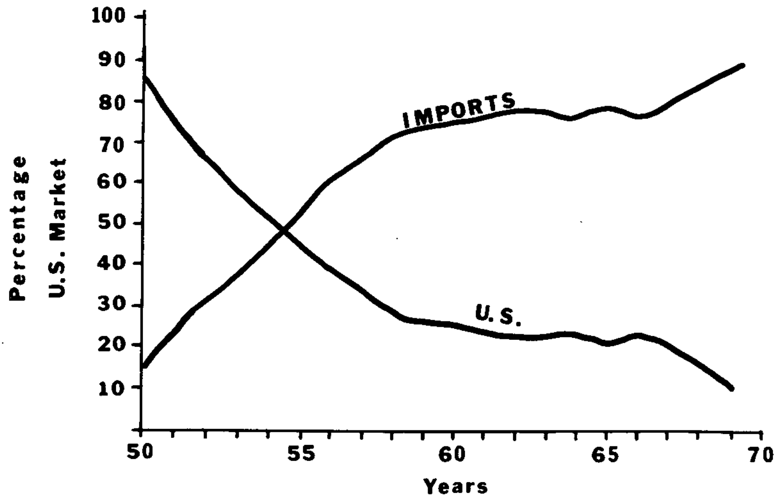


EXHIBIT A-3

ROPE

HARD FIBER

(units in million lbs.)

(1) SOURCE	'50	'52	'54	'56	'58	'60	'62	'64	'66	'67	'68	'69
Philippine Rep.	4.3	4.4	2.5	5.5	5.4	4.6	5.2	5.8	5.7	5.8	5.5	5.1
Portugal	*	*	*	*	*	.4	.4	1.2	1.8	1.9	1.8	2.5
Mexico	1.3	2.5	2.1	2.5	3.0	3.5	3.3	4.3	6.1	5.8	6.8	5.8
Other	1.7	1.3	1.6	.9	1.9	1.4	1.5	1.7	2.5	3.9	3.5	3.0
(A) Total Imports	7.3	8.2	6.2	8.9	10.3	9.9	10.4	13.0	16.1	17.4	17.6	16.4
U.S. Commercial Sales	107.2	109.0	83.3	101.5	82.3	67.0	64.4	56.8	62.9	53.5	47.2	40.3
U.S. Prison Sales	1.0	.6	.6	.4	.3	.3	.3	.2	.2	.2	.2	.2
(B) Total U.S. Producers	108.2	109.6	83.9	101.9	82.6	67.3	64.7	57.0	63.1	53.7	47.4	40.5
A+B=Total U.S. Market	115.5	117.8	90.1	110.8	92.9	77.2	75.1	70.0	79.2	71.1	65.0	56.9
Percentage U.S. Market (Imports)	6.3	7.0	6.9	8.0	11.1	12.8	13.8	18.6	20.3	24.5	27.0	28.8
Percentage U.S. Market (U.S. Producers)	93.7	93.0	93.1	92.0	88.9	87.2	86.2	81.4	79.7	75.5	73.0	71.2

* Included in "Other" or no imports that year

1 Each country listed has at least 10% of the total imports for that year

EXHIBIT B-1

INDUSTRIAL TWINE

HARD FIBER

(units in million lbs.)

SOURCE [2]	'50 [1]	'52	'54	'56	'58	'60	'62	'64	'66	'67	'68	'69
Mexico	26.9	16.9	24.9	27.8	29.0	30.6	31.3	22.1	18.7	16.7	18.0	15.1
Canada	4.1	*	*	*	*	*	*	*	*	*	*	*
Portugal	*	*	*	*	2.2	5.9	10.1	11.2	18.2	13.5	13.8	14.8
Other	2.0	.8	1.9	3.2	4.6	3.3	3.1	1.6	1.8	1.9	1.8	1.2
(A) Total Imports	33.0	17.7	26.8	31.0	35.8	39.8	44.5	34.9	38.7	32.1	33.6	31.1
U.S. Commercial Sales	35.0	18.2	20.3	22.5	18.3	16.8	16.8	15.0	7.3	4.2	3.4	3.3
U.S. Prison Sales	.8	.4	.5	.6	.7	.7	.8	.8	1.0	1.0	1.0	.9
(B) Total U.S. Producers	35.8	18.6	20.8	23.1	19.0	17.5	17.6	15.8	8.3	5.2	4.4	4.2
A+B = Total U.S. Market	68.8	36.3	47.6	54.1	54.8	57.3	62.1	50.7	47.0	37.3	38.0	35.3
Percentage U.S. Market (Imports)	48.0	48.7	56.3	57.2	65.5	69.4	71.6	68.8	82.3	86.0	88.4	88.1
Percentage U.S. Market (U.S. Producers)	52.0	51.3	43.7	42.8	34.5	30.6	28.4	31.2	17.7	14.0	11.6	11.9

* Included in "Other" or no imports that year

1 Baler Twine extracted. Reported under Agricultural Twine

2 Each country listed has at least 10% of the total imports for that year

EXHIBIT B-2

AGRICULTURAL TWINE

HARD FIBER

(units in million lbs.)

SOURCE [2]	'50 [1]	'52	'54	'56	'58	'60	'62	'64	'66	'67	'68	'69
Canada	16.8	30.2	28.7	27.6	24.4	20.8	24.6	25.6	37.4	25.1	18.2	14.0
Mexico	13.9	39.5	63.5	78.0	109.8	103.7	134.1	102.0	73.8	76.6	54.7	65.3
Netherlands	*	2.0	16.2	21.7	27.3	16.9	22.6	21.9	33.6	27.3	30.5	24.5
Portugal	*	*	*	*	*	14.3	36.3	36.2	47.8	46.4	44.6	43.5
Other	1.3	6.1	19.5	40.0	63.6	50.6	59.7	47.8	71.6	85.3	105.7	104.0
(A) Total Imports	32.0	77.8	127.9	167.3	225.1	206.3	277.3	233.5	264.2	260.7	253.7	251.3
U.S. Commercial Sales	161.5	144.0	135.7	91.3	76.0	56.2	66.3	63.4	70.4	58.4	39.8	25.4
U.S. Prison Sales	21.2	18.0	16.9	16.0	14.2	16.0	15.2	11.2	14.0	9.0	7.6	6.1
(B) Total U.S. Producers	182.7	162.0	152.6	107.3	90.2	72.2	81.5	74.6	84.4	67.4	47.4	31.5
A+B= Total U.S. Market	214.7	239.8	280.5	274.6	315.3	278.5	358.8	308.1	348.6	328.1	301.1	282.8
Percentage U.S. Market (Imports)	14.9	32.5	45.6	61.0	71.5	74	77.2	75.8	75.7	79.4	84.2	88.8
Percentage U.S. Market (U.S. Producers)	85.1	67.5	54.4	39.0	28.5	26	22.8	24.2	24.3	20.6	15.8	11.2

*Included in "Other"

[1] Includes adjustments for baler twine reported under industrial twine

[2] Each country listed has at least 10% of the total imports for that year

EXHIBIT B-3

The CHAIRMAN. We thank all of you for bringing your statements to us.

Mr. Burke.

Mr. BURKE. Mr. McCullough, I was wondering if you can clarify the opinion that is going abroad in this Nation and in the press about H.R. 16920.

Would you explain what the bill actually does? It sets up an average for imports based upon the average for 1967 and 1968, and does it also allow for those imports to increase as the domestic market increases?

Mr. McCULLOUGH. Yes, sir, that is correct.

I would like one of my colleagues to address himself to that question, sir, in more detail, if you wish.

Mr. Jackson.

Mr. JACKSON. Mr. Burke, there are two main provisions in the bill insofar as their application to textiles and shoes are concerned.

It provides that import controls shall be established on textile products and on shoes at the level of 1967–68, with a growth factor from that time forward geared to the growth or decline that actually prevails in the United States market as determined by the Secretary of Commerce.

There is another very significant provision in the bill. In the event that international agreements are negotiated, either existing agreements or agreements that might be negotiated after passage of the legislation, these two take precedence over the legislative limitations provided in the bill.

So the bill actually encourages, and, in fact, anticipates negotiated agreements rather than the imposition of the 1967–68 levels.

Mr. BURKE. So it is true, then, that actually this bill would encourage imports and would not result in the closing down of one factory in any of the foreign countries or exporters. It actually would not cause the cut of employment in those countries, but possibly could result in increasing employment in those countries, is that true?

Mr. JACKSON. It is difficult to see how it would necessarily bring about the dismissal of a single employee abroad unless a country deliberately chose to have imposed upon itself the 1967–68 levels. Every country has the option of negotiating.

The very fact that our Government already, in the case of textiles, has made an offer based on the fiscal 1969 level, would indicate that there is the possibility of negotiating something substantially in excess of 1967–68.

Mr. BURKE. On the growth of the domestic market in 1969 and 1970, do you have the figures of what the textile domestic market increased?

Mr. McCULLOUGH. 1968–69, sir?

Mr. BURKE. Yes.

Mr. McCULLOUGH. It was about 4 percent.

Mr. BURKE. In other words, if this agreement was negotiated, these countries could increase their exports 4 percent?

Mr. McCULLOUGH. At the least, sir.

Mr. BURKE. I want to congratulate you on your fine statement. I realize that this is a nationwide problem, as you have clearly pointed out. It reaches into the South, the East and the West, and also, of course, New England.

I certainly hope that the committee will give great attention to your testimony.

Thank you.

Mr. ULLMAN (presiding). Are there further questions?

Mr. Landrum.

Mr. LANDRUM. Mr. McCullough, let us take an assumption of the worst thing that could occur if we don't pass this legislation, or if we are unable to negotiate voluntary restraints or quotas with Japan.

What would you predict for the future of the textile industry?

Mr. MCCULLOUGH. I think if we look at the record of what has happened over the last 5 to 10 years, we can only predict, with great certainty, that the curves you saw today will look somewhat like Mount Everest. Imports will continue to rise disproportionately to the increase in the U.S. domestic market.

I don't think there is any question about this.

Mr. LANDRUM. Along the line of questioning that Mr. Burke conducted a moment ago, I believe he stated that if an agreement was negotiated, no foreign jobs would be abolished, there would be no reduction in the amount of imports into this country just because of this bill, if an agreement is negotiated under the terms of this bill.

Is that right?

Mr. MCCULLOUGH. Certainly no significant reductions, sir.

Mr. LANDRUM. Let me say that in just the few years that I have been a member of this committee, and in the great number of years that I have been in this Congress as a member of other committees, I have never seen a more dramatic, factual presentation by a group of people who are desperately concerned with an American industry.

I congratulate each of you gentlemen for the specific parts you played. I congratulate the industry as a whole on its dedication to the American principles.

I surely hope that this committee and this Congress will do as you have implored us to do—pass this legislation and ignore the request of the administration representatives for delay, and provide them, as Mr. Darman has said, with the additional posture that they need to carry on these negotiations.

We all want to see international trade prevail. We know what it means to this Nation.

I congratulate the industry for its restraint. It has gotten to be sort of an everyday statement around here that we cool the rhetoric.

I congratulate you gentlemen on keeping the rhetoric cool and keeping the facts dramatic. I believe with it we can take that and make a case before the Congress, and I hope a case before the opposition to this legislation that will bring some favorable results to an industry that means a lot to this country.

Thank you.

The CHAIRMAN. Are there any further questions?

Mr. Byrnes.

Mr. BYRNES. Mr. Chairman, I would like to compliment the gentlemen on their presentations. They have done a splendid job.

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. I also want to congratulate you for an excellent statement.

Mr. Dent, it has been alleged here a number of times that if we put any restrictions, even as mild as the so-called Mills bill, on the importation of textiles, that this would affect the price of the commodity.

Would you care to comment on that?

Mr. DENT. Yes, sir, I will be very glad to.

The price structure today is at a level which takes into account the product mix from both domestic production and foreign sources in the U.S. market.

The bill which we are discussing would not alter substantially that mix in our present market and, therefore, we believe there is no factor in the bill which would cause prices to rise.

As you know, cotton textile imports have been restrained under the long-term Cotton Textile arrangement since 1962. During this period, the wholesale price index for cotton went from 104.4 to 106, a much lower amount than the increase for all manufactured items in this country.

There is nothing in the record which would indicate a price increase. On the contrary, the textile industry is the most competitive large industry in the United States and for this reason we would anticipate no lessening whatsoever of competition.

Mr. ULLMAN. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. Pettis.

Mr. PETTIS. Thank you, Mr. Chairman.

I, too, would like to thank the witnesses.

I would like to ask a question of one of the witnesses which has a bearing on really national defense.

I think there is a spokesman here for the cordage industry.

My question is this: Have imports so affected the ability, the spinning capacity, I should say, the cordage producers so as to reduce their ability to meet wartime or emergency demands in our Nation?

STATEMENT OF MERLE C. ROBIE, CHAIRMAN, EXECUTIVE COMMITTEE, CORDAGE INSTITUTE

Mr. ROBIE. Mr. Chairman, Mr. Pettis:

We are perhaps the smallest part of the textile industry, but we like to think the most important.

The only other comment I would like before I directly answer the question of Mr. Pettis is they say that there is some good about everyone, even if he is used only as a horrible example.

We are the horrible example of the textile industry. In our industry, 75 percent of the total pounds consumed in America are now imported. We are fighting for survival. Our industry has always been considered a vital factor in times of national defense.

Many of our principal materials are in the national stockpile. We have now reached the point where our base and our manufacturing capacity are right on the verge of not being able to do the job in the event that we have, unfortunately, another war in this country.

Our productive capacity is down. and the trend in imports is growing. It is interesting to note that Congress in its wisdom many years ago put an absolute quota on the imports of Manila rope from the principal producing country, the Philippines.

Were it not for that fact, the figures which I gave you of 75 percent of the total pounds consumed in this country being imported would be even greater.

Thank you.

Mr. PETTIS. May I ask one other question?

Is there any legislation pending which would protect or meet the needs of the cordage section of the textile industry?

Mr. ROBIE. The Mills' bill, which we are here discussing this morning, we feel with one or two significant amendments would be of assistance to our industry, and we reiterate again, as has been brought out by the larger segments of the textile industry, that we are not asking for a reduction in imports.

We are only asking that a significant percentage, enough to keep a viable industry alive in America, would be held. The one particular amendment that we ask for becomes of even greater significance because in the bill as originally drafted it said any item which now comes in free of duty would be out of the restrictions imposed in this bill.

That would exclude baler twine, which is used by every farmer in this country in every State. The baler twine industry is now at the point where there is only one domestic manufacturer left. Eighty-eight percent of the total requirements of the country are imported.

We have, therefore, respectfully requested that an amendment to include the baler and binder twine industry be included, feeling that 11 percent of a vital national product is small enough to be allowed to be manufactured in our own country.

Mr. CONABLE. Would the gentleman yield at this point?

Mr. PETTIS. I yield.

Mr. CONABLE. I wonder if we can have from you, sir, what various products are included in the general category of cordage. What are we talking about here?

Mr. ROBIE. We are talking about hard fiber cordage, which is made from sisal, abaca, which is know generally as Manila hemp, and synthetics.

We have followed the pattern very clearly. This is all rope and all twine, not wire rope.

On the trend, whether the manufactured cordage of vegetable fibers, the imports have gone in a startling fashion. In 1950, 80 percent was produced in America. In 1969, 80 percent is imported.

The synthetic cordage is increasing in imports by leaps and bounds. There has been a 600-percent increase in the last 5 years.

Mr. PETTIS. I have no further questions, Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Where does it mostly come from, sir?

Mr. ROBIE. We have to be a little bit careful. I don't intend to take too much of your time. Traditionally in the cordage field our imports came from Europe and the Philippines. Then we are now in a period of transition where a sizable segment of the imports is now coming from the countries in which the fiber is produced—Tanzania, Brazil. Our European friends—question mark—come to call on us from time to time and say, "Those people are taking away our market," as if to say we in America were never entitled to a portion of it.

I also call your attention to the fact that under the original, I believe, Tydings-McDuffy bill, in 1935, which was supplemented and reimplemented by the Morrell-Langley agreement in 1954, an absolute restriction, because the tariffs are negligible, was put on the imports of Manila rope from the Philippines.

No matter how much they might want to ship by even paying the duty, it is an absolute quota. That quota of 6 million pounds represented 4 percent of the U.S. market when it was initiated. Today, it represents 20 percent of the U.S. market and that quota expires, the Morrell-Langley Agreement expires, in 1974.

Mr. BYRNES. Where do your synthetics come from?

Mr. ROBIE. Our synthetic imports are coming primarily from Portugal and Japan,

Mr. BYRNES. Thank you.

The CHAIRMAN. Mr. Chamberlain.

Mr. CHAMBERLAIN. I have just a followup question because you have raised a point that is of vital interest to us in connection with our national defense.

Could we have you state for the record the usage of this cordage for defense purposes?

Mr. ROBIE. I do not claim to be an expert on that subject, but I would say very, very clearly that there is really no segment of our defense effort in which cordage does not play a part.

I think it is easy for all of us to visualize the need of the Navy for cordage, and the Army requirements are substantial, whether it is dropping supplies from cargo planes.

The demand was greatly accelerated during the height of the Vietnam crisis. Demands were made on U.S. industry for very substantial increases. The U.S. Government procurement, which had been running at 2 or 3 million pounds a year jumped to 20 million pounds a year in 1966 and 1967.

Of great interest here is that they asked for Manila rope rather than synthetic rope, largely on the military expediency of one-time use only, that it would probably be lost.

The industry had a terrible time in producing enough for those purposes at that time because we didn't have the labor trained. There was not that demand ordinarily.

The General Services Administration has called for a meeting here in 3 weeks on disposal of the stockpiles of sisal and abaca. We are faced with a situation if this industry, the cordage industry, is not allowed to survive, that there will be nobody left in the United States who can produce this material. The situation is that serious.

Mr. CHAMBERLAIN. Can you tell us whether or not we are purchasing imported cordage to meet our defense requirements at this time?

Mr. ROBIE. At this time practically zero. We had a very interesting situation about 2 years ago, during the Vietnam crisis, when it was decided in exchange for the purchase of military aircraft by Great Britain that a large portion of our cordage requirements would be purchased over there.

Our industry said we were prepared to accept the same percentages as any other industry in America, but not to see 100 percent go over there. We have been able to meet the military requirements.

Whether we will be in the future, if the Congress and Government of the United States do not think it essential that our industry survive, is a matter of grave doubt.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen, for coming to the committee and giving us this very interesting information. We appreciate it.

Our next panel consists of Mr. Potofsky, Mr. Pollock and Mr. Baldanzi.

Our first witness for this panel is Mr. Jacob S. Potofsky, President, Amalgamated Clothing Workers of America, one of the very fine unions of those engaged in the textile industry.

Mr. Gilbert.

Mr. GILBERT. Mr. Chairman, I would like to extend a personal welcome to the distinguished gentlemen who are going to testify this morning, representing a large labor group in our country and, particularly, so many of the laboring people in the city of New York.

Representing the city of New York and having a deep interest on behalf of the industry and the union, I extend a personal welcome to all of you.

The CHAIRMAN. You are recognized, Mr. Potofsky.

STATEMENT OF JACOB S. POTOFSKY, PRESIDENT, AMALGAMATED CLOTHING WORKERS OF AMERICA

Mr. POTOFSKY. Mr. Chairman and members of the committee:

I appreciate the opportunity to present the views of the Amalgamated Clothing Workers on H.R. 16920, which we support wholeheartedly.

Let me start by making it plain that my union has long favored the basic principles of international trade, and we fully understand the questions asked by some of our friends in Congress about our position on H.R. 16920.

They ask, have we changed our philosophy?

The answer is no, we support it, not because we have changed our dedication to our international responsibilities, but because we think this bill will help the cause of international trade—orderly trade, without inequities or harmful effects on any of the countries involved.

Forty years ago, when most of us first became aware of the principles of reciprocal international trade, conditions were far different than they are today. In that time, the United States could depend on its technological advantages to meet the competition of lower wages in other countries.

Today, that is no longer true. In almost every industry, but especially in textiles and apparel, technology in other countries is just as advanced as ours. I say particularly in our industry, because ours is an industry which still depends more on labor than machinery. Technology in our industry plays a relatively minor role, and is easily acquired by other nations. But the differential in wages remains, and, in fact, is larger than ever. We cannot compete with wages of 8 cents an hour in South Korea, or even of 37 cents an hour in Japan. We cannot compete, and we don't want to compete, with wages such as these. And we are confident that you do not wish us to compete with wages as low as these.

Because we cannot compete, and because we have no advantage in technology, textile and apparel imports have been increasing at runaway speed—in some categories at more than 200 percent a year.

And because we cannot compete, our industry contributes a sizable proportion of the overall growing deficit in the trade balance of the United States—almost $1 billion in our industry alone in 1969.

And all of this is compounded by the barriers which have been erected by other nations to our own exports. Some of the nations which export the most to us, such as Japan and the European Economic Community, have almost closed their borders to our products.

So you can see that the principles and conditions which existed in the 1930's no longer exist in 1970. The United States no longer has the same advantage of its technology. Other nations have not kept pace with our move toward reciprocal trade. And the trade surpluses of past years have been replaced with a growing trade deficit.

As the president of the Amalgamated, however, my concern is not so much with trade surpluses and technology as with the effect of these conditions on our working people, our members. Let me remind you that the textile-apparel industry is the largest employer of all manufacturing industries with 2½ million workers.

It is important not only in terms of numbers, but also in the kinds of jobs it offers. Our skill and educational requirements are modest. As a result, many of our workers are members of minority groups, women, the unskilled and undereducated.

These are the kind of workers who, if they lost their jobs with us, could not be readily trained for other employment, and might have no place to go but the welfare rolls.

I cannot believe that this should be the result of a rational and intelligent trade policy.

I am not talking about a future possibility, but about a present event. In the last decade, our man-hours of employment have lagged far behind the increase in manufacturing generally. In the last 3 years, as imports have climbed higher, man-hour figures in our industry show an actual decline. And the pressures on our working conditions have been growing. If you have any doubts about this, I invite you to join us at the bargaining table next year when our contracts expire in the clothing industry.

From all of this, it is obvious that conditions have changed from the 1930's when we learned our first lessons about reciprocal trade. In the 1930's, my union was one of those which worked hard to promote the minimum wage law, and we thought we had won a great victory when the first Fair Labor Standards Act passed Congress in 1938. Today, because of the change in the facts of international trade, our practices are promoting exactly what the minimum wage law was supposed to prevent: unfair, destructive competition based on low wages.

Finally, let me assure our friends who worry about what they believe is a change in our philosophy that H.R. 16920 does not close the door to trade. Just the opposite: it provides a mechanism to assure orderly and continuing trade. My only suggestion for alteration concerns the provision which would continue to give the Tariff Commission the authority to make findings of injury and the power to authorize adjustment assistance. We would strongly urge that this be changed to provide this authority to the President, for he alone is in possession of the wide range of information required for sound decisionmaking in this complex field.

I would like to close with an expression of appreciation to you, Mr. Chairman, and to the others who have sponsored this bill. We believe that those responsible for this bill have demonstrated statesmanship, courage, and wisdom.

Thank you.

The CHAIRMAN. We thank you, sir, for bringing to the committee a very fine statement.

Will you indicate who is next? Will it be Dr. Teper?

STATEMENT OF LAZARE TEPER, DIRECTOR OF RESEARCH, INTERNATIONAL LADIES' GARMENT WORKERS' UNION, AFL-CIO, ON BEHALF OF LOUIS STULBERG, PRESIDENT

Mr. TEPER. I am Lazare Teper, director of research for the International Ladies' Garment Workers' Union.

I want to express the regrets of President Stulberg for his inability to be here, but he had a sacroiliac attack, and that left him miserable and confined.

The CHAIRMAN. Extend my greetings to him when you see him, please.

Mr. TEPER. Certainly, sir.

I appear before you on behalf of our 440,000 members in the United States and Puerto Rico. Neither they nor I want to see the bulk of our industry wiped out by low-wage imports that are flooding our markets.

The rise of apparel imports is of comparatively recent vintage. The first sign in our own industry came in the middle fifties when Japan began to unload scarves in this country in such volume that it put an end, for all practical purposes, to the domestic production.

Such was the beginning.

Then came sweaters, blouses, shirts, brassieres—you name it—every other article of apparel.

It seemed as though every time the United States made trade concessions to foreign nations, apparel imports increased. Our markets were open to foreign countries. Other nations, on the other hand, resorted to a variety of devices to check sales of foreign-made apparel within their borders.

On an overall basis, the physical volume of apparel imports advanced between 1956 and 1969 by 661 percent. While the program instituted by President Kennedy in 1961 helped to check the rise of cotton textile and apparel imports, the impact of controls was diluted by the increasing shipments of apparel made of other textile fibers.

How many jobs were lost in the process?

We estimate that more than a quarter million persons would have had jobs in our industry today if not for the rise in the level of imports between 1956 and 1969.

These jobs would have done a lot in our national efforts to combat poverty and hard-core unemployment.

Let us take a closer look at the levels of imports. In 1956, imported apparel as a percentage of domestic production was only 4 percent.

Last year, this figure added up to 22 percent.

Imports accounted for the following percentages of domestic production:

Eleven percent in playsuits, 18 percent in brassieres, 23 percent in blouses, 32 percent in women's and children's slacks and shorts, 72 percent in sweaters.

These figures reflect the invasion we have had to face up to now. They are but a prologue of things to come unless this flood is dammed.

The time to do it is long overdue.

The matter is of vital national importance.

That is why in the last presidential campaign, both candidates recognized the seriousness of the problem and pledged positive action to achieve needed import controls.

Our industry is, after all, the sole or the major source of work for many who would otherwise be unemployed—in small towns or large.

About eight out of every 10 workers in the industry are women, whose family ties prevent geographical mobility.

About 17 percent of workers in the industry are of Latin-American origin; 14 percent of workers are black.

Unless the problems stemming from imports are faced squarely, these various groups may be severely affected. They are the ones that can least withstand this impact.

They are the ones for whom it is hard to find ready employment elsewhere, no matter how hard we try.

We, thus, cannot permit industries like the apparel industry to erode.

Years ago, our industry was notorious for its low-labor standards. As a result of public indignation, legislative intervention, as well as union activity, labor standards have been gradually lifted. Yet today, faced with foreign competition, the earnings of apparel workers still lag behind other American industries.

This is understandable when one realizes what the American apparel worker must compete against.

After all, labor productivity is substantially the same in this industry at home and abroad.

But while the American garment workers averaged $2.31 an hour in 1969, their counterparts earned:

Thirty-nine cents an hour in Japan, 26 cents an hour in Hong Kong, 13 cents an hour in Taiwan, 11 cents an hour in India and Pakistan, 9 cents an hour in Korea.

These are just a few examples.

Sweatshop wages, child labor, unlimited hours of work—everything that we have managed to eliminate from the American scene as a matter of public policy, has to be faced by the American worker when apparel comes in from abroad.

It is ironic if after eliminating these conditions at home, we would now consciously permit our labor standards to be eroded by foreign sweatshops.

The first check on the flow of apparel and textile imports was achieved in 1961, when the first International Cotton Textile Arrangement was negotiated.

Subsequently, the United States sought to conclude similar agreements for apparel and textiles made of other fibers.

Yet, these efforts have come to naught.

Time and again, the high officials of our Government have met with rebuffs, at times bordering on rudeness.

Despite every effort to seek mutual understanding and compromises to bring about an orderly trade in textile and apparel products, we have miserably failed to reach an agreement with foreign countries.

The legislative solution to this problem—a measure of last resort—is thus clearly in order.

This is why I urge your committee to support H.R. 16920, the bill introduced by your distinguished chairman, Congressman Wilbur D. Mills, and other identical bills.

This bill provides proper controls over imports of apparel, textiles and leather footwear and encourages the signing of voluntary agreements between the United States and foreign countries.

The approach is an eminently fair one.

On behalf of our union and our membership, I give it our wholehearted support.

(The following letter and supplemental statement were received by the committee:)

STANLEY H. RUTTENBERG & ASSOCIATES, INC.,
Washington, D.C., June 16, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a supplementary statement on H.R. 16920 which I am forwarding in behalf of the Amalgamated Clothing Workers of America and the International Ladies' Garment Workers' Union. When he appeared before your Committee on May 20, 1970, President Potofsky of the Amalgamated Clothing Workers advised that such a document would be forthcoming. The enclosed statement updates much of the material contained in the report, "Domestic Apparel Industry: Economic Background and the Impact of Imports," which the two unions submitted to your Committee in June 1968 in connection with hearings on the Trade Expansion Act of 1968.

Sincerely yours,

STANLEY H. RUTTENBERG, *President.*

Enclosures

SUPPLEMENTARY STATEMENT ON H.R. 16920 SUBMITTED BY AMALGAMATED CLOTHING WORKERS OF AMERICA AND INTERNATIONAL LADIES' GARMENT WORKERS' UNION

I. INTRODUCTION

The nature of the apparel industry makes it especially vulnerable to assault by imports, particularly from lower-wage countries. Indeed, the rise in imports which has been occurring was inevitable so long as the nation's trade policies failed to take into account the special problems of the garment industry. The consequence of this failure has been the curtailment of job opportunities for American workers and constantly increasing downward pressure on the wages and incomes of those who do find work in the industry.

Competition from abroad is magnified in apparel by the ease with which new plant capacity can be built up. Capital requirements for entry into the business are rather modest. It is a labor-intensive industry, for which workers can be trained with relative ease in a very short period of time. Furthermore, technology in this industry is internationalized, and this in turn eliminates the type of advantages in effiicency that accrue to U.S. producers in other industries as a result of technological innovations. What remains from all of this is a competitive advantage for the foreign producers, based solely on substandard wages and sweat-shop conditions.

It is small wonder that the products from these countries have succeeded in penetrating domestic markets, for the conditions under which these imports are produced have long been barred from the American scene by both collective bargaining and law.

The failure to take this reality into account has created a situation in apparel whereby America's trade policy has been permitted to subvert its social policy.

Goods produced under substandard conditions are allowed to enter U.S. markets and undercut the sale of goods produced under conditions, including the payment of minimum wages, that at least meet the requirements of the Fair Labor Standards Act (FLSA).

Significantly, that Act was designed to eliminate such unfair competition. In adopting the FLSA the Congress found, among other things, that "conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" constitutes "an unfair method of competition" and "interferes with the orderly and fair marketing of goods in commerce." It declared that the policy of the FLSA, "through the exercise by Congress of its power to regulate commerce among the several states *and with foreign nations*," is to eliminate such conditions (emphasis added).

Even though this policy of the FLSA was first enunciated over 30 years ago, the need to eliminate unhealthy competitive developments in U.S. markets resulting from payments of substandard wages, whether at home or abroad, is no less imperative today.

Industrial development and transportation have wrought dramtic changes in the world, as is evident from the burgeoning growth of apparel imports into the U.S. Consequently, if decent working conditions are to be maintained in this country, and if employment opportunities are not to be destroyed because of unfair competition, it is absolutely essential that the nation's trade policy with respect to apparel recognize that the special circumstances of that industry make it particularly vulnerable to assaults by imports from lower-wage countries.

II. GROWTH IN IMPORTS

During the decade of the 1960's, the value of apparel imports into the United States grew more than three-fold, and the degree of import penetration—imports as a percent of domestic production—which was less than 9 percent in 1960 and less than 7 percent in 1961, rose to more than 22 percent in 1969.

TABLE 1.—IMPORT PENETRATION INTO APPAREL MARKETS OF THE UNITED STATES [1]

[In millions of 1957–59 dollars]

Year	Imports [1]	Domestic production	Exports	Degree of import penetration [2] (percent)
1960	$920.8	$10,682.4	$86.7	8.6
1961	744.7	10,879.0	83.3	6.8
1962	1,175.4	11,485.8	70.7	10.2
1963	1,230.4	11,621.7	74.7	10.6
1964	1,462.3	12,157.8	83.3	12.0
1965	1,752.5	12,861.7	96.3	13.8
1966	1,881.3	13,102.0	105.9	14.4
1967 [3]	2,134.6	13,448.4	107.4	15.9
1968 [3]	2,479.4	13,878.1	115.7	17.9
1969 [3]	3,015.8	13,458.5	140.1	22.4

[1] To measure the impact of the physical volume of imports on the domesitc market, the dollar volume of imports has been expressed in terms of prices charged for equivalent goods of domestic origin.
[2] Imports as a percent of domestic production.
[3] Preliminary estimate.

Source: ILGWU Research Department.

Dramatic as may be the trends revealed by Table 1, such aggregate data serve to conceal developments that are even more startling.

In 1961, when it was recognized by the United States that imports of clothing and textiles constituted a serious problem that had to be brought under control, agreements were negotiated with foreign countries under GATT auspices to regularize this trade and, in the process, to open new markets for underdeveloped countries in countries that barred such shipments. These agreements, however, applied only to products made from cotton; other products, whether made of wool or manmade fibers were not involved.

The agreement applicable to cottons—the Long-Term Cotton Arrangement—has helped to slow the rate by which cotton garments produced abroad have entered the American market. Predictably, however, foreign producers have shifted their emphasis, and have increased shipments of apparel made of man-made fiber and of wool. Thus, they have been able to step up their rate of penetration into U.S. markets.

As Table 2 shows, between 1962 and 1969, imports of wool garments grew by 77 percent, while imports of garments of manmade fiber escalated 1,770-percent—an 18-fold increase. Consequently, even though imports of apparel items made of cotton rose by only 37.5 percent, the total for all garments more than tripled.

TABLE 2.—IMPORTS OF APPAREL PRODUCTS INTO THE UNITED STATES, 1962–69

[In millions of square yards equivalent]

Year	All fibers	Cotton	Wool	Manmade fiber
1962 [1]	476.3	381.8	45.6	48.9
1963	492.5	384.2	54.6	53.7
1964	560.7	414.7	53.9	92.1
1965	684.2	457.1	67.6	159.5
1966	777.1	485.0	72.9	229.5
1967	877.7	475.4	59.3	343.0
1968	1,152.6	514.7	79.6	558.3
1969	1,520.1	524.8	80.6	914.7
Percent of change 1962–69	219.1	37.5	76.8	1,770.6

[1] Data prior to 1962 are not available.

Source: U.S. Department of Commerce, Office of Textiles.

Moreover, data for 1970 show that this growing penetration of U.S. apparel markets continues uninterrupted. Despite the fact that the American economy is in a recession, apparel imports are continuing to soar. The volume of imports, in square yards equivalent, was one-third higher—398.4 million as compared to 333.9 million—during the first quarter of 1970 as compared to the first quarter of 1969.

The full meaning of these data, which are for all garments combined, can perhaps be brought into sharper focus by examination of Table 3, which presents data on the growth in imports of specific items of apparel.

TABLE 3.—GROWTH OF IMPORTS AND IMPORT PENETRATION INTO U.S. APPAREL MARKETS FOR SELECTED ITEMS 1961 AND 1969

	Imports of apparel			Degree of import penetration [1] (percent)	
	1961 (millions of units)	1969 (millions of units)	Increase (percent)	1961	1969
Men's and boys' coats and jackets	0.4	14.8	3,600.0	(2)	17
Women's and children's coats and jackets	.6	12.0	1,999.0	1	24
Rainwear	1.3	5.5	323.1	6	22
Men's and boy's suits	.1	.9	800.0	(2)	4
Women's and children's dresses	3.3	22.0	566.7	1	6
Men's and boys' shirts, not knit	23.7	122.0	415.6	6	30
Men's and boys' shirts, knit	11.9	50.4	323.5	8	20
Women's and children's blouses	29.4	78.4	166.7	9	24
Sweaters	7.2	108.3	1,404.2	5	72
Women's and children's skirts	.5	7.3	1,360.0	(2)	7
Men's and boys' trousers and shorts	12.2	38.2	213.1	3	8
Women's and children's trousers and shorts	31.1	80.7	159.5	23	32
Playsuits	11.0	14.5	31.8	8	13
Women's and children's underwear	1.6	6.9	331.3	(2)	8
Brassieres	31.5	43.8	39.0	15	18
Pajamas and other nightwear	6.0	24.8	313.3	3	10
Dressing gowns and robes	1.3	5.2	300.0	3	10
Gloves	54.1	146.9	171.5	17	39

[1] Ratio of apparel imports to domestic U.S. production.
[2] Under 0.5 percent.

Source: ILGWU Research Department.

The items listed, it should be noted, are not peripheral to the industry. Rather they comprise the industry's mainstream—no part of which, as the data clearly indicate, is immune from assaults by the unfair competition that these imports represent.

Table 3 not only shows the extent to which imports have grown; it shows also the consequences of that growth—in the increase in the degree of penetration of the U.S. market for the specific items of apparel. As noted earlier, for the industry as a whole the degree of penetration already exceeds 22 percent—nearly three times the rate that prevailed at the outset of the last decade. Without some action to reverse the steady upward trend, it is quite clear that it is only a matter of time before the markets for most of the items in Table 3—which have already been severely eroded—are totally destroyed for domestic producers and for the workers whose jobs and incomes are involved.

The trend is there for all to see, and it is not an overstatement to label the situation a clear and present danger. To do otherwise would be to overlook the obvious.

III. ECONOMIC IMPACT ON WORKERS

The supreme irony that grows out of the failure to deal with the special import problems as they affect the apparel industry lies in the fact that the work and income opportunities being destroyed are in an industry which has traditionally been a source of employment for large numbers of workers who can rightly be characterized as "disadvantaged." In the absence of the opportunities provided by the garment industry, and in the absence of any meaningful alternatives, many of them are destined for unemployment. This makes no sense whatsoever, at a time when the nation seeks to set a course to eradicate urban and rural poverty.

Geographic distribution

Although two-thirds of the employment in the apparel industry is located in the nation's metropolitan areas, the available data show clearly that the industry is also a significant source of employment in the *non*metropolitan areas of many states.

An analysis of 1966 Census data disclosed that employment in garment manufacturing represented 10 percent or more of total manufacturing employment in 42 of the nation's Standard Metropolitan Statistical Areas (SMSA's). In all of those 42 SMSA's combined, jobs in the apparel industry accounted for one-fifth of all manufacturing employment.

No less instructive concerning the significance of the apparel industry as a provider of jobs are data presented in Bulletin No. 1635 of the U.S. Bureau of Labor Statistics.[1] There it is disclosed, in an analysis of employment in selected states, that apparel employment—while slightly more than 7 percent of all manufacturing employment throughout the entire nation—comprised 23 percent of manufacturing employment in the *non*metropolitan areas of Alabama, 22.5 percent of such employment in Georgia, 23.7 percent in Mississippi, 16.5 percent in Missouri, 8.2 percent in New Jersey, 11.4 percent in North Carolina, 15.0 percent in Pennsylvania, 12.2 percent in South Carolina, 27.1 percent in Tennessee, 11.5 percent in Texas, and 11.6 percent in Virginia.

Clearly, therefore, the garment industry and its jobs are important to the economic well-being of both urban and rural areas across the nation.

Characteristics of the workforce

The types of jobs that are at stake—and who it is that fills them—are no less important than the location of those jobs.

Most of the tasks performed by workers in the industry do not fall into the skilled category. Skills that were once required in the industry have been diluted by new production techniques. In the case of sewing machine operators, for example, the work is now 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 this requires little time—the rest of the learning process consists of a progressive and relatively rapid acquisition of operating speed.

Consequently, one important feature of most of the jobs in apparel manufacturing is that they involve skills that can be acquired without an extended period of training.

Another important aspect of apparel industry employment relates to the job needs of America's racial and ethnic minorities. While 10 percent of the workers in all manufacturing combined were nonwhite in 1969, in the apparel

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[1] *Labor in the Textile Industry*, August 1969.

industry the proportion exceeded 12 percent. In the nation's population centers, the degree of nonwhite participation in the industry was higher still, according to the Equal Employment Opportunity Commission.[2] EEOC data also help to document the importance of the apparel industry as a source of employment for workers with Spanish surnames.

The garment industry is also a very important job source for women. Fully 80 percent of the jobs—about 1.3 million out of a total of approximately 1.7 million—are held by women.

The economic importance of these job opportunities is perhaps best indicated by the results of a report[3] by the U.S. Bureau of Labor Statistics which indicates that over 40 percent of the nation's female jobholders are single, widowed, divorced, or separated. In terms of female participation in the garment industry, such a ratio would mean that this industry is providing over 500,000 jobs for women who do not have husbands to support them.

Moreover, with respect to married women who are active participants in the labor force, the BLS study discloses that, among married women in families with school-age children, the highest participation rates are to be found in families where the husband's income is below $7,000 per year.

In other words, the jobs that the industry provides for women workers are an economic necessity, and the women who rely on them are not casual workers with only a tenuous attachment to the labor force. The economic base that is being eroded by imports from low-wage countries is vital to their livelihoods, and to the livelihoods of their families.

Impact on employment and earnings

To some extent this erosion can be seen in the industry's employment trends and in the trends in hours of work in recent years. Employment has turned down, and so has total manhours in apparel manufacturing.

Such aggregate data do not, however, reflect the impact of imports with respect to jobs that were never created, but which would have been—had not foreign goods captured an ever-growing share of the market.

The fact is that, on balance, foreign trade in apparel has cost the United States 211,900 production jobs during the decade of the 1960's alone. This is the cumulative year-to-year total of the difference between the number of jobs resulting from U.S. apparel exports (plus) and the number of jobs lost as a result of imports of apparel (minus).

These estimates are presented in Table 4 and involve allocating employment gains or losses according to export and import ratios—that is, the volume of exports and imports as percentages of total domestic production. Thus, in 1961 there was a net gain of jobs—24,500 of them—after netting ou the impact of imports and exports in 1961 as compared to 1960. Since then, however, each year of the decade saw more jobs being lost because of imports than were gained because of exports, and the cumulative total through 1969 was 211,900.

TABLE 4.—NET LOSS OF U.S. APPAREL INDUSTRY JOBS ATTRIBUTABLE TO IMPORTS, 1960–69

[In thousands]

Year	Employment Impact: Imports	Employment Impact: Exports	Employment Impact: Net loss	Year-to-year change
1960	−111.2	+10.3	100.9	
1961	−86.6	+10.2	76.4	+24.5
1962	−134.8	+7.9	126.9	−50.5
1963	−141.0	+8.0	133.0	−6.1
1964	−162.2	+9.5	152.7	−19.7
1965	−192.0	+9.9	182.1	−29.4
1966	−209.7	+11.6	198.1	−16.0
1967	−229.4	+11.5	217.9	−19.8
1968	−261.6	+11.7	249.9	−32.0
1969	−327.4	+14.6	312.8	−62.9
Cumulative total				−211.9

Source: ILGWU Research Department.

It is important to understand that low-wage apparel imports have a domestic impact that reaches far beyond the impact on employment levels. These imports have caused a severe downward pressure on wage levels in the U.S. apparel in-

[2] *Equal Employment Opportunity Report No. 1,* 1966.
[3] *Marital and Family Characteristics of Workers, March 1969.*

dustry and, as a result, have depressed substantially the earnings of the workers retained by the industry.

In 1947, as Table 5 shows, average hourly earnings of production workers in apparel manufacturing was $1.16 per hour—six cents less than the average for all manufacturing. Steadily, the gap has widened and, by 1969, it had grown to 88 cents. The ratio of average hourly earnings in apparel to that for all manufacturing had declined from 95 percent in 1947, to 72 percent in 1969.

TABLE 5.—AVERAGE HOURLY EARNINGS OF PRODUCTION WORKERS IN THE APPAREL INDUSTRY[1] AND IN ALL MANUFACTURING, UNITED STATES, 1947–69

Year	Apparel	All manufacturing	Year	Apparel	All manufacturing
1947	$1.16	$1.22	1959	$1.56	$2.19
1949	1.21	1.38	1961	1.64	2.32
1951	1.31	1.56	1963	1.73	2.46
1953	1.35	1.74	1965	1.83	2.61
1955	1.37	1.86	1967	2.03	2.83
1957	1.51	2.05	1969	2.31	3.19

[1] Standard Industrial Classification 23.

Source: U.S. Department of Labor.

The explanation for this lies, of course, in the fact that the domestic industry has been faced with the unfair competition from garments produced in low-wage countries where the level of technology and productive efficiency approximates that which prevails in this country. In short, the competitive advantage of these foreign producers has been—and is—provided by the low wages.

In the United States, for example, average hourly earnings in the apparel industry in 1969 were $2.31. Except for Canada where the average was $1.75, the estimates (expressed in U.S. dollars) for all of the other countries fell below $1.00 per hour. In Japan, for example, earnings in the apparel industry averaged 39 cents per hour, and in Hong Kong 26 cents.

These are the earnings of workers in foreign apparel establishments producing goods for the American markets. American producers in this labor-intensive industry do not have the kind of countervailing advantage in technology that might be found in other industries to enable domestic manufacturers to overcome such a substantial advantage in the labor cost of foreign competitors.

IV. CONCLUSION

The special problems of the apparel industry—particularly its vulnerability to assaults from the unfair competition of imports produced in low-wage countries—as well as the damage in jobs and incomes of workers that such imports have already wrought, and the escalating rate of penetration of imports into the domestic markets, justify favorable action by the Congress on H.R. 16920. Without this legislation, the prospect is for further erosion of an economic base that is essential to many workers—men and women of all races, and in both urban and rural America—for whom there are few meaningful employment alternatives.

H.R. 16920 will provide essential safeguards for apparel workers in the United States, while advancing the cause of world trade. It is not a protectionist device, but rather an instrument to achieve a more-orderly marketing arrangement. Not only will it not bar foreign producers from our markets; it will enable them to share in whatever growth there is in domestic consumption of apparel products.

It is a measure which will redound to the benefit of the nation, for it will help to safeguard American jobs—and prevent the unfair competition of foreign imports from converting "working poor" into "nonworking poor," with all that this implies in the way of added tax burdens—and it will not harm the interests of the price-conscious consumer.

If there is one industry in which the market place imposes discipline with respect to pricing policies of manufacturers, it is the apparel industry. This is a highly competitive industry, and the continuation of a high degree of competition is assured by the ease of entry into the field. Capital requirements are quite modest and, as a result, the industry is characterized by an almost-infinite number of producers, highly competitive with one another on price as well as on quality and style. This is, no doubt, the reason why the wholesale price index for apparel rose by about 13 percent between 1947 and 1969, while the index for aii industrial commodities showed an increase of nearly 40 percent. Given the fact that retail clothing prices have risen more rapidly, this evidence would suggest a tendency toward excessive mark-ups on the part of retailers—especially chain operations which do a good deal of importing from low-wage countries.

H.R. 16920 would not affect the forces of competition which has restrained price increases in apparel at the producers' level. Nor would its rejection serve in any way the consumer's intere t in lower prices. But with respect to the jobs it would save for American workers, H.R. 16920 would be a positive force. On this score, if on none other, it warrants support—promptly and with a sense of urgency, for the problem can indeed be labeled a "clear and present danger."

The CHAIRMAN. Dr. Teper, we thank you for your very fine statement.

Mr. William Pollock is the general president of the Textile Workers Union of America.

You are accompanied by your research director and your legislative representative, I believe, also.

STATEMENT OF WILLIAM POLLOCK, GENERAL PRESIDENT, TEXTILE WORKERS UNION OF AMERICA, AFL–CIO; ACCOMPANIED BY GEORGE PERKEL, RESEARCH DIRECTOR

Mr. POLLOCK. Thank you, Mr. Chairman.

I am accompanied by our director of research, George Perkel, who has done the research and gathered the statistics for our statement. Our Washington representative was here a while ago.

The CHAIRMAN. We appreciate having you present. You are recognized.

Mr. POLLOCK. Mr. Chairman, I have filed with this committee a copy of a statement by my organization, the Textile Workers Union of America.

I would like to say, at this point, that the United Textile Workers of America is joining with us in support of this statement.

It goes into some detail regarding the problems our industry faces as a result of the growing volume of textile imports.

It also expresses our complete support for import quotas on synthetic fibers and all textile products, as provided for in H.R. 16920.

I will not burden the members of this committee by going over all of the ground covered by our statement. Instead, I would like to confine my testimony to some special reasons for action to regulate textile imports. They go beyond the interests of the industry. They involve the interests of the entire country.

I am aware, of course, that to the people in each industry, nothing is more important than that particular industry. But what happens in the textile industry does have an impact upon the rest of the Nation. And I believe it is possible to demonstrate that the national interest is indeed involved to a significant extent.

This is true because of the geography and the vital statistics, if you please, of the textile-apparel industry.

Let me start by saying that we are talking here about 2½ million Americans whose livelihood is directly linked to this industry.

The outstanding fact is that a large majority of the plants are located in small towns and rural areas. They make up the major—if not the single—source of industrial employment.

Therefore, textile workers who lose their jobs as a result of mill curtailment of liquidation have nowhere else in the area to turn to for employment.

This means that many displaced textile workers are forced to gravitate to the larger cities. Without the experience to cope with big-city life, without the skills necessary for big-city employment, they tend to fall by the wayside.

As a result, they contribute to the social and economic problems that plague all of our big cities.

If they remain in the rural areas in which they live, they are without jobs. And the rural counties lose tax revenue. These counties can ill-afford the increased cost of public assistance needed to care for the poverty-stricken unemployed.

This means a decline in the quality of rural life and, with it, substandard schools, roads, and community facilities. It also brings on a further tilting of the national scale in the direction of rural-urban imbalance.

What I have said is particularly true with respect to the black population. It is now engaged in a great effort to reach parity with the rest of our population. And all of us should share in that effort.

In the last few years, particularly, the textile industry has provided employment opportunities for the Negroes who have been driven off the farm. It represents an important road which enables them to enter our industrial society.

If that road is now shut off as a result of mill closings of curtailments caused by the flood of imported textiles, we will be piling yet another frustration on top of a pile that already has grown too high.

The impact of imports has been particularly severe in those situations where plants have been forced to close down.

Last year, 32 textile mills were liquidated, wiping out more than 8,000 jobs. In the first 4 months of this year, nine additional plants have been closed, wiping out more than 1,500 jobs.

Earlier this month, the West Point-Pepperell Co. announced plans to close its sheeting divisions at Biddeford, Maine, destroying 900 jobs in a small town which is dependent upon this plant for its economic mainstay.

Mr. Chairman, the committee has all of the facts and figures it needs—perhaps even more than it needs. They add up to a clear, economic justification for import quotas on textiles, textile products, and synthetic fibers.

But I would like to emphasize this aspect of the situation.

The Textile Workers Union of America is not an isolationist organization. We are willing to see a reasonable level of textile imports enter the domestic market. We would have liked to have seen agreements negotiated between the various trading countries on a voluntary basis.

As you know, the U.S. Government vigorously attempted, for more than a year, to reach such agreements. But these efforts have been rejected by Japan and other exporting countries.

Now there is no choice but legislation to establish quotas on such imports.

Even so, Japan and the other exporting countries do have a choice under the proposed terms of this legislation.

The bill before this committee provides that quotas will not be imposed on any category which is covered by a voluntary agreement.

So there is an alternative. The exporting countries can either accept the quotas fixed under this bill, or work out voluntary arrangements.

Finally, I would also like to emphasize this factor:

In this instance, there are far-reaching questions of social policy and national concern that involve the well-being of each of us—no matter how far removed we may be from a textie mill or a synthetic fibers plant.

This is not simply a matter of tariff policy—or tariff mechanisms—or a narrow construction of particular laws or regulations. Nor is it a matter of narrow sectional interest.

I predict that what this committee does with respect to import quotas on synthetic fibers and textile mill products will have as much impact upon the welfare of millions of Americans as any other legislation now pending in the Congress.

It is in that context that I urge your favorable consideration of H.R. 16920.

(The prepared statement of the Textile Workers Union of America follows:)

Prepared Statement of the Textile Workers Union of America, AFL-CIO, on the Need for Import Quotas on Textiles

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. We wholeheartedly support the bill sponsored by the Chairman of the Committee (H.R. 16920).

The Committee will hear 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 2 months of 1970 (3.9 million square yards) is more than double the volume of 1964 (1.5 billion) and 62% higher than in the corresponding period of 1969. 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 dispair 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. It would place an unbearable burden on the already sorely taxed public assistance rolls.

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 nowhere 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

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[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. 1.

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 industry 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 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 (46% compared to an average of 28% 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

[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,*

[4] *A Report on Manpower Requirements, Resources, Utilization and Training,* transmitted to the Congress March 1965, p. 146.

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 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

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[5] *Ibid.*, p. 149.
[6] Computed from *U.S. Census of Population: 1960*, Vol. 1, Characteristics of the Population, Table 212.
[7] *Ibid.*, p. 147.
[8] *Ibid.*, p. 148.
[9] *Ibid.*, p. 152.

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 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 shut-down . . . Dropping out of the labor market, in this instance, is a reflection of a very high degree 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).

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[10] "The Mobility of Weavers in Three Textile Centers," *The Quarterly Journal of Economics*, May 1941, pp. 460–487.

[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.

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:

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."

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 percent 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 percent 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 industiral 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 inter-industry 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

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[19] William H. Miernyk, *Inter-Industry Labor Mobility,* Northeastern University, Boston, 1955.
[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.

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]

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 layoff from a carpet mill which halved its employment between mid-1960 and laid off when the mill halved its employment between mid-1960 and mid-1962, 1 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 sitnation 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 potential role of particular importance to play in helping to meet the critical manpower problems confronting the nation. The vast

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[26] *Ibid.*, p. 155.

[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.

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.

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 peoples 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 11.7% in 1969. (Table 8.) In 1969 alone the rise in Negro employment in the industry was 24%. In the first quarter of 1970 the ratio of non-white employment rose above 14%.

The decline in employment which has occurred in the past year fell with especial impact on the recently hired Blacks. The number of production workers in textile mills dropped from 885,000 in January 1969 (seasonally adjusted) to 855,000 in February 1970, a reduction of 30,000 jobs. Many of the displaced workers were Negroes who had just emerged from the ranks of the "hard-core" unemployed.

SUMMARY AND RECOMMENDATIONS

Import quotas on synthetic fibers and all textile products, as provided in H.R. 16920, 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 arrangements has been effectuated but no controls have been instituted for manmade fiber and wool products. Consequently, imports 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,

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[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.

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, particularly those who have been confined to the "hard-core" unemployment rolls.

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 Brunswick	1, 400
New York:	
Albany-Schenectady-Troy	4, 100
Major labor areas [1]—Continued	
New York—Continued	
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: Both-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
Rhode Island: Providence-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 designated by the Bureau of Employment Security for monthly classification according to the adequacy of their local labor supply.

Source: U.S. 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: Metropolitan areas [1]	Number of workers: Nonmetropolitan areas	Total	Percent in 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	499,281	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: Number established	Textile mill products: Employees	All manufacturing industries: Employees	Ratio of textile to manufacturing employees: Percent
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] 10,187	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: Less than 25 percent	25–49 percent	50–74 percent	75 percent and over	Employment: Textile	Manufacturing	Ratio of textile to manufacturing employees (percent)
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	55.0	14.3	100.0	-----	-----

Source: Bureau of the Census, U.S. Department of Commerce and South Carolina Department of Labor.

TABLE 5.—EDUCATIONAL LEVELS OF TEXTILE MILL WORKERS AND PERSONS EMPLOYED IN ALL MANUFACTURING INDUSTRIES AND IN THE CIVILIAN LABOR FORCE BY OCCUPATIONAL GROUP, 1960

Occupational group	Median years of school completed: Textile mill products industry	All manufacturing industries	Civilian labor force	Ratio of textiles to all manufacturing or civilian labor force (percent)
Craftsmen, foremen and kindred workers: male	[1] 8.1	-----	10.5	77
Operatives and kindred workers:				
Male:			9.6	
Dyers	8.7	-----		91
Knitter 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, NEC [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] Loomfixers.
[2] NEC—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
Sales workers	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 and manmade 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		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, 1962-69

[In percent]

	1962	1964	1966	1968	1969
Males	6.4	6.8	10.0	10.9	12.8
Females	2.5	3.6	5.3	8.0	10.4
Total	4.6	5.3	8.0	9.5	11.7

Source: Estimates derived from data obtained from Bureau of Labor Statistics, U.S. Department of Labor.

The CHAIRMAN. Thank you, Mr. Pollock, for your very fine statement.

Mr. Baldanzi?

STATEMENT OF GEORGE BALDANZI, INTERNATIONAL PRESIDENT, UNITED TEXTILE WORKERS OF AMERICA, AFL-CIO

Mr. BALDANZI. Mr. Chairman and members of the committee: My name is George Baldanzi. I am president of the United Textile Workers Union of America, AFL-CIO.

During the course of hearings on tariff and trade proposals, you have had presented to you detailed statistical analysis of the world trade crisis. We appear here today before your committee in support of H.R. 16920 because the current trade crisis calls for a fundamental overhaul of U.S. policy.

Our organization, the United Textile Workers of America, is joining with the Textile Workers Union of America in support of the facts and statistical material submitted by them; we endorse their written submission, including the continued inclusion of the synthetic fiber producers within the classification of the textile industry.

I would like to take what little time is available to me to described in human terms, rather than more facts and figures, how our present trade policy, outmoded and unrealistic, is escalating economic blight at home and abroad, and the victims are plain ordinary citizens, workers, and consumers; the poor and the very poor. Affected by bill H.R. 16920, in this category, there would be approximately 3 million men and women.

For these American workers the import problem is not only where we are today, but where we are going, and what future do we have to look forward to. The policy of limited restriction on imports of textile and apparel into the United States has not only had an impact on employment in the industry, but it has also affected wage and other standards.

We believe that if the threat and reality of imports were removed from our industry, not only would textile workers have a chance to enjoy some of the job security that workers in many other industries now have, but they would also be able to achieve a standard of living that you and I believe every American should have.

Some of you have textile and apparel workers among your constituents and, therefore, have had opportunity to talk with them in many sections of this country—if not, I suggest it. I wish you would visit their homes, talk to them about their hopes and fears, their hopes and dreams. For the most part, you would hear of crushed hopes and unrealized dreams; of uncertainties and despair, and of personal defeat.

We in the textile union have spent all of our lives at this human level to try and help these people, once again, to think of themselves as people—as men and women who are entitled to share in the richness of America for themselves and their children. Most of us in this country are concerned about the polarization problems taking place in our Nation—black and white, old and young, establishment and antiestablishment. There is another kind of polarization, and it is directly related to our trade policies. This polarization is dividing industrial America between those whose entire economic life hangs in their balance of trade—whether the low-wage imports will deprive them of their livelihood (to a man, this is manhood); or whether their jobs are secure and their income is adequate.

Without clouding over this human factor, let me first relate three facts: The U.S. Department of Labor reports that it now costs over $10,000 a year to maintain a modest and adequate standard of living with few luxuries for a family of four in urban areas. This comes to $196 a week for a full-time worker, 52 weeks a year.

In March 1970, workers earned $142.40 in manufacturing. Textile workers only earned $99, about half of what it takes for a modest and adequate standard of living. Even if we expect the Labor Department's lower family budget with some amenities and no luxuries, we find that it costs $6,000 for a family of four in urban areas, or approximately $127 a week for 52 weeks a year—far more than most textile workers are earning today.

The gross hourly earnings for textile workers falls far short of the average for all U.S. manufacturing; it was $2.43 an hour compared with $3.24 an hour for all manufacturing.

When we add to this current wage picture the fact that the consumer price index rose 7.2 percent on an annual basis, the first 3 months of this year, we cannot hide the grim fact that textile workers individually, and as a group, are in an intolerable situation. We, in the textile industry, believe that one essential answer to this problem is the regulation and control of low-wage imports.

I am fully aware that there are others—industrialists, many top officials—in and out of government—who would solve this problem in a far different way, and I might add, in a far more dangerous way.

There is Arthur K. Watson, chairman of the board of IBM—World Trade Group, and vice chairman of IBM. He told the Joint Economic Committee last December, and I quote:

> We are giving nearly half of our young people some form of post-high school education. In Europe, by contrast, the figure would vary from 10 percent to 20 percent, and in the developing nations one percent to five percent in the same age group. It would be absurd, I believe—

And I am still quoting Mr. Watson—

> to predicate future policy on the idea that we are raising another generation of mill hands in America. We simply aren't; we don't want to, and any rational policy for the 1970's should recognize this broad and basic change in the character of our people.

Mr. Chairman, this is the kind of thinking and statement by one of America's outstanding industrialists that should give us pause to think. Mr. Watson, I believe, represents what it has become fashionable to refer to as the internationalization of American enterprise. In simple language, he suggests that all labor-intensive industries, such as textiles, garments, shoes, leather, and so on, should be phased out of this country in one way or another. They propose to solve the problem of the consumer goods industries by liquidating them on the broken bough of a questionable foreign policy.

It may be that Mr. Watson and others may have become blinded by the potentialities of computers, but most of us must relate to people, and economic problems as they are now, and will be for some time in the future. With modern equipment and intelligent management, and fair treatment on the trade and tax front, the American textile industry and its workers have as much right and reason to live and prosper as the steel industry, and auto industry, or the computer industry.

We do not accept the kind of economic thinking that where jobs cannot profitably be consumed by complex automated equipment, that they should be farmed out to the low-wage areas around the world, and the price that this Nation is paying now, and the bitter returns for the future with this kind of approach are not hard to envision.

If the definition of "free trade" is to be predicated on liquidating jobs in America that pay decent wages and provide for respect and human dignity in favor of jobs in other parts of the world, specifically in the case of Japan—the highest paying of the Eastern countries, where, for the same work, the workers receive 57 cents per hour, and in South Korea, 13 cents per hour when work is done by men, and 7 cents per hour when it is done by women—we should say it.

That is compared to $2.42 here in the United States.

Mr. Chairman, we are not the benevolent benefactors of the peoples of the developing countries. We are engaged in a cruel and greedy economic game which, far from delivering them from their lives of depredation, we are forcing them on a sophisticated form of medieval exploitation.

We are told by our Secretary of Commerce, that the U.S. textile wages are $2.47 per hour. If American workers are expected to compete with this form of economic slavery on any basis, we can do so only if we reduce our own worker to this same outrageous economic state. The textile workers do not propose to let this happen, and don't believe that members of this committee could support such a policy.

It appears ironical to me that over the 150 years of our existence we have achieved an economic system that is the envy of the world. Our productivity in the early seventies will achieve a gross national product of over a trillion dollars. Our wage standards are higher than any other country in the world. We permit the only free open market to any country, when the fact is that every other country has had, and continues to have, quotas and all manner of techniques to prevent goods made in this country from entering their markets.

There is no "free trade" as it is being bandied about today, and we are permitting a tremendous volume of products to enter our country—endangering the livelihood of hundreds of thousands of our workers—produced under conditions that, in our country, would result in the jailing of those responsible for tolerating such conditions.

It seems awkward, to say the least, for our Government to establish, as a matter of national policy, a minimum wage law applicable to all industries and workers engaged in interstate commerce of $1.60 an hour, below which no one can be paid, and, at the same time, permit a policy that threatens the jobs and livelihood of the same workers whose Government protects against unfair competition within our borders, to be destroyed by cheap low-cost products made under the most cruel and inhuman conditions.

We appeal to your committee and to the Congress of the United States for help. We need protection because it is not possible for us to help ourselves through the ordinary means at our disposal. It is, therefore, perfectly proper that, in the absence of being able to work out a voluntary agreement for the orderly exchange of products between our country and the rest of the world, that we look to you to establish quotas on a comprehensive basis to protect our jobs.

We urge the passage of H.R. 16920 so that an orderly procedure of fair trade between nations can be established.

The CHAIRMAN. We thank you for your very fine statement, Mr. Baldanzi.

Mr. Pollock, the more complete statement to which you referred will be placed in the record.

Are there any questions?

Mr. Byrnes.

Mr. BYRNES. I wonder if the gentleman would tell us what would happen to their workers if they had to rely on adjustment assistance as a method of taking care of unemployment resulting from a continuation of imports.

I ask that because so many people say, "We have adjustment assistance if we find an industry expendable."

Mr. TEPER. For all practical purposes, when it comes to the apparel industry, adjustment assistance, however liberalized, is of no avail.

Remember, that the average-size plant employs far less than 60 workers. Those plants are scattered. Some of them are in small communities. They may be the sole plant. When such a plant undergoes difficulties it is virtually impossible to indulge in the kind of paperwork that the very form of application for adjustment assistance would require.

You know the requirements of the Tariff Commission, 20 copies, the wide margins, so on and so forth. Whether that would be liberalized under the President's proposal, or under the language of the bill before you that we are discussing here I cannot say.

But you have a lot of crosscurrents which sometimes disguise the fact in the apparel industry that a particular firm closes its doors because of imports.

Their customers stop buying and their retailers now maintain buying offices abroad. Retailers of foreign firms are approached by agents.

So in a crisscross situation, it is sometimes very difficult to isolate the very fact that a particular closing is really due to imports, other than general causes.

I would say that in any industry composed of small units, such as apparel, it is futile to deal with adjustment assistance.

Then the next question: What are we going to train the unemployed for if there is no other industry in a given community?

This is a key problem. Quite a lot of plants in apparel and textiles are spread through Appalachia, through that region. This is the region where every effort is made by our Government, and has been made for several years, to provide additional employment, with very little success except in the field of apparel and textiles.

Imagine these communities without other industries. What are those people going to be trained for? This is the key issue.

That is why we support the principle of adjustment assistance—I think it will benefit other workers. It will hardly benefit textile or apparel workers due to the nature of distribution of the industry.

Mr. PERKEL. May I say a word about the textile workers? The burden of our statment was to examine the particular characteristics of the labor force in the textile industry. That throws light on the question that you raise, sir. It shows that the workers in this industry, aside from the fact that Dr. Teper referred to; namely, that they are located in small towns with small plants, also have the personal characteristics which make it very difficult for them to be mobile, to move to other opportunities.

These are people who, by and large, have lived in the same community all of their working lives. They are more advanced in age than the average factory worker.

A larger proportion of them are women and, therefore, members of families which are rooted in the community. They lack the educational achievement that is common in the more technically advanced industries.

So all of these characteristics combine to make it very difficult for these particular workers to take advantage of an opportunity such as the adjustment assistance provision.

The CHAIRMAN. Mr. Burke.

Mr. POLLOCK. May I respond to that, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. POLLOCK. Yesterday's Wall Street Journal had quite a long story on international trade. They talked about the Adjustment Assistance Act, stating that in Woonsocket, R.I., a Uniroyal plant that manufactures keds, employing 950 people, was declared by the Labor Department eligible for Federal assistance.

The story goes on to say that even though this trade act was passed in 1962, only five groups of workers have been made eligible for assistance, and most of them since the latter part of 1969, because of the terrific restrictions that the Tariff Commission puts on workers or a union to prove that the workers are entitled to assistance.

The CHAIRMAN. Also, I might add, Mr. Pollock, the reaction of some of us to the earlier decisions of the Tariff Commission was not very good. I had an experience myself with some employees of a ceramic operation in Little Rock who were relieved of employment by this company because of imports.

But the Tariff Commission saw fit to hold that they actually were relieved of their employment because the employer had automated his plant. But why did he automate? It was the only way in the world he could stay in business.

So I thought it was directly as a result of imports, but the Tariff Commission thought otherwise. I know I had a lot to say about it at the time.

Mr. Burke.

Mr. BURKE. I wish to commend the witnesses who have testified here in this panel.

I would like to ask them if they see any signs of any of these countries like Korea, Taiwan, or Hong Kong improving their labor conditions.

Mr. TEPER. Yes, sir, we do see signs of improvement. If you want to play the game of percentages, you can build very good ones. I said that the average wage in Korea currently is 9 cents an hour.

I am talking of the apparel industry. Only a few years ago, about 7 or 8, they had an average wage of 7 cents an hour. Two cents on 7 cents is an increase of close to 30 percent, but it hardly makes a dent in a differential between our wages and wages there. Actually, the disparity has increased. This is also true of Japan. Percentages are high but in cents per hour the increases are mighty small.

Mr. POTOFSKY. May I add that the only improvement is the volume of imports. We have been at this for the last 10 years. We have been trying to be reasonable and fair, and to work out an international mode of control.

We are not opposing the imports from any country, but we say let us have a little order. Let us have reciprocity both ways.

They are entitled to live, to progress, to benefit from our prosperity, such as we have had until recently. But we haven't got it now.

The question is how far are we going to permit the downgrading of our own people. That is the issue. It is a long wait, when we started off in 1961. Japan had imported something like 75,000 units in our industry.

Do you know what it is today? It is a million and a half. Do you know what it is today for our total national product in all the branches that we are concerned with in the wearing apparel industry? It is 20 percent.

Our people are working part time. We haven't the seniority system they have in other organizations. We divide the work equally among everybody. And when there is no work, we work 36, 30, 32 hours, that is the way we handle ourselves.

So we show no progress. On the contrary, we are feeling the effects because they have enlarged the volume so tremendously that we think that the time has come for an orderly international regulation of trade.

Let them grow, let them develop, let them import. But let us do it rationally, intelligently, regulated, so that they can make progress and we, too, are not subject to extinction.

The way we are going, the way we have been going in the last 10 years, gentlemen, we are ruining the textile and apparel industry.

Mr. BURKE. The administration has recommended for the unemployed textile worker and any other worker who will lose his job from imports to receive an average of 65 percent of his salary for 52 weeks.

What do you think that will do for the worker?

Mr. BALDANZI. If I might interrupt you, I was going to make that kind of a comment. I think for these numbers of weeks he will be identified as a person. When they expire, he is no longer a statistic so nobody gives a damn what happens to him. That is what will happen.

Mr. BURKE. He will then go on welfare.

Mr. TEPER. Bear something else in mind. When you deal with a small community, one-industry, one-factory town, when jobs disappear, frequently the individuals will no longer be counted as members of the labor force. There are no jobs, and workers have no longer cause to look for work.

In the apparel industry, 80 percent of the workers are female, so their mobility is low. They disappear from an unemployment statistic and yet they are unemployed. They are jobless.

You can say that 52 weeks' payments at 65 percent will permit them to subsist. This will be a form of burial insurance.

Mr. POTOFSKY. So far as I know, there have been a number of other instances, but so far it has been investigation and investigation.

In the period of 8 years there have been five cases, but not on an industry basis, that have been given relief. God help us if you have to depend on that sort of thing.

Mr. BURKE. This Uniroyal Co. that was mentioned, I understand lost about 3,000 jobs. I think there are about 700 employees left there.

The Goodrich Rubber Co. in Massachusetts lost 5,000 jobs over the last 5 years and none of them received any of this adjustment.

We can point out 77,000 jobs in textiles that have been lost in the Nation over the past year and a half, and they have received no adjustment. Is that right?

Mr. TEPER. That is correct.

Mr. BURKE. I want to point out to you that there are approximately 200 Members of Congress who have joined our distinguished chairman in filing a companion bill.

Mr. BALDANZI. I think it ought to be clear that sometimes we have a tendency to gloss over and get a misconception of what the true picture is. Most of us around this table have met with delegations of workers from Japan, from Hong Kong, from all the European countries, and all of Latin America.

It is a mistake to assume that these workers who are living under this type of feudal system are in favor of what is happening in their countries. They are struggling to improve their standard of living. When we analyze that Japan at is current level is one of the three greatest industrial powers in the world, who has a tremendous potential, yet, their standard of living in terms of workers' wages is where it is, it would seem to me that this should give us cause.

I am not an old man, but when I started to work in the textile mill I was paid 19 cents an hour. But through this country of ours and our trade unions, and the Federal Congress, we have constantly elevated the standards of our people.

Therefore, we have made them consumers. I am sure that Japan, Korea, Hong Kong, and the rest of these countries would not be interested in importing goods into the United States if we were paying 7 cents an hour to our people. They wouldn't be able to buy them.

So I think it is clear that we ought to understand this whole problem.

The CHAIRMAN. Mr. Baldanzi, if you could speak Japanese and I could speak Japanese, and we could be admitted as citizens of Japan, it wouldn't take us long to correct this situation. I would run for office, hoping to get elected, and you would organize the workers. We would straighten this thing out.

Mr. Vanik.

Mr. VANIK. I know there are some GATT problems, but I have been wondering about the economic recovery of Japan, and the prosperity of the textile industry in South Korea and other places.

I am trying to figure out what relationship this bears to the fact that these countries have a trenmendous part of their defense expense undertaken by the Government of the United States.

I have been tossing around the idea of maybe we ought to impose an excise tax on imports from countries where we spend so much money for their own protection in defense and at least recoup this American expenditure, which might be a way of getting our people out of Japan, it might be a way of getting our forces out of these countries, and they would have to assume their own defense.

It seems to me the American producer, the American worker, carries a tremendous added burden on his shoulders in the cost of not only suffering competition from extraordinarily low-labor rates, but suffering competition from industry and labor that does not have to pay a fair share in the cost of its own defense structure.

Mr. TEPER. Without becoming an expert on defense, I also must realize and take into account that some of our contributions to military expenditures abroad are made in terms of our own national security.

So I cannot equate one element necessarily against the other. But when you talk of the growth of those countries, there is no doubt that some relief from military expenditures should be of assistance to them.

But that is not the key to their economic policy. The key to their economic policy is extensive protectionism. You take Japan and you have one of the most severely protected countries in violation of GATT, without any fear of imposition of any penalties that theoretically might have been imposed on her under the GATT rules, in full violation of the rules of the International Monetary Fund, and I can name others.

Japan has developed her industry by extreme protectionism. She continues that policy and will continue, whatever public relations releases are issued for American consumption as a softening device.

Mr. VANIK. May I ask that the gentleman place in the record at this point what you consider to be the extensive violations of GATT? We have various allegation of this, but I would like to have the list that the witness considers to be violations of GATT.

Mr. TEPER. I can readily supply this committee with an extract from a document which I think will summarize statements by various countries made against Japan, showing where different countries contend, not only the United States, that Japan and some other members of GATT have been violating the rules.

That document is in existence and will be easy enough to supply for the record.

The CHAIRMAN. Without objection, that will be included in the record.

(The information referred to will be found on pp. 1299–1313.)

Mr. POTOFSKY. I think your point is well taken. Japan hasn't a military problem. They leave that to us. They have been utilizing all of their capital for expansion. They are fast becoming the number one international industrial country of the world.

Japan has a shortage of labor today, and Japan's capital is being diverted to Korea and Taiwan, for purposes of exploitation, because they can get things done cheaper in Taiwan, Korea and other countries nearby.

There is where the danger lies. There is where we again say let us have a little ordinary, common sense, international control.

Let us not have any dumping. Let us not give some countries such an advantage of building international sweatshops at the expense of our people in this country.

The CHAIRMAN. Mr. Gilbert.

Mr. GILBERT. Thank you.

I would like to compliment the gentlemen on their fine statements this morning.

Have you any statistics as to the increase in imports and the corresponding increase in unemployment in the apparel and textile industry?

Mr. POTOFSKY. Mr. Chairman, we will be glad to furnish any such material. We hope to have the opportunity to file with you any information that will deal with this particular subject.

The CHAIRMAN. We would welcome that information.

Without objection, it will be included at this point in the record.

(The information to be furnished will be found in the supplemental statement received by the committee starting on p. 1271.)

Barriers Maintained by Japan in Violation of GATT Rules

Until 1963, the GATT authorized Japan to maintain quantitative restrictions for balance of payments reasons. Although the International Monetary Fund found that Japan no longer was entitled to maintain import restrictions for balance of payments reasons, Japan nonetheless continues to make wide use of controls limiting importation of many products.

The most serious non-tariff barrier is the general attitude of the Japanese Government toward import competition. The Government wishes to facilitate imports of what it considers to be essential commodities, but restricts the importation of many foodstuffs and manufactured items which compete with domestic production. All aspects of foreign trade are under some degree of control, but many of the control mechanisms are not committed to paper and thus the guidelines are not freely available to foreign suppliers. The most important of all is the pervasive influence which the Government exerts on both importers and end-users, if it so desires, reflecting the close working relationship between the Government bureaucracy and Japanese business. This type of control by the Government is referred to as "administrative guidance".

Specific non-tariff trade barriers which restrict exports to Japan are as follows:

1. Import Quota (IQ) System

Japan maintains quantitative controls on more commodities than any other developed country in the free world. These controls on nearly 100 items, two thirds of which are agricultural, are in violation of Japan's GATT obligations and are not compatible with Japan's economic prosperity.

2. Import Quota System Administration

Quotas for items importable under the IQ system are not made public and applications for quota allocation certificates may be filed only at specified times. Furthermore, allocations are granted to a relatively small group of importers who have a past history of importing, thus virtually excluding new-comers.

3. Automatic Import Quota (AIQ) and Automatic Approval (AA) Systems

All imports into Japan require an import license which is issued by a foreign exchange bank. Prior to obtaining an import license, a quota allocation certificate must be obtained for importation of about 100 items importable under the IQ system and about 120 items importable under the AIQ system. These requirements provide Government ministries with the opportunity to discourage imports that may compete with domestic products and add to the burdensome administrative procedures and paper work. Importers meet with undue delays in the issuance of AIQ allocation certificates. Copies of the bank-issued licenses for all commodities other than the IQ and AIQ items are also furnished to Government ministries, thus affording them the opportunity to contact importers and end-users to influence them to use domestic merchandise.

4. Import Deposit System

On May 18, 1970, Japan suspended its deposit requirement. At three periods in Japan's postwar history, when Japan experienced balance of payments difficulties, the rate on items considered to be luxuries was temporarily raised to 35%. At the time of the suspension, an import deposit consisting of 1% of the value had to be made at the time an import license was issued. The deposit which was later returned, was an added cost to importing. The legality of such import deposits was not tested by GATT. It would appear that Japan was in violation of GATT, certainly at the time when it had a sizable surplus in its balance of payments.

5. Standard Method of Settlement

Importers who wish to settle import transactions on different terms or methods than those specified as Standard Methods must obtain permission from the Ministry of International Trade and Industry (MITI). This requirement applies to IQ, AIQ and AA systems of importation. In general, Standard Methods of settlement exclude payments in advance of shipping and payments later than four months after customs clearance. Name of end-user is also required, thus affording administrative agencies an opportunity to exercise administrative guidance to influence the purchase of a domestic product.

6. General Bank Trade Financing

Import bills are not eligible for discount or security for loans by the Bank of Japan (BOJ). Imports must be financed at market interest rates which are generally higher than those for most domestic commercial bank loans which are eligible for BOJ discount or security for BOJ loans. The cost of imports relative to other transactions is, therefore, higher.

7. Administrative Guidance

As noted earlier, administrative guidance represents the most important barrier to exports.

8. Japanese Government Procurement

Japanese Government procurement is normally carried out only through negotiated contracts or invited bidding. Potential foreign suppliers are not normally allowed to participate except where Japanese suppliers are unable to furnish the needed equipment or merchandise.

9. State Trading

A number of items including wheat, barley, tobacco, rice, dairy products, salt, and ethyl alcohol are subject to varying degrees of restrictions because of Government involvement in purchasing and sales.

10. Internal Taxes

High internal commodity taxes discriminate against many imported products. For example, taxes on automobiles are based on cylinder capacity and wheelbase adding materially to the cost of larger imported cars. On whiskey, internal ad valorem commodity taxes are based on the total c.i.f. value plus import duty, whereas domestic brands are taxed on an f.o.b. factory valuation.

11. Restrictions on Use of Premiums

The Japanese Fair Trade Commission (FTC) has determined that premiums which would "induce customers of competitors to an undue degree into dealing with the corporate body concerned" are unfair methods of transaction. Restrictions on the use of premiums apply to those offered by foreign exporters to Japanese dealers as well as to premiums offered by domestic manufacturers, but they do not apply to offers of premiums by Japanese exporters to foreign importers.

12. Labeling Requirements

The Weights and Measures Law requires that only merit weights and measures appear on the labels of imported products. Where both metric and English measurements are shown, non-metric measurements must be covered over, thereby adding to handling costs and increasing selling price.

13. Customs practices

Classification of imports and therefore the applicable customs duties are frequently inconsistent with practices followed by other countries. Administration of customs procedures within Japan is uncoordinated; thus different ports of entry may classify identical products differently. Excessively detailed administrative requirements prevent expeditious release of products from customs.

14. Licensing of domestic manufacture as a prerequisite to import

In at least one area (heavy electric generating equipment) Japanese Government agencies require foreign companies to agree to license Japanese manufacture prior to permitting imports. Moreover, the foreign supplier is normally allowed to sell only a prototype unit, with follow-on units usually supplied by the Japanese licensee.

15. Controls on sales and service

Administrative controls are often imposed on the establishment of branch sales and service offices. These controls are particularly severe in such key industries as electronic computers. In cases where branch offices are permitted, financial controls include restrictions on inward transfer of funds for operating expenses; emittance of earnings and transfer of proceeds of liquidation of investments; and requirements that Japanese credit facilities (usually with higher interest rates) be used. Additionally, burdensome reporting requirements and various conditions restricting sales and the rendering of services are imposed.

16. Quarantine restrictions

Japanese quarantine regulations in many cases are more strict with respect to food and seed disease tolerances than those in effect in the United States, thus resulting in the refusal of entry or requiring special handling.

17. Sanitary restrictions

Japan's sanitary restrictions are of two types: the first, limitations on imports of products containing certain types of additives which are used to flavor, preserve or improve the appearance of products; the second, regulations aimed at excluding from Japan, plant and animal diseases not native to the country or present only to a minor extent. In some cases, Japanese products contain the same additives which are not permitted for imported products. In other cases, Japan will not permit importation of products containing additives on which ample toxicological, safety and use data are available.

INVENTORY OF JAPAN'S NON-TARIFF BARRIERS

In GATT/AIR/633, contracting parties to General Agreement on Tariffs and Trade were asked to notify the secretariat by April 30, 1968 of non-tariff barriers, both governmental and non-governmental, affecting international trade in industrial products which they wished included in the inventory for consideration by the Committee on Industrial Products as a part of its program of work on expansion of international trade.

Replies received from 22 countries were presented in consolidated form in GATT document COM.IND/4 dated August 30, 1968. Most countries have reserved the right to make additional submissions and to participate in the discussion of measures not notified by them.

Information on the non-tariff barriers maintained by Japan, reproduced from pages 138 through 144 of COM.IND/4, is shown on the following pages.

JAPAN

Restriction	Products affected	Notified by	Comments
Quantitative restrictions:			
Licensing	Virtually all products	United Kingdom	See comment under "Prior deposit" below.
Automatic import licensing	Machinery, chemicals, drugs, processed foods and other products.	United States	Licenses freely granted but importer must submit imports for approval.
Global quotas	Coal; gas oils, heavy fuel, and raw oils, and other petroleum oils; some chemicals and pharmaceutical products; leathers (excluding raw) and leather products, especially footwear; large steam boilers and turbines, some types of diesel engines, and certain large electric generators; office machinery, including digital type computers and parts; and other products.	United States, Hong Kong.	The residual import restrictions notified to GATT in L/2740/Add. 1 include leather apparel and certain types of footwear of interest to Hong Kong.
	Tinned cheese, chocolate, specialized machinery	Switzerland	Nonliberalized goods contained in a negative list include Swiss products mentioned. Quantitative restriction applicable to about 7 percent of imports, which enter under global quotas.
	Tool-tips, sulfur, whisky, leather, outboard motors, aircraft engines and parts, radioactive elements, penicillin, antibiotics, leather shoes.	Canada	Various products including those listed are subject to quantitative import controls.
	Woollen fabrics, hides, brown coal briquettes, lignite, wood charcoal, coal, leather products.	Australia	Restrictive import licensing experienced for products mentioned.
	Milk powder	New Zealand	
Prior deposits, etc. When applying for a license, the importer must deposit a percentage of the value of the goods he is to import. The rate of deposit varies currently between 1 percent and 5 percent.	Imports	United States United Kingdom Canada	
Restrictions on credit for importers	All products	United Kingdom	The approval of MITI is required for all imports which are not paid for by the "standard method of settlement". All arrangements for long- and medium-term deferred payments are excluded from the standard method and thus fall within the competence of MITI to control. This regulation constitutes a serious restriction on trade in goods which is normally transacted on the basis of long- or medium-credi terms. It can be used as a means of preventing the import of goods not subject to any formal restriction. This matter has been the subject of representations during bilateral negotiations.

Other taxes:			
Internal tax of 150 percent on high-priced whiskies and brandies.	Whisky	United States	De facto discrimination against imports since competing Japanese whiskies are subject to lower rates of taxation due to lower prices.
		United Kingdom	The Japanese whisky industry, which already enjoys the protection of a very high tariff, is afforded additional protection by the maintenance of a domestic tax system under which all imported Scotch whisky is subject to a tax the incidence of which is considerably higher than that imposed on most Japanese whiskies. HMG have been in bilateral contact with the Japanese Government about the development of this tax system which has the effect of discriminating heavily in favour of local manufacture.
Border taxes		Canada	Differential rates on the same products, e.g. whisky, cause problems.
Commodity (sales) tax and annual road tax	Automobiles	United States	Taxes levied according to cylinder capacity and wheel base thereby subjecting most U.S. cars to highest rate.
	Cigarette lighters	United Kingdom	Cigarette lighters valued at ¥1,700 or over are subject to a commodity tax of 20 percent; other lighters bear no tax. Moreover the method of valuation for tax favours domestic production. As a result almost all imported lighters have to pay tax while most domestically produced lighters do not.
Valuation for customs purposes:			
Dutiable value	Certain products including watches, pharmaceutical products, and chemicals.	Switzerland	Questionable criteria used in valuation for customs purposes.
Desirability of accepting Brussels Convention on valuation.		EEC	(See EEC notifications in part I, general.)
Technical and administrative matters:			
Labeling requirements: weights must be indicated in metric measurements only.	Certain imports	United States	
Packaging: bottles for fruit juices and fruit concentrates for dilution must have both crown corks and screw caps.	Fruit juices and concentrates	United Kingdom	Japan is the only country with such a requirement which makes trade uneconomic.
Government aids: The Japanese Government provide interest differential subsidies for Japanese shipowners for the purchase of ships constructed in Japan.	Ships	do	The subsidies reduce the interest payable by shipowners on ship construction loans, whether obtained from the Japan Development Bank or from the commercial banks, to between 4 percent and 5 percent. It is understood that these facilities are not available for ships built outside Japan.
Government procurement: Government procurement practices.	Many products	United States	Permission for procurement without open bidding granted by Cabinet Order 336 of Sept. 25, 1963.
		Canada	Japan does not maintain specific preferences for domestic supplies. However, experience has shown that a de facto preference allows for effective discrimination as between domestic and foreign suppliers, for example, by limiting the firms which may tender or by broad interpretation of national interest.

JAPAN—Continued

Restriction	Products affected	Notified by	Comments
State trading	Cigarettes, ethyl alcohol	United States	
	Salt	Australia	Japan Monopoly Corp. determines quantity and source of imports.
	Manufactured tobacco	Hong Kong	
	Whole milk, sweetened condensed milk, sweetened condensed skim milk, dry skim milk, and dry whole milk.	Switzerland	
Other restrictions: Control on activities of branches of foreign companies.		United Kingdom	Although there is in law no barrier to the establishment of a branch of a foreign firm in Japan, strict governmental control over the activities of branches of foreign firms inhibits the establishment of branches which may be needed for the distribution of foreign goods.
Control of the oil industry and market	Oil imports	do	Control of the oil industry and market is maintained under a 5-year energy plan which is reviewed annually. Refineries are obliged to import from the Arabian Oil Co. (currently at about 15 percent of total crude imports) before considering alternative sources.
Under Ministry of Finance regulations specific approval is required for the import of any article containing more than 50 percent of gold. Such approval is only given when MITI consider the articles indispensaole tor industrial or other use.	Imports of liquid gold and gold jewelry	do	Trade in high-class jewelry and liquid gold (gold paint) is, as a result of these regulations, almost entirely frustrated.

COMMODITIES SUBJECT TO RESTRICTION IN VIOLATION OF GATT

A list of commodities subject to import restrictions in violation of GATT rules and not subject to waiver is contained in the GATT document issued on July 2, 1969 L/3212/Add.7 "Notifications of Import Restrictions Applied Inconsistently with the Provisions of GATT and Not Covered by Waivers" and a corrigendum on October 15, 1969 as L/3212/Add.7/Corr. 1. The text of these documents is provided on the following pages.

NOTIFICATIONS OF IMPORT RESTRICTIONS APPLIED INCONSISTENTLY WITH THE PROVISIONS OF GATT AND NOT COVERED BY WAIVERS

Addendum

JAPAN [1]

1. Nature of each residual import restriction and the areas or countries to which each restriction applies

Each residual import restriction of Japan takes the form of a global quota open to imports from all countries.[2]

2. Precise description of each residual import restriction

See the following list.

3. The intended duration of each residual import restriction

Since moving to the status of Article XI of GATT in February of 1963, Japan has vigorously promoted the liberalization of its imports and as a result, the liberalization percentage of Japan's imports has been increased from 68 percent in February 1963, when Japan became an Article XI country, to 93 percent in 1965.

While Japan will continue to pursue the liberalization of its imports, Japan strongly requests the early abolition of the discrimination applied against Japan's exports by many countries, because the existence of such widespread discrimination is deterring Japan's efforts for trade liberalization.

Tariff item number	*Description of goods*
Ex 01.01	Live horses.
Ex 01.02	Live animals of the bovine species excluding buffaloes.
01.03	Live swine.
Ex 02.01-1	Meat and offals, of bovine animals, fresh, chilled or frozen, excluding tongue and internal organs.
Ex 02.01-2	Meat and offals, of pigs, fresh, chilled or frozen, excluding tongue and internal organs.
Ex 02.05	Unrendered pig fat free of lean meat, fresh, chilled, frozen, salted, in brine, dried or smoked.
02.06-1	Ham and bacon.
Ex 02.06-2	Meat and edible offals, of bovine animals and pigs, salted, in brine, dried or smoked.
Ex 03.01-2-(2)	Herring, cod (including Alaska pollack), yellow-tail, mackerel, sardines, horse-mackerel and sauries excluding roes of yellow-tail, of mackerel, of sardines, of horse-mackerel and of sauries, fresh (live or dead), chilled or frozen.
Ex 03.02-1	Hard roes of cod (including Alaska pollack) and of herring, salted, in brine, dried or smoked.
Ex 03.02-2-(1)	Cod (including Alaska pollack), herring, yellow-tail, mackerel, sardines, horse-mackerel and sauries, salted, in brine, or dried; "Niboshi" (small boiled and dried fish for seasoning use).

[1] This notification, dated 15 May 1969, replaces the list issued in L/2981/Add.10.

[2] In addition certain items are subject to State trading, as notified in L/2593/Add.12. These items are also listed on page 14 of this document.

Tariff item number	Description of goods
Ex 03.02-2-(2)	Cod (including Alaska pollack), herring, mackerel, sardines, yellow-tail, horse-mackerel and sauries, smoked.
Ex 03.03-3-(1)	Scallops and cuttlefish, live; scallops, adductors of shellfish and cuttlefish, fresh, chilled or frozen.
Ex 03.03-2-(2)	Scallops, adductors of shellfish and cuttlefish, salted, in brine or dried.
Ex 04.01	Sterilized or frozen milk and cream and other cream with fatty content 13 per cent or more, fresh, not concentrated or sweetened.
Ex 04.02	Milk and cream, preserved, concentrated or sweetened (excluding sugared condensed whole milk, sugared condensed skimmed milk, skimmed milk powder, whole-milk powder, buttermilk powder and whey powder).
04.04-1	Processed cheese.
Ex 04.04-2	Other cheese (excluding natural cheese) and curd.
07.05-1	Small red beans.
Ex 07.05-2	Broad beans and peas, excluding seeds for growing vegetables.
Ex 07.05-4	Other dried leguminous vegetables, excluding seeds for growing vegetables.
Ex 07.06	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes (excluding fresh sweet potatoes) and other similar roots and tubers with high starch or inulin content, fresh or dried, whole or sliced; sago pith.
Ex 08.01-3	Dates, dried.
Ex 08.02-2	Oranges, fresh.
Ex 08.02-3	Grapefruit, fresh.
Ex 08.02-4	Tangerines, fresh.
Ex 08.04-1	Grapes (Vitis vinifera), fresh.
Ex 08.06	Apples, fresh.
Ex 08.10	Pineapples (whether or not cooked), preserved by freezing, not containing added sugar.
Ex 08.11-2	Oranges, provisionally preserved by sulphur dioxide gas or other preservative gases.
Ex 08.11-3	Limes, grapefruit, tangerines, grapes (Vitis vinifera) and apples, provisionally preserved by sulphur dioxide gas or other preservative gases.
Ex 09.01-1-(2)	Other coffee, excluding such in containers of net content less than 400 grammes.
09.02-1-(1)	Black tea, put up for sale by retail.
09.02-1-(3)	Other black tea.
Ex 10.07-3	Kao-liang and other grain sorghums, excluding such purchased by the Government and such to be used as materials for compound feeds under the supervision of the customs.
11.01-1	Wheat flour.
Ex 11.01-2	Rice flour, barley flour (including naked barley flour) and flours of kao-liang and other grain sorghums.
Ex 11.02-1	Groats and meal of wheat and rice, excluding germs thereof; other worked wheat and rice (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice, excluding germs thereof.
Ex 11.02-2	Groats and meal of barley (including naked barley) and kao-liang and other grain sorghums; other worked barley (including naked barley) and kao-liang and other grain sorghums (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared).

Tariff item number	*Description of goods*
11.04	Flours of the fruit falling within any heading in Chapter 8 of the Customs Tariff Schedules.
11.05	Flour, meal and flakes of potato.
11.06	Flour and meal of sago and of manioc, arrowroot, salep and other roots and tubers falling within heading No. 07.06 of the Customs Tariff Schedules.
11.07	Malt, roasted or not.
11.08	Starches; inulin.
11.09	Gluten and gluten flour, roasted or not.
12.01–2	Groundnuts.
12.01–3	Rapeseeds and mustardseeds.
12.08–2–(1)	Edible seaweeds, formed into rectangular papery sheets not more than 430 square centimetres per piece.
12.08–2–(2)	Seaweeds of genus Porphyra and other seaweeds mixed with genus Porphyra, edible, excluding those falling within heading No. 12.08–2–(1) of the Customs Tariff Schedules.
Ex 12.08–2–(3)	Other edible seaweeds (genus Enteromorpha, Monostroma, Kjellmaniella and Laminaria).
14.05–1	Tubers of Konnyaku (Amorphophallus) whether or not cut, dried or powdered.
Ex 14.05–2–(2)	Other seaweeds (genus Porphyra, Enteromorpho, Monostroma, Kjellmaniella and Laminaria).
Ex 14.05–4	Dates, denatured.
15.07–1	Soyabean oil.
15.07–2	Groundnut oil.
15.07–3	Rapeseed oil and mustard seed oil.
Ex 15.07–5	Cottonseed oil, excluding such to be used for manufacturing mayonnaise.
Ex 15.07–14	Corn oil, safflowerseed oil and sunflowerseed oil.
15.13–1	Margarine.
Ex 15.13–2	Shortening.
16.01	Sausages and the like, of meat, meat offal or animal blood.
Ex 16.02–3	Other prepared or preserved meat and offals, of bovine animals or pigs; other preparations chiefly consisting of meat and offals of bovine animals or pigs.
Ex 16.04–2	Preparations of roes of cod (including Alaska pollack) and herring, excluding those sterilized by heating in airtight containers.
Ex 16.05–1	Scallops, adductors of shellfish and cuttlefish, smoked.
17.01–1	Rock candy, cube sugar, loaf sugar and similar sugar, of beet sugar and cane sugar.
17.01–2–(2)	Other beet sugar and cane sugar.
17.02–1	Grape sugar not containing added sugar.
17.02–2	Malt sugar not containing added sugar.
Ex 17.02–3	Milk sugar (not containing added sugar), less than 90 percent pure milk sugar content.
17.02–4–(1)	Rock candy, cube sugar, loaf sugar and similar sugar.
17.02–4(2)–B	Other sugar.
17.02–5	Sugar syrup.
17.02–6	Caramel.
17.02–7	Artificial honey.
17.02–8	Sugars and syrups, other.
17.03	Molasses, whether or not decolourized.
17.04–1	Chewing gum.
17.04–2–(2)	Other sugar confectionary (excluding cough drops).
17.05	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion.
18.06–1	Chocolate confectionary.

Ex 18.06-2(1)	Other food preparations containing cocoa and added sugar in powder, plate or lump.
Ex 19.02	Cake mixes.
Ex 19.03	Macaroni, spaghetti, vermicelli and noodles.
19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches.
Ex 19.05	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products) excluding preparations other than those of rice, wheat, barley (including naked barley) and corn flakes.
Ex 19.08-1	Cookies, biscuits and crackers, containing added sugar.
Ex 19.08-2	Cookies, biscuits and crackers, other.
20.02-2-(1)	Tomato purée and tomato paste.
Ex 20.02-2-(2)	Mashed potatoes and potato flakes.
Ex 20.03	Pineapples preserved by freezing, containing added sugar.
Ex 20.05	Fruit purée and fruit pastes.
20.06-1-(1)	Pineapples containing added sugar or spirit.
Ex 20.06-1-(2)	Fruit pulps containing added sugar or spirit.
20.06-2-(1)	Pineapples, other.
Ex 20.06-2-(2)	Other fruit pulps and roasted groundnuts.
20.07-1-(1)	Fruit juices containing added sugar.
Ex 20.07-1-(2)	Other fruit juices, excluding sloebases.
Ex 20.07-2	Tomato juice, the dry weight content of which is less than 7 percent.
21.04-1-(1)	Tomato ketchup and tomato sauce.
Ex 21.04-2-(2)	Mixed seasonings chiefly consisting of sodium glutamate.
Ex 21.07-1	Food preparations containing added sugar, excluding rations, peanut butter and Korean ginseng tea.
Ex 21.07-2-(1)	Bases for beverages, non-alcoholic, excluding Korean ginseng tea.
Ex 21.07-2-(2)	Ice-cream powder, prepared milk powder for infants and other preparations chiefly consisting of milk; food preparations of seaweeds (genus Porphyra, Enteromorph, Monostorama, Kjellmaniella and Laminaria); "mochi" (rice cake), cooked rice, roasted rice flours, enriched rice with vitamin and oher similar food preparations of rice, wheat and barley (including naked barley).
Ex 22.02	Lemonade, flavoured spa waters and flavoured aerated waters, and other non-alcoholic beverages, containing added fruit juices, not including fruit and vegetable juices falling within heading No. 20.07 of the Customs Tariff Schedules.
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol.
22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol.
22.06	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts.
22.08-1-(2)	Ethyl alcohol or neutral spirits, undenatured, of an alcoholic strength of less than 90 degrees but not less than 80 degrees.
Ex 22.08-2	Denatured spirits, including ethyl alcohol and neutral spirits, of an alcoholic strength of less than 90 degrees.

Ex 22.09-1-(1)	Whisky (excluding Bourbon whisky falling within heading No. 22.09-1-(1)-B of the Customs Tariff Schedules).
22.09-1-(2)	Brandy (including cognac).
Ex 22.09-2-(1)	Liqueurs (excluding elixir Korean ginseng).
Ex 23.01	Flours and meals, of whale meat or of fish, and residues of fish, unfit for human consumption.
Ex 23.03	Residues of starch manufacture from manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and other similar roots and tubers, or sago.
23.04-1	Oilcake and other residues resulting from the extraction of soyabean oil.
Ex 23.04-2	Oilcake and other residues resulting from the extraction of rapeseed oil or mustard seed oil.
Ex 23.07-2	Compound feeds, excluding those of more than ¥70 per kilogramme in c.i.f. value (put up for sale by retail, in containers of a capacity not more than 25 kilogrammes in net weight) (excluding those containing not less than 10 per cent by weight of lactose or not less than 35 per cent by weight of crude protein) and residues falling within heading No. 23.03 of the Customs Tariff Schedules (excluding residues of starch manufacture) polletized by the addition of molasses (not more than 25 per cent by weight of added molasses); and fish soluble unfit for human consumption.
25.02	Unroasted iron pyrites.
Ex 25.03	Sulphur of all kinds (excluding insoluble sulphur), other than sublimed sulphur, precipitated sulphur and colloidal sulphur.
Ex 25.04-2	Other natural graphite, amorphous.
26.01-5	Tungsten ore.
27.01	Coal; briquettes, ovoids and similar fuels manufactured from coal.
27.02	Lignite, whether or not agglomerated.
27.04	Coke and semi-coke of coal, of lignite or of peat.
Ex 27.10-1-(3)	Gas oils, excluding those in containers of a capacity less than 300 litres.
Ex 27.10-1-(4)	Heavy fuel oils and raw oils, excluding those in containers of a capacity less than 300 litres and raw oils for refining.
Ex 27.10-1-(6)	Other petroleum oils and oils obtained from bituminous minerals, excluding those in containers of a capacity less than 300 litres.
28.42-1	Soda ash.
Ex 29.05-2-(1)	Menthol.
29.23-3	Sodium glutamate.
29.43-1	Malt sugar.
29.43-2	Sorbose.
Ex 29.43-3	Other sugars (hexoses and disaccharides).
Ex 29.44-2	Antibiotics, other (chloramphenicol, tetracycline and cycloserine, excluding derivatives of chloramphenicol and tetracycline).
Ex 30.03-1-(1)	Preparations of penicillin or streptomycin, excluding preparations of synthetic penicillin.
Ex 30.03-1-(2)	Preparations with a basis of antibiotics, other (preparations of chloramphenicol, tetracycline and cycloserine, excluding preparations of derivatives of chloramphenicol or tetracycline).
Ex 33.01-1-(3)	Peppermint oil (excluding peppermint oil of mitcham type) and crude peppermint oil.
Ex 33.04-1	Fruit flavours, of an alcoholic strength of 10 degrees or higher, containing fruit juices.

Ex 33.04–2	Other fruit flavours, containing fruit juices.
35.05	Dextrins and dextrin glues; soluble or roasted starches; starch glues.
Ex 37.02–1–(1)	Cinematographic colour film (excluding those of not less than 35 mm. in width).
37.02–2–(2)	Other colour film.
Ex 38.12–2	Prepared dressings for starching.
41.02	Bovine cattle leather (including buffalo leather) and equine leather, except leather falling within heading Nos. 41.06, 41.07 or 41.08 of the Customs Tariff Schedules.
41.03–1	Sheep and lamb skin leather, dyed, coloured, stamped or embossed.
41.04–1	Goat and kid skin leather, dyed, coloured, stamped or embossed.
Ex 41.08	Patent leather and imitation patent leather, excluding imitation patent leather manufactured from leather falling within heading No. 41.05 of the Customs Tariff Schedules.
Ex 42.03–1	Articles of apparel of leather or of composition leather, containing furskin or combined or trimmed with precious metals, rolled precious metals, metals plated with precious metals, precious stones, semi-precious stones, pearl, coral, elephants' tusks or "Bekko".
Ex 42.03–2	Articles of apparel of leather or of composition leather, other.
Ex 44.02	Wood charcoal (including shell and nut charcoal), agglomerated or not, excluding coconut-shell charcoal.
Ex 46.02–1	"Wara mushiro" (a kind of straw mat).
Ex 46.03–2	"Wara kamasu" (a kind of straw sack used for the packing of goods).
Ex 53.11	Woven fabrics of sheep's or lambs' wool or of fine animal hair, containing not less than 30 percent by weight of sheep's or lambs' wool or fine animal hair, excluding those used for pianos.
54.02	Ramie, raw or processed but not spun, ramie noils and waste (including pulled or garnetted rags).
58.10	Embroidery, in the piece, in strips or in motifs.
Ex 64.02–1	Footwear (excluding those for sports and slippers), with the uppers of whole leather or of furskin and leather in part.
Ex 64.02–2–(1)	Footwear (excluding those for sports and slippers), with outer soles of leather and with the uppers of leather in part.
Ex 64.05–1	Parts of footwear of leather.
Ex 71.03–2	Synthetic precious or semi-precious stones, other (other than polished, perforated or similarly worked).
82.07	Tool-tips and plates, sticks and the like for tool-tips, unmounted, of sintered metal carbides (for example, carbides of tungsten, molybdenum or vanadium).
Ex 84.01–1	Steam generating boilers, with a generating capacity of more than 1,300 tons per hour.
Ex 84.05–1–(1)	Steam turbines, with a rating of more than 400,000 kilowatts.
Ex 84.06–1–(1)	Internal combustion piston engines for motor vehicles (those for motor vehicles (excluding three-wheeled motor vehicles) falling within heading No. 87.02 and No. 87.03 of the Customs Tariff Schedules).
Ex 84.06–1–(4)	Water cooling diesel engines, with a rating of more than 100 h.p. but less than 1,000 h.p.

Ex 84.06-2	Parts of internal combustion piston engines (pistons, connecting rods and cylinder blocks for internal combustion piston engines).
Ex 84.35-1	Automatic printing machines of the relief and lithographic, sheet-feed type excluding offset press with a size not more than 364 mm. x 515 mm.
Ex 84.41-1-(2)	Other sewing machines (excluding straight fine rock-stitching industrial sewing machines of not less than US $40.00 per set in c.i.f. value).
Ex 84.45-1-(1)	Lathes manufactured one year or more ago.
Ex 84.45-1-(2)	Drilling machines and boring machines, manufactured one year or more ago.
Ex 84.45-1-(3)-A	Universal tool-milling machines, manufactured one year or more ago.
Ex 84.45-1-(3)-B	Profile milling machines (including die-sinking machines), equipped with one or two milling spindles, of a working surface less than 1 square metre, excluding hand-operated type machines and cam type, manufactured one year or more ago.
Ex 84.45-1-(3)-C	Plano-millers, with a table not more than 2,000 mm. in width, manufactured one year or more ago.
Ex 84.45-1-(3)-D	Other plano-millers; other milling machines manufactured one year or more ago, excluding other plano-millers in the foregoing.
Ex 84.45-1-(4)-A	Planers, with a table not more than 2,000 mm. in width, manufactured one year or more ago.
84.45-1-(4)-B	Other planers.
Ex 84.45-1-(5)	Grinding machines, manufactured one year or more ago.
Ex 84.45-1-(6)	Gear-cutting machines and gear-finishing machines, manufactured one year or more ago.
Ex 84.45-1-(7)	Machine tools, other, manufactured one year or more ago.
84.51-1-(1)	Typewriters designed to work in electrical connection with digital type electronic computers.
Ex 84.51-1-(2)	Other typewriters, western type.
84.52-1-(1)	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers: input units, output units, input-output units and memory units, designed to work in electrical connection with the computers above, and controllers belonging to the machines of all the foregoing.
84.53-1	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers, excluding electronic calculating punches with self-contained mechanism for reading and punching cards: input units, output units, input-output units and memory units, designed to work in electrical connection with the computers above, and controllers belonging to the machines of all the foregoing.
84.53-2	Input units, output units and input-output units designed to work in eletcrical connexion with digital type electronic computers (other than those specified in heading No. 84.53-1 of the Customs Tariff Schedules).

84.54–1	Input units, output units, input-output units and memory units designed to work in electrical connection with digital type electronic computers; magnetic tape converters and magnectic tape printers used together with those machines.
Ex 84.55	Parts suitable for use solely or principally with machines of a kind falling within heading Nos. 84.51–1–(1), 84.52–1–(1), 84.53–1, 84.53–2 or 84.54–1 of the Customs Tariff Schedules.
Ex 84.63–2	Crank shafts.
Ex 85.01–1	Electric generators, with a rating of more than 400,000 kilowatts.
Ex 85.13	Telephone switchboards and exchanges (electronic system).
Ex 85.21–1	Thermionic valves and tubes of not less than US $5.00 per piece in c.i.f. value (excluding cathode ray tubes for television receivers).
Ex 85.21–2	Mounted transistors and similar mounted devices incorporating semi-conductors (digital type integrated circuits; linear type integrated circuits with not less than 35 elements in circuit).
85.22–1	Controllers for digital type electronic computers or for the machines of following descriptions: input units, output units, input-output units or memory units designed to work in electrical connection with the computers above, and magnetic tape converters or magnetic tape printers used together with the machines of all the foregoing.
Ex 85.22–2	Other electrical goods and apparatus (those suitable for use solely or principally with machines of a kind falling within heading No. 85.22–1 of the Customs Tariff Schedules).
Ex 87.02–1	Motor vehicles for the transport of persons (including racing cars, passenger jeeps and combined passenger cargo cars, but not including buses falling within heading No. 87.02–2 of the Customs Tariff Schedules, special transport vehicles such as ambulances and motor vehicles of track-laying type) (those once purchased by end-users) (excluding three-wheeled passenger motor cars).
Ex 87.02–4–(3)	Chassis fitted with engines and cabs (those for the transport of persons).
Ex 87.04	Chassis fitted with engines, for the motor vehicles falling within heading No. 87.01 or 87.02–1 of the Customs Tariff Schedules.

Note: Items subject to State trading

Ex 04.02	Sugared condensed wholemilk, sugared condensed skimmed milk, skimmed milk powder, wholemilk powder, buttermilk powder and whey powder.
04.03	Butter.
10.01	Wheat and meslin.
10.03	Barley (including naked barley).
10.06	Rice.
Ex 12.07–11	Poppy straw.
Ex 13.03–9–(2)–B	Raw opium.
Ex 22.08	Alcohol, of an alcoholic strength of 90 degrees or higher.
24.01	Unmanufactured tobacco; tobacco refuse.
24.02	Manufactured tobacco; tobacco extracts and essences.
Ex 25.01	Common salt, including rock salt, sea salt and table salt); pure sodium chloride; salt liquors.

NOTIFICATIONS OF IMPORT RESTRICTIONS APPIED INCONSISTENTLY WITH THE PROVISIONS OF GATT AND NOT COVERED BY WAIVERS

JAPAN

Corrigendum

On 1 October 1969 Japan liberalized the importation of a number of products as notified in L/3258. As a result the negative list contained in L/3212/Add.7 should be modified by deletion of the following items:

22.09–1–(2)	Brandy (including Cognac).
Ex 22.09–2–(1)	Liqueurs.
Ex 84.35–1	Certain automatic printing machines.
Ex 84.41–1–(2)	"Other" sewing machines.
Ex 85.21–1	Thermionic valves and tubes.

NOTIFICATION DES RESTRICTIONS A L'IMPORTATION INCOMPATIBLES AVEC LES DISPOSITIONS DE L'ACCORD GENERAL ET NE FAISANT PAS L'OBJET DE DEROGATIONS

JAPAN

Corrigendum

Avec effet à partir du 1er octobre 1969, le Japon a libére les importations de divers produits, comme l'indique le document L/3258. De ce fait, la liste négative figurant au document L/3212/Add.7 demande à être modifiée et les numéros suivants doivent y être supprimés.

22.09–1–(2)	Brandy (y compris le cognac).
Ex 22.09–2–(1)	Liqueurs.
Ex 84.35–1	Diverses machines automatiques d'impression.
Ex 84.41–1–(2)	"Autres" machines a coudre.
Ex 85.21–1	Lampes, tubes et valves électroniques.

Mr. GILBERT. I would like to make this observation. The administration's position seems to be a negative one with respect to the textile and apparel industry.

It appears to me as a Member of Congress, and as a citizen, that our Government would subsidize the demise of the textile and apparel industry by making a gesture, in essence, that they would provide 65 percent of the wages of those that are unemployed for a period of 1 year. This is only a gesture.

As Mr. Baldanzi pointed out, what happens after that year? We are going to be faced with a tremendous problem.

Mr. BALDANZI. They will go on welfare.

Mr. GILBERT. That is correct. So the costs will mount and mount to the American citizen at the expense of really nothing, because imports would then increase and our industries would be completely wiped out.

Mr. POTOFSKY. Mr. Chairman, I would like to say in conclusion that we, sitting around this table, have spent our lifetimes to build up what we call an American standard of living.

It is not the highest living standard. We don't propose to sit idly by and watch the liquidation of our life's work, and of the confidence that the hundreds of thousands of people who are members of our union have placed in us.

We don't want to liquidate this industry. Our problem is how we can maintain a decent American standard and maintain our position internationally without liquidating ourselves and putting ourselves on relief.

That would not be an answer.

Mr. POLLOCK. Mr. Chairman, I would like the committee to keep in mind that we are not isolationists. We are not trying to close the door to all imports. I think H.R. 16920 doesn't close the door, either.

The CHAIRMAN. You made that quite clear. All of us recognize that what you are asking for is a more orderly procedure in the importation of those goods which affect the members of your unions. We understand that clearly.

Mr. POLLOCK. Back in the early 1960's, they negotiated with the free countries of the world this Long Term Agreement that covers cotton. As was testified by the employers this morning, it gave them confidence and they put millions and millions of dollars into machinery, making their plants more efficient and it made the industry efficient and profitable.

But the foreign countries now have found a way around that, by blending other yarns into the cloth so that it comes in without any protection of the Long Term Agreement.

That is why we are here today trying to get Congress to do something about that. As we say in our brief, efforts were made for over a year now to try to negotiate an understanding with Japan. We were unsuccessful.

We think that the only way it can be done is by Congress adopting this quota legislation in order to protect these 2½ million jobs we are talking about here this morning.

The CHAIRMAN. When you gentlemen sit down to bargain with management, I believe you said sometime next year, I wish you would insist as one of the conditions that they continue to manufacture greater numbers of cotton shirts that are white, and other solid colors. My favorite kind of shirts are a little hard to get in most of the retail outlets.

Mr. BYRNES. Let me join the chairman in that request.

The CHAIRMAN. If you folks will insist upon that in your bargaining, we will get those types of shirts. I have given up on the management fellows doing it without your insisting.

Mr. POTOFSKY. Some of our companies are eyeing the establishment of plants in the Far East. They say, "Look, we have to meet competition. This is our problem."

The CHAIRMAN. I understand you kept one of them from doing it after he told me to tell him which one of the four plants in my district I wanted him to close because he was going to open another one in Hong Kong. I believe you stopped him on that.

Mr. BYRNES. I have to take issue, myself, with at least one of the statements of Mr. Gilbert. I don't know what prompted it, frankly, but he said that the Administration has taken a negative attitude toward the textile industry.

It seems to me that the Secretary of Commerce has been as aggressive as he could be, and certainly more aggressive than some others in the past, in trying to get a resolution of this problem.

I would like to ask whether you gentlemen share the view of Mr. Gilbert, that this Administration has been negative toward the problem of the textile industry.

Mr. GILBERT. Will the gentleman yield?

Mr. BYRNES. Yes.

Mr. GILBERT. I will say that Secretary Stans had made an effort in this direction.

Mr. BYRNES. What do you call negativism?

Mr. GILBERT. The statement I made awhile ago was that they don't have a feel for the problem or haven't worked on the problem as diligently as I think they should have.

Mr. BYRNES. That is a little different from negativism.

I assume you gentlemen would agree that their attitude has not been negative.

Mr. TEPER. We fully appreciate that the Administration has done a lot in an attempt to negotiate an agreement. They have been rebuffed very badly.

The unfortunate thing is that the Secretary still has hopes, as he expressed to your committee, because in terms of my reading of the international situation, and I don't mind him having hopes, I would like to see agreement but I think he is a bit too optimistic of success.

Mr. BYRNES. Don't you get some satisfaction from the fact that the Administration has withheld judgment on quota legislation?

Previous Administrations have not withheld judgments on legislation in that field. They have basically been basically against it.

Mr. TEPER. I grant you that the Administration withheld its position. If I read between the lines of Secretary Stans' statement before your committee, I see that he recommended two amendments to the bill introduced by the chairman.

The very fact that he introduced amendments to a particular piece of legislation suggests that maybe he is for it. You don't discuss amendments unless you intend to see such legislation on the books.

Otherwise, you merely condemn the particular bit of legislation. So I find hope in that type of an approach. I see that for international reasons the Secretary and the Administration may pussyfoot for a while, but I think events will prove that this undue delay is unnecessary because they will be in the same spot.

I fully agree that as soon as the bill is on the President's desk, some of the countries will rush in and say, "Here is an agreement we would like to sign," and ask him not to sign the bill.

But since the bill permits the conclusion of agreements and provides a waiver of its other provisions in case such agreements are signed, there is no danger the bill would exert a negative influence.

Mr. POTOFSKY. I would agree with the Congressman that Mr. Stans has made every effort to obtain an agreement, first in Europe and then in the Far East, and worked very diligently and has done a good job in trying to obtain it.

Unfortunately, the cockiness on the part of the Japanese is such where they just brushed it aside and would not really negotiate in good faith.

The CHAIRMAN. I would think Mr. Stans has tried as hard as anybody could try to get an agreement.

Mr. PERKEL. Mr. Chairman, I wish to add a point with respect to the Administration's position as revealed by Secretary Stans last week.

He mentioned the fact that the Administration felt that the definition in the bill of textile articles was too broad in his view and, in his view, it should exclude manmade fibers and filament yarns that are not processed further.

In our statement we included manmade fiber in the course of our discussion.

I wanted to make it perfectly clear that we disagree with the administration's provision on this bill. We feel that the manmade fibers and filament yarns are so intimately connected with the textile industry, since a great majority of its products are used by the domestic textile industry and subject to the same market forces, and it would be a serious mistake to omit them from the coverage of this bill.

Mr. CONABLE. Mr. Chairman, I would like at this point to insert in the record a statement from the Honorable Stephen May, mayor of the city of Rochester, N.Y. with regard to the effect of imports of textile products on the clothing industry in Rochester.

The CHAIRMAN. Without objection, Mayor May's statement will appear in the record at this point.

PREPARED STATEMENT OF MAYOR STEPHEN MAY, ROCHESTER, N.Y.

Mr. Chairman and members of the Committee:

I appreciate very much having this opportunity to present my views on legislation which deals with a severe problem confronting my City of Rochester, New York. I refer to the threat posed to thousands of Rochester clothing workers by the flood of low-wage textile imports produced in foreign sweatshops.

Over 16,000 persons are employed in the clothing industry in Rochester. They are dependent upon the vitality of that industry for their livelihood and economic well-being.

The Amalgamated Clothing Workers of America and other unions have fought long and hard for the gains which clothing workers enjoy today. Historically, the lot of a clothing worker was difficult and the term "sweatshop" symbolized the notoriously low labor standards of the industry. But today the clothing workers of this country for the most part are in the economic mainstream of American life and work amidst greatly improved conditions.

Ironically, the success of the Amalgamated and other unions in obtaining a decent standard of living for clothing workers is exactly what threatens their very livelihoods today. In recent years, cheap foreign imports, produced at slave wages, have flooded into this country at an alarmingly increasing rate. In 1956, imported apparel as a percentage of domestic production was only 4 percent. Last year it was 22 percent. Imports rose 33 percent just last year. It is estimated that there would be a quarter of a million more jobs in the apparel industry today were it not for the increase of imports.

The reason for the increase is clear—certain foreign countries produce apparel at unbelievably low wages. For example, the wage of apparel workers in South Korea is eight cents an hour, in India and Pakistan eleven cents an hour, in Taiwan thirteen cents an hour and so on. The average apparel worker in America makes $2.30 per hour. Thus, the economic justice for which the Amalgamated fought for so long is now threatened by its natural unwillingness to erode the gains of the last 50 years in the face of competition from foreign sweatshops. Obviously, the Amalgamated cannot—and will not—compete with such wages.

Because of the tremendous impact which these imports are having and because of the potential for the economic ruin of a significant industry and thousands of employees in Rochester, I support H.R. 16920. This bill will help stem the tide of imports and will prevent the total disruption of the domestic clothing industry.

By placing limitations on imports while at the same time authorizing voluntary agreements with importing nations, this proposal is in the best tradition of voluntary restraint. By exempting those countries from the limitations which do enter into voluntary agreements there will naturally be a strong incentive to enter into such agreements.

I support this legislation as one who enthusiastically favors the principle of free trade. However, it is clear that the textile import crisis presents a situation where modification is necessary to preserve a sound principle from destruction.

In basic terms, if uncontrolled textile imports are allowed to continue, the largest manufacturing industry in the country can in fact be destroyed and its workers reduced to the unemployment rolls. In a broader context, it is clear to see the threat posed to the whole concept of free trade by such a catastrophe.

It is important, in evaluating this legislation, to recognize that this particular industry depends very heavily on the labor of individuals and not just machinery. The skills and educational requirements are modest and a high percentage of women and minority group members are employed, thus making them the type of employees who can least afford to lose their jobs.

These are the kinds of workers who would have a most difficult time finding other employment if they lost their jobs in the clothing industry and might well end up on the welfare rolls. Surely that is not the kind of result a sound and intelligent trade policy should produce.

This legislation recognizes the changed technological conditions which affect world trade in textiles and would help prevent unduly harmful effects on workers in this country. In reflecting the new realities of international trade it would help stop practices which the minimum wage law—which the Amalgamated strongly supported in the 1930's—was designed to prevent, namely, unfair competition based on low wages.

As one who strongly supports a liberal international trade policy, I believe enactment of this bill will promote the cause of orderly commerce among nations, without imposing hardships or inequities on workers in the countries involved. Rather than closing the door to trade, H.R. 16920 provides a means to insure healthy, orderly and continuing trade.

I commend the activities of the Amalgamated Clothing Workers in protecting the interests and gains of its workers and in this connection, I particularly salute Abraham D. Chatman, Manager of the Rochester Joint Board of the Amalgamated Clothing Workers. Mr. Chatman and his associates have brought home to my community the gravity of this problem.

The Amalgamated also deserves praise for the patience and restraint which its leadership has shown in encouraging efforts towards voluntary agreements. It was only after the failure of voluntary negotiations had become absolutely clear that the Amalgamated recommended passage of import limitations.

Because this bill would provide eminently justified and proper controls over textile imports, while encouraging the signing of voluntary agreements between the United States and foreign countries, I believe its approach is fair and balanced and deserves broad support in the Congress. It is a just means for protecting thousands of American workers who are tragically vulnerable to unemployment.

H.R. 16920 represents a sound solution to an extremely significant problem for Rochester and the country. I join with the Amalgamated Clothing Workers of America in urging its enactment into law.

The CHAIRMAN. We have a quorum call that has gone on for some bit. Maybe we better recess until 2 o'clock this afternoon.

(Whereupon, at 12:55 p.m. the committee recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p.m., Hon. Wilbur D. Mills, chairman of the committee, presiding.)

The CHAIRMAN. The committee will please be in order.

Our first witness this afternoon is Mr. Gerald R. Coleman.

STATEMENT OF GERALD R. COLEMAN, VICE PRESIDENT-EXECUTIVE SECRETARY, UNITED HATTERS, CAP & MILLINERY WORKERS INTERNATIONAL UNION

The CHAIRMAN. I would like for the members of the committee to know, Mr. Coleman, that I have known you for some several years and have worked with you in behalf of workers who are members of your union in my own State.

You have always been very helpful to me in the problems that have arisen.

We appreciate having you with us today.

Mr. COLEMAN. Thank you very much, Mr. Mills. I know where your heart is and I know where your mind is. And they are both in the same place.

My name is Gerald R. Coleman. I am vice president and executive secretary of the United Hatters, Cap and Millinery Workers International Union. I am here this afternoon to support the bill which would more reasonably control, the imports of high-labor content goods into this country.

I join with my brothers from the other four unions who appeared here this morning in their appraisal of the problem.

I would like to place particular emphasis to Mr. Baldanzi's very eloquent presentation on the problem of the worker who doesn't have the education to meet the needs of a highly industrialized society.

In this morning's Times there is a front-page story which reports that functional illiteracy is found high in the United States. The people who did the study at Harvard University now tell us that as a result of their studies they find that more than 50 percent of the adult population is what they classify as functionally illiterate.

Their definition is that they have difficulty in handling day-to-day reading matter such as driving manuals, newspapers and job applications.

I think one of the problems we have to overcome is our self-image, or better self-delusion; that the highly industrialized society in this country automatically brings with it a population that is capable completely of functioning in that society.

If the Harvard University study is correct, we are talking about 35 million functionally illiterate out of the 70 million people who work for a living in these United States. Doctrinaire freetraders talk about the theory of comparative advantage and our need to help the emerging countries by allocating to them all high labor intensive production. They would arrogate to the United States high capital intensive production. When we look at the frightening figures from the Harvard study, perhaps we should take note that for at least half of the work force in this country we are still an emerging nation. If labor intensive industry is the solution to the problems of emerging nations, then we had better protect every bit of that type of industry that we have in the United States.

I think this is a very crucial point that Mr. Baldanzi made, and I think it is pertinent that we have a front-page story in the Times today to emphasize it.

I would like to make a further point. We have been in this fight for what we might call protection of American labor standards—not as protectionists but just for self-protection—for many years.

With reluctance, I welcome my colleagues from the labor movement who spoke here this morning to the unfortunate club.

I want to say that we have been through every route the present system offers, all to no avail. I talk particularly to that branch of our industry known as the Hat Body Section.

I would like to recite some of the problems in that branch industry. There is one factory left in the United States that is still manufacturing ladies' hat bodies, and that factory only exists because it is run as a cooperative by the union. That is all that is left. Everything else has been driven out by unfair overseas, low-wage competition.

I am appearing here today on behalf of some 35,000 headwear workers in the United States, in support of a proposal that import quotas be set for all categories of manufactured merchandise in the headwear industries.

These industries appear in the Standard Industrial Classification Manual primarily in the 2300 family commonly associated with the apparel trades, some appear in the 2200 category, textile mill products. Between both basic groupings, textile mill products and apparel, all the products associated with the headwear industry appear.

LADIES HAT BODIES

The headwear industry has been suffering from the effects of unfairly priced imports for many years. One branch of the industry, the fur felt hat body industry, was one of the few industries ever granted the benefit of an escape clause finding. In 1950, President Truman found that hat bodies, landed at a price of $10.70 a dozen, were endangering the domestic industry. The tariff was increased. Today, such hat bodies are coming in at a price of $8.81 a dozen. How can this be?

As recently as February of 1967, we appeared before the Treasury Department on a charge that we had made that Czechoslovakia was dumping hat bodies in the American market at prices in the middle $7 range. In response to this charge the Czechs admitted that they were bringing in this merchandise in violation of the Anti-Dumping Act of 1921. A settlement thereupon was made by the Treasury Department with Czechoslovakia at about $8.81 per dozen.

In September 1950, the U.S. Tariff Commission, in a report to the President of the United States on the "Investigation Under Paragraph 13 of Executive Order 10082 in Connection with Article XIX of the General Agreement on Tariffs and Trade", found that (p. 35):

> In 1949, the bulk of the lower-priced imported velours sold for $21 per dozen early in the season and many sold for considerably more late in the season as demand became greater. Lower-priced domestic velours (admittedly inferior to imports) sold for $22 to $25 per dozen. Better quality domestic velours sold for $28 to $42 per dozen. In early 1950, four domestic manufacturers offered a small-sized (crown) velour for $18 per dozen for dark colors. Shortly thereafter, the price of the imported velour from Czechoslovakia (which had been $21 per dozen) was reduced to $19 per dozen. This was achieved by a reduction in foreign prices from $12.05 f.o.b. Czechoslovakia to $10.70 c.i.f. New York, by the Government-owned Czechoslovak corporation controlling export of hats.

Your committee can note that the Tariff Commission found, in this dumping case in 1950, that a price of $10.70, c.i.f. New York, was a dumping price.

It just doesn't make sense that the Bureau of Customs in 1967 could find that a price of $8.81 was not a sale below fair value, and not cause injury to the domestic industry.

It hardly seemed possible that the Treasury Department would permit the Bureau of Customs to make a settlement which continues to violate both the tariff laws and the Anti-Dumping Act. Nevertheless, they did. The Treasury Department admitted to us at the hearing that the settlement price agreed upon was derived to enable the Czechs to compete against the Italian goods coming in at a price of $8.98.

Italian merchandise brought in at this price was subject to a duty of 55 percent. This 55-percent rate, as determined by the Congress, was assessed against importers who bring merchandise in from countries eligible for "most favored nation treatment." Czechoslovakia, for a very good reason, is not eligible for most favored nation treatment.

As a result, Czechoslovakia's tariff at the competing price range under $9 per dozen would be subject to 60-percent tariff.

The Treasury Department, despite the above, permitted the Czechs to price their merchandise for import purposes so as to meet the price of their Italian competitor. What happens here is, that by arithmetic juggling, the Treasury Department becomes party to a violation of the most favored nation principle of the Tariff Act.

In the case of Czechoslovakia, it is very well recognized that the prices of their goods and services are artificial creations devised with little attention to the costs of their product. They could easily agree to such a solution.

When the Czechs need dollars, they never have to worry about the balance sheet and the profit-and-loss statement of the factory shipping the merchandise. This phenomena is too well known to require detailing.

The phenomena of the Italian factories against whom the Treasury Department protected the Czechs, is an interesting one. How they have been able to continue to sell their merchandise below the dumping price of 1950, is a question we have never been able to get a Government agency to pursue.

The cotton rollup hat coming in from Japan this season is the current major problem to our industry. The importers who bring in this hat sell it to the trade for a maximum price of $7 a dozen. It can be purchased for as little as $6.35 a dozen. This price includes the tariff, freight costs, and the importer's profit. When it is displayed on the counters of the discount chains throughout the country, it is retailed at an average price of about $24 a dozen. There is a price range in individual stores from $1.98 to $2.29 per hat. Taking a low average price of $2 each, we find that the markup from the sales price of the importer to the price the consumer pays is 250 percent. At $2.29, a 300-percent markup is shown.

This example postulates an importer intermediary in the purchase operation. In many instances, either the jobber bypasses the importer and brings in the merchandise direct, which he, in turn, sells to the retailer or retail chain. In other instances, the retail chain, if it has sufficient buying power, will purchase direct with a concommitant increase in markup to the retailer or jobber, as the case may be.

An identical hat sold by an American manufacturer brings an average price to the manufacturer of $12 a dozen. It is sold on the self-same counters in the retail chains at the same price range, $1.98 to $2.29. The American-made hat gets a normal markup of 100 percent between the manufacturer's selling price and the ultimate retail customer's price. The foreign hat gets a markup of 250 percent to 300 percent. No matter which hat the consumer buys, he pays an average price of $2.

The argument that we hear that the consumer is getting cheaper prices by the fact that hats are imported, is belied by an examination of almost any two comparable hats in the headwear industry. No matter what branch of the industry they are sold, men's hats and caps or ladies' millinery, the attractiveness of the foreign import to the retailer is not based on the bargain that he is going to give to his customers, but on the extra profits that he squeezes out of the sweatshop labor in the countries of origin.

Exhibit I, attached hereto, sets forth the 1967–68 average number of units imported into the United States by TSUSA number. Because Japan has been the country most often referred to in the discussions preceding this hearing, we have set up comparable figures in each tariff category for Japan itself. We then show the 1969 total imports by category and units brought in, and, finally, the 1969 Japanese total by category and units brought in.

In exhibit II, we show the key categories where Japanese imports are currently making major inpact on the living standards of the workers in our industry.

Exhibit III is a solicitation letter by a Japanese manufacturer of headwear who very clearly sets forth that his major reasons for existence is his ability to provide cheap labor for items destined to the American market and in competition with factories' minimum standards in the United States. This letter was dated in 1965. It might be compared with the figures in TSUSA 7037000 to indicate in one instance what caused the jump in imports in that category.

(The document referred to follows:)

EXHIBIT I

TSUSA No.	1967 and 1968 average	1967 and 1968 Japanese average	1969 total	1969 Japanese total
7020520	12,757½ dozen	965 dozen	16,330 dozen	936 dozen.
7020540	812½ dozen	None	128 dozen	None.
7021020	708,393 dozen	494,805½ dozen	751,497 dozen	562,622 dozen.
7021040	10,632½ dozen	8,489 dozen	15,261 dozen	11,376 dozen.
7021500	81,169 dozen	81,085 dozen	42,734 dozen	42,173 dozen.
7022000	11,884½ dozen	5,429 dozen	21,569 dozen	12,083 dozen.
7022500	22,382 pieces	1,584 pieces	24,849 pieces	1,728 pieces.
7022800	363,664 pieces	19,693 pieces	329,660 pieces	22,284 pieces.
7023000	102,893 pieces	1,140 pieces	116,294 pieces	2,880 pieces.
7023200	633,478 pieces	138,468 pieces	431,959 pieces	36,296 pieces.
7023500	7,164,452 pieces	None	7,379,628 pieces	None.
7023720	254,878 pieces	4,200 pieces	381,937 pieces	None.
7023740	116,383 pieces	None	37,632 pieces	None.
7023760	355,064 pieces	None	303,356 pieces	None.
7023780	278,197 pieces	24,873 pieces	306,326 pieces	12,248 pieces.
7024020	2,450,125 pieces	1,981,230 pieces	2,300,957 pieces	1,675,536 pieces.
7024040	1,410,242 pieces	3,245 pieces	756,593 pieces	2,880 pieces.
7024060	553,180 pieces	191,804 pieces	511,804 pieces	290,974 pieces.
7024500	3,160,037 pieces	17,616 pieces	4,823,191 pieces	2,592 pieces.
7024700	117,598 pieces	18,027 pieces	120,535	10,532 pieces.
7025400	281,215 pieces	None	108,388 pieces	None.
7025600	2,497,272 pieces	125,910 pieces	3,151,104 pieces	113,278 pieces.
7026000	8,288 pieces	248 pieces	8,927 pieces	6,000 pieces.
7026500	3,435 pieces	None	2,015 pieces	None.
7027000	57,148 pieces	None	46,286 pieces	None.
7027500	25,480 pieces	2,736 pieces	17,300 pieces	2,592 pieces.
7028000	112,842 pieces	14,716 pieces	112,535 pieces	6,445 pieces.
7028500	281 pieces	None	391 pieces	None.
7029000	144 pieces	None	7 pieces	None.
7029500	166,948 pieces	15,861 pieces	31,528 pieces	4,283 pieces.
7030500	33,857 dozen	26,462 dozen	185,389 dozen	160,884 dozen.
7031000	266,689½ dozen	188,605½ dozen	481,853 dozen	388,383 dozen.
7031500	348,343½ dozen	257,565 dozen	533,039 dozen	400,084 dozen.
7033000	633 dozen	None	2,637 dozen	None.
7033500	14,754½ dozen	None	15,489 dozen	None.
7034000	36,441 dozen	100 pieces	20,632 dozen	None.
7034500	22,233 dozen	None	23,809 dozen	200 dozen.
7035000	30,504 dozen	None	15,592 dozen	None.
7035500	31,281 dozen	None	11,490 dozen	None.
7036000	105,829 dozen	None	94,684 dozen	None.
7036500	4,715½ dozen	1,308½ dozen	5,172 dozen	445 dozen.
7037000	48,708 dozen	39,472 dozen	68,039 dozen	60,084 dozen.
7037220	603,336 dozen	None	807,036 dozen	None.
7037240	2,544,177 dozen	109,230 dozen	2,605,144 dozen	126,576 dozen.

EXHIBIT II

Year	Total imports	Japanese imports
7021020—HEADWEAR—NOT KNIT—OF COTTON		
1964	2,946,096	2,245,656
1965	4,995,768	3,730,764
1966	5,458,428	3,470,988
1967	8,098,968	5,605,956
1968	8,902,464	6,269,376
1969	9,017,964	6,751,464
7037000—HEADWEAR—OF REINFORCED OR LAMINATED PLASTICS		
1964	129,348	99,552
1965	180,648	126,576
1966	298,896	209,592
1967	495,984	412,020
1968	673,008	535,308
1969	816,468	721,008
7030500—HEADWEAR—OF MANMADE FIBERS, WHOLLY OR PART BRAID		
1964	248,808	193,896
1965	240,996	113,568
1966	321,288	221,484
1967	370,428	278,472
1968	442,140	356,616
1969	2,224,668	1,930,608
7031000—HEADWEAR—OF MANMADE FIBER, NOT PART BRAID—KNIT		
1964	1,714,344	1,585,584
1965	1,766,508	1,503,240
1966	2,230,200	1,818,192
1967	2,365,704	1,860,864
1968	4,034,844	2,665,668
1969	5,782,236	3,460.596
7031500—HEADWEAR—OF MANMADE FIBER, NOT PART BRAID—NOT KNIT		
1964	3,462,492	2,532,984
1965	2,751,024	2,167,416
1966	2,354,904	1,853,868
1967	1,729,908	1,196,496
1968	6,630,336	4,985,064
1969	6,396,468	4,801,008

EXHIBIT III

SANYEI BOEKI LTD.,
Kobe, Japan, December 18, 1965.

ELEJA CAP MANUFACTURING CO.,
New York, N.Y., U.S.A.

GENTLEMEN: We saw your advertisement on the Hat Life Year Book and wish to approach you to find a possibility of our mutual cooperation in developing new business relation between us.

Have you not an interest to have your Cloth Caps and Hats made in Japan? In Japan, the manufacturing cost is obviously lower than that of America and still the workmanship is sufficiently good to satisfy you. Therefore, we believe that you will be able to obtain reproduction of your articles at lower cost from Japan.

We have an interest especially in your Winter Cap made of Vinyl Leather as per your photo of "Yukon Snap Cap." Also, we have an interest in the cloth hat of your photo, which we presume is a men's hat made of water repellent cotton cloth with plaid hat band.

All we wish to ask you to do is to give us samples of your hats that you want to try. We are not in a position to create styles by ourselves and the styles must be given by you. In this connection, your interest will be strictly protected—our reproduction samples will be confined to you and will not be shown to anyone else.

For your guidance, we have sent you a cloth hat for men. This hat is made of water repellent cotton cloth and costs $5.10 per dozen C. & F. New York. This is only to show you our workmanship and to give you an idea about the price.

We have been in hat business with America since 1950. Now we want to take up something new and prospective that our competitors do not have. We solicit your cooperation. We believe that our experience and ability will surely enable us to serve you to your entire satisfaction.

Thanking you for your attention and hoping to be able to hear from you, we are,

Very truly yours,

SANYEI BOEKI LTD.

Mr. COLEMAN. I have one further thing to say.

Here is a rollup hat from Japan. When it appears on the counter, you cannot tell which is domestic and which is foreign made. When you look at the price you can't tell the difference. They both appear on the counter selling between $1.98 and $2.29, depending on the discount chain where you find them. These are sold by American manufacturers for $12 a dozen. The markup is the normal retail markup of 100 percent from the sales price of the manufacturer to what the consumer pays on the counter.

The Japanese bring this into the country, tariff added, for $7 a dozen. It still comes in on the counter at approximately $2 apiece. At $2, this represents a markup of 250 percent to the retailer. When he sells it for $2.29, it is 300 percent.

Part of the case that is made is that these imports are going to do the consumer some good. We find that the guy that gets the advantage of it is the big retailer, the big retail chain. They get the markup.

The consumer pays the same price, whether it is American made or foreign made. I can speak for our industry. We find, by and large, the prices run pretty much alike as against the American or the foreign import.

What the problem is that our American manufacturers can't sell to that intermediary, the retailer, because he is undercut and we lose jobs in the process.

So this is our case.

I would like to refer to a letter that I have already placed into the record.

I refer to the solicitation from a Japanese manufacturer in 1965:

Have you not an interest to have your cloth caps and hats made in Japan? In Japan, the manufacturing cost is obviously lower than that of America and still the workmanship is sufficiently good to satisfy you.

Therefore, we believe that you will be able to obtain reproduction of your articles at lower cost from Japan.

We have an interest especially in your winter cap made of vinyl leather.

All we wish to ask you to do is to give us samples of your hats that you want to try. We are not in a position to create styles by ourselves and the styles must be given by you.

In this connection, your interest will be strictly protected—our reproduction samples will be confined to you and will not be shown to anyone else.

For your guidance, we have sent you a cloth hat for men.

We have been in hat business with America since 1950.

Mr. Chairman, in Exhibit No. II you will find that in the man-made products section, 7030700 and 7031500, you will see the marked increase in these categories.

I cite to you that this type of letter in this area is typical of what we are getting, the kind of competition we are getting.

They are selling cheap labor. They are not selling skill. They are not selling design. They are selling one thing: their ability to sweat labor. We think we have a responsibility to protect the people of this country by at least making certain that we begin to count what comes in and begin to get some limits in this area of unfair competition.

By and large, we find that in the import jungle of currency controls, artificial pricing, hidden subsidies, fraudulent valuations, and sweat-shop wages, there is no tariff system that cannot be beaten by a clever importer.

The present proposal before this committee to set quotas on the basis of a fixed number of units of imports prevalent in a given base year, is the only system that has a reasonable opportunity to be successfully policed.

Short of absolute fraud or variations like the "baker's dozen," we would have something to work with if we knew that within definable physical quantities, units could be measured and therefore controlled.

I know I have taken a little more time than I should, but thank you very much for your tolerance.

The CHAIRMAN. We thank you, Mr. Coleman, for bringing your statement to us today. You have been very helpful to us.

Are there any questions of Mr. Coleman?

If not, thank you very much.

The next witness will be Mr. Michael P. Daniels.

STATEMENT OF MICHAEL P. DANIELS, GENERAL COUNSEL, AMERICAN IMPORTERS ASSOCIATION, TEXTILE AND APPAREL GROUP

The CHAIRMAN. You may proceed, Mr. Daniels.

Mr. DANIELS. Mr. Chairman and members of the committee, my name is Michael P. Daniels. I appear before the Committee today on behalf of the American Importers Association, Textile and Apparel Group, of New York City.

BASIC POSITION AND RECOMMENDATIONS

Mr. Chairman, we appear before the committee in opposition to legislated quotas on textile and apparel products such as are contained in H.R. 16920. We are in favor of the realistic and equitable new standards for the escape clause set forth in the administration's trade bill and in opposition to the unduly restrictive changes in the escape clause contained in H.R. 16920.

We are also opposed to negotiated or so-called "voluntary" quotas on textile and apparel products unless such negotiations are pursuant to section 352 of the Trade Expansion Act of 1962 and are preceded by findings of serious injury or a threat thereof due to imports in an escape clause proceeding as provided for in section 352.

We are of the opinion that section 204 of the Agricultural Act of 1956 as amended (7 U.S.C. 1854) is unconstitutional. It is an improper delegation of authority to the President because there are no standards or criteria for the exercise of that authority, and it further deprives importers of their right to due process, since section 204 does not provide for notice, hearings and findings. We believe, as a policy matter, that section 204 should be amended so as to eliminate textiles and textile products from its purview which would make clear that the provisions of section 352 govern all manufactured products. Further, we urge the committee to amend section 352 so as to resolve any doubts that its provisions are mandatory on the President if he wishes to negotiate restrictions on imported products.

Finally, we urge the committee, under its own authority contained in the Trade Expansion Act, to initiate immediately escape clause proceedings on those particular imported textile and apparel products which might be causing or threatening serious injury. In the alternative we ask the committee to urge this course upon the President who has similar power conferred upon him by the same act.

Mr. Chairman, our position is that there has been no case of injury or threat thereof for the textile and apparel products industry on an overall basis.

THERE IS NO ECONOMIC JUSTIFICATION FOR OVERALL QUOTAS

The fundamental reason for our opposition is that there is no economic justification for across-the-board quotas on all textile and apparel products such as is provided for in H.R. 16920 and has been demanded by the U.S. Government of other countries in its attempts to negotiate "voluntary" agreements.

Overall, the textile and apparel industries have demonstrated a pattern of growth, health and the ability to withstand import competition. In some respects, they have out-performed the economy generally.

We have heard these figures about the increase of imports. I think Mr. Tepper this morning referred to the "percentage game" when he talked about a 33 percent rise in Korean wages from 7 cents to 9 cents, and thought this was unfair when you compared it to a $2.40 wage in the United States.

I think that is exactly what we are saying. The imports started from a low base and are relatively low compared to domestic consumption. Small increases, that is to say increases which are small relative to total consumption, do appear large in percentage figures.

IMPORTS HAVE A MODEST SHARE OF THE MARKET

Imports represent a modest proportion of domestic consumption, approximately 8.5 percent in 1969, a level only slightly above the previous peak year of 1966 when the ratio stood at 8.2 percent. (Table 1, figure I.)

The proponents of quotas have attempted to obscure the situation by isolating the growth of imports on a percentage basis without relating this growth to U.S. production or consumption. This "percentage game" may be clever propaganda but hardly contributes to an understanding of the impact of imports.

Imports on a percentage basis increased more rapidly than U.S. production. From 1965 through 1969, total imports of all textile and apparel products grew by 46.8 percent while U.S. production grew by 15.1 percent on a volume basis. Since imports started at a very low level, these percentage figures distort the relationship. Measured by volume, imports grew by 279.1 million pounds; whereas, U.S. production grew by 1.3 billion pounds. Of the total growth of U.S. production plus imports, U.S. production accounted for 82 percent of the growth.

Another distortion by the proponents of quotas has been the isolation of import growth by fiber. Man-made fibers are rapidly talking over the market from the natural fibers: cotton, wool, and silk. This shift is taking place not only in domestic production but imports as well. Thus, in the man-made fiber field, there is quite naturally a high rate of growth shown in the imports. However, relating this growth to domestic consumption, imports of man-made fiber products in 1969 accounted for only 4.5 percent of domestic consumption. (Table 2, figure II.)

Here, again, percentage growth figures distort reality. Starting from an extremely low base, imports of man-made fiber products grew by 225.9 percent, while U.S. production grew by 52.9 percent. On a volume basis, however, total imports grew by 178.5 million pounds, whereas, U.S. production grew by 1.9 billion pounds. U.S. production thus accounted for 91.5 percent of total growth.

Wool imports as a percentage of domestic production are considerably higher, about 27.2 percent in 1969. However this ratio has remained fairly constant for the last 5 years, ranging between 25.5 percent and 28.3 percent. The importation of wool products has shown a significant decline, a trend continued into 1970. Domestic mill consumption of wool has paralleled this movement. This represents, in our view, a significant shift away from wool to man-made fibers in both imports and domestic production. These shifts make an analysis on a wool fiber basis alone particularly meaningless. (Table 3, figure III.)

The higher ratio in the wool sector reflects primarily the importation of wool worsted fabrics and wool sweaters in which imports have unique qualities and characteristics and are not directly competitive with domestic products. In both of these sectors imports are declining.

The prinicipal complaint of import growth has been in the apparel sector, but here also, relating this growth to domestic consumption of apparel of all fibers, the imports in 1969 were only 7.8 percent, below the ratio for all textile and apparel articles. (Table 4, figure IV.) For man-made fiber apparel, the ratio of imports to domestic consumption was at an even lower level, 6.7 percent. (Table 5, figure V.)

Thus, when the growth of imports is put into perspective, there appears to be no basis for the contention that these industries as a whole are being seriously injured or threatened with serious injury.

ALL ECONOMIC INDICATORS SHOW A PATTERN OF GROWTH IN THE DOMESTIC INDUSTRIES WITH NO EVIDENCE OF INJURY

Time does not permit the full treatment of the relevant economic indicators and other data. In summary:

Sales of the textile industry increased by 62.6 percent from 1961 to 1969. Sales of the apparel and other finished products industries increased by 83.5 percent.

Profits increased by 114.4 percent for the textile mill products industry from $589 million in 1961 to $1,245 million in 1969. For the apparel industry, profits grew from $331 million in 1961 to $953 million in 1969, an increase of 187.9 percent. The average annual increase in profits for the textile mill products industry over these years was 9.8 percent and for apparel 14.1 percent. This compares with an 8.5 percent average annual change for all nondurable goods industry and 9.8 percent for all manufacturing. The rate of profit on stockholders' equity for the apparel industry was above the rate for all manufacturing corporations and for all nondurable goods corporations. The textile mill products industry performed somewhat below these rates but has shown a substantial increase over the years.

Employment in the textile industry grew during the decade from 893,000 workers in 1961 to 989,000 workers in 1969. In the apparel industry, there was a growth of about 200,000 workers over the same period.

The index of industrial production grew from 107.1 in 1961 to a high of 157.8 in June 1969 for the textile mill products industry. For the apparel industry, the increase was from 112.1 in 1961 to a high of 150.7 in July of 1969.

These indices clearly indicate that there has been no injury to the textile industry taken as a whole.

THE SLIGHT DECLINE IN DOMESTIC PERFORMANCE IN LATE 1969 AND EARLY 1970 REFLECTS CONDITIONS IN THE ECONOMY GENERALLY AND IS NOT AN INDICATION OF INJURY

We are sure that the domestic industry witnesses in their testimony will emphasize the minor downturns in some of these indices commencing with the last half of 1969 and continuing through the early part of this year. These phenomena are explained by the performance of the economy generally and slightly different reactions of domestic production and imports of these general conditions.

Both textile and apparel industries suffered a slight setback in 1967 but fully recovered in 1968. This reflected a general movement in the economy. In 1969, both industries performed at record levels in the first half of the year with a slight recession commencing in the second half of 1969 and continuing to the present time. This also coincides with the performance of the economy as a whole. In the 1967 slowdown, the textile and apparel industries reacted more quickly and declined more deeply than the economy as a whole. They recovered more rapidly. Imports showed the same pattern, with a time lag behind that of domestic production. Imports declined more steeply than domestic production (in both percentage and absolute terms), but with both decline and recovery occurring after that of domestic production. This is probably due to the greater time between order and delivery for imported goods than domestic production and perhaps other factors, including the greater preponderance of cheaper articles in the imports which better withstand downward economic conditions.

In periods of overheating of the economy, such as was experienced in the first half of 1969 and in 1966, imports in these fields have been attracted to this market by extraordinary demand conditions. As the Tariff Commission has stated in its report on textiles in 1967:

> In periods of relatively full employment of domestic textile resources, the imports of such materials frequently are complementary rather than supplementary to domestic production.

Mr. McCracken speaking of imports generally in early 1969 stated:

> You look at the relationship between the rate of increase in imports and the rate of increase in gross national product and you will find that at about the 5 to 6 percent rate of increase for the gross national product, which is roughly a kind of noninflationary rate, you get about the same rate of increase in imports. But you let the rate of increase in GNP go up to 8 to 10 percent and the "normal" relationship is to have imports rising at the rate of 15 to 18 percent per year. There is no mystery about it, of course. In a large economy where imports are fairly small, if you overheat the domestic economy, the spillover of demand creates a high leverage on imports.

We believe that these factors explain what occurred in 1969 and what is occurring in 1970. Both imports and domestic production were at very high historical levels in the first half of 1969.

With the decline in the economy in the second half of 1969 continuing through the present time, domestic production suffered a very small decline. Total imports although continuing to increase nonetheless showed a moderated rate of growth (4.3 percent in the fourth quarter) and in some important sectors imports declined.

If imports follow their historical pattern, they should decline more rapidly if the period of recession in the economy continues. The dock strike in the first quarter of 1969 makes accurate comparisons with first quarter 1970 impossible. The only method by which we can approximate growth or decline in the first quarter of 1970 is to compare the performance in the first quarter 1970 to an average 1969 quarterly figure and in turn to compare this to the annual percentage change from 1968 to 1969.

On this basis, total imports increased by 12.7 percent in the first quarter of 1970 compared to an annual growth rate of 9.5 percent measuring 1968 to 1969. This figure, however, is considerably distorted by yarn which declined by 26.5 percent from 1968 to 1969 and increased by 51.9 percent in the first quarter of 1970 compared to average quarterly imports in 1969.

Since yarns are only about 1 percent of domestic production, these movements in yarn imports are insignificant. Excluding yarns, the percentage change for the total was 19.7 percent from 1968 to 1969 compared to 5.9 percent for the first quarter of 1970 over average quarterly 1969 figures.

On the same basis, the growth of all apparel imports dropped from 31.9 percent to 4.8 percent. Manmade fiber apparel import growth rates dropped from 63.8 to 11.1 percent. The decline in wool products continues with a decline in 1969 of 5.5 percent compared to 30.3 percent decrease in the first quarter of 1970. These figures, for whatever they are worth, are set forth in table 6.

A RECOVERY OF THE ECONOMY IN THE LAST HALF OF 1970 WOULD BRING WITH IT A RAPID RECOVERY OF THE TEXTILE AND APPAREL INDUSTRIES

The state of the economy is highly unusual and uncertain with a continuing recession—a decline of about 3 percent in the economy in the first quarter of 1970—and a continuing inflation—at about a 6-percent annual rate in the first quarter of 1970. This makes prediction in this area difficult, if not impossible. Some economists are predicting an upturn in the economy in the last half of 1970 and specialists in the textile and apparel industries are also predicting a rapid recovery of these industries. In November of 1969, Textile World stated:

Two economists looking at textiles in 1970 see a bright year ahead. Richard D. Karfunkle, chief economist for Du Pont's textile fibers department told a joint meeting of the Synthetic Organic Chemical Manufacturers Assn. and the Commercial Chemical Development Assn. that textile mill activity will begin to expand by spring 1970 and recover in the second half of that year. He added that the decline will be perhaps 25 percent shorter and 50 percent less severe than the 1966–67 recession.

Other analysts have pointed to the present low level of inventories and the maintenance of high levels of consumer disposable income (because of the tax decrease, increased social security benefits, and Federal pay increases) as well as other factors in predicting a rapid recovery in late 1970.

Textile World in their January 1970 issue predicts that textile mill shipments in 1970 will be at a level of $22.6 billion compared to 1969 shipments of $21.1 billion, an increase of 7.1 percent.

Given the timelag problem, one could expect further moderation in the rate of import growth and a probable decline if the recession continues. These are quite obviously difficult matters to predict since the state of the economy is so uncertain.

Our principal point is that the performance of imports and the domestic industry are directly related to and heavily dependent upon the performance of the economy as a whole. The minor setbacks of late 1969 and early 1970 are temporary in nature, are not due to imports, and are certainly not the basis upon which to make long-range policy decisions.

THE LONG-RUN OUTLOOK FOR THE TEXTILE AND APPAREL INDUSTRIES IS EXCELLENT WITH MOST ANALYSTS PREDICTING SUBSTANTIAL GROWTH IN THE 1970'S

Chemical and Engineering News in its April 20 issue predicts that in the next decade:

Investment in facilities will nearly double by 1980.
Sales of textile mill products will increase 70 percent.
Profits will increase 97 percent.
Production of textile mill products will increase 50 percent.

The most important factors making for favorable predictions of long-term growth are rapid increases in the family forming age groups (the most important consumers of textile and apparel products), substantial increases in consumer expenditures on textile articles, significant technological development and product innovation, and a greater strength in the structure of the textile and apparel industries.

QUOTAS ARE HIGHLY UNDESIRABLE AND SHOULD BE RESORTED TO ONLY IN EXTREME CIRCUMSTANCES

Thet evils of quotas have often been documented and are familiar to the members of this committee. Quotas are restraints to trade which inevitably lead to the establishment of cartels in their administration and enforcement. The chairman of this committee quite eloquently set forth the most cogent arguments against quotas in a speech of January 27, 1969, in Hot Springs, Ark. After describing the many undesirable features of quotas, the chairman concluded:

Finally, such quotas tend to add rigidities to marketplace, and in reality are the antithesis of what we say we hold important—an open and competitive economy.

The CHAIRMAN. I still believe that.

Mr. DANIELS. Thank you. It is comforting.

Quotas inevitably bring increases in prices which adversely affect consumers and contribute to inflationary pressures. Not only are prices of imported goods increased, but the removal of competition leads to price increases by domestic manufacturers. Important stimulants to efficiency and innovation are also removed and an umbrella is placed over the heads of the least efficient producers. Consumers are deprived of variety and choice in the marketplace, and in the case of textile and apparel quotas, the effects are felt most severely by the low-income groups and young families with growing children. The introduction of quotas often brings with it onerous regulation both in the importing and exporting countries, making it difficult to conduct business on a sound commercial basis and as a governmental budgetary matter occasioning heavy expenses in their administration.

THE COST OF QUOTAS

In addition to these undesirable features of quotas in eliminating competition, causing higher costs to consumers, depriving consumers of choice in the marketplace, and the high cost and burdens of administration, there are other costs as well. Enactment of quota legislation may benefit the textile and apparel industries, but it will be at the expense of other industries and sectors of our economy.

Under the international rules of the game, if the United States enacts quotas on textiles, other nations have the right to demand compensation in the form of lower tariffs on their export products to the United States or to retaliate against American exports to their markets. We have calculated that there will be an overall reduction in imports of textile and apparel goods of $300 million in 1970 if H.R. 16920 were enacted and a reduction in imports of $94.6 million in footwear. At a minimum, our trading partners would be entitled to compensation or retaliation in the amount of almost half a billion dollars. Another way of calculation is that since total imports of textiles, apparel and footwear amounted to a billion and one-half dollars, foreign nations would be entitled to affect a billion and one-half dollars worth of United States exports in the same manner as H.R. 16920 affects textiles, apparel and footwear imports, for example, by imposing similar quotas on a like amount of trade. These calculations do not take into account any factor for growth which could be legitimately included in the demands of foreign nations.

Thus an enormous amount of American trade could be adversely affected. The targets for retaliation would most likely include our agricultural products for which alternative sources of supply are available to our customers, and our fastest growing exports in the industrial area. The cost for protection of textiles and apparel would be borne by other industries.

In addition, there are indirect costs which cannot be quantified but which nonetheless must be taken into account. Enactment of textile quotas by the United States could trigger protectionist movements by other nations resulting in a serious dislocation of the world economy.

What success can we expect in inducing other nations to remove their barriers to our exports or to refrain from imposing new barriers if we ourselves enact restrictions? Such action will not gain the United States added leverage in removing foreign barriers to our exports but will provide justification to foreign nations for their own protectionist measures.

Ours is not the only government where a national legislature is beset by pleas for protection. This is a worldwide problem in every major nation, with every government vulnerable to political pressures by special interests. If the United States moves toward protectionism, we can be sure that it will be difficult for other governments to hold the line against their own protectionist industries and agricultural interests.

Finally, enactment of textile quotas cannot be confined to textiles alone. There is already apparently a marriage between textiles and footwear. There are other industries seeking to jump on the bandwagon. Once the door is open, it will be difficult, as a political matter, to resist the pleas of other industries.

OVERALL QUOTAS ARE INAPPROPRIATE FOR THE TEXTILE AND APPAREL INDUSTRIES AND WILL NOT SOLVE THE REAL PROBLEMS OF THESE INDUSTRIES

Not only are overall quotas unjustified because of a lack of injury to the entire textile and apparel industries, but this type of measure would be highly inappropriate for these industries and will not solve their real problems.

The "textile" and "apparel" industries are statistical abstractions covering literally hundreds of sub-industries and sub-markets with varying conditions, structure, strength, and vulnerability to import competition. They range from highly industrial, automated establishments, such as yarn spinning mills, to the small garment shops of Seventh Avenue producing for the fashion market. There are companies such as Burlington with over a billion dollars in sales and small marginal firms. Sometimes these disparities exist even within the same sub-industry with small firms competing against the giants. With such diversity and disparity overall measures are not appropriate.

There has been a strong movement toward concentration and merger in the industry and an increasing dominance by the larger firms. The Federal Trade Commission found that from 1951 to 1967 the four largest firms in the textile industry increased their share of assets from 11 to 20 percent, of sales from 9 to 16 percent, and of profits from 4 to 19 percent. For the eight largest firms, the increase was from 18 to 29 percent in assets, 15 to 24 percent in sales, and 24 to 30 percent in profits.

The Federal Trade Commission has pointed out that—

> Sales of the eight largest textile firms in 1967 increased by 154 percent while sales of the remainder of the industry rose 42 percent between 1951 and 1967. Among the eight largest, the top four firms increased sales 182 percent while sales of the next four rose 111 percent. (FTC, "Enforcement Policy With Respect to Prospective and Future Mergers in the Textile Mill Products Industry.")

The scale of the largest firms has also increased substantially. The assets of the top four firms in 1951 ranged from $150 to $300 million, increasing in 1967 to a $300 to $1,028 million range.

In the textile sector, the concentration problem is of such serious proportions that the Federal Trade Commission has prohibited Burlington Industries from further acquisition or mergers in the United States and has put severe limitations on merger and acquisition activity by the other large firms.

The larger, highly integrated and diversified firms are well able to withstand import competition. Referring to these firms, the Federal Trade Commission stated:

> Quality, service, technology and increased efficiency—available to most firms in the industry and not just Burlington—will enable these firms to compete vigorously with foreign imports.

I would like to insert into the record at this point two articles which recently appeared projecting growth of the textile industry into the 1970's which show a very good prospect, indeed, for such growth.

The CHAIRMAN. Without objection, that material will be inserted at this point in the record.

(The articles to be supplied follow:)

Long-term textile outlook: more

What the seventies promise the textile industry centers on one fact: Competition will be rougher than ever and the pinch on profits will continue to put pressure on operating efficiency, smart management, and top-notch marketing.

You will find some of TEXTILE WORLD's economic forecasts on what to expect from the seventies on the next page as the lead-off of our annual business review and economic forecast for 1970. If nothing else, the inflationary economy seems to be with us at the start. (Talk about inflation—the Dept. of Commerce has called the shots by boosting the price of its annual industrial outlook booklet by 90%, from $2.50 last year to $4.75 this year.)

But the decade ahead promises to bring many new trends and enforce some old ones. Here are some of the things TW sees for the seventies:

• **In technology.** Use of electronics, automatic controls, and computer technology will grow to the point where a textile plant manager can watch all production operations from a single room. In spinning, open-end types will be further improved and accepted. And other new methods will make their debut—electrolytic is already scheduled. You can expect higher speeds, a wider range of yarn numbers and lower initial costs. Direct or chute feeding of cards will become widespread. Texturing will continue to increase in importance, though growth won't be as fast as it is today. New mills will have several different yarn systems to avoid contamination and give greater flexibility. Automatic doffing will be a necessity because of a still-around shortage of workers. Weaving will be done on sophisticated, expensive and computer-controlled looms. If a plant is running multicolor fabrics, a console will handle the patterns. The loom operator of the late seventies will be dressed in white and her job will be entirely different at the end of the decade than it was at the beginning. She won't be redrawing warp ends to any appreciable extent because yarn strength and loom mechanics will be so perfect that 90% of today's loom downtime won't happen. Knitting will be experiencing some of the same kinds of change, but with more and more emphasis on patterns.

Big things are expected in the chemical finishing area, especially with solvent dyeing and finishing and soil release that really works. Good possibility: all-cotton durable press and flame retardancy in one resin. In the near term: contract carpet printing.

• **In manpower**—Unions will continue to push for recognition, but will find recruitment increasingly difficult because salaries will continue to climb and working conditions improve-including noise and dust control. You'll have a tough time recruiting workers unless you convince them of the "desirability" of working in a textile plant. While the worker shortage may ease as such, today's youth brought up in an affluent and permissive society does not show signs of considering textiles much more than "demeaning" work. That, in turn, adds to the reasons for increasing public relations efforts in the coming 10 years. Toward the middle of the decade, the behavioral scientist will start his initial thrusts into management of the modern textile plant. The percentage of minority groups in the industry's workforce will continue its dramatic gains.

Textile men will continue to support education on a high level and make greater use of "tech" schools. The curricula in textile colleges is already beginning to stress management methods and this should eventually put more technical instruction into the "tech" schools and plant training centers. Look for an increase in the number of maintenance men needed in the industry too.

• **Overseas.** The 70s promise to cement the initial steps taken toward the "one world" concept in textiles. Internationalism will be strong. The U.S. textile industry

sizzle in the 70s

EDITOR'S PAGE

has already stated, even in its most ardent demands for import protection, that it believes overseas producers should have part of the U.S. market. In turn, new modes of transportation, especially jumbo air freight, promise to bring the textile world closer. Fashion changes need no longer be affected by the slower pace of sea delivery. You can expect the Japanese to continue their sharp drive to establish market outlets around the world, especially in southeast Asia. A big question: What threat from Red China?

Even the Russians are moving onto the international textile scene. Their first equipment show inviting Western textile equipment manufacturers is slated for 1970. And preliminary trade statistics for 1968 show that the Soviets bought $218-million of finished clothing and $212-million of knitwear. A lot of Russia's buying in the past has been from other "socialist" countries, but there is some evidence that an increasing volume is coming from the West.

Look for more U.S. companies to establish branches overseas, many in underdeveloped countries where low wages will encourage export. Offshore plants will not be an oddity. Burlington, which is already becoming a factor overseas, last month strengthened its overseas position by buying another German company and boosting output of its German tufting plant.

• **Management.** The market will continue to dictate the definition of smart management—but you can expect increased expenditures in research and development as fashion and color continue to dominate the market. The new product will be king, as fickle fashion makes machinery versatility a must. Expect more vertical diversification of textile companies. Smaller companies will continue to be taken over by bigger companies, especially when in so doing the bigger companies can enter a new market.

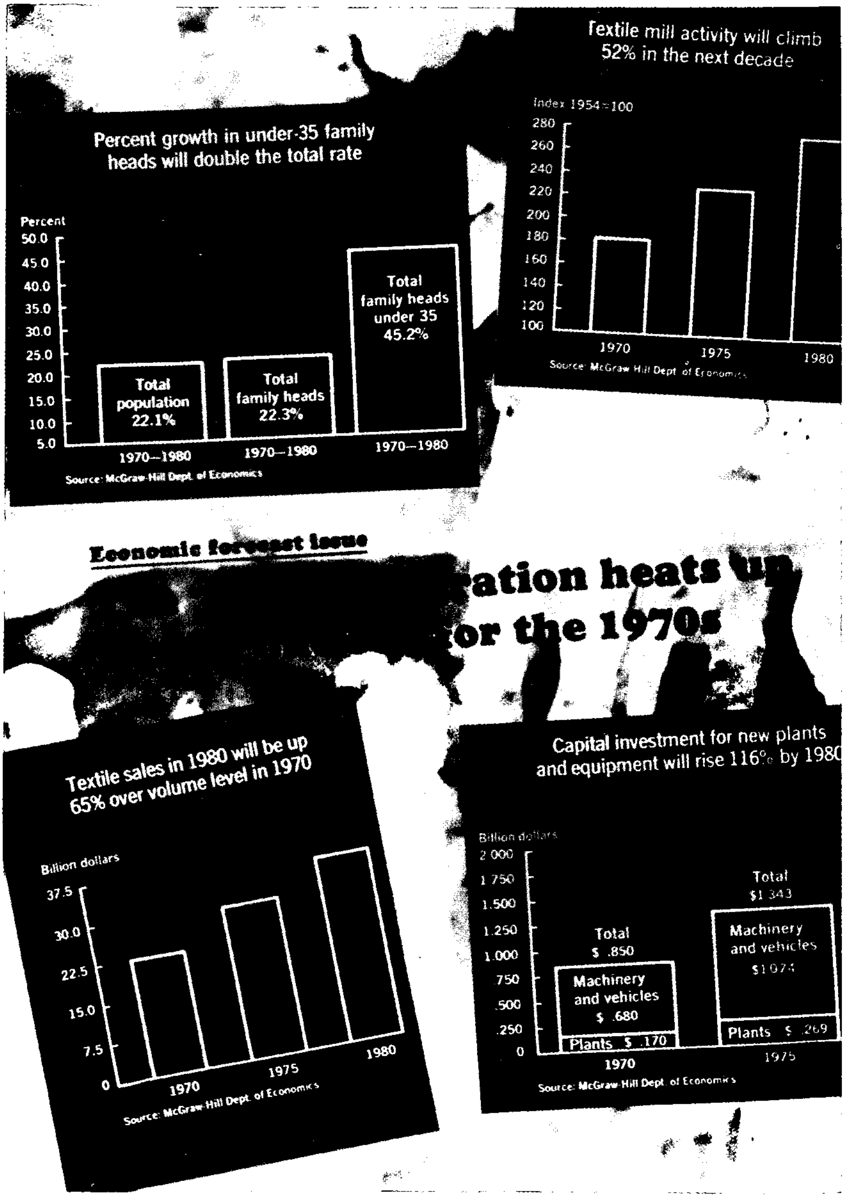
Capital spending by the end of the decade will approach the $2-billion mark. It will have to remain strong, especially if wage gains outstrip productivity gains, as they do now (TEXTILE WORLD, October 1969, p. 57).

The seething 70s may also bring a host of problems in the areas of social responsibility. But you will see more textile executives and companies involved than ever before. The foundations have already been established, perhaps with some reluctance in the 60s, but the industry's initial foray into the areas of byssinosis and minority employment show what can be done when the industry's leaders make up their mind to do it. Consumerism will continue as a force in the 70s and the industry will establish some method of dealing with it, perhaps a consumer ombudsman to handle the industry's increasing involvement in this area (the labeling legislation now before the FTC, for example).

These are only some of the predictions for the next decade. Exciting? Yes. Demanding? Definitely. But they add up to an industry that has come alive in the 60s and will sizzle in the 70s.

L. A. Christiansen

Editor-in-Chief


Percent growth in under-35 family heads will double the total rate
Percent
50.0
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
Total population 22.1%
Total family heads 22.3%
Total family heads under 35 45.2%
1970—1980
1970—1980
1970—1980
Source: McGraw-Hill Dept. of Economics
Textile mill activity will climb 52% in the next decade
Index 1954=100
280
260
240
220
200
180
160
140
120
100
1970
1975
1980
Source: McGraw-Hill Dept. of Economics
Economic forecast issue
ation heats up
or the 1970s
Textile sales in 1980 will be up 65% over volume level in 1970
Billion dollars
37.5
30.0
22.5
15.0
7.5
0
1970
1975
1980
Source: McGraw-Hill Dept. of Economics
Capital investment for new plants and equipment will rise 116% by 1980
Billion dollars
2.000
1.750
1.500
1.250
1.000
.750
.500
.250
0
Total $ .850
Machinery and vehicles $ .680
Plants $ .170
1970
Total $1.343
Machinery and vehicles $1.074
Plants $ .269
1975
Source: McGraw-Hill Dept. of Economics

In a few years, under-35 family heads will wield real pocketbook power—strong enough to shape markets. Their tastes, mod or not, will help textiles reach new sales highs in the record-making decade forecast for the 1970s, as a look at the charts on the facing page will show. What will the inaugural year be like? Charts and tables beginning on the next page detail the "Look of 1970," TW's annual business review and economic forecast.

TEN YEARS FROM NOW, manual doffing may be headed for the Smithsonian, the population may be parading around more naked than clothed, and the friendly skies of United may include those over the Sea of Tranquillity.

Way out? Perhaps. One thing is far more certain. Younger people will have a greater say in our destiny than they do today. One indicator: The rate of growth of family heads under 35 years of age will be double the rate of growth of all family heads and double the population growth rate by 1980 (see chart on facing page). This younger population will have economic power to help shape markets—and the textile industry will feel their influence. The "now" generation will be far more affluent than today's adult generation—average family income by 1980 will be about 50% more than now, or about $15,000 a year, according to TW estimates. These younger family heads will spend more money on apparel and they (male as well as female) will demand greater emphasis on fashion and styling. (They will be free with their money, having grown up in a period of almost unbroken prosperity.) Their level of education will be higher—over 40% of all young people in the coming decade will go to college, compared to half that rate in the 1930s.

Their impact on the textile industry will be felt in all sectors. For instance, in research and development, they will force greater investments to satisfy their demand for new products. Already, their influence can be seen. Douglas Greenwald, chief economist, McGraw-Hill Publication Co.'s Dept. of Economics, estimates that as much as 22% of the industry's sales in 1973 will be in products not manufactured last year.

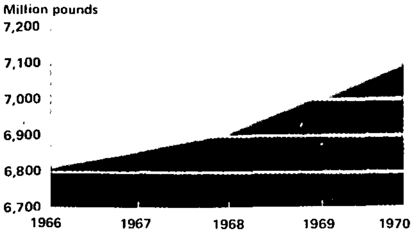
With new textile products increasing in daily life, with more younger people pressuring the industry for change, with a general gain in population, and with a giant-stepping growth in gross national product, a soaring increase of 52% in textile mill activity is Mr. Greenwald's forecast over the next 10 years.

The exclusive TEXTILE WORLD Index of Textile Manufacturing Activity should reach 211 by 1973 and 256 by 1978 (1954 = 100). What will be some of the big areas for gains? Tufted rugs, for one, with a growth of 7% per year. Manmade fiber blend fabrics should enjoy a gain just under that. Knitwear output will show a 60% gain for the decade.

Anticipating that textile mill prices, on the average, will move up

By DOUGLAS GREENWALD, chief economist, and ALAN KELLNER
McGraw-Hill Publications Co.'s Dept. of Economics

Consumer textile consumption: a sluggish move upward



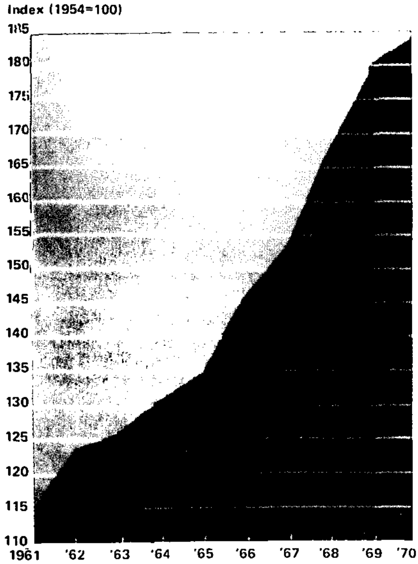
Source: McGraw-Hill Economics Dept.; Textile Economics Bureau

slightly, but considerably less than the average for all commodities. Mr. Greenwald expects that sales volume will rise 65% by 1980, to $37.3-billion. (Sales estimate for 1970 is $22.6-billion.)

Capital investment. If the textile industry grows and expands as expected, it will continue to add greater capacities and modernization programs throughout the next ten years. To take advantage of the population and income rises quickly and profitably, the industry expects to spend approximately $850-million in 1970, $1.343-billion in 1975, and $1.836-billion in 1980. Considering that the industry spent $1.13-billion on new plants and equipment in 1966, these forecasts for future capital spending are conservative. Nevertheless, Mr. Greenwald is counting on the industry to lift its investment by 116% in the decade.

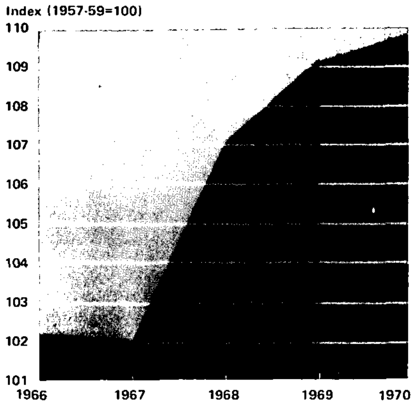
Automation. In 1955, only 5¢ of every dollar invested was for automated machinery and equipment. By 1959, the share had risen to 9¢. As re-

Textile manufacturing activity: steady growth at slower pace



Source: McGraw-Hill Economics Dept.;

Wholesale textile prices: no drop in sight



	Index (1957-59=100)				
	1966	1967	1968	1969	1970
Textile products & apparel	102.1	102.0	107.0	109.1	109.8
Cotton products	102.5	100.4	105.3	105.8	106.3
Wool products	106.0	103.2	104.7	104.5	104.9
Manmade fiber textile products	89.5	86.8	92.7	91.6	91.8
Silk products	153.6	171.7	175.5	183.9	191.2
Apparel	105.0	106.9	111.7	116.5	118.1
Miscellaneous	122.6	117.6	121.3	127.2	129.4

Sources: U.S. Bureau of Labor Statistics; McGraw-Hill Economics Dept.

cently as 1963, it jumped to 14¢, and by 1968, it soared to almost 20¢.

In 1970, 24¢ of all capital spending dollars will go for automation, and this figure will jump to 35¢ by 1980.

In 1962, a McGraw-Hill Publications Co. Dept. of Economics survey of textile companies showed that they believed as much as 29% of their capacity was technologically outmoded. The textile industry began a concentrated effort to correct this. By the end of 1968, the figure dropped to only 17%, about three-fifths the rate reported six years earlier.

THE LOOK OF 1970

Textile manufacturing activity will continue to grow, but at a slower pace than in previous years. This is due primarily to a waning of consumer spending. After a sharp rise in 1969 to a peak of 180, TW's exclusive Index of Textile Manufacturing Activity will hit a moderate peak of 183 in 1970. This is attributed, in part, to the high cost of living, taxes, and tight credit.

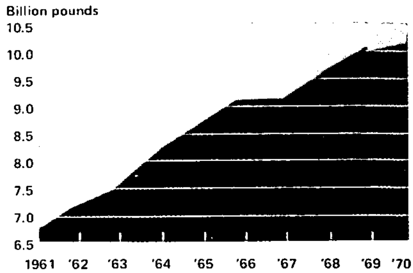
The slowdown in the rate of growth of the TW index also is attributable to a faster increase in hourly earnings over productivity. This relationship has prevailed since the first quarter of 1968.

Operating rate. With only a slight rise seen in manufacturing activity, the outlook for textile mills' operating rate for 1970 is only for a level of 89%. This is a slight gain from last year's 88%, but doesn't approach 1968's mark of 91%, or the preferred rate of 96%.

Profits and textile shipments. Earnings for the textile industry should rebound a little from their disappointing showing in 1969. Estimates for after-tax profits for 1970 are $638-million, compared to $600-million for 1969.

The chief reasons for the profit weakness last year were increasing imports, higher costs and taxes, the tightness of credit, and the difficulty of

Total textile demand: tops 10-billion pounds



(End use textile consumption in millions of pounds)

	Clothing	Home furnishings	Other consumer products	Industry	Export	Total
1961	2,883	1,701	704	1,196	251	6,735
1962	3,065	1,890	741	1,257	239	7,192
1963	3,152	2,047	787	1,249	229	7,464
1964	3,342	2,258	841	1,346	239	8,026
1965	3,469	2,469	917	1,488	237	8,580
1966	3,618	2,552	996	1,640	253	9,059
1967	3,623	2,580	998	1,597	237	9,035
1968	3,764	2,760	1,058	1,678	242	9,502
1969	3,911	2,898	1,127	1,764	249	9,949
1970	3,970	2,956	1,161	1,711	247	10,045

Sources: Textile Economics Bureau; McGraw Hill Economics Dept.

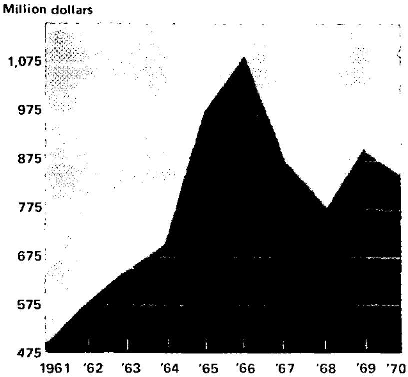
Fiber consumption: manmades continue increasing market share

	Cotton		Wool		Manmade fibers: Rayon-acetate		Manmade fibers: Other		Total*
	Million pounds	Market share	Million pounds	Market share	Million pounds	Market share	Million pounds	Market share	Million pounds
1961	4,082	62.2	412	6.3	1,156	16.7	905	13.8	6,561
1962	4,188	59.5	429	6.1	1,291	20.0	1,127	16.0	7,042
1963	4,040	55.7	412	5.7	1,471	18.3	1,317	18.2	7,246
1964	4,244	54.5	357	4.6	1,556	20.3	1,619	20.8	7,782
1965	4,478	52.7	387	4.5	1,593	20.0	2,031	23.9	8,494
1966	4,631	51.4	370	4.1	1,623	18.8	2,379	26.4	9,008
1967	4,423	49.2	313	3.5	1,520	16.9	2,723	30.3	8,982
1968	4,146	42.4	330	3.4	1,713	17.5	3,589	36.7	9,782
1969	3,957	38.2	373	3.6	1,947	18.8	4,081	39.4	10,359
1970	3,528	33.1	426	4.0	2,079	19.5	4,626	43.4	10,659

Sources: Textile Economics Bureau; McGraw Hill Economics Dept.

*Includes silk.

Textile capital spending: dip to $850-million in 1970

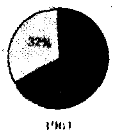


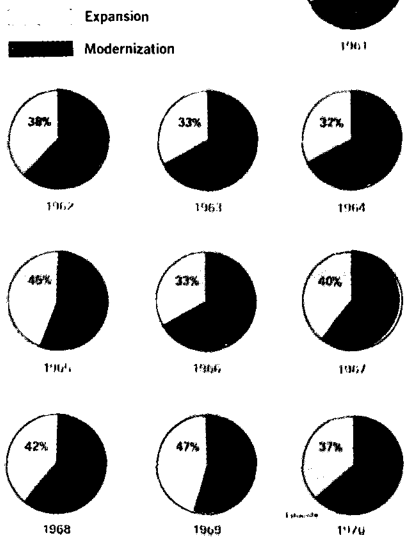
(Capital spending breakdown by regions)

	Textiles 1969	Textiles 1970	All Manufacturing 1969	All Manufacturing 1970
New England	5%	5%	6%	6%
Middle Atlantic	8%	14%	12%	13%
South Atlantic	75%	75%	12%	11%
North Atlantic	5%	5%	34%	36%
South	8%	4%	23%	21%
West	4%	2%	13%	13%

Sources: U. S. Department of Commerce, Securities & Exchange Commission; McGraw-Hill Economics Dept.

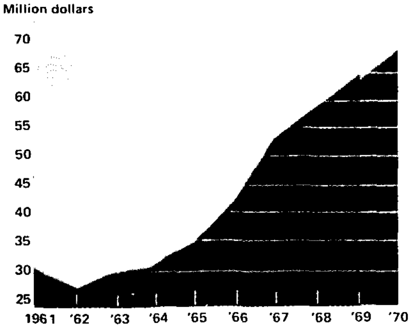
How industry spends: expansion gains sharply

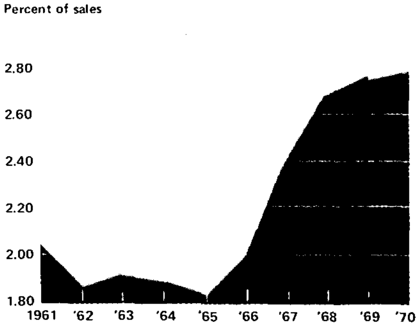




Source: McGraw-Hill Economics Dept.

R & D spending: leveling off as a percent of sales





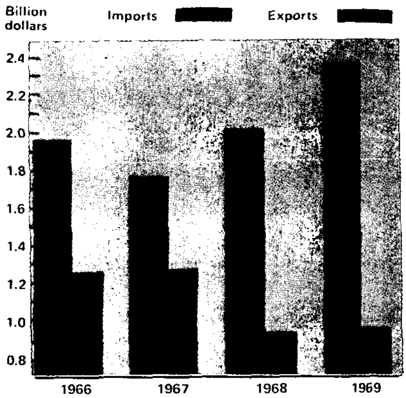
Sources: National Science Foundation, U.S. Commerce Dept., McGraw-Hill Economics Dept.

raising prices. (Textile spokesmen say that because of the generally weak market structure and the influx of textile goods from low-wage countries, the textile industry just hasn't been able to pass on cost increases. The apparel area especially has been affected adversely by imports. Sheeting, twills, shirtings, and dress goods were some categories hard hit by increased import volume.)

Textile shipments will rise to $22.6-billion in 1970. This a healthy $1.5-billion gain over 1969, when tapering expenditures for Vietnam and slower consumer spending brought a decrease of $300-million from 1968. (The Nixon Administration's gradual pullout from Vietnam and the economic slowdown policies are governing the direction of these two spending areas—which is now up, but slowly. As in 1969, the progress of the government's efforts to curb inflation and end the Vietnam War will be the big factors in deciding the nature of business conditions in 1970.)

Investment in plants, equipment. Capital spending by the textile industry will edge downward to $850-million in 1970, from about $910-million in 1969. A little less than two-thirds of this new investment (63%) will be for modernization, while the remaining 37% will go for expanded facilities, pointing to a small shift to new capacity. But, the

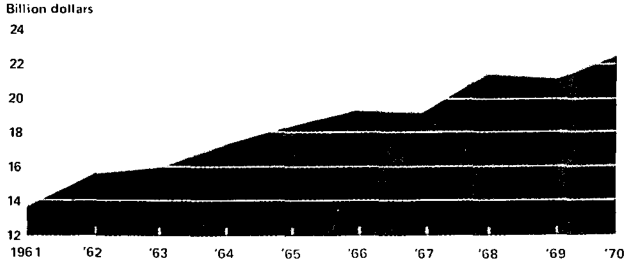
Imports: U.S. total soars while exports get a nudge



	IMPORTS (millions of $) 1966	1967	1968	1969	% change '68-'69	EXPORTS (millions of $) 1966	1967	1968	1969	% change '68-'69
TOTAL	1,952.3	1,776.9	2,030.2	2,361.0	+16.3	1,283.7	1,286.3	950.3	977.8	+2.9
Textile fibers & waste	436.3	313.8	240.6	237.9	−1.1	565.6	591.5	360.7	308.5	−14.5
Raw cotton, excluding linters	....	....	....	....	....	432.2	463.8	244.4	172.9	−29.3
Other	....	....	....	....	....	133.4	127.7	106.1	126.9	+19.6
Wool, unmanufactured	218.3	175.5	141.9	146.1	+3.0	....	....	....	....	....
Other	218.0	138.3	125.2	146.2	+16.8	....	....	....	....	....
Textile yarn, fabrics, made-up articles	908.5	810.4	834.7	934.4	+11.9	554.1	530.9	449.1	516.0	+14.9
Cotton cloth	144.2	138.4	137.4	174.3	+26.9	....	....	....	....	....
Textile yarn & thread	....	....	....	....	....	128.3	110.7	100.1	124.2	+24.1
Cotton cloth including duck	....	....	....	....	....	109.5	108.3	80.6	90.9	+12.8
Textile fabrics, woven, except cotton	448.9	402.7	411.8	482.7	+17.2	137.3	138.9	108.9	126.4	+16.1
Manmade broad woven fabrics	....	....	....	....	....	67.2	108.4	85.2	96.4	+7.3
Jute, burlap, worsted & woolen fabrics	294.3	270.3	264.4	325.8	+23.2	....	....	....	....	....
Other	154.6	132.4	147.4	156.9	+6.4	....	....	....	....	....
Made-up articles	....	....	....	....	....	54.2	53.2	43.4	44.0	+1.4
Twine & cordage	45.3	42.0	14.8	14.6	−1.4	....	....	....	....	....
Floor coverings & tapestries	61.6	53.3	48.6	66.7	+37.2	....	....	....	....	....
Other	191.0	174.0	171.0	196.2	+14.7	116.2	119.8	109.8	125.9	+14.7
Clothing	607.5	652.7	954.9	1,188.7	+24.5	164.0	163.9	140.5	153.3	+9.1

Sources: U.S. Commerce Department, Bureau of the Census, Foreign Trade Division, McGraw Hill Economics Dept.

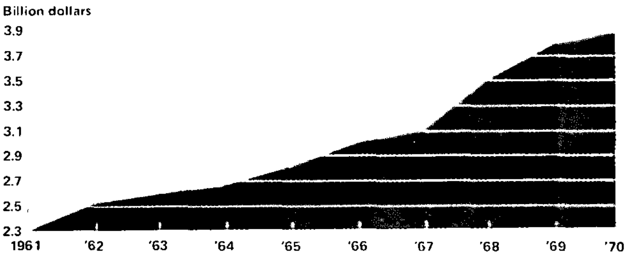
Textile mill shipments: another healthy increase of $1.5-billion



Sources: U.S. Commerce Dept., McGraw Hill Economics Dept.

Year	Million dollars
1961	13,973
1962	15,156
1963	15,718
1964	17,000
1965	18,298
1966	19,610
1967	19,240
1968	21,400
1969	21,100
1970	22,600

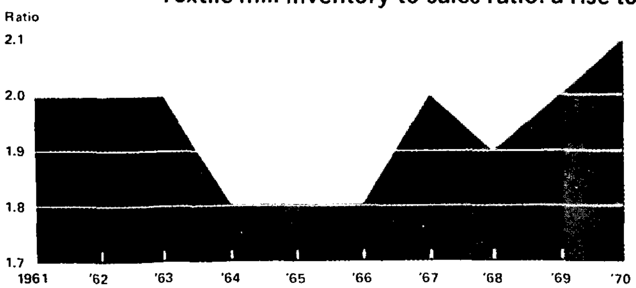
Textile mill inventories: a slight rise to $3.9-billion



Sources: U.S. Commerce Dept., McGraw Hill Economics Dept.

Year	Million dollars
1961	2,363
1962	2,528
1963	2,566
1964	2,621
1965	2,800
1966	3,000
1967	3,155
1968	3,500
1969	3,800
1970	3,900

Textile mill inventory-to-sales ratio: a rise to 2.1



Sources: U.S. Commerce Dept.; McGraw Hill Economics Dept.

Year	Ratio
1961	2.0
1962	2.0
1963	2.0
1964	1.8
1965	1.8
1966	1.8
1967	2.0
1968	1.9
1969	2.0
1970	2.1

emphasis is still on modernization, as the industry aims to cut costs, improve efficiency—and increase profits.

Research and development. R&D expenditures will increase from $64-million to $70-million in 1970. This is a 9.4% boost, which would be well off the pace in 1969 when the industry registered a 12.4% increase in R&D spending. The $70-million planned for R&D is less than 2.8% of sales.

NATIONAL OUTLOOK REMAINS ROSY

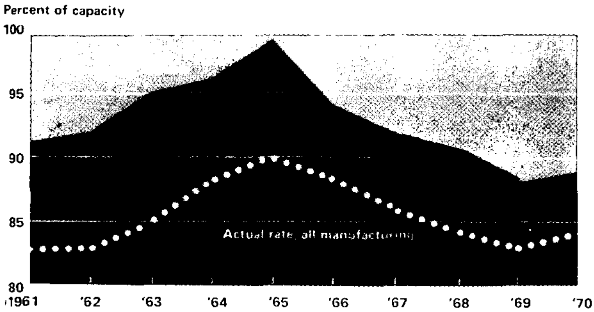
The U. S. economy will continue to grow in 1970, although at a bit slower pace than in the past. Consumers will have about $685-billion to spend in 1970, as opposed to about $655-billion in 1969. This is about a 4.6% increase which, when combined with a 4.3% expected rate of inflation for 1970, leaves a small increase in disposable personal income. The gross national product is expected to climb to $987.4-billion from 1969's $932.1-billion, a gain of about 6%. Government spending should rise to $227.7-billion in 1970, versus $215.3-billion in 1969.

The first half of 1970 will bring a slowdown in the growth of business activity while cuts in consumer income taxes and the boost in Social Security payments should help spur a rebound for the economy in the second half.

Defense spending, a major component of the national budget, will increase only 0.2% in 1970.

Business capital expenditures will rise about 8% this year, based on the latest Dept. of Economics' survey. Manufacturers, on the average, expect to increase new capital outlays by 9%, with durable goods producers predicting a rise of 7% in 1970, and non-durable makers looking for an 11% rise.

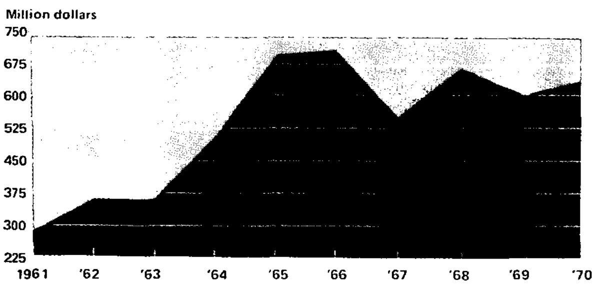
Textile mill operating rate; dropoff from preferred 96% level



Year	Textiles	All Manu-facturing
1961	91.0	83.0
1962	92.0	83.0
1963	95.0	85.0
1964	96.0	88.0
1965	99.0	90.0
1966	94.0	88.0
1967	92.0	86.0
1968	91.0	84.0
1969	88.0	83.0
1970	89.0	84.0

Source: McGraw Hill Economics Dept.

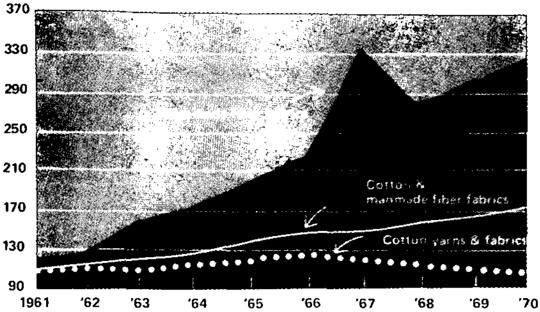
Textile mill profits after taxes: slight gain in '70 after '69 squeeze



Year	Million dollars
1961	280
1962	354
1963	354
1964	507
1965	694
1966	702
1967	540
1968	654
1969	600
1970	638

Sources: Federal Trade Commission; Securities & Exchange Commission, McGraw Hill Economics Dept.

Cotton and manmade-fiber textiles: cottons lose ground

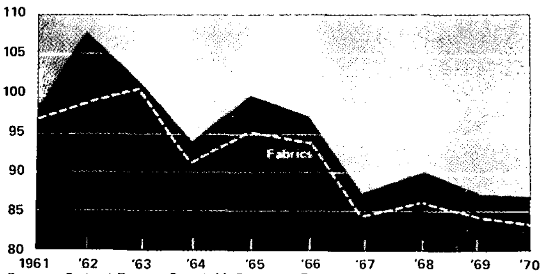


Sources: Federal Reserve Board, McGraw Hill Economics Dept

Cotton; Manmade fiber textiles

	Index 1957-59=100		
	Cotton & manmade fiber fabrics	Cotton yarns & fabrics	Man-made fiber fabrics
1961	105.8	104.9	108.9
1962	115.0	108.8	131.6
1963	118.0	106.1	150.5
1964	127.1	111.9	171.0
1965	140.1	119.7	198.0
1966	149.1	125.5	221.0
1967	149.2	121.3	338.8
1968	159.8	114.2	289.6
1969	163.2	109.8	308.9
1970	172.0	108.0	328.8

Wool textiles and fabrics: bottoming out

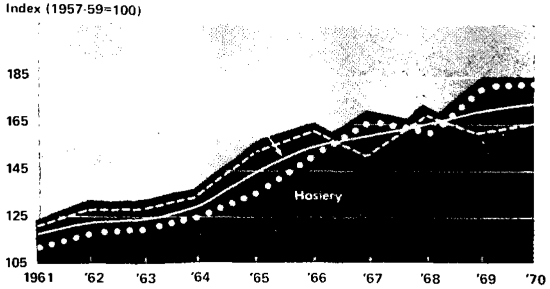


Sources: Federal Reserve Board, McGraw Hill Economics Dept

Wool texiles and fabrics

	Index 1957-59=100	
	Wool textiles	Wool fabrics
1961	98.1	97.7
1962	108.4	98.9
1963	102.4	101.8
1964	93.2	91.5
1965	99.9	95.0
1966	97.6	94.0
1967	87.3	84.3
1968	90.0	87.1
1969	87.6	84.3
1970	87.1	83.3

Knit goods, hosiery, garments: all climb, but hosiery spurts ahead

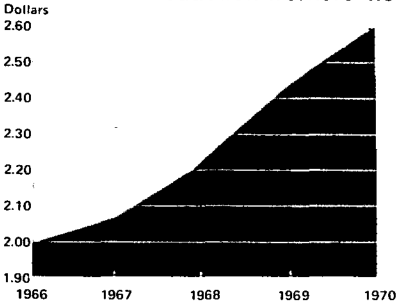


Sources: Federal Reserve Board, McGraw Hill Economics Dept

Knit goods

	Index 1957-59=100		
	Knit fabrics	Hosiery	Garments
1961	116.9	111.5	120.6
1962	123.5	115.0	129.5
1963	124.4	117.1	129.5
1964	131.5	125.3	135.9
1965	145.7	134.5	153.6
1966	156.1	152.0	159.0
1967	157.4	165.2	151.9
1968	164.7	161.2	167.2
1969	169.0	178.9	163.2
1970	172.5	180.1	165.1

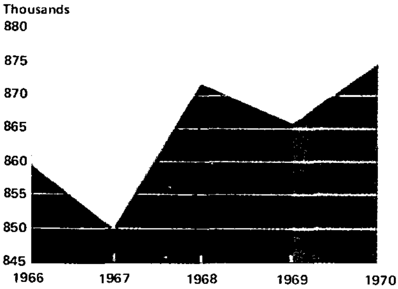
Production workers' hourly wages: soaring to $2.60



	Dollars per week 1966	1967	1968	1969	1970	Percent change '69-'70
Textile mill products	1.96	2.06	2.21	2.43	2.60	+7.0
Cotton weaving mills	1.98	2.06	2.19	2.44	2.64	+8.2
Manmade weaving mills	2.01	2.08	2.25	2.50	2.72	+8.8
Wool weaving & finishing mills	2.05	2.15	2.28	2.48	2.68	+8.1
Narrow fabric mills	1.92	2.02	2.18	2.37	2.55	+7.6
Knitting mills	1.85	1.96	2.13	2.34	2.54	+8.5
Textile finishing, except wool	2.12	2.23	2.35	2.59	2.76	+6.6
Floor covering mills	1.98	2.10	2.26	2.49	2.70	+8.4
Yarn & thread mills	1.83	1.91	2.07	2.30	2.53	+10.0
Miscellaneous	2.19	2.28	2.43	2.66	2.89	+8.6

Sources: U.S. Bureau of Labor Statistics, McGraw Hill Economics Dept.

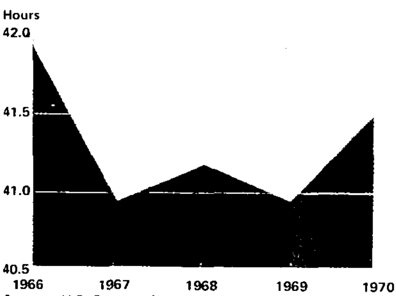
Production workers employed: a 0.9% gain to 874,500



	Thousands of employees 1966	1967	1968	1969	1970	Percent change '69-'70
Textile mill products	858.8	848.8	872.6	866.6	874.5	+0.9
Cotton weaving mills	218.0	216.6	212.6	203.7	206.9	+1.6
Manmade weaving mills	89.0	91.0	94.6	90.5	93.2	+3.0
Wool weaving & finishing mills	39.2	37.6	38.1	36.5	37.4	+2.5
Narrow fabric mills	27.6	27.1	27.7	27.9	29.1	+4.3
Knitting mills	210.3	204.3	214.1	216.2	219.3	+1.4
Textile finishing, except wool	67.3	66.2	68.1	71.2	73.4	+3.1
Floor covering mills	35.8	37.1	41.1	44.2	46.4	+5.0
Yarn & thread mills	107.9	105.7	109.8	112.4	113.8	+1.2
Miscellaneous	64.2	63.4	66.6	64.7	66.8	+3.2

Sources: U.S. Bureau of Labor Statistics, McGraw Hill Economics Dept.

Production workers, hours worked per week: an upward trend



	Hours per week 1966	1967	1968	1969	1970	Percent change '69-'70
Textile mill products	41.9	40.9	41.2	40.9	41.5	+ 1.5
Cotton weaving mills	43.2	41.9	41.1	41.9	41.5	−1.0
Manmade weaving mills	43.3	41.8	43.1	43.0	43.2	+ 0.5
Wool weaving & finishing mills	42.7	42.3	42.6	41.1	41.4	+ 0.7
Narrow fabric mills	41.8	40.6	40.8	40.1	40.5	+ 1.0
Knitting mills	38.7	38.3	39.0	38.0	37.6	−1.1
Textile finishing, except wool	43.2	42.5	42.2	42.7	42.9	+ 0.5
Floor covering mills	42.1	42.5	43.0	45.0	46.3	+ 2.9
Yarn & thread mills	42.4	40.4	41.4	40.1	40.0	−0.3
Miscellaneous	42.9	41.9	42.3	42.8	43.1	+ 0.7

Sources: U.S. Bureau of Labor Statistics, McGraw Hill Economics Dept.


TEXTILES IN THE SEVENTIES
Chemical & Engineering
NEWS
APRIL 20, 1970

A C&EN Feature

A computer simulation of the textile industry indicates unprecedented demand for the industry's products in the coming decade

Walter S. Fedor, Technomic Publishing Co., Stamford, Conn.

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The once sluggish textile industry now enjoys an unprecedented demand for its products. This demand is created by a rapidly growing population with more money available for textile purchases than a decade or so ago, as well as a growing consumer desire for the many man-made fibers that offer improved performance, durability, or aesthetic values.

I used a computer simulation of the textile industry to predict the industry's performance and growth in the coming decade. Some of the salient increases which the model system projects for the decade of the 1970's are:

- Investment in facilities will nearly double by 1980.
- Sales of textile mill products will increase 70%.
- Profits will increase 97%.
- Production of textile mill products will increase 50%.
- By 1980 the textile industry will purchase nearly $8 billion in chemicals and chemical products, compared to about $4 billion in 1969.

Investment is a key to the growth of an industry or a company. Through dollars committed to innovation and facilities a company can produce goods (or services) that it then distributes for sale and, in turn, profits on the investment. Here I have simulated the internal and external factors of demand and investment, using a computer to produce a forecast of the textile mill products industry and its major products.

Internal factors, for example, that would influence investment spending include prevailing interest rates of borrowed money, wage and salary requirements, rate of facility retirement, and productivity increase possible through new investments.

External factors are concerned with economic and demographic changes that stimulate demand for textile mill products. There are three broad major markets for textiles.

- Apparel, 40%.
- Home furnishings, 28%.
- Industrial, mainly automobile, 18%.

Home furnishing purchases—rugs, carpets, upholstery, draperies, and slipcovers, for example—are strongly influenced by 35- to 44-year-old buyers. Frequently, family heads in this age range have a college education, they own or are buying their homes, and their incomes are in the $10,000 to $15,000 bracket. Thus, this group generally has the desire for these products as well as the means to buy them.

Demographic considerations

Almost every broad economic study made in the early 1960's alluded to markets that would develop from World War II "war babies." Now

Textile fiber consumption will increase 50% by 1980

	Total consumption	Per capita consumption	
		All fibers	Man-made fibers
	Billions of pounds	Pounds	
1960	6.49	36.2	9.9
1965	8.49	45.0	18.3
1970	10.50	50.9	31.0
1975	12.50	56.0	40.0
1980	15.60	64.0	48.0

Sources: *Textile Organon*; computer forecasts (medium growth)

Home furnishings will become major outlet for fibers

	Apparel	Home furnishings	Industrial	Miscellaneous
		Billions of pounds		
1960	2.86	1.30	0.84	1.49
1965	3.56	1.87	1.44	1.62
1970	4.10	3.05	2.00	1.37
1975	4.63	4.00	2.37	1.50
1980	5.30	5.62	3.12	1.56

Sources: Department of Commerce; computer forecasts (medium growth)

with the 1970's upon us, the war babies are back again but this time as an older and much more significant market force. During the 1970's these war babies will start to enter the 35- to 44-year-old bracket—the most important buyers of textile mill products. For example, they purchase:

- 29% of clothing and accessories.
- 28% of home furnishing and equipment.
- 27% of all automobiles.

They are rivaled closely by the 45- to 54-year-old group and then by the 25- to 34-year-old group. Unlike their predecessors in the 35- to 44-year-old group, the war babies have much higher median incomes. This year, the median family income will near $9500; by 1980, the level will near $16,500. Significantly, about 40% of all family heads will have incomes between $10,000 and $15,000 by 1980.

By 1980, the population of the U.S. will likely climb to 235 million, compared with 205 million in 1970. The 25- to 34-year-olds will comprise 15% of the population in 10 years; they make up about 12% of the total now. Meanwhile, the 35- to 44-year-olds will represent about 11% of the total population.

These two groups will then account for 48% of personal consumption outlays for clothing, home furnishings, and automobiles, the prime textile outlets. This year, spending for such things will run about $130 billion and increase to about $255 billion by 1980.

The higher future spending rate is due to more than population growth. Sociological changes are important, too. The war babies are better educated and more prone to change—particularly where style is concerned. Significant in this respect is the growing concern for fashion among men.

More production

With the demographic parts of the simulation pointing to greater purchasing ability, it follows that production must also increase. One broad measure of an industry's production is obtained from the Federal Reserve Board Indexes of Production. During the past 10 years, the textile mill products index grew 57%. During the next decade, this production index will increase about 45%, with the textile mill products index reaching 239 (1957–59 = 100).

One stimulus to this growth is demand for fabrics made of man-made fibers. Consumption of man-made materials has now overtaken natural products; the gap between the two will continue to widen. By 1980, nearly 75% of all fibers produced will be man-made. The growth will come chiefly from existing noncellulosic fibers—nylon, acrylic, polyester, and olefin, as well as textile glass fibers. Man-made fabrics, one of the most important products of the textile industry, will probably have a production rise of about 70%, with the index reaching 553 in 1980 (1957–59 = 100).

Knit goods are another strong contributor to growth in textile output. The success of knit goods stems largely from the development of tricot and circular knit processes. The products of these processes made important inroads in apparel products in the 1960's, particularly for underwear. Such knits, bonded to other fabrics or laminated to another material, such as polyurethane, are opening markets in outerwear, home furnishings, and in the automotive industry. The output index should run 184 in 1970 and rise to 271 in 1980 (1957–59 = 100).

The hosiery market, particularly panty hose, made strong gains during the 1960's, mainly because of development of the tube-type stocking that virtually doomed the full fashioned (seamed) hosiery market. Miniskirts also had a strong influence, chiefly in women's and misses' textured, patterned, and casual hosiery. The FRB index of hosiery production should reach 264 in 1980, compared with 183 this year (1957–59 = 100).

Another rapidly growing area in textile mill products production is rugs and other coverings for floors. A rising level of affluence and lower carpet prices have spurred demand for wall-to-wall carpeting. Demand will intensify in the 1970's. The FRB production index could easily reach 220 by 1980, up from 140 this year.

Another view

Another appraisal of future textile industry progress can be found in the dollar growth of shipments. The simulation shows among shipments a growth pattern consistent with the production index forecasts. Tufted carpets and rugs will set the growth pace in the 1970's, rising to $3.26 billion in 1980 from $1.75 billion in 1970—an 86% gain. Carpets are made mainly of synthetics with nylon and acrylics now the pace setters; polypropylene

[illegible] another pointer to growth of textile mill products

[illegible] production indexes, 1957–59 = 100

	[illegible] mill products	Cotton and man-made fabrics	Man-made fabrics	Knit goods	Knit garments	Hosiery	Rugs and other hard-floor coverings
[illegible]	[illegible]	105	104	119	115	102	100
[illegible]	[illegible]	140	198	146	154	135	108
[illegible]	[illegible]	175	322	184	185	183	140
[illegible]	[illegible]	216	432	225	226	222	155
[illegible]	[illegible]	263	553	271	273	264	228

[illegible]: Federal Reserve Board; computer forecasts (medium growth)

World War II war babies are becoming a major buying force

	Total U.S. population, millions of people	Age range and percentage of population: 1 to 14	15 to 24	25 to 34	35 to 44	45 to 54	55 Plus
[illegible]	[illegible]	29.2%	17.7%	12.4%	11.2%	11.4%	18.6%
[illegible]	219.4	27.7	18.3	14.3	10.2	10.7	18.7
[illegible]	235.2	27.5	17.8	15.7	10.8	9.4	17.0

Sources: Bureau of Census, Series C

and, more recently, polyester are challenging nylon and acrylics in the carpet market, though.

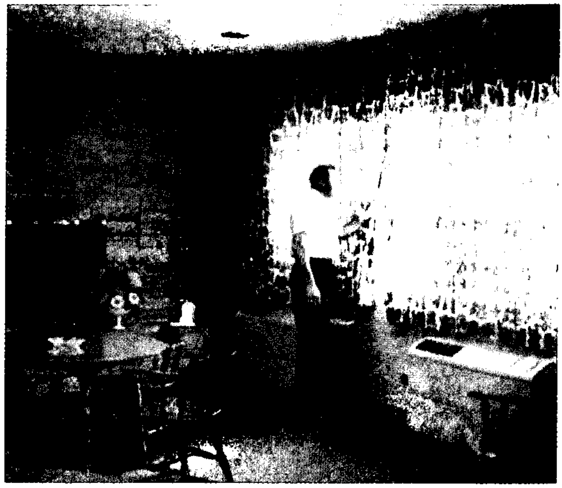
Various knit products, particularly knit fabrics made by warp-knitting and circular knitting, will post a healthy 60% increase by 1980 to $5.66 billion. Knit outerwear such as sweaters, jackets, and jerseys, along with knit underwear (men's, women's, and children's) will total nearly $3 billion, compared with about $2 billion in 1970. Outerwear will constitute 40% of the knit market.

Other fast movers in the next decade will be various coated or impregnated fabrics. Partly, the growth stems from a shift from separate topcoats and raincoats to rainwear-type garments with zip-in liners. Shipments of coated fabrics will pass $1.3 billion during the next decade, compared with $750 million last year.

Another strong gain will be tire cord. Rayon may well be reduced to a minor role while polyester becomes the dominant tire-cord fiber. Polyester has taken the orginal equipment tire market (along with glass fiber) and is making strong progress in the replacement tire market. Nylon, though, will likely retain a significant share of the replacement market.

Most important among textile mill products are gray goods, finished goods, and fabricated products from

Polyester chips tumble into a blender prior to extrusion as fibers. By 1980 polyester production will likely reach 2.8 billion pounds per year



Pressures are increasing to ensure greater use of fire-retardant fabrics, such as these Roxel safety fabric draperies in this New York state nursing home

weaving mills. These products include such things as print cloth, sheets, pillowcases, towels, and blankets. Synthetics are about to dominate these markets and will establish leadership in the early 1970's. Wool markets have leveled at around $1 billion; growth in cotton weaving will be less than 1% a year in the next decade. Various synthetics, however, will post an overall 70% increase in shipments to $4.76 billion, compared with $3.24 billion for cotton woven products in 1980.

Fiber technology

Fiber consumption patterns reflect the results of changing technology to a much greater extent than do those of purchases. Substitutions, variations in fabric weight, changes in fiber strength, durability of fibers, and changes in design of consumer and industrial end markets are direct factors that influence textile consumption.

In apparel markets durable-press products are probably the most significant development in many years. Durable press got moving in cotton slacks in the mid-1960's but really took off when applied to cotton-polyester blends. Durable press has also moved well in dress and sport shirts and is making large strides in boy's shirts, rainwear, work pants, shirts, and uniforms. These markets will continue to expand in the 1970's. Other future growth markets for durable press lie in home furnishing products such as tablecloths, sheets, bedspreads, and draperies.

Durable press has also spurred interest in many other easy-care concepts such as soil repelling and soil release finishes, along with techniques to eliminate discoloring and deterioration.

Flame retardance is important, too, and the Government is involved in this. The Flammable Fabrics Act of 1953 was amended in 1967 to encompass household textile products. Since the home dweller is surrounded by textiles in one form or another, the fiber and textile industries face a multifaceted problem. The act has not been fully implemented yet, but pressures are becoming stronger at

Carpets and rugs will gain nearly 90% in 1970's

Textile mill shipments, billions of dollars

	Textile mill products	Weaving mills, cotton	Weaving mills, synthetic	Women's hosiery, except socks
1960	$13.73	$3.37	$1.32	$0.58
1965	19.32	3.16	2.10	0.63
1970	23.83	2.99	2.82	0.76
1975	29.42	3.09	3.81	0.90
1980	35.84	3.24	4.76	1.05
	Hosiery, not elsewhere classified	**Knit outerwear**	**Knit underwear**	**Knit fabric**
1960	$0.37	$0.68	$0.27	$0.53
1965	0.48	1.04	0.36	0.94
1970	0.60	1.40	0.57	1.56
1975	0.77	1.86	0.57	2.09
1980	0.94	2.31	0.67	2.68
	Tufted carpets and rugs	**Yarn mills, except wool**	**Coated fabrics, not rubberized**	**Tire cord and fabric**
1960	$0.46	$1.01	$0.32	$0.33
1965	1.07	1.49	0.52	0.43
1970	1.75	1.85	0.78	0.47
1975	2.54	2.32	1.03	0.59
1980	3.26	2.85	1.30	0.71

Sources: Department of Commerce; computer forecasts (medium growth)

[illegible]

the state and local level to require that fibers and fabrics be fire retardant. Legislative actions will be among the more significant events affecting textile developments in the 1970's.

Bonded textiles

Fabric-to-fabric bonding has made rapid strides in the 1960's and will become more important in the next decade. Such products include polyethylene, and polyurethane bonded to other fabrics. Major developing markets are in outerwear, suits, draperies, and automobile liners. Production of these laminates probably neared 600 million linear yards (approximately 1.4 square yards per linear yard) last year and will likely quadruple by 1980.

Another segment in which bonding is important is nonwoven fabrics—products that are neither woven, knitted, nor spun, but built up by interlocking fibers with various resins or by fusing the fibers together. About 270 million pounds of bonded nonwoven fabrics were produced in 1969; production of these will increase to about 900 million pounds in 1980.

Nonwovens lack the strength and durability common to knits and woven fabrics. They are lower priced and can be engineered for specific end

Spending for clothing and accessories: little change

	Disposable personal income	Clothing and accessories purchases	[illegible]
	Billions of dollars		
[illegible]	$ 350	$ 27.1	[illegible]
[illegible]	472	35.9	[illegible]
1970*	683	51.3	[illegible]
[illegible]	903	77.2	[illegible]
[illegible]	1308	100.7	[illegible]

Source: Department of Commerce; computer forecasts

Magazine advertising is important in selling [illegible]

	Apparel and accessories	Automotive, including [illegible]	[illegible]
	Expenditures for magazine [illegible]		
[illegible]	$56.7	[illegible]	[illegible]
[illegible]	64.8	[illegible]	[illegible]
[illegible]	66.8	[illegible]	[illegible]
[illegible]	77.9	[illegible]	[illegible]
[illegible]	86.0	[illegible]	[illegible]

uses. The greatest potential for nonwoven fabrics appears to be in disposable products; this potential hasn't been realized, though, as these products have been around for some time now and haven't caught on in any really significant way. Potentially, large applications lie in institutional markets such as hospital gowns, throwaway sheets, and mattress covers. Industrial markets would include uniforms, coveralls, and wipe towels. Consumer uses could range from dusting cloths, sheets, diapers, and bikini panties to wall coverings, draperies, and curtains.

Another possible use for bonded and laminated fabrics is in structural applications—for example, composite structures made from carbonized rayon and epoxy resin. The resultant material has a cross-layered construction that can be wound on mandrels to form desired shapes. Aircraft uses are one potential application.

Stretch fabrics

Stretch fabrics are among the fastest growing segments of the textile mill products industry. Fabrics in which elasticity is important have been made from rubber yarns and mercerized cotton for years. Stretch nylon has been used in hosiery, and spandex elastomeric fiber (made from polyurethane) is a major material now.

There is no universal stretch yarn or method, however. The fabric must be engineered for particular performance and esthetics. Major uses are in women's girdles, brassieres, and slacks, but greater inroads into men's wear from the present stretch jeans and ski pants are expected in the years ahead.

The 1970's will also bring more technological innovation with systems to produce fabrics other than by traditional weaving and knitting methods. Tufting became important during the past 10 years as a way to make carpets, rugs, and bedspreads. The computer simulation forecasts tufted products (mainly rugs and carpets) as the most rapidly growing textile area in the 1970's. Needle punching (needle felting) will also expand rapidly in the next 10 years as faster machines make their contribution.

Other developments now under way that will be important to the textile industry in this decade include spun-bonded products, garments made without sewing (by use of adhesive or breathable plastics such as polyethylene), and shuttleless looms for weaving at speeds up to 10 times those of present looms.

Fiber consumption

Textile mill producers face a dilemma similar to that faced by the rubber industry years ago when natural rubber was challenged by synthetic rubber.

World War II provided the stimulus to the synthetic rubber industry that led to a stream of general-purpose and specialty elastomers for compounding

[illegible] of textile mill products growing overall, although some categories will decline

	[illegible]	Broadwoven man-made fiber fabrics	Woolen and worsted woven goods	Finished knit cloth, shipments	Tire cord and fabric	Bonded non-woven fabrics	Rugs, carpets and carpeting
	Millions* of linear yards			Millions of pounds			Thousands of [illegible]
[illegible]	[illegible]	[illegible]	286	248	418	52	[illegible]
[illegible]	[illegible]	[illegible]	267	450	486	129	[illegible]
[illegible]	[illegible]	6100	236	925	556	370	[illegible]
[illegible]	[illegible]	8500	220	1350	600	625	975
[illegible]	[illegible]	11,000	200	1800	706	900	1325

[illegible] computer forecasts medium growth)

[illegible] will increase their dominance of the fibers market during this decade

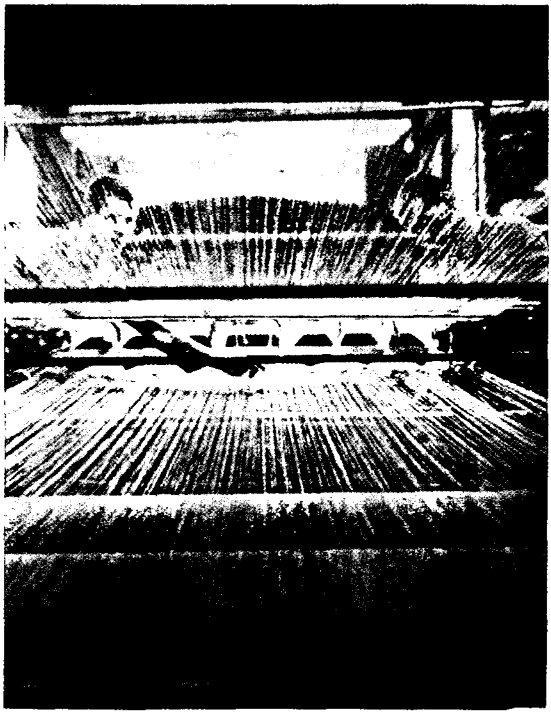
	[illegible]	Nylon	Polyester	Acrylic	Olefinic	Textile glass
			Production, millions of pounds			
[illegible]	[illegible]	[illegible]	[illegible]	152	13	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	56	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	280	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	790	[illegible]

into various rubber products. Before WW II, the textile industry had rayon and acetate fibers, although total consumption was more than 90% natural fibers. The war opened the way for noncellulosic fibers through the use of nylon in hosiery and parachutes, among other products. Followed by other fibers such as acrylics, polyesters, olefins, and textile glass, the mill producers now have myriad possibilities to blend, bond, and laminate fibers into various products. The next 10 years might well be labeled the decade of combination by the textile industry.

Most efforts, of course, will take place among the man-made fibers. In 1968 domestic consumption of man-made fibers exceeded use of natural fibers—cotton, wool, and silk—for the first time.

Among specific man-made fibers, the simulation forecasts the following production for 1980:

- Rayon output will reach 1.7 billion pounds, about 46% greater than in 1969. The tire cord market will contract in the face of polyester and nylon competition. However, high-performance rayons (high wet modulus) are a shining star and offer many opportunities for market growth, particularly in blends—with polyester, for example.
- Although the decline of acetate fibers has been predicted many times, demand for these fibers will likely increase 55 to 60% in this decade to about 910 million pounds in 1980.
- Acrylic fiber production will near 1.1 billion pounds; lower prices for carpets have made the material much more competitive with nylon. As the nearest substitute for wool, the acrylics will likely continue to nip wool apparel markets.



A protective coating is applied to these fibers prior to weaving. Output of fabrics made of man-made fibers will near 11 billion linear yards by 1980

• Nylon production during this decade looks extremely promising. Output could reach 2.6 billion pounds per year by 1980; the current rate is about 1.6. The outlook for the replacement tire cord market is unclear after the mid-1970's, but considerable strength may remain in the home furnishings and apparel markets.

• Polyester fiber, now the fastest growing fiber, will continue to set a fast pace during the next 10 years. Output will increase to 2.8 billion pounds. Staple will account for 1.8 billion pounds a year; another billion pounds will come from filament uses, with tire cord and women's wear the most important outlets.

• Olefinic fibers will continue a high growth rate and likely reach 790 million pounds in 1980. Carpeting still appears to be the most significant outlet.

• Textile glass fibers will likely reach 900 million pounds a year as this decade ends. Reinforced plastics should remain the prime outlet, although industrial fabrics and fibers, such as glass-belted tires, offer strong potential.

Synthetic strong

Any way the simulation forecasts are totaled, the output adds up to plenty of synthetic fibers. The outlook for natural fibers is less glowing. Wool demand will continue to decline, with production dipping to 275 million pounds in 1980, compared with 320 million pounds in 1969. The greatest losses will occur in carpets as synthetics continue their dominance of the carpet and rug market.

Cotton, however, predicts the model system, will continue to hold its own in the coming decade. Cotton consumption was 4.3 billion pounds in 1968. By 1980, cotton consumption could increase modestly to about 4.7 billion pounds. Cotton, as an agricultural product, is subsidized, and invariably some legislative action will develop during the 1970's to provide farmers with incentive to continue cotton plantings. Cotton also has many desirable fabric properties and has found renewed life in blends, such as cotton-polyester for shirts and other products.

Fiber products

This large outpouring of various synthetic fibers and natural fibers must be woven into fabrics or made into yarn. The rather clear-cut distinction that once existed between cotton-woven fabrics and synthetic-woven fabrics is hardly valid today, particularly in view of blended products.

In terms of cotton fabrics, weaving mill output during the next 10 years will probably decline. This year, mills will produce about 7.1 billion linear yards of various cotton gray goods. The trend is down. Therefore, by 1980, such production may only amount to 6.3 billion linear yards.

Output of various man-made woven fabric will near 11 billion linear yards in 1980, about twice the 1968 production. A similar sharp growth pattern exists for various man-made fiber filament and spun yarns. Nearly 10 billion linear yards will be produced in 1980, compared with 5.28 billion linear yards in 1968. Output of similar cotton products, however, will decline to about 6 billion linear yards; 7.45 billion linear yards were made in 1968.

Other key production measures for the industry include tire cord and fabric and rugs and carpets. Tire cord production will increase 48% to 705 million pounds, while rug and carpet shipments amount to 1.32 million square yards, twice the 1969 level.

Sales and profits

The emergence of larger companies —by merger or acquisition of smaller firms—has done much to stabilize the textile industry; better, more skillful managers have brought better management of inventories, among other improvements. As a consequence of better inventory management wide swings in sales and earning have been reduced.

This year, the textile mill products industry will have sales near $23 billion, about 6.3% greater than last year. Sales activity in the textile industry slowed last year. With the economy finally demonstrating clear signs of an economic slowdown, textile sales will remain depressed through the first half or so of 1970. The sales slowdown will lead to reduced after-tax profits this year. Net income will fall somewhere between $600 and $650 million for 1969, a bit below the $670 million after-tax profits earned in 1968. The long-term outlook for the textile industry remains favorable, however, with the prospect that earnings after taxes will near $1.4 billion in 1980.

[illegible] man-made fiber products

[illegible]	[illegible]	Filament yarn, rayon and acetate	Staple, including tow, rayon	Noncellulosic, except textile glass—yarn plus monofilament	Noncellulosic staple, including tow	Textile glass fibers
		Millions of pounds				
[illegible]	[illegible]	655	334	437	240	172
[illegible]	[illegible]	825	648	998	779	282
[illegible]	[illegible]	825	745	1900	1420	626
[illegible]	[illegible]	950	926	2760	2650	725
[illegible]	[illegible]	1250	1300	3600	3700	900

[illegible]

Dollar outlays

The textile mill products business obviously is a man-made fiber world from here on out. Capacity to produce man-made fibers will reach at least 6.5 billion pounds in late 1970. By 1980, man-made fiber production will reach 10.8 billion pounds—roughly two thirds of the total fiber business.

The 1970's will bring a vast outpouring of money for capital spending, research, and development. Technological innovation is gripping the textile industry as never before. Large, publicly owned companies such as Burlington Industries, Cannon Mills, Cone Mills, Dan River Mills, Indian Head, M. Lowenstein & Sons, J. P. Stevens, and United Merchants are the new leaders of the textile industry. The larger firms have created a new breed of managers, well versed in managerial arts. These new managers are committed to heavy promotion and advertising expenses. They see product obsolescence as a blessing and encourage a diversified product mix to satisfy the whims of the ultimate buying public. Productivity improvements, possible through new or modernized plants and equipment, are regarded as a must.

To have adequate facilities on hand in 1980 to meet the coming demand of $35 to $40 billion for textile mill products (measured at the manufacturers level) will require the textile industry to spend an average of $1.1 billion annually in plant and equipment outlays. This compares to a $535 million yearly outlay during the 1960's.

The industry must also spend more for research and development. During the 1960's the industry's R&D outlays averaged $34 million a year; the rate will likely near $75 million in the 1970's. In the decades prior to the past one much of the textile research was done by product suppliers. Now, the larger textile companies are doing a significant amount of their own research. Several reasons can be advanced to support the need for larger research spending and capital outlays, among them:

- New products (products less than 10 years old) will constitute 30% of sales this year; this level will at least near or exceed 45% 10 years from now.
- Shifts in fiber use now emphasize blends of natural and man-made fibers, particularly to make fibers with specific end uses.

Clearly then, this decade will be one of technological and financial evolution and innovation for the textile industry.

Sales of textile mill products will increase 70% by 1980

	Sales	After-tax profits	Gross plant, property, and equipment	Net working capital
		Billions of dollars		
1960	$13.25	$0.33	$ 5.50	$3.36
1965	18.03	0.69	7.26	4.40
1970	22.70	0.71	11.10	5.28
1975	30.14	1.09	15.82	6.45
1980	38.50	1.40	22.05	7.83

Sources: SEC-FTC Quaterly Financial Report; computer forecasts (medium growth)

Research and expansion are keys to textile growth

	Research and development	Capital spending
	Millions of dollars	
1960	$ 32	$ 370
1965	34	660
1970	52	810
1975	73	1150
1980	100	1600

Sources: Department of Commerce; National Science Foundation; computer forecasts (medium growth)

Mr. DANIELS. I would also like to call to your attention Fortune Magazine for May 1970 which shows that in the apparel industry, in the larger firms, the public firms, are performing excellently in the profit area. They were the second highest growth industry in the country in point of sales in 1969.

Quite obviously, import protection in the form of quotas would provide a windfall for the large firms which dominate the industry and would not do much to improve the competitive position of the smaller establishments.

Such problems as do exist for some of the smaller firms have their roots in undercapitalization and poor management, failure to adapt to changing competitive conditions, technological developments, and the volatile fashion and style market. Import quotas will not solve these problems; rather they tend to perpetutate them. The apparel industry particularly finds it difficult to adopt more efficient production techniques and to relocate away from high cost urban areas. Both of these problems are related to policies of the apparel unions which dominate the industry. By and large, however, as the profit figures for the apparel industry indicate, most of the firms have not only adapted to changing competitive conditions but have prospered.

A further reason why overall quotas are inappropriate is that there are some sectors where import penetration is so shallow there is quite obviously no reason at all for protection. This is true, for example, in the entire yarn field, where imports are about 1 percent of domestic production, for large segments of the manmade fiber fabric field and in some garment areas such as hosiery and underwear.

Why should importers or foreign suppliers of such items be penalized by the rigidities and administrative burdens of import quotas and be cut off from meaningful growth when imports are at such low levels compared to domestic consumption and production? In a sense this could be applied to the entire manmade fiber field. The rapid shift from cotton and wool to manmade fibers is still going on. If quotas were imposed now on manmade fiber imports, they would be cut off at extremely low levels while at the same time cotton imports would decline.

PROBLEMS OF PARTICULAR PRODUCT SECTORS

There may be particular product sectors which are experiencing injury due to import competition. If so, the proper remedy is selective relief by way of tariff, quota, or adjustment assistance as may be appropriate under established procedures.

Although there is no case for overall quotas, we most emphatically believe that if particular products are being injured, governmental action, consistent with domestic law and international obligations, should be taken. We have repeatedly urged upon the President, and challenged the domestic industry, to bring to the Tariff Commission cases under the escape clause on any particular products on which they believe imports were causing injury. This has not been done, apparently since these industries felt that they could attain more by way of the political route.

One excuse has been the difficulties with the present escape clause standards and criteria, which makes it difficult to obtain relief. With the amendment of these provisions by the Congress, such an excuse can no longer be credible. It is for this reason that we urge quick enactment of the realistic standards set forth in the administration's trade bill.

THE NECESSITY OF INVESTIGATIONS TO DETERMINE INJURY AND IDENTIFY AREAS WHERE ADJUSTMENT ASSISTANCE MAY BE NECESSARY

We are sure that domestic industry spokesmen will place before the committee examples of products, particularly in the apparel field, where the ratio of imports to domestic consumption are very high and where imports are increasing. High import ratios on particular products, by themselves, can no more than indicate areas of potential difficulty, but are certainly not conclusive on the question of injury.

Particularly in the apparel field, difficulties of classification and comparisons of imports and domestic production sometimes make these ratios almost meaningless. A classification may include imported products which simply are not the same as the product mix in the compared classification for domestic production. Even if roughly similar, they may not be competitive because of differences in price range, quality, market outlet, style and other innumberable factors affecting competitive relationships in the market place.

There is simply not at hand sufficient material to make these judgments without investigations by the Tariff Commission with its power of the questionnaire and subpena. Even the simple statistics referred to often cannot be obtained. For example, there are no adequate figures on domestic production of apparel in 1969 yet available nor will they be available for some time. Without 1969 apparel production figures, it is impossible to gage the impact of imports on these products in 1969.

Furthermore, only in Tariff Commission investigations can detailed data on company performance be obtained, making judgments as to injury possible. Companies may have diversified into other product lines and may indeed be prospering even though in a particular part of their production the import ratio is very high. These facts are not available and cannot be made available except by investigations by an appropriate body armed with investigatory powers.

Such investigation is also necessary to determine whether adjustment assistance is appropriate and if so, of what type and to which firm or group of workers. An industry, dominated by three or four producers, may not be injured but yet there may be smaller firms which need assistance.

The domestic industry has resisted investigations primarily on two grounds. The first reason is that there have been many investigations in the past. What they fail to reveal is that the latest investigation in 1968 concluded that there is no injury to the domestic industry on an overall basis.

They also claim, since investigations take time, that the request for investigation is really a stalling tactic. We want investigations because they will prove us right and because decisions cannot be made without an adequate factual basis. In view of the 16 months spent in trying to negotiate a textile agreement and obtain legislative quotas, their assertion appears somewhat hypocritical.

Even if the Congress acts with unusual speed, enactment of textile quotas would take at least 3 months. Negotiations could take even longer. If the President had acted upon our suggestion in February 1969, the Tariff Commission would have completed its work by June 1969 and whatever relief the industry was entitled to would have been put into effect by July 1969. In view of the present depressed state of the market and the moderation in growth and decline in some sectors of imports, this would appear to be an ideal situation in which to conduct investigations.

The real reason the domestic industry resists investigations is that their case for overall quotas cannot withstand objective analysis. In the meantime, there are perhaps deserving cases in particular product areas where relief is being delayed and held up because the domestic industry wishes to pursue a political tactic.

If the industry will not act, and if the President will not act, we urge this committee to itself initiate escape clause investigations in those particular product areas where raw data would indicate that there is some possibility that serious injury has occurred or is being threatened. The committee has that power under the Trade Expansion Act and we believe that it should be exercised. Perhaps the committee would wish to defer this decision until after it has heard from the administration on the progress of negotiations, but in our view, this is the quickest and most expeditious manner in which to afford relief where relief is justified.

COMMENTS ON NEGOTIATIONS

The fact that international negotiations on wool and manmade fiber textiles have not yet produced an agreement is due to the rigid insistence by the United States upon a comprehensive arrangement covering all textile products without proof or demonstration of injury. The impasse in these negotiations is not due to the attitude of foreign nations, but rather to the inflexibility and unreasonableness of the United States position up to now, insofar as we know.

Some would have the committee believe that the United States position has been flexible and that our proposals were something less than comprehensive. These proposals may have been designed to appear cosmetically selective, but upon examination are in effect absolutely comprehensive in scope and tightly control all imports of textile products across the board. This is achieved through the operation of trigger point mechanisms which automatically restrain purportedly uncontrolled items when they reach preset levels, and the operation of low ceilings (which incidentally would effect a rollback in imports).

Foreign nations do not believe that across-the-board restraints are economically justified, but have made it clear that they are willing to negotiate controls for those products causing serious problems for the United States industry, if this can be demonstrated. This position is completely consistent with the rights of other nations and the international obligations of the United States under the General Agreement on Tariffs and Trade. In our view, foreign nations are correct in insisting upon adherence to accepted international standards. Since foreign nations are being asked to control their own exports, it is understandable that they request proof of the necessity for such restraints, since they must justify their actions to their own industries and citizens.

The United States has refused to budge from its comprehensive approach and has not supplied foreign countries with data adequate to form a judgment as to whether or not injury has occurred in particular items.

We will not go into all of the techniques of pressure applied by the United States to friendly foreign nations in order to attempt to coerce them into an agreement. We will say, however, that these efforts have had the effect of hardening the position of foreign governments, creating severe political problems in foreign nations, and contributing to a highly emotional atmosphere, both in the United States and abroad.

Perhaps the major technique of our negotiators was to threaten congressional action unless foreign nations acceded to our demands. Not only was this resented by foreign countries, but in our opinion, stimulated the demands for protection through legislation not only by the textile industry, but by other industries as well.

We think this is the real reason you have a plethora of bills before you and the protectionist sentiments which you have so well recognized in these hearings as existing in the Congress and in the country.

We do not know whether last-minute efforts will be successful in negotiating an international agreement on textiles and apparel. We believe this depends entirely upon whether the United States adopts a position which is negotiable. In our opinion, a negotiation would have been possible at any time in the last year if the United States had limited its demands to those particular areas where our Government believed that imports were seriously injuring or threatening serious injury to American industry and had presented probative data to support this contention. We sometimes have had the impression that some spokesmen for the administration did not wish a negotiation, but rather wished to force this matter to the Congress.

I don't know what their intentions are. I hope this statement is an erroneous impression. If that is their intention, I would consider it highly irresponsible and dangerous. It is playing with fire, Mr. Chairman, to force this commitee to the difficult choices that that would entail.

We ask you, Mr. Chairman, and this committee, if it is interested in negotiation, to make it clear to the administration that negotiation does involve meeting the other party halfway, or at least part of the way.

The costs of this effort have already been enormous. They have not only exacerbated our relationships with friendly governments, but by insisting upon the textile issue we have weakened our position in seeking liberalization of trade barriers maintained by other nations. How could we expect Japan to relax its own barriers to trade and investment when we demanded control of textile exports at the same time?

We also believe that some historical perspective is necessary. The stormy history of the cotton textile negotiations and the unsatisfactory administration of the Long Term Arrangement rankles in the minds of our trading partners. Having been burned once, they do not wish to risk another such experience.

There is an issue of good faith involved. As Mr. Wyndham White, past Secretary General of the GATT, stated in a speech before the International Rayon and Synthetic Fiber Committee in 1964:

> It should be clearly recognized that the arrangement has been specially designed to meet a particular set of circumstances and that the practical measures of international cooperation for which it provides are intended, inter alia, to "assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles." It should not be looked upon as a model for dealing with the problems that arise in trade in other textiles. The statement in the arrangement that "since these measures are intended to deal with the special problems of cotton textiles they are not to be considered as lending themselves to application in other fields" should be taken at its face value. An exten-

sion to cover other sectors of the textile industry would not be appropriate, and moreover, would certainly not be negotiable.

In your Arkansas speech in January 1969 you recognized the difficulties in negotiating and clearly recognized the difficulties of foreign nations. You called in that speech for an imaginative approach to this kind of problem. While I don't agree with the approach you suggested in that speech, I do agree that imagination is necessary, and I would hope that the views that you expressed in that speech would be taken into account by the administration.

The CHAIRMAN. Is that the speech where I pointed out also that as a last resort, if nothing else was done, we would have quotas?

Mr. DANIELS. Yes.

The CHAIRMAN. I thought so.

Mr. DANIELS. I think that has been taken seriously. Not only that speech, but every subsequent speech where you have voiced similar sentiments. I think you have also made it clear, if I am not mistaken, that you would prefer negotiation.

The CHAIRMAN. Absolutely.

Mr. DANIELS. Our point is that if you want negotiation, you have to come up with something negotiable. I don't think we have seen it, although we are not privy to what is happening now, if anything.

Things have become highly secret, as they should be. This is a delicate period. But at least up to now we have not seen the United States come forward with anything negotiable.

I think Mr. Darman, of the Wool Manufacturers, submitted for the record a Japanese aid memoir and suggested everyone read it. I think that is a wonderful idea. I think it is a highly reasoned document and a statement of a very valid position.

All we ask this committee to do in executive session, if there is no negotiation, is to look at the record of these negotiations, look at the documents themselves and make its own judgment as to who has been reasonable and who has not been reasonable.

An expressed condition for the cotton textile agreement was that it not be extended to other textile fiber products. It was also intended to be temporary. Demands of the United States for an extension of this agreement to other fibers, or similar agreements on other fibers, constitutes, in the view of our trading partners, reneging upon this essential consideration.

The point has been made that some of the exporting countries maintain agreements on noncotton textiles with other importing nations. We believe that an examination of these agreements will reveal that they are not comprehensive in scope but that only particular products are controlled. Furthermore, our information is that some of the importing countries are in the process of decreasing the coverage of restraints and liberalizing the treatment of imported textile products from Far Eastern countries.

There has been a private proposal which would provide for temporary controls pending investigations of particular product areas. Even this proposal (which meets the industry objection that investigations delay relief) has been rejected by the American industry and has not yet been acted upon by our government in spite of public statements from foreign officials that this proposal would provide an acceptable basis for negotiation.

We request the committee, if no agreement has been reached by the executive session stage, to investigate the actual course of these negotiations. We would suggest the committee request and carefully study the actual proposals presented by the U.S. Government to foreign nations and make its own determination as to who has been reasonable and who has not.

AIA–TAG ATTITUDE TOWARD TEXTILE NEGOTIATIONS

AIA–TAG does not necessarily oppose negotiated controls on textile and apparel imports. However, we do insist that this only follow findings of injury by the U.S. Government pursuant to law and established procedures consistent with our international obligations.

We do not believe that our livelihoods as importers or the regulation of an important sector of world trade should rest upon the negotiating stance of foreign nations who may be forced to agree to such arrangements for reasons completely extraneous to the merits or justification for such control.

We are entitled to our constitutional right to due process of law and believe we are correct in our insistence that before textile quotas are imposed we should be afforded notice, hearings, and findings as is provided in escape clause proceedings and in almost every aspect of the trade agreements program, including the prenegotiation procedures.

We do not believe that the President should have the unfettered right to negotiate agreements regulating trade. The Constitution has given the Congress the power to regulate foreign commerce and any power of the President must be delegated. In this delegation, we believe it important that proper standards, criteria, and due process provisions be insisted upon.

The administration is apparently basing its current negotiations upon the authority of section 204 of the Agricultural Act of 1956. This section, which was originally designed for the negotiation of agreements on agricultural commodities, had added to it "textiles" and "textile products." The section contains absolutely no standards or criteria or provision for due process in the exercise of this authority. The executive is given carte blanche to negotiate. Furthermore, any time the Government can get more than one nation to make an agreement, it can control the imports of all nonsigners so long as those with which it has agreements account for a "significant" part of world trade in the controled articles. Nobody knows what the word "significant" means, but it could be interpreted as a very minor part of our import trade.

Others have argued that the President has the constitutional right to conduct our foreign relations and is not restrained in negotiating executive agreements governing foreign commerce, if restraints are executed by controls in the exporting country.

Secretary Stans now wants the authority, by his suggested amendment to H.R. 16920, to be able to waive quotas "in situations where a finding is made that the imported articles are not causing or threatening disruption of the domestic market." This apparently is a request for power without standards or criteria or due process provisions. Rather, these decisions are to be made by administrative fiat. Certainly the presumption is all wrong. Rather than waivers for cases in which findings are made that imported articles are not causing injury, we believe that before controls there must be affirmative findings that imports are causing injury.

These powers which are being used as the basis for current actions, and certainly the powers which are being sought, are too broad and unconditioned. In our opinion, section 204 of the Agricultural Act is unconstitutional since it deprives us of due process and is an improper delegation of authority because it does not contain standards or criteria for Presidential action.

We would hope that the committee would not ignore present law, which does establish proper standards and procedures for negotiating international agreements. These are clearly set out in section 352 of the Trade Expansion Act of 1962 which gives the President the authority to negotiate international agreements after findings are made in escape clause proceedings.

We strongly urge the committee to delete the words "textiles" and "textile products" from section 204 which would make it exclusively an agricultural commodity provision and would place all industrial products under the purview of section 352. In view of the claim of general foreign policy powers, we believe that the Congress should also amend section 352 to make it clear that its provisions are mandatory upon the President in the negotiation of international agreements on industrial products.

We would further suggest that section 352(b) be amended so as to delete the word "significant" and substitute the word "preponderant" so as to insure that agreements with two countries accounting for a minor share of world trade would not be the basis upon which automatic controls could be imposed against our major trading partners.

This is a sensible approach which can avoid the difficulties of the last year. It has been pointed out that since the administration had no power to impose quotas it took the course of threatening congressional action. If the procedures in section 352 were followed, the administration would have the power to impose quotas if foreign nations refused to bargain with the United States. The essential difference, however, is that under section 352 such approaches to foreign governments would be based upon injury findings.

It has taken over 16 months to try to negotiate an international agreement on textiles with no results. The 6 months that it takes for a Tariff Commission investigation would be well spent. The utilization of section 352 represents the fastest and most practical course in providing American industry adequate protection against injury due to imports if the international negotiation route is deemed appropriate.

CONCLUSION

In conclusion, I would like to turn to the heart of this problem by referring to the questions raised by Congressman Byrnes in his colloquy with Secretary Stans. This is from my memory and notes. I have not seen the transcript. I do not believe I am misrepresenting at least my understanding of the questions raised by Mr. Byrnes.

Mr. Byrnes raised the question as to whether or not in this area, we are a government of men and not laws, in that the present situation is the result of what Mr. Byrnes called the "political clout" of the U.S. textile industry. He questioned whether or not there should be some standards for Presidential action in seeking negotiated arrangements, and noted that without the authority in the administration to impose quotas, the threat of congressional action has been used to induce negotiations.

I think he was raising questions, not giving answers. I don't mean to imply that.

We believe that these questions raised by Mr. Byrnes are worthy of the most careful consideration by this committee. All Presidential candidates are vulnerable to demands by protectionist industries. This is not a partisan remark, in that President Kennedy, President Johnson, President Nixon, and Vice President Humphrey all sought the prize of the textile states and all sought the support of the textile industry.

There are few Congressmen who do not have interests seeking protection in their constituencies. The Chairman of this committee has indicated that aside from textiles and shoes there are other industries where imports have increased. There have been bills introduced and complaints from many other industries, including glass, electronics, oil, steel, ceramics, and others. The situation in textiles has already been tied in with the footwear problem and we believe that if these quotas are enacted, the "Pandora's box" which has been referred to could indeed be opened.

What we hope the committee will realize is that this situation is not unique to the United States. Other political figures in other countries are faced with similar demands.

We believe the essential task for this committee is to insulate legislators and the executive branch from this kind of pressure and to preserve a legal framework within which these problems can be solved in an orderly and equitable manner.

The structure of international trade regulation is dependent upon the restraint and adherence of the trading nations. It is not international law, but rather consensual behavior on the part of nations with similar problems. In the present atmosphere we have legitimate apprehensions that this fragile structure will be breached and that a period of grave disruption of the world's economy could ensue.

The Congress in 1934 wisely put an end to the logrolling of the Smoot-Hawley era by the enactment of the reciprocal trade agreements program. We are in danger of returning to the abuses of that era with all of their tragic consequences. We hope that this committee, in its wisdom, will give reassurances that we are indeed a government of laws and not men and to our trading partners abroad that the United States will continue to work with them in a spirit of enlightened pragmatism, towards the objective of growing and prospering national and world economies.

(The tables and figures referred to follow:)

TABLE 1.—COTTON, WOOL AND MANMADE MANUFACTURES AND SEMIMANUFACTURES: U.S. PRODUCTION, IMPORTS, EXPORTS, AND APPARENT DOMESTIC CONSUMPTION, 1965-69

[In millions of pounds]

	U.S. production [1]	Imports	Exports	Apparent domestic consumption	Imports as a percent of apparent domestic consumption
1965	8,498.4	595.8	315.5	8,778.7	6.8
1966	9,007.4	776.3	339.6	9,444.1	8.2
1967	8,982.5	703.9	330.0	9,356.4	7.5
1968	9,784.2	813.1	326.5	10,270.8	7.9
1969	9,782.2	874.9	387.4	10,269.7	8.5

[1] Measured by mill consumption of fibers.

Source: U.S. Department of Agriculture.

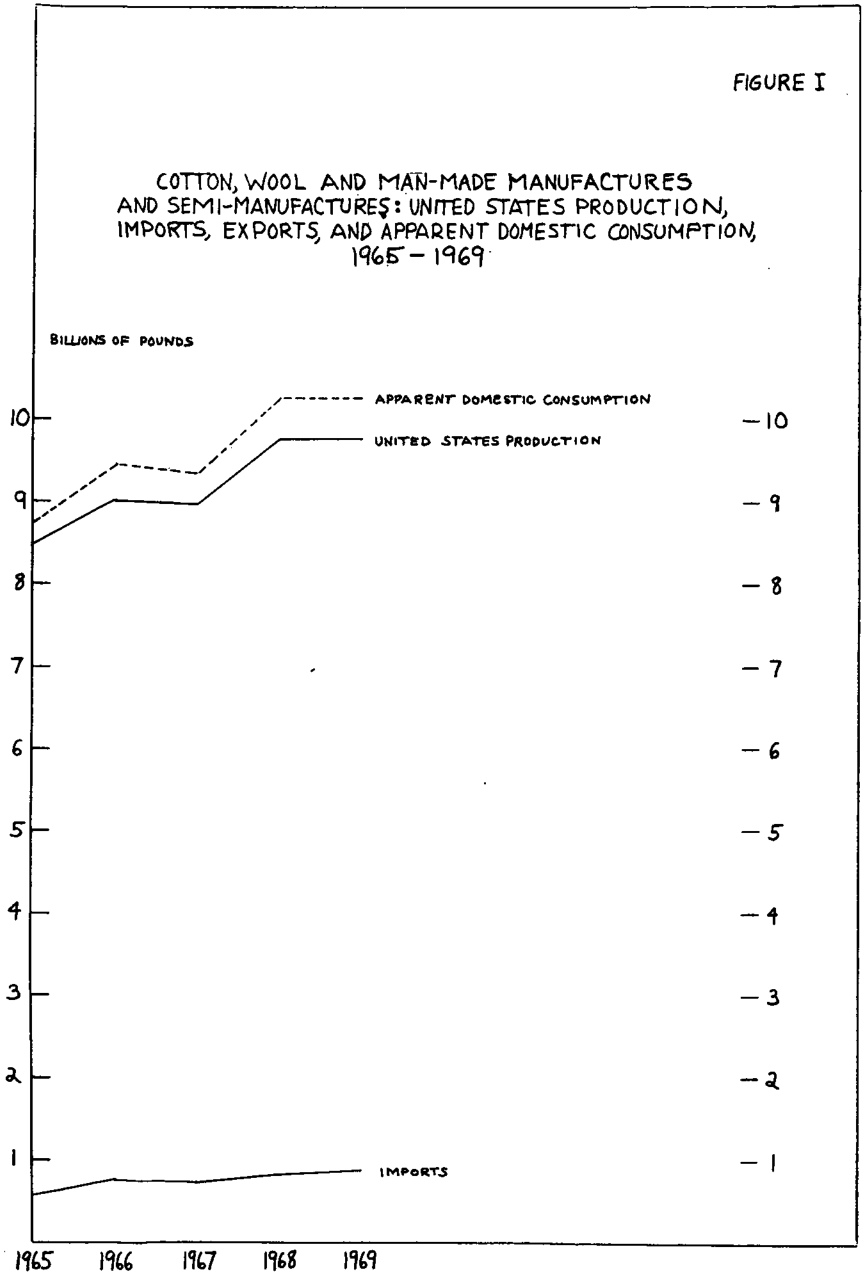


FIGURE I
COTTON, WOOL AND MAN-MADE MANUFACTURES AND SEMI-MANUFACTURES: UNITED STATES PRODUCTION, IMPORTS, EXPORTS, AND APPARENT DOMESTIC CONSUMPTION, 1965 – 1969
BILLIONS OF POUNDS
APPARENT DOMESTIC CONSUMPTION
UNITED STATES PRODUCTION
IMPORTS
10
9
8
7
6
5
4
3
2
1
1965
1966
1967
1968
1969

TABLE 2.—TOTAL MANMADE FIBER MANUFACTURES: U.S. PRODUCTION, IMPORTS, EXPORTS AND APPARENT DOMESTIC CONSUMPTION, 1965–69

[In millions of pounds]

	U.S. production [1]	Imports	Exports	Apparent domestic consumption	Imports as a percent of apparent domestic consumption
1965	3,620.6	79.0	129.1	3,570.5	2.2
1966	3,992.0	123.1	140.0	3,975.1	3.1
1967	4,243.6	138.8	133.0	4,249.4	3.3
1968	5,295.8	193.3	129.0	5,360.1	3.6
1969 [2]	5,536.5	257.5	146.0	5,648.0	4.5

[1] Mill consumption.
[2] Preliminary.

Source: U.S. Department of Agriculture, U.S. Department of Commerce.

FIGURE II

TOTAL MAN-MADE FIBER MANUFACTURES: UNITED STATES PRODUCTION, IMPORTS, EXPORTS AND APPARENT DOMESTIC CONSUMPTION, 1965 - 1969

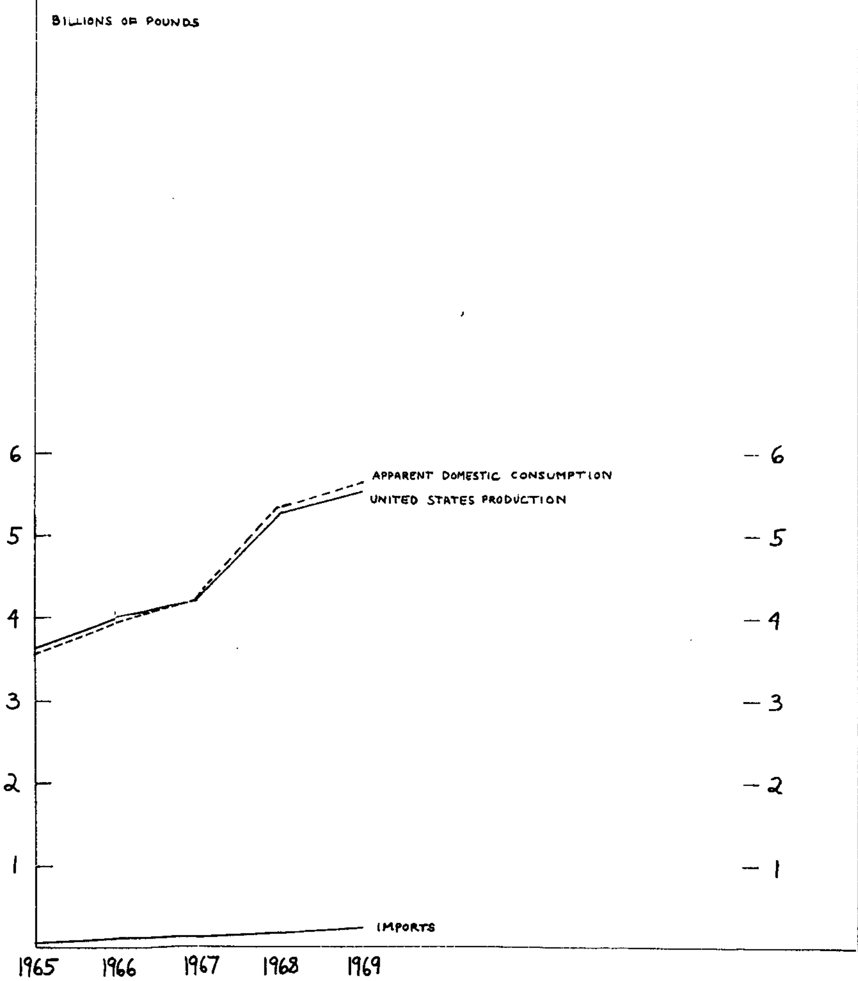


TABLE 3.—TOTAL WOOL MANUFACTURES AND SEMIMANUFACTURES: U.S. PRODUCTION, IMPORTS, EXPORTS AND APPARENT DOMESTIC CONSUMPTION, 1965–69

[In millions of pounds]

Year	U.S. production [1]	Imports	Exports	Apparent domestic consumption	Imports as a percent of apparent domestic consumption
1965	457.0	156.1	12.7	600.4	26.0
1966	427.9	142.9	10.1	560.7	25.5
1967	366.6	121.7	8.6	479.7	25.4
1968	378.3	146.0	9.3	515.0	28.3
1969	356.0	129.4	8.9	476.5	27.2

[1] Measured by mill consumption of fibers.

Source: Textile Organon.

FIGURE III

TOTAL WOOL MANUFACTURES AND SEMI-MANUFACTURES: UNITED STATES PRODUCTION, IMPORTS, EXPORTS, AND APPARENT DOMESTIC CONSUMPTION, 1965-1969

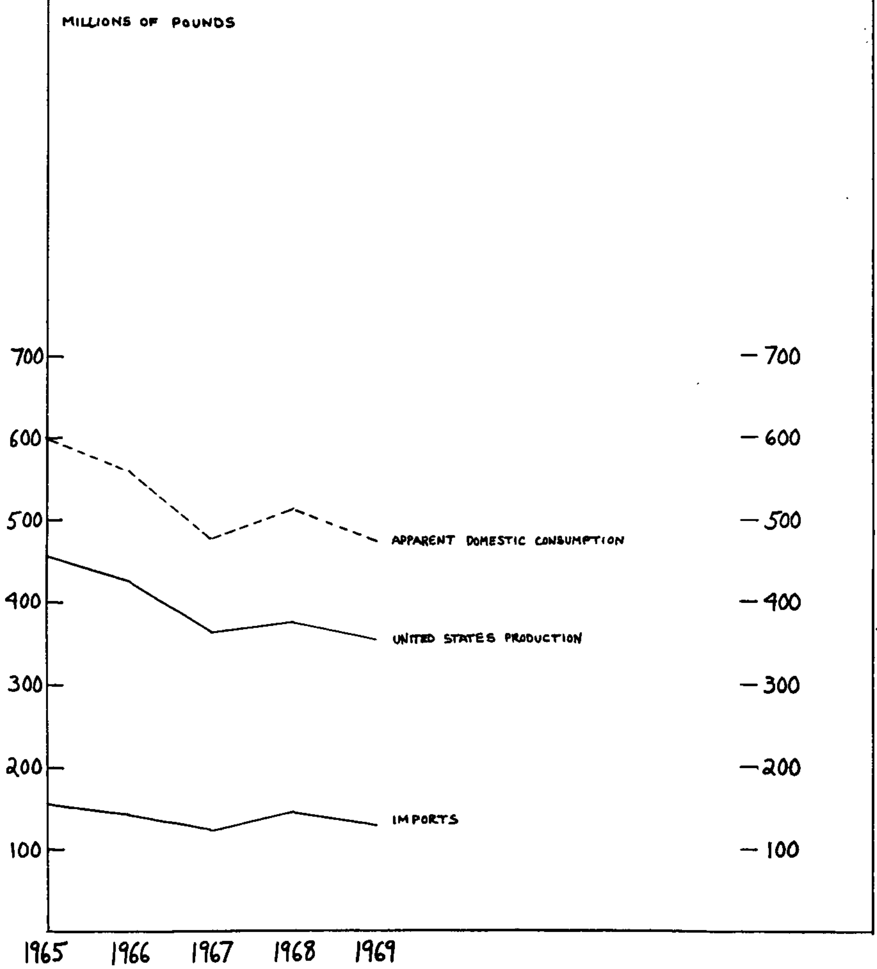


TABLE 4.—APPAREL OF COTTON, WOOL, AND MANMADE FIBER: U.S. PRODUCTION, IMPORTS, EXPORTS, AND APPARENT DOMESTIC CONSUMPTION, 1965–69

[In millions of pounds]

Year	U.S. production [1]	Imports	Exports	Apparent domestic consumption	Imports as a percent of apparent domestic consumption
1965	3,408	186	26	3,568	5.2
1966	3,466	199	29	3,636	5.5
1967	3,534	225	32	3,727	6.0
1968	3,817	273	38	4,128	6.6
1969	[2] 3,916	[3] 328	[3] 49	4,195	7.8

[1] End use consumption, taken from Textile Organon.
[2] Based on ratio of mill consumption to end use consumption for apparel.
[3] Preliminary.

Source: U.S. Department of Agriculture.

FIGURE IV

APPAREL OF COTTON, WOOL AND MAN-MADE FIBER: UNITED STATES PRODUCTION, IMPORTS, EXPORTS AND APPARENT DOMESTIC CONSUMPTION, 1965-1969

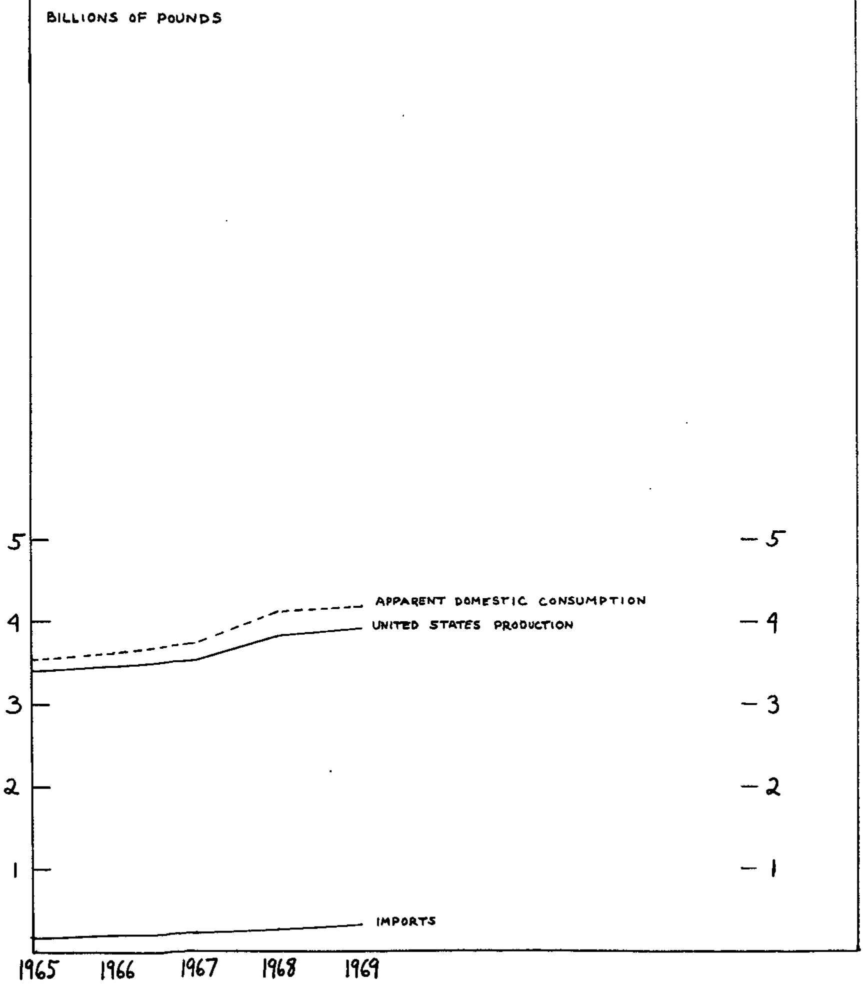


TABLE 5.—APPAREL OF MANMADE FIBER: U.S. PRODUCTION, IMPORTS, EXPORTS, AND APPARENT DOMESTIC CONSUMPTION—1965 THROUGH 1969

[In millions of pounds]

Year	U.S. production [1]	Imports	Exports	Apparent domestic consumption	Imports as a percent of apparent domestic consumption
1965	1,144	30.6	7.4	1,167	2.6
1966	1,242	38.4	7.6	1,273	3.0
1967	1,512	60.9	8.0	1,565	3.9
1968	1,842	91.3	9.7	1,924	4.7
1969	[2] 1,995	143.5	12.6	2,126	6.7

[1] Measured by end-use consumption. Textile Organon.
[2] Estimated on basis of ratio of mill consumption to end-use consumption for apparel.

Source: U.S. Department of Agriculture, U.S. Department of Commerce.

FIGURE V

APPAREL OF MAN-MADE FIBER: UNITED STATES PRODUCTION, IMPORTS, EXPORTS AND APPARENT DOMESTIC CONSUMPTION— 1965 THROUGH 1969

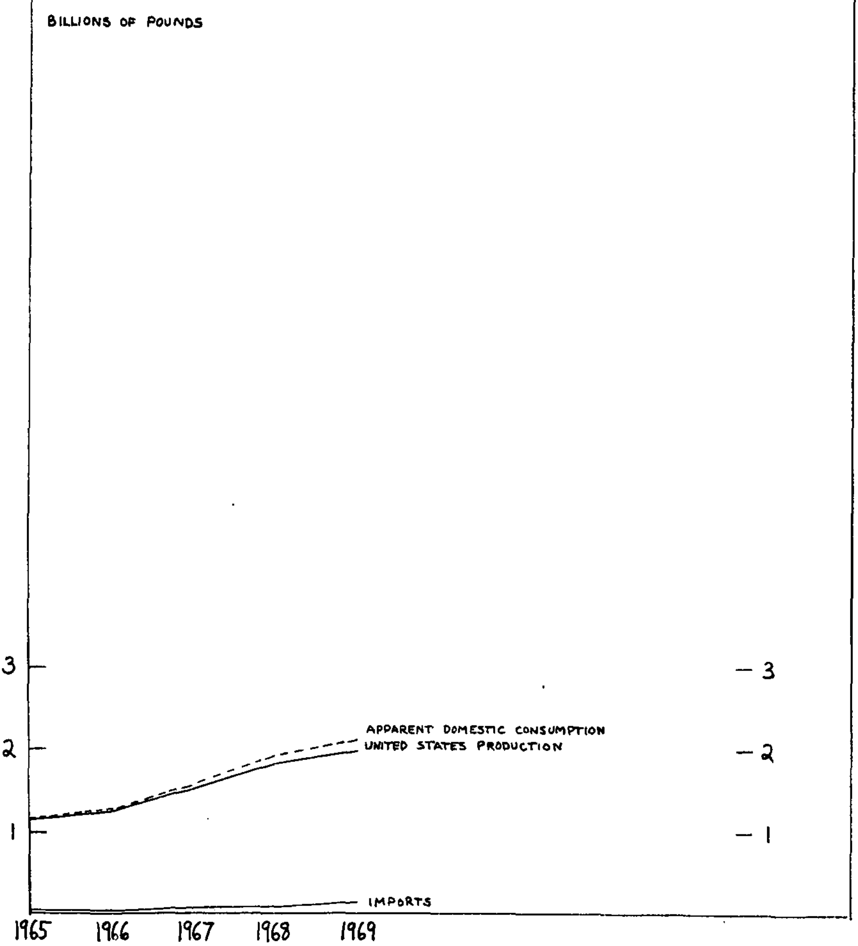


TABLE 6.—IMPORT GROWTH OR DECLINE, 1ST QUARTER 1970 TO AVERAGE QUARTERLY 1969, AND 1968 TO 1969 ANNUAL, COMPARED (ON AN EQUIVALENT SQUARE-YARD BASIS)

	Percentage change, 1968 to 1969 annual	Percentage change average, 1969 Quarterly to 1970, 1st quarter
Total, all fibers:		
Yarn	−26.5	+51.9
Fabric	+10.6	+8.9
Apparel	+31.9	+4.8
Miscellaneous and made up	+7.7	+1.5
Total	+9.5	+12.7
Total excluding yarn	+19.7	+5.9
Cotton:		
Yarn	−45.6	+4.4
Fabric	+11.8	+8.3
Apparel	+2.0	+3.2
Miscellaneous and made up	+9.0	+1.4
Total	+.2	+4.4
Total excluding yarn	+7.6	+5.1
Wool:		
Yarn	−26.3	+5.1
Fabric	−9.3	−.6
Apparel	+1.3	−55.9
Miscellaneous and made up	−15.1	−23.7
Total	−8.7	−25.9
Total excluding yarn	−5.5	−30.3
Manmade:		
Yarn	−17.1	+73.2
Fabric	+12.6	+11.4
Apparel	+63.8	+11.1
Miscellaneous and made up	+11.0	+8.4
Total	+22.7	+24.5
Total excluding yarn	+41.4	+11.0

Source: U.S. Department of Commerce.

The CHAIRMAN. Thank you, Mr. Daniels, for a very fine statement, even referring to my speech.

I must leave the room. I will ask Mr. Fulton to preside for a few minutes.

Mr. FULTON (presiding). I would like to commend you, sir, on your very excellent statement.

Mr. DANIELS. Thank you, sir.

Mr. FULTON. I have no questions, unless there is something you wish to add.

Mr. DANIELS. No; thank you very much.

Mr. FULTON. Our next witness is William Flanagan on behalf of the American Apparel Manufacturers Association. On behalf of the Chairman, we want to welcome you to the Ways and Means Committee and as a personal friend I want to express my welcome to you and the fact that you are associated with Genesco, one of the largest employers in the State of Tennessee and one of the largest in the congressional district that I have the privilege of representing.

We are indeed proud to have the benefit of your views before this committee on the legislation that we are considering at this time.

STATEMENT OF WILLIAM S. FLANAGAN, MEMBER, BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE, AMERICAN APPAREL MANUFACTURERS ASSOCIATION; ACCOMPANIED BY ELLIS E. MEREDITH, EXECUTIVE VICE PRESIDENT; CARL PRIESTLAND, ECONOMIC CONSULTANT; AND H. W. BRAWLEY

Mr. FLANAGAN. Thank you, Mr. Chairman. I am delighted to have my own Congressman and good Congressman acting as Chairman at this time.

Mr. Chairman, members of the committee, my name is William S. Flanagan, and I am vice president of Genesco, Inc., headquartered in Nashville, Tenn. and I serve on the board of directors and the executive committee of the American Apparel Manufacturers Association, located in Washington, D.C.

It is on behalf of the American Apparel Manufacturers Association (AAMA) that I am testifying before you today. I am accompanied by Ellis E. Meredith, executive vice president of AAMA, Carl Priestland of Priestland Associates, Alexandria, Va., economic consultants to AAMA, and H. W. Brawley, vice president of Genesco, Inc.

The American Apparel Manufacturers Association represents approximately 50 percent of the $16.8 billion annual domestic sales of apparel at manufacturers' prices—a volume substantially in excess of that represented by any other apparel trade association. The association's members are located in 43 States where they produce all types of wearing apparel for men, women, and children, knit and woven, from high fashion to staple goods. We estimate that more than 600,000 people are employed by association members. A complete listing of the association's membership has been submitted separately to the staff of the committee so that it will be available for your reference if required.

AAMA strongly supports H.R. 16920 and, although H.R. 16920 affects the entire apparel/textile complex (as defined in the bill), the leather footwear industry and various aspects of the 1962 Trade Expansion Act, I will be limiting my comments today to the apparel import problem and the need for prompt favorable consideration of H.R. 16920 if the domestic apparel industry is to remain the vital factor in our economy which it is today.

CONGRESS, THE LAST HOPE

For approximately 14 months—from the time the present administration took office until March 9, 1970—our domestic apparel industry had hoped this administration's strenuous efforts to obtain a voluntary agreement with the major exporters of apparel products to this country would be successful. However, on March 9, 1970, any further prospects for meaningful voluntary negotiations were completely and finally destroyed by the Aide-Memoire of that date from the Japanese Government to the Government of the United States. I feel certain that you, Mr. Chairman, and the members of this committee are thoroughly familar with that document and the finality and abruptness and personally I feel rudeness with which it terminated any further prospects for a voluntary settlement to this problem.

It now appears clear to our industry that only prompt congressional action such as that embodied in H.R. 16920 can save the domestic apparel industry from the current severe damage and possible ultimate liquidation.

THE ALTERNATIVE TO CONGRESSIONAL ACTION

Speaking now from direct personal knowledge, Mr. Chairman, I can tell you and the members of this committee that I know a number of the major apparel producers in this country have developed plans on an "if needed basis" for the gradual phasing out of domestic production which is to be replaced by off-shore production. Based on this knowledge, I must assume there are few, if any, major domestic producers who do not have or contemplate such a plan if there is no relief in sight for this problem of such overriding magnitude.

I am sure you can appreciate the grave reluctance with which these producers would view the necessity of such a far-reaching decision. On the other hand, they obviously feel an overriding obligation to survive, preferably as manufacturers and marketers but, if need be, as marketers alone.

At the present time, most off-shore apparel production is foreign-owned, but that situation will change drastically, I predict, unless meaningful import relief is forthcoming soon. Our industry is all too aware of its present vulnerability as more and more major retail buying complexes develop off-shore apparel sources. We are now more resigned than ever before to the need that, wherever possible, those sources in the future be owned or controlled by American manufacturers if our domestic producers are to survive in some form.

Teams of top executives from many major domestic apparel producers have already spent considerable time abroad. Other teams are abroad at the present time and still more companies are planning exhaustive investigations of overseas production possibilities. Well thought out, well organized, detailed plans and projects are ready to be set into motion. Reluctantly, we are being forced to investigate where to locate our plants; we are learning the costs of labor and other services and materials; we are learning how to become productive in the shortest period of time.

This is in no sense intended as a threat, Mr. Chairman, but merely as a statement of what we believe to be the facts. I stress these facts now because I think it essential for Congress to have this serious prospect in mind as it examines the national trade policy with respect to this industry. It may be that Congress and/or the President will conclude it is not in the best interests of the United States to keep the domestic apparel industry a factor of economic consequence in the United States. A decision not to act favorably on H.R. 16920 would certainly suggest such a conclusion to us.

If, however, that is to be the decision we believe it important to bear the following facts in mind concerning the probable impact of such a development on our national economy.

PRECIS OF THE DOMESTIC APPAREL INDUSTRY

Apparel is one of our most vital industries because of its broad contribution to our economy. The industry is widespread in its influence as an employer, as a customer, and as a supplier of goods.

As an employer, the apparel industry ranks sixth among all manufacturing industries in the United States. One out of every 14 production workers is an apparel production worker. Approximately 1.5 million apparel workers are employed in 21,300 plants throughout the 50 States of this Nation.

Aside from the impressive size of the apparel labor force, its makeup is of considerable importance to our economy. The industry is a major employer of women and of unskilled and semiskilled workers. The apparel industry is one of the few domestic industries which provide substantial numbers of manufacturing jobs for those people in our labor force who traditionally have high unemployment rates and who are classified as hard to employ.

In rural areas, such as Appalachia and in the Southeastern States, apparel companies are situated in small towns and often are the only manufacturing industry in the town. If the apparel plant closes down, the employees working there have no jobs, no income, and no place to get another job. Because of family circumstances, most of these workers are unable to relocate.

The skill level of workers in the apparel industry need not be very high when the workers enter the industry. We do a considerable amount of on-the-job training of our workers. This means that apparel plants have consistently been able to take on large numbers of workers who would not be employable in other industries where they would have to bring their skills into the job.

Because our plants are located throughout the Nation, we are able to draw on labor in both rural and urban areas. I have already mentioned the employment of workers in rural areas. The apparel industry also employs men and women of all skill levels and of all racial backgrounds in the largest cities in the Nation. We are an important source of employment for people in our cities.

In recent years, the employment of nonwhites has been proportionately greater in apparel than in manufacturing generally. Nonwhite employment in the apparel industry in the first quarter of 1969 was 27 percent higher than the figure for all manufacturing, 13.5 percent compared with 10.6 percent. Still greater progress in this area was made in the balance of 1969.

Apparel workers earned a total payroll of approximately $5.5 billion in 1969. This means they are able to buy the goods of their own and of all other industries, to be consumers of our gross national product in a major way. If apparel workers are forced out of their jobs by imports, the retailers in small towns where the apparel plant is the principal place of employment and in large cities with concentrations of apparel workers would find their sales declining significantly.

The apparel industry itself is an important consumer of goods and services produced in the U.S. economy. The apparel industry in this country is the single largest customer or the American textile industry. American apparel manufacturers purchase over 40 percent of the output of the U.S. textile industry. We estimate that the apparel industry purchased about $10 billion all told in goods and services, excluding labor, in 1969. A loss of purchasing power in this magnitude would have a devastating effect on our economy.

The apparel industry is also a training ground for people with low-skill levels, as I have mentioned above. Employment in the apparel industry can be used as a steppingstone into productive employment by those who have had a chance to start with us and learn certain basic job skills. We take on people who have no basic orientation to employment in general. Getting to work on time, reporting every day, working a full day's work, getting regular paychecks are new experiences for many of the workers we employ, especially in the cities.

We are able to give them an opportunity for regular employment which brings with it many benefits to the individual and to society. If we have to stop hiring these people in the future because imports further disrupt our markets, society as a whole will suffer, since there are few or no other industries able to take over this important task.

In summary then:

1. Apparel industry employment was 1,413,000 during December 1969. This is 7 percent of total manufacturing employment.
2. The apparel industry ranks sixth in total employment in the manufacturing sector of the economy.
3. Because the apparel industry is labor intensive, the industry ranks fourth in the number of production workers in manufacturing. The number of production workers as of December 1969 was 1,241,000, 8.5 percent of total production workers in manufacturing. This is one out of 12 workers, sir.
4. The apparel industry employs one of every five women employed in the manufacturing sector.
5. Employment of women as of October 1969 was 1,151,000, 19.8 percent of the 5,802,000 women employed in manufacturing.
6. Women make up 81 percent of the total apparel labor force.
7. There are 42 States in which apparel employment is 1,500 or more.
8. In 16 States, apparel employment is one of the top three employers in the State.
9. In 10 States, apparel employment is 10 percent or more of total manufacturing employment of the State.
10. Apparel employment is no longer centered in the New York, New Jersey, Pennsylvania area. Each of the following States has at least 40,000 people working in the apparel industry: California, Georgia, Alabama, Massachusetts, North Carolina, South Carolina, Tennessee, and Texas.

Attached to this statement are four tables, which further illustrate the extensive economic contributions made by this key manufacturing industry.

DIMENSIONS OF THE PROBLEM

When cotton held a more dominant position in the apparel industry in the early 1960's, the U.S. Government responded to the injury being done the apparel and textile complex by initiating the Long-Term Cotton Textile Arrangement to help regulate international trade in cotton products. This arrangement had the effect of creating orderly trade throughout the world for cotton apparel and textile products, and that effect has been a salutory one for developed and undeveloped nations alike.

Unfortunately, the emphasis in international trade of our products is no longer on cotton, and the change in trade has been apparent for some time now. International trade in apparel and textile products is quite responsive to changes in our domestic markets, and manmade fibers have been coming into the United States in increasing amounts throughout the 1960's. Manmade fiber apparel products are now the most important type of apparel imports in terms of yardage, and they have held this position since May of 1968.

The unchecked growth of imported apparel into U.S. markets has caused disruption to apparel manufacturers throughout the 1960's. As more and more manmade fiber apparel products enter our ports, we feel at an even greater disadvantage than when cotton products were arriving in such large quantities. In the case of foreign-produced cotton goods, at least we knew they would come to the United States in agreed-upon quantities with a specified growth factor each year. It is true that cotton apparel imports exceeded the agreed-upon amounts during the early 1960's, but regulation of some part of this gave domestic apparelmakers at least some idea from year to year of their import competition.

However, we are now confronted with masses of unregulated manmade and woolen apparel imports. These imports can come into this country at any given rate. The chief sources of apparel imports into this country are Japan, Hong Kong, Korea, and Taiwan. These four countries ship us 81 percent of our total apparel imports, with all other countries accounting for only 19 percent of our imports (chart 1). There is an important reason why these countries are our main sources of imported apparel and why we in the American apparel industry find competition from imports so difficult to compete with.

The principal reason that imported apparel products are less expensive than similar domestically produced items is that the wage rate in these four countries—and in most of the other countries shipping apparel to us—is significantly lower than it is in our country. The average hourly wage of American apparel workers in 1969 was $2.31. Comparable workers in Japan earned 39 cents per hour, in Hong Kong 26 cents per hour, in Taiwan 15 cents per hour, and in Korea only 9 cents per hour (chart 2). Similar wage levels prevail in the textile segments of these countries, so that material costs are correspondingly lower than in the United States.

Labor is a very important ingredient in the production of all types of apparel. U.S. and foreign apparel workers are given approximately the same types of machines to work with so that technology and machinery differences are minimal. The differences in output between U.S. and foreign apparel workers cannot be measured by the differences in their wage scales. Rather, the differences in their wage scales must be measured by the differences in their standards of living. And it is this which makes the price charged for imported apparel in American retail stores less than for a similar product made right here in this country. Foreign apparel manufacturers, sometimes aided materially by direct subsidies from their governments, are able to pay so little for the labor which goes into each garment that they can sell the product at a favorable price, even when including shipping charges, tariffs, importers' fees, and profits.

Output per man-hour in places such as Japan and Hong Kong is not much less than in the United States. But the working conditions of the apparel workers are obviously not so favorable as in this country, since the standard of living in these and other apparel-supplying countries is much lower than our own. The industry cannot lower the standard of living for American apparel workers in order to become competitive in terms of price with imported apparel. On the other hand, the standard of living of our apparel workers will be lowered if they lose their jobs to imports.

The quality and style of apparel imported into this country compares favorable with domestically produced garments most of the time. Early in the 1960's there was a lot of low-quality apparel shipped to us. But foreign producers have improved their machines and production methods, and have made it a point to produce goods acceptable to the American people. When permanent-press apparel became important in our markets, for instance, curing ovens for making permanent-press garments were shipped by air express to Hong Kong so producers there could stay technically competent to serve our markets.

The only way we currently try to limit apparel imports of other than cotton is with low-tariff rates. Almost all other countries have various types of nontariff barriers to the importation of apparel, including American-produced apparel. During the Kennedy round of tariff reductions, the tariffs on apparel went down and nontariff barriers went up in other countries. Increased exports of U.S.-produced apparel are no solution to the imbalance of trade caused by our apparel trade. It is not possible for most American apparel producers to get their goods into other countries. Since they are effectively barred, there is little chance for sale of our goods in most overseas markets.

It is therefore hardly surprising that apparel imports are a very significant factor in the U.S. balance-of-payments problem. Apparel imports were $956 million last year, while exports were only $151 million. This means a deficit in apparel trade alone of $807 million. The deficit in apparel trade, in fact, equals 82 percent of the $980 million deficit in trade of cotton, wool, and manmade fiber textile and apparel products.

Let me just briefly show you and describe to you the growth in imports of our products during the 1960's.

In 1962 a total of 447 million square yards equivalent (SYE) of cotton, wool, and manmade fiber apparel were imported into the United States. By 1968, only 6 years later, this amount had more than doubled, and imports of apparel stood at 1,153 million SYE. The very next year, 1969, cotton, wool, and manmade fiber apparel imports reached over three times the 1962 level, rising to the astonishing figure of 1,520 million SYE (chart 3).

The tremendous increase in imports of manmade fiber apparel is clearly illustrated in this chart. These imports rose from 49 million SYE in 1962 to 915 million SYE in 1969, an 18-fold increase. It is evident that imports can change rapidly from fiber to fiber and from category to category if unchecked when a change in demand is indicated. The growth in cotton- and wool-apparel imports has been much slower because, in the case of cotton, there were agreements governing these imports and because there was not as strong a demand for wool and cotton apparel during the last few years of the decade.

Although wool-apparel imports are a relatively small portion of total apparel imports in terms of square yards, wool-apparel imports constitute a significant portion of the dollar value of the total. In 1969, wool-apparel imports accounted for 5 percent of the square yards of apparel imported but 27 percent of the dollar amount (chart 4).

I would like to point out here that the dollar-value figures for apparel imports do not reflect their true influence on domestic apparel markets, since they are reported f.o.b. the foreign port. This means the dollar value reported by the Commerce Department does not include freight and insurance, customs duties, importers' profits, commissions, or overhead—or distribution costs when the goods reach our shores. The $956 million value of apparel imports reported for 1969 is not a true measure of their impact on our markets. Actually, this figure is probably 50–60 percent higher than that. It does not reflect the price which would be equivalent to the wholesale price of domestic apparel.

The importance of apparel imports in relation to total textile imports is illustrated in this next chart. Apparel imports constitute 42 percent of textile and apparel imports in terms of yardage and 59 percent in terms of dollar value. The reason for this difference in percentage is that there is more labor cost involved in producing items of apparel than in producing textiles (chart 5). This very high labor content of apparel is the major reason we are experiencing so much trouble from apparel imports.

Several areas of the domestic apparel market are being hit especially hard by imports. Imports of sweaters of all fibers are equal to 72 percent of U.S. sweater production in 1969. This particular market has taken an awful shellacking. Penetration into the markets for woven shirts, women's slacks and shorts, men's knit shirts, and men's trousers and shorts is significant when measured against domestic production (chart 6).

Because product lines are so readily interchangeable in the manufacturing process in our industry, the damage experienced by one segment of the industry can very readily be experienced, with great rapidity, by any other segment of the industry. It is for this reason that we so strongly support the total category approach to this problem which is taken by H.R. 16920, rather than the selective approach advocated by some.

THE PRICE ARGUMENT

In his statement before this committee on May 18, Mr. Gardner Ackley, speaking for the American Retail Federation, said:

> H.R. 16920 would raise the prices of domestically produced goods. No longer needing to fear that higher prices would lose them markets beyond the quotas, American producers could and would raise prices directly. Moreover, with a lessened spur of foreign competition, the pressure on them to become more efficient would be reduced, so that their costs, and then their prices, would tend to drift up even more.

This statement well summarizes a long-standing contention of the classical free-trade economist, which, stated simply, holds that foreign competition is needed to help keep prices charged by domestic manufacturers "in line." For the domestic apparel industry, probably the most competitive industry in America today, this statement is totally unjustified.

Why? Because, in essence, competition from thousands of domestic producers in all segments of this industry is so severe that foreign competition is not now, and never has been, necessary to keep prices competitive. Low profitability is a characteristic which has long been associated with apparel manufacturing. This occurs because of the very competitive nature of this extremely fragmented, high-labor-content industry. The easy entry into and exit from the industry have made it attractive to those who see an opportunity to start business with small capital investment. It means that whenever there is an opportunity more innovative, domestic competition steps into the industry and helps keep prices down.

To illustrate the validity of this point, may I point out that during the decade of the 1950's, a period of comparatively low apparel imports for the most part, consumer prices for apparel (less footwear) increased only 8 percent, while the price of all consumer items increased by 24 percent. From 1961 to 1969, with apparel imports running at a vastly greater rate, apparel retail prices increased 22 percent—almost three times as much as they increased during the preceding decade. During that same 9-year period, prices of all consumer items increased 23 percent.

These comparisons seem to us to show quite clearly that internal domestic competition in this industry has, quite effectively, kept domestic prices for apparel at or well below the price-increase rate for other consumer items—with or without high imports of our products.

As for the increases which did take place, Mr. Chairman, where did the money go? Did it go into profits after taxes for apparel manufacturers? The figures show that between 1958 and 1969, after-tax profits as a percent of sales ranged from a low of 0.9 to a high of 2.4 in the apparel industry, compared with a range of from 4.1 to 5.6 for all manufacturing. Obviously, the increases did not go into the tills of apparel management.

The answer clearly lies in labor costs. While apparel prices were increasing 22 percent in the 1961–69 period, hourly earnings of U.S. apparel workers increased by 41 percent, almost double the price increase. Hourly earnings of workers in all nondurable manufacturing industries went up 38 percent at the same time prices for all consumer items went up 23 percent. Wage rates, then, are the primary factor in price increases.

SUMMARY

It seems quite clear to us, Mr. Chairman and members of the committee, that the biggest stakes in your consideration of H.R. 16920 are the well-being and the living standards of over 2 million citizens employed in the apparel/textile industry and millions more in related industries.

The effects of your decision with respect to H.R. 16920 will, we think, be far-reaching, indeed. We hope it will be a decision promoting the orderly sharing of our domestic apparel markets with our friends abroad. We hope you will favorably report H.R. 16920.

I am grateful for this opportunity to appear before you today and will try to answer any questions you may have concerning my statement.

(The following tables appended to Mr. Flanagan's prepared statement and the charts referred to were received by the committee:)

TABLE I.—U.S. MANUFACTURING EMPLOYMENT, DECEMBER 1969

[Thousands of employees]

	December 1969	Percentage distribution
Manufacturing employment, total	20,063	100.0
Durable manufacturing employment	11,793	59.7
Nondurable manufacturing employment	8,270	41.3
Top 10 manufacturing industries by total employment:		
1. Machinery (except electrical)	2,022	10.1
2. Transportation equipment	2,010	10.0
3. Electrical equipment and supplies	1,979	9.9
4. Food and kindred products	1,788	8.9
5. Fabricated metal products	1,472	7.3
6. Apparel and related products	1,413	7.0
7. Primary metal industries	1,360	6.8
8. Printing and publishing	1,109	5.5
9. Chemicals and allied products	1,049	5.2
10. Textile mill products	983	4.9
All other manufacturing industries	4,878	24.4
Manufacturing production worker employment, total	14,656	100.0
Durable manufacturing production workers	8,551	58.3
Nondurable manufacturing production workers	6,105	41.7
Top 10 manufacturing industries by production workers employment:		
1. Transportation equipment	1,413	9.6
2. Machinery (except electrical)	1,381	9.4
3. Electrical equipment and supplies	1,296	8.8
4. Apparel and related products	1,241	8.5
5. Food and kindred products	1,204	8.2
6. Fabricated metal products	1,133	7.7
7. Primary metal industries	1,088	7.4
8. Textile mill products	864	5.9
9. Printing and publishing	690	4.7
10. Chemicals and allied products	611	4.6
All other manufacturing industries	3,735	25.2

Source: Employment and earnings BLS, Department of Labor.

TABLE 2.—WOMEN EMPLOYMENT IN MANUFACTURING, OCTOBER 1969

[Thousands of employees]

	Women employment	Percentage distribution	Percent of women employment to total employment
Women employment in manufacturing, total	5,802	100.0	29
Durable manufacturing	2,518	43.4	21
Nondurable manufacturing	3,284	56.6	39
Top 10 manufacturing industries employing women:			
1. Apparel and related products	1,151	19.8	81
2. Electrical equipment and supplies	852	14.7	41
3. Food and kindred products	500	8.6	27
4. Textile mill products	454	7.8	46
5. Printing and publishing	356	6.1	32
6. Machinery (except electrical)	302	5.2	15
7. Fabricated metal products	279	4.8	19
8. Transportation equipment	220	3.8	11
9. Chemicals and allied products	219	3.8	21
10. Miscellaneous manufacturing industries	218	3.8	47
All other manufacturing industries	1,251	21.6	----

Source: Employment and earnings BLS, Department of Labor.

TABLE 3.—1968 MANUFACTURING AND APPAREL EMPLOYMENT AND NUMBER OF ESTABLISHMENTS

	Number of employees (thousands)	Number of establishments	Number of establishments, by employment size-class					
			Under 20	20 to 49	50 to 99	100 to 249	250 to 499	500 or more
Total manufacturing	19,719	298,460	185,842	51,094	26,351	20,855	8,129	6,189
Apparel and related products	1,389	24,979	11,971	6,029	3,538	2,370	807	264
Percent of apparel to total	7.0	8.4	6.4	11.8	13.4	11.4	9.9	4.3

Source: County Business Patterns.

TABLE 4.—1968 MANUFACTURING AND APPAREL EMPLOYMENT AND NUMBER OF ESTABLISHMENTS BY ELECTED[1] STATES

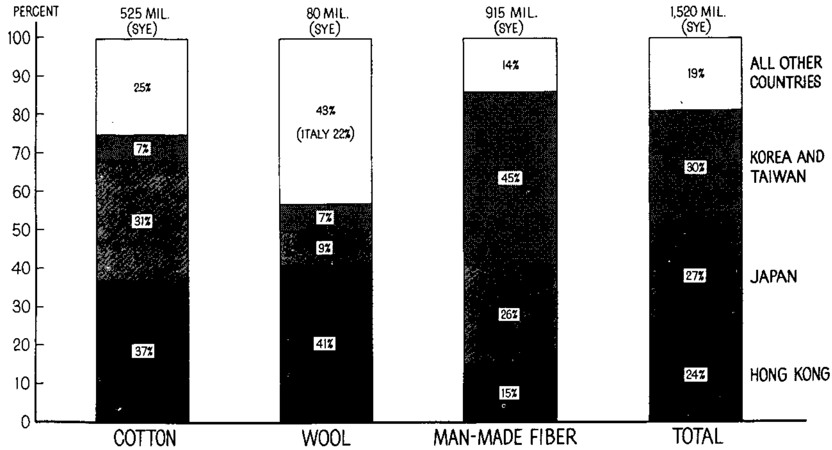
	Rank of apparel employment to all manufacturing—No.	Number of employees: All manufacturing	Number of employees: Apparel industry	Percent of apparel to all manufacturing	Number of establishments: All manufacturing	Number of establishments: Apparel industry	Employees per establishment: Manufacturing	Employees per establishment: Apparel
Alabama	2	300,700	40,800	14	4,616	217	65	185
Arizona	6	81,500	4,500	6	1,547	76	53	59
Arkansas	3	149,900	13,500	9	2,712	87	55	155
California	8	1,610,000	68,600	4	30,391	2,249	54	31
Colorado	14	107,100	2,200	2	2,370	79	45	28
Connecticut	10	474,500	14,700	3	5,651	291	84	51
Delaware	3	71,200	3,300	5	553	24	129	138
Florida	7	301,300	19,400	6	7,706	500	39	39
Georgia	2	439,900	67,400	15	6,684	473	66	142
Hawaii	2	25,800	2,800	11	686	100	38	28
Illinois	13	1,407,900	37,000	3	17,972	724	78	51
Indiana	14	708,400	13,200	2	6,787	155	104	85
Iowa	13	214,500	4,100	2	3,238	70	66	59
Kansas	8	165,400	4,700	3	2,489	66	66	71
Kentucky	3	231,400	23,100	10	2,911	127	79	182
Louisiana	9	173,000	7,800	5	3,395	72	51	108
Maine	8	116,300	3,700	3	2,092	43	56	86
Maryland	5	287,100	25,200	9	3,402	299	84	84
Massachusetts	3	719,900	55,000	8	10,494	926	69	59
Michigan	11	1,162,600	22,400	2	13,618	238	85	94
Minnesota	12	305,000	8,000	3	5,196	163	59	49
Mississippi	1	165,800	35,300	21	2,545	147	65	240
Missouri	5	465,900	33,400	7	6,420	394	73	85
Nebraska	10	82,200	2,100	3	1,646	35	50	60
New Hampshire	12	97,500	2,000	2	1,388	40	70	50
New Jersey	3	876,000	78,200	9	14,122	2,079	62	38
New York	1	1,946,200	297,500	15	41,098	10,323	47	29
North Carolina	2	665,400	65,000	10	7,894	453	84	143
Ohio	13	1,435,000	20,000	1	15,203	348	94	57
Oklahoma	8	120,100	6,300	5	2,593	78	46	81
Oregon	10	162,200	3,300	2	4,119	77	39	43
Pennsylvania	2	1,555,700	176,000	11	18,227	2,166	85	81
Rhode Island	2	125,700	22,100	18	2,617	285	48	78
South Carolina	2	318,600	44,000	14	3,310	234	96	188
Tennessee	1	439,400	68,700	16	4,829	306	91	225
Texas	4	709,300	53,400	8	12,159	578	58	92
Utah	6	45,700	3,400	7	1,104	51	41	67
Vermont	10	42,500	1,500	4	851	27	50	56
Virginia	3	353,700	33,200	9	4,640	206	76	161
Washington	12	280,400	5,400	2	4,718	126	59	43
West Virginia	6	125,800	5,500	4	1,767	45	71	122
Wisconsin	15	510,500	7,900	2	7,518	158	68	50

[1] States with 1,500 or more apparel industry employees.

Source: County Business Patterns.

CHART 1

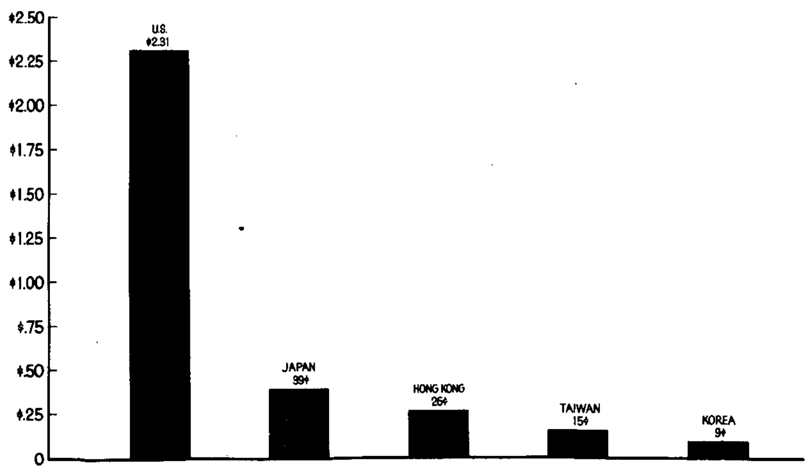
PERCENTAGE DISTRIBUTION OF U.S. APPAREL IMPORTS BY SELECTED COUNTRY FOR 1969



SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART 2

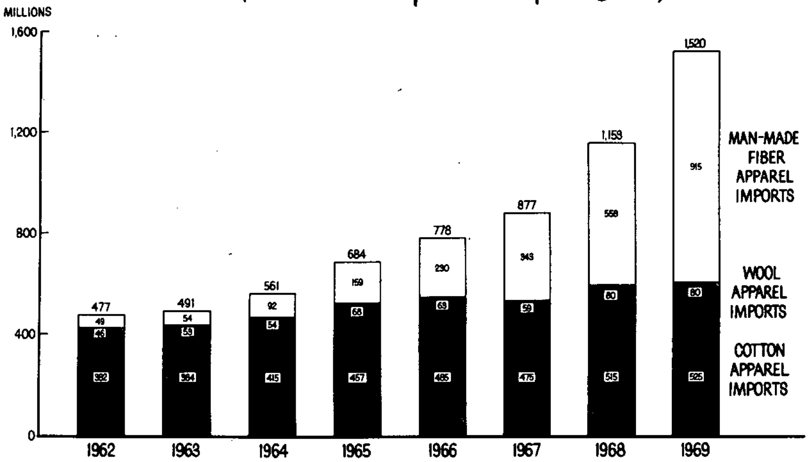
AVERAGE HOURLY WAGES OF APPAREL WORKERS AROUND THE WORLD-1969



SOURCE: ESTIMATED BY AAMA

CHART 3

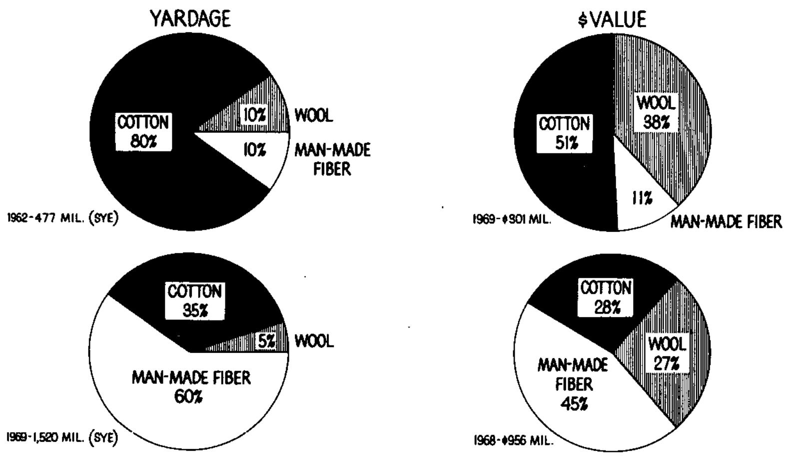
U.S. IMPORTS OF COTTON, WOOL, AND MAN-MADE FIBER APPAREL 1962-1969 (In millions of equivalent square yards)



SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART 4

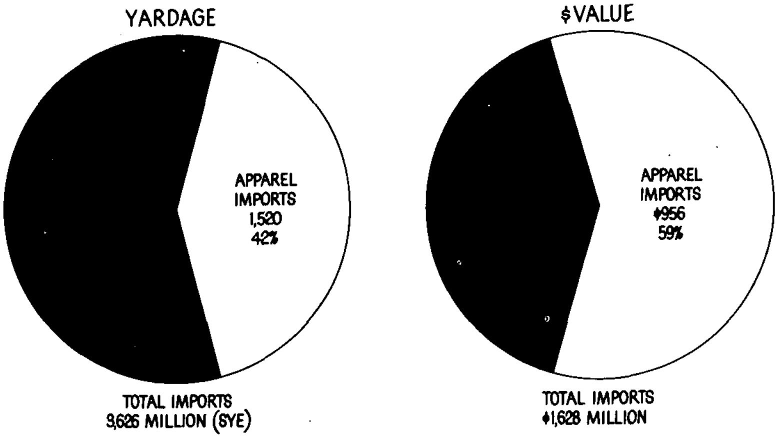
U.S. IMPORTS OF COTTON, WOOL, AND MAN-MADE FIBER APPAREL 1962 and 1969 IN MILLIONS OF SYE AND DOLLARS



SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART 5

U.S. IMPORTS OF TEXTILE AND APPAREL PRODUCTS FOR 1969 MILLIONS OF SYE AND DOLLARS

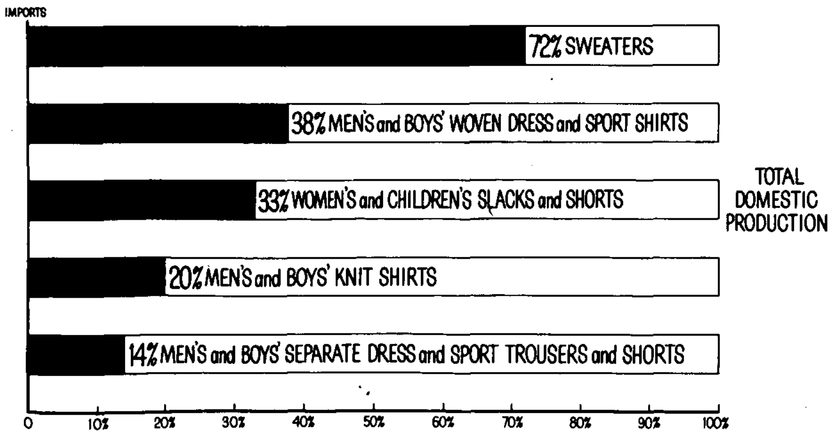


SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART 6

RATIO OF APPAREL IMPORTS TO U.S. PRODUCTION FOR SELECTED APPAREL PRODUCTS*

(COMPARISONS IN UNITS OF IMPORTED AND U.S. PRODUCED APPAREL)



*ALL FIBERS

SOURCE: U.S. TARIFF COMMISSION AND AAMA

The CHAIRMAN. Mr. Flanagan, we thank you, sir, for your very fine statement, well arranged as you had it arranged.

Are there any questions of Mr. Flanagan and those with him at the desk?

Mr. LANDRUM. We would want to thank him for, as usual, a very fine statement, well read and informative and helpful to the committee.

The CHAIRMAN. Mr. Fulton?

Mr. FULTON. Thank you, Mr. Chairman.

Mr. Flanagan, I too, want to add my praise for the content of your statement and the way it was presented to us. And, also, I failed to extend a welcome to my good friends, Bill Brawley and Bud Meredith. We are pleased to have their presence here today.

I have been very interested in the Japanese position that it is unreasonable for us to try to control in some fair and orderly way the amount of apparel and textile imports which they send into this country. I just wonder if you know anything about how much of the total Southeast Asian production this country is taking as compared to how much Japan is taking.

I am especially interested in this since Japan has, of course, the second largest gross national product of any country in the free world and since they are, I am sure, very concerned about the well-being of their neighbors in Southeast Asia.

Mr. FLANAGAN. Congressman Fulton, we have done some research on this subject. This distresses me some, but I will report these figures.

The latest available figures, 1968 data, of the apparel imports from the developing nations in Asia which we and the Japanese have been trying to help, the United States took 78 percent of that production; the European Community took 20 percent; and Japan took 2 percent.

Mr. Fulton, it just seems to me that the Japanese certainly have a double standard as far as this situation is concerned.

Mr. FULTON. Just 2 percent and ours was 78 percent?

Mr. FLANAGAN. Ours was 78 percent, sir, and the apparel imports they take in from the developing nations in Asia—incidentally, which receive a tremendous amount of Japanese-produced textile products, yarn and so forth, amount to 2 percent of the total apparel exports of those developing countries.

Mr. Priestland, is that because of the barriers that they have?

Mr. PRIESTLAND. Yes, mostly because of the barriers, but because they have their own production, too. They effectively keep out other imports through other means, mostly nontariff barriers.

Mr. FULTON. Thank you, Mr. Flanagan.

Thank you, Mr. Chairman. That is all.

The CHAIRMAN. Are there any further questions?

Again, we thank all of you gentlemen. If we have time, Mr. Flanagan, I would ask you some questions myself. But I don't want to keep you here much longer. We have kept you all day practically now.

But tell me briefly, if you will, in response to the testimony of Mr. Daniels and, as I recall, Mr. Stitt's testimony of yesterday was somewhat similar, why it is that an arrangement on a selective basis would not be adequate for the protection and safeguard of the textile and apparel industry in the United States in the opinion of those of you who are in it.

Mr. FLANAGAN. Mr. Chairman, we feel that the comprehensive category-by-category approach of the bill is extremely important in that the production of the countries who ship goods into this country can be switched on an opportunistic basis. And if we just had flat poundages from a given country, they could concentrate all of those pounds into one given segment of our industry and completely destroy that segment of the industry—switching to the next year to knock off another piece of our industry, switching perhaps even the season after that, and knocking off another segment of our industry.

We feel that the comprehensive category-by-category approach will give us the most orderly, fair technique of handling this situation.

The CHAIRMAN. I don't think I made quite clear what I was asking. It was not what is in the bill versus what is being suggested. But what I am thinking about is the article-by-article approach, really, for purposes of limitating imports, demonstrating in those instances where injury has actually occurred on an article-by-article basis, rather than taking the overall approach which the present administration has taken as the basis for the development of a voluntary agreement.

You see, it is the overall approach for quota, rather than limitations upon specific items within the industry.

Maybe I am not making it clear to you, and I don't want to pose the question, if I am not, but I think the record should make it eminently clear why the industry as they have talked to me feel that the overall approach for quota purposes is the desirable approach, rather than the article-by-article approach of selected items—such as apparel, say, or print goods—and put limitations on those only.

Mr. MEREDITH. Our economist would like to comment on this, since it is central.

The CHAIRMAN. I don't want to pursue the question, if you are not understanding what I am trying to get to.

The Japanese allegedly as indicated by certain witnesses who have appeared before the committee don't want to proceed to negotiate an agreement on what we refer to as an "overall basis" of control.

Mr. FLANAGAN. You are referring to the all-fiber approach?

The CHAIRMAN. I am referring to the approach that the administration has taken, which is all-inclusive.

The Japanese, on the other hand, we have been told by at least two witnesses, as I recall, would be willing to proceed to reach an agreement on an item-by-item basis where an injury occurs to the American producers with respect to certain items.

Mr. MEREDITH. Mr. Chairman, I think the best answer to that is our chart 6 in Mr. Flanagan's statement. We are taking the position that a selective approach to this problem would make every single item of wearing apparel, which is where we are directing our comments, as vulnerable as these items which are now suffering such obvious injury.

The CHAIRMAN. In other words, if we decided to put a quota on men's and boys' pants, then production of that was not permitted to grow, the next thing you would hear of would be that men's and boys' shirts were going through the ceiling?

Mr. MEREDITH. Yes, sir, because obviously the skills involved in making the one are very nearly identical to the skills involved in making the other, these skills being highly transferrable within product lines. So it would be a matter of a short time where the same injurious situation existed from category to another until all experienced severe injury.

We feel that in order to save major segments of this industry, including the example you use, sir, shirts, where there is over $1 billion in domestic production, that only a comprehensive approach will be successful and satisfactory.

The CHAIRMAN. I don't know whether you were in the room this morning. But I am going to get the American producers of shirts to begin making some cotton shirts again. I have got the union on my side. They are going to sit down at the bargaining table with you.

Mr. MEREDITH. You have got management on your side, too. I have a note to investigate your situation.

The CHAIRMAN. I wish you would talk to other management and find out why it is these retail stores in Washington won't sell cotton shirts.

Mr. FLANAGAN. The total spectrum of apparel manufacturing must be covered by this. If we take just one portion of it and try to stop that, it is like damming up a third of a river, sir.

The CHAIRMAN. Does that do any good? It doesn't do any good to stop just that part, does it? The water breaks over somewhere else.

Mr. FLANAGAN. Yes, sir.

The CHAIRMAN. Are there any further questions of Mr. Flanagan and the other gentlemen?

Thank you very much for coming. We appreciate your statements.

We will have to recess momentarily to answer our names for a vote over in the House. We will be back in just a few minutes, and Mr. Masaoka will be the next witness.

(Brief recess.)

The CHAIRMAN. The committee will be in order.

Our next witness is Mr. Mike M. Masaoka, on behalf of the Association of Japanese Textile Imports, and Mr. Samuel Ishikawa.

STATEMENT OF MIKE M. MASAOKA, WASHINGTON REPRESENTATIVE, ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC.; ACCOMPANIED BY SAMUEL ISHIKAWA, COUNSEL

Mr. MASAOKA. My name is Mike Masaoka, appearing today as the Washington representative for the Association on Japanese Textile Imports, Inc., a New York trade association, whose members handle more than 70 percent of all Japanese textiles exported to the United States. On behalf of its members, may we express our appreciation to the chairman and to this committee for this opportunity to testify to our views concerning trade legislation, and particularly regarding textile imports from Japan.

We freely concede that we have a vested interest in the promotion of textile imports, for Japanese textile exports to this country last year, 1969, amount to $534,805,000, including cotton textiles. In spite of this self-interest, however, as American importers of Japanese textiles, we believe that a freer, nondiscriminatory trade policy for the United States, without arbitrary and artificial import quotas, not only for textiles but for all other products, is clearly in the national and international self-interest of our country.

For the net trade balance, though currently declining, has always been to our advantage since the end of World War II, not to mention the economic stimuli that competitive imports provide American industry, the wider choice in variety and price afforded the consumer, and the substantial contribution to brake inflation that aids the national economy, as well as providing the means by which foreign nations earn the dollars with which to purchase more U.S. export merchandise.

Throughout this hearing thus far, suggestions have been made from time to time that Japan has been less than honorable in the way it has negotiated with the United States. We believe, therefore, that as American importers that perhaps we can make our greatest contribution to these hearings if we can explain why, in our judgment, the Japanese textile industry has reacted as they have done to the American proposals for so-called "voluntary, bilateral, comprehensive export restraints" on wool and manmade-fiber textiles destined for the United States. If we are able to put the Japanese reactions as we understand them in proper perspective, we are hopeful that this committee will appreciate the reasons for their resistance and recognize the principles that motivate their failure to capitulate to the Nixon administration's request.

Beyond this, we hope to explain the painful experience that the Japanese have suffered through with the so-called Long-Term International Cotton Textile Arrangement (LTA), as well as our aversion as importers to import quotas and our endorsement, with certain amendments, of the administration's so-called Trade Act of 1970.

REASONS FOR JAPANESE REACTIONS TO AMERICAN PROPOSALS

Secretary of Commerce Maurice Stans last week (May 12) testified that President Nixon, in one of his early actions after assuming office in January 1969, asked him "to work for international agreements that would enable us to assure a more orderly pattern of (textile) import growth for the future than has been the case in the past several years."

He then described his frustrating efforts to negotiate voluntary comprehensive arrangements with West European and Far Eastern countries, with particular emphasis on the futile negotiations with Japan. From his summary, and from most American newspaper accounts that we have read, it would seem that the Japanese were unreasonable, uncompromising, and unwilling to proceed in good faith. Indeed, one Government official was reported to have described the Japanese attitude as "insulting."

Since we represent the American importers, we are not in a position to offer the official explanation of either or both the Japanese Government or the Japanese textile industry. Nor are we here to defend them. Nevertheless, because we are aware of their thinking in most respects, and because we feel that the bilateral good will and interests of both Pacific partners require some elucidation of Japanese sentiment, particularly of the industry, we shall do the best we can to put their outlook into what we trust is the proper perspective.

INCONSISTENCY OF U.S. TRADE POLICY

In submitting his administration's proposed trade act last November 18, 1969, to the Congress, President Nixon declared:

For the past 35 years the United States has steadfastly pursued a policy of freer world trade. As a nation we have recognized that competition cannot stop at the ocean's edge. We have determined that American trade policies must advance the national interest—which means that they must respond to the whole of our interests, and not be a device to favor the narrow interest.

This administration has reviewed that policy, and we find that its continuation is in our national interest.

We must recognize that a number of foreign countries now compete fully with the United States in world markets. We have always welcomed such competition. It promotes the economic development of the entire world to the mutual benefit of all, including our own consumers. It provides an additional stimulus to our own industry, agriculture, and labor force.

The traditional surplus in the U.S. balance of trade has disappeared. This is largely due to our own internal inflation and is one more reason why we must bring that inflation under control. This disappearance of the surplus has suggested to some that we should abandon our traditional aproach toward freer trade. I reject this arugment not only because I believe in freer trade, but also for a very simple and pragmatic reason: Any reduction in our imports produced by U.S. restrictions not accepted by our trading partners would invite foreign reaction against our own exports—all quite legally. Reduced imports would thus be offset by reduced exports, and both sides would lose. In the longer term, such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible.

In fact, the need to restore our trade surplus heightens the need for further movement toward freer trade. It requires us to persuade other nations to lower barriers which deny us fair access to their markets. An environment of freer trade will permit the widest possible scope for the genius of American industry and agriculture to respond to the competitive challenge of the 1970's.

The less developed countries (LDC's) need improved access to the markets of the industrialized countries if their economic development is to proceed satisfactorily. Public aid will never be sufficient to meet their needs, nor should it be. I recently announced that, as one step toward improving their market access, the United States would press in world trade forums for a liberal system of tariff preferences for all developing countries.

By expanding world markets, our trade policies have speeded the pace of our own economic progress and aided the development of others. As we look to the future, we must seek a continued expansion of world trade, even as we seek the dismantling of those other barriers—political, social, and ideological—that have stood in the way of a freer exchange of people and ideas, as well as of goods and technology.

Our goal is an open world. Trade is one of the doors to that open world. Its continued expansion requires that others move with us and that we achieve reciprocity in fact as well as in spirit.

Earlier, the President had expressed similar sentiments.

In "A Report to the Congress" on "U.S. Foreign Policy for the 1970's: A New Strategy for Peace," President Nixon devoted a section to "Trade Policy," in which he stated:

Freer trade among all nations provides greater economic benefits for each nation. It minimizes potential political frictions as well. These conclusions are truer today than ever before, as the growing interdependence of the world economy creates new opportunities for productive exchange.

But growing interdependence also means greater reliance by each nation on all other nations. Each is increasingly exposed to its trading partners. In today's world, all major countries must pursue freer trade if each country is to do so. The principle of true reciprocity must lie at the heart of trade policy—as it lies at the heart of all foreign policy.

In these hearings thus far, the Special Representative for Trade Negotiations and the Secretaries of Commerce, State, Labor, and Agriculture have all repeated these pronouncements of official U.S. freer-trade policy.

Despite these protestations for freer trade, however, beginning with a press conference in February 1969, the President described textile imports as a "special problem" and stated that the United States would soon initiate discussions with the leading textile exporting countries with the view of developing a system of voluntary export restraints on wool and manmade textiles to be shipped to this particular marketplace.

The Stans missions were the result of the President's intentions.

It is this fundamental contradiction in official U.S. trade policy that disturbs the Japanese, as we see it.

The United States insists upon a freer trade policy, claiming that it understands the benefits of such a policy and the danger of protectionism, and calls upon Japan, and others, to dismantle their nontariff barriers. The many import and capital-investment restrictions imposed by the Japanese are constantly publicized by Americans, and demands are made that Japan liberalize both its import and investment opportunities for Americans.

At the same time, the United States persists in asking that it be allowed to build an impressively effective nontariff barrier of its own and that Japan voluntarily accept that proposition in such a way that Japan's own exports are drastically curbed without being able to resort to the internationally prescribed penalty of retaliation.

George Ball, former Under Secretary of State, who helped negotiate in the first phase with the initial negotiations with Japan, and now a senior partner in Lehman Bros., alluded to this same inconsistency in U.S. trade policy as "schizophrenic" when he addressed the Sales Executives Club in New York City only last Friday, May 15.

The former diplomat and now international lawyer declared:

Recent Administration pressures on Japan for such opposite purposes must seem to the Japanese contradictory and confusing. . . . We have pushed simultaneously both for greater Japanese acceptance of our goods and for what we euphemistically call 'voluntary agreements' on Japan's part. In fact, the pressures that our own government have recently brought on the Japanese government and Japanese industry have been directed with far more vigor toward trying to persuade the Japanese to limit certain of their exports to us rather than to open their markets to our goods and investment. That our efforts should be directed toward liberalization than further restrictions seems to me beyond question.

Mr. Ball, who has spent considerable time in Japan, although he is considered more of a European expert, stressed the need for an American-Japanese economic partnership. The mutually baffling differences between the two business systems and traditions, he asserted, could be bridged through joint ventures in multi-national corporations, saying:

The multi-national corporation may prove a valuable instrument to set the pace of progress. Almost certainly, as our great enterprises become increasingly de-nationalized, they will evolve into entities where Japanese and Americans, British, French, Germans, and other businessmen can work together within a common institutional framework for a common purpose.

Another facet of America's contradictory and confusing trade policy relates to the industrially underdeveloped countries. The official policy line is that there should be tariff preferences by the industrially developed nations for the less developed countries. But the United States exempts textiles, which historically are the first export industry to be developed by these new nations, from the advantages of reduced tariff rates. And, added to this trade handicap, the United States plans import-quota barriers to absolutely prevent these same textiles from entering in quantities beyond certain arbitrary category and item ceilings.

So the Japanese ask: What do Americans want—restricted trade or expanded trade?

QUESTION OF IMPORT INJURY

Aside from contradictory trade practices, we believe that the Japanese are seriously troubled with a basic principle of freer trade, that unless there is serious injury from the impact of imports, no import relief is justified. The Japanese see this fundamental tenet in both the governing international agreement and United States law relating to trade and commerce.

The multilateral proviso is article XIX, providing for "emergency action on imports of particular products," of the General Agreement on Tariffs and Trade (GATT). Paragraph 1(a) specifies:

If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

Consultation with the contracting parties with "a substantial interest as exporters" is provided, including in "critical circumstances," with alternative action prescribed in cases the interested parties are unable to reach agreement concerning the problem.

In United States law, the so-called escape-clause procedure is available to determine whether "increased imports shall be considered to cause, or threaten to cause, serious injury to the domestic industry concerned." Under title III, tariff adjustment and other adjustment assistance, section 301, subsections (3) (b) (3), of the Trade Expansion Act of 1962 (TEA), the Tariff Commission is the investigative agency, and increased imports have to be the "major factor" in causing, or threatening to cause, serious injury to the domestic industry involved.

Inasmuch as these international and internal procedures exist for the determination of import injury, the Japanese cannot understand why the United States does not (1) require the American textile complex to demonstrate the necessary injury to justify escape-clause remedies or does not (2) undertake to consult with the major textile exporting countries under the appropriate article of GATT.

We are aware that there are criticisms of both procedures, especially of the escape-clause recourse. This latter is condemned as ineffective in protecting American-industry interests, that it is not responsive to the new trading patterns and practices of foreign exporters, et cetera. If the charges are correct, it would seem that the escape-clause formula itself should be changed, as the Administration's proposed Trade Act suggests, in order that all imports from all countries may be treated uniformly, equally, and consistently.

Particularly because the President has designated textiles, and only textiles, as a special case that should be considered outside the framework of the general freer-trade policy enunciated on behalf of his Administration, the Japanese have the feeling that it is more important than ever that the principle of import injury be insisted upon as a condition precedent to any agreement or arrangement that violates this accepted axiom.

The Japanese are fearful that should they—for any reason—waive this principle of import injury, other American industries—many with perhaps a better claim to economic justification for import relief than textiles—will be in a logical and persuasive position to demand equal restrictions for their product lines. In other words, the Japanese believe that far more than just textiles are at issue, that the whole gamut of Japanese exports to the United States may be subject to voluntary export restraints if under these circumstances wool and man-made textile exports to this country are voluntarily limited.

Although they may seem to be presumptuous in this respect, the Japanese also feel that without fidelity to the import-injury principle, the entire fabric of freer trade within the community of nations will be destroyed. Indeed, they emphasize that the United States in requesting that the Japanese liberalize its import and investment opportunities stresses its judgment that such liberalization will not seriously injure either the competitive industries involved or the Japanese economy as a whole.

Pursuant to their adherence to the principle of import injury, the Japanese have asked the Nixon administration time and time again for proof or evidence of serious injury being caused, or threatened, by textile imports in general and by Japanese textile imports in particular.

We understand that the Japanese are far from satisfied with the documentation thus far provided by the administration, and this adds to their problem of trying to develop a mutually attractive and profitable program with the United States.

Mr. Chairman, we suggest that all of the imports from Japan and all of the imports from the rest of the world, if placed in the proper perspective, would show that less than 9 percent of American consumption is used up in imports.

They say that the American submissions are pro forma, that much of the information presented has been in the form of percentage increases in textile imports, which are not challenged to begin with. The Japanese wonder if it is not better for the United States that imports increase while American industry prospers, than to have a decrease in imports in a declining domestic textile situation.

As for the allegedly voluminous documentation submitted late last year, they dismiss it as being simple data not always geared to specific imports. They add that too many of the tabulations are in terms of indexes and ratios, with little or nothing on production, profits, efficiency, productivity, management, et cetera. They point out the failure to show the casual connection between imports and the alleged plight of the industry, or of the specific manufacturing sectors, involved.

In a sentence, the Japanese claim that even under the most liberalized criteria proposed for the modification of the escape clause in any of the many bills pending in this Congress, what the United States has thus far offered would not be nearly sufficient for any showing of serious injury to the domestic textile complex producing wool and many-made fiber textiles.

Moreover, the Japanese say that it is improbable that any of the signatory GATT nations would accept the material presented by the United States to justify its request for voluntary export restraints.

In any event, by coincidence or deliberate intent, as far as we can recall, none of the administration spokesmen testifying at these hearings have mentioned the word "injury" in describing the status of the American textile industry. They have talked about "disruption," and they have talked about "import impact." But they have avoided reference to any claim of import injury in explaining their plea for voluntary export restraints by other textile-producing states.

Now we come to the fact that the Japanese said they asked for proof of injury. And they say that without doubt there is no proof of injury which can be shown on a comprehensive basis.

There seems to be some misunderstanding, and perhaps there is a difficulty in understanding the Japanese and their ways, or the difficulty of the Japanese in understanding America and her ways, about what Mr. Stans and Mr. Ohira—Mr. Ohira was the Minister of International Trade and Industry—said when they met to discuss these export restraints in Tokyo the first time. Since we were not present, this is hearsay.

Mr. Stans went to Japan the first time and suggested a multilateral restraint program. The Minister objected. Therefore, Mr. Stans apparently more or less assumed that Japan preferred the bilateral to the multilateral approach, when the fact of the matter is the Japanese opposed both the multilateral and the bilateral until some showing of injury could be shown.

Therefore, the Japanese were speaking of one matter, and Mr. Stans on behalf of the United States was speaking of another.

Be that as it may, the Japanese in insisting upon a showing of import injury point out that the American industry is doing better than it ever has done before, that it has just enjoyed a golden decade of higher production and higher profits, with a future that is exceedingly optimistic and bright.

ISSUE OF COMPREHENSIVE QUOTAS

The United States has asked for the voluntary imposition of comprehensive quantitative export quotas, across-the-board, through all stages of manufacture and including all categories, on all wool and manmade-fiber textiles by the major exporting countries.

As far as we have been able to ascertain thus far, no nation—Japan included—has agreed to such a broad and all-inclusive request, despite all the pressures that the mightiest nation on earth could muster against the several major supplier countries. The unanimity of this judgment among the concerned parties would seem to indicate that the American proposal for comprehensive restraints is not justified.

Statistics from the Office of Textiles, Department of Commerce, bear out this consensus.

Last year, 1969, for instance, when textile imports reached an all-time high insofar as the United States was concerned, the total of all textiles from all foreign sources, by weight accounted for only 8.5 percent of the total textile consumption of the country. Apparent consumption amounted to 10,092 million pounds, with imports amounting to only 888 million pounds.

In dollar terms, all textile imports last year were worth $1,944,800,000, as against total domestic textile sales of $44,500 million, or about 4 percent.

Broken down into fiber groups, wool textile imports, including apparel, accounted for 25 percent of total wool-textile consumption; cotton, including wearing attire, accounted for 11.7 percent of total cotton-textile consumption; and manmade-fiber textiles, including clothing, accounted for 5.5 percent of total synthetic fiber consumption. In actual volume, however, wool textiles were the lighest, with cotton textiles next, and chemical-fiber textiles being the heaviest. Apparent wool-textile consumption was 415 million pounds, with imports amounting to 105 million pounds. Apparent cotton consumption was 4,185 million pounds, with imports amounting to 491 million pounds. Apparent manmade fiber-textile consumption was 5,492 million pounds, with imports amounting to 292 million pounds.

Inasmuch as cotton-textile imports are curbed and controlled by the LTA, and inasmuch as wool textile imports account for a relatively minor portion of textile consumption, it can hardly be argued that manmade fiber textiles are so excessive when they amount to less than 6 percent of total synthetic fiber consumption in the United States.

If the import share of all textile shipments accounts for only 8.5 percent of just the American consumption of textiles for a year, one can hardly claim that a comprehensive restrictive program covering all textiles is warranted. And if chemical fiber textiles are the only products to be considered, the percentage in terms of total textile consumption would be considerably less. In dollar value, all manmade fiber textiles, including apparel, imported into the United States last year would be only about 3 percent of the dollar volume of American synthetic textile consumption.

The Japanese are aware that if the percentage of textile imports compared to total U.S. textile consumption requires comprehensive export limitations, then many other Japanese export product lines would qualify for such restrictions.

TARIFF COMMISSION REPORT ON INDUSTRY STATUS

Not only is the import share of textiles relatively small, but the domestic giant American textile complex has enjoyed its most productive and profitable decade in history. And the consensus, including most textile industry leaders, is that this unprecedented 10-year growth and profits were accomplished in a time when a record quantity of imports were entering the marketplace, and paper, plastics, glass, metal, and wood were making huge inroads into personal and industrial consumption areas which were supplied almost exclusively by textiles only a few years ago.

In this connection, we would like to refer to the January 1968 report to the President on textiles and apparel conducted by the Tariff Commission, pursuant to a request in which the President was joined by the chairman of the House Ways and Means Committee for a comprehensive investigation of the economic condition of the U.S. textile and apparel industries, especially the present and prospective impact of imports upon these industries, based upon basic economic data concerning imports, tariffs, production, sales, investment, employment, prices, and profits, as well as other relevant factors, and that special attention be paid to the impact of imports upon manmade fiber textiles, wool textiles, and cotton textiles, taken separately, as well as collectively, and to the question of interfiber competition.

What the Tariff Commission reported 2 years ago remains essentially the same today. And since the Tariff Commission is an independent, impartial factfinding agency, with a staff of experts and decades of experience, we submit that its findings and conclusions should be given credence and respect.

Incidentally, the Japanese place much reliance on this official document.

The Tariff Commission, in a two-volume report, after public hearings at which the various interested parties, representing both the American textile industry and the importers, were heard and staff investigations held, found:

Accompanying these significant changes in the production and marketing of the textile and apparel industries (since the early 1950s), the domestic producers have, by most broad measures, enjoyed a period of unparalleled growth since the early 1960s.

The footnote reported:

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 was 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 49 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.

It is interesting, again, to point out, Mr. Chairman, that the American textile industry has two faces. It has one face when it comes to the Government and asks for relief. It has strictly another face when it goes to Wall Street and tries to sell its portfolios of stocks.

OTHER INDUSTRY EVALUATIONS

According to the latest Standard & Poor's Industry Survey of Textiles and Apparel, March 5, 1970:

Textile mills may now be passing through a cyclical low point in earnings. The stock-price index for the group reached a peak in late 1968, along with profit margins. . . . Although lower earnings are indicated this year as a result of unfavorable first-half comparisons, a better trend seems likely to develop during the final half based on prospects for recovery in economic activity.

The Survey's "Current Analysis and Outlook" predicts:

Textile production, as measured by the FRB index, is expected to remain below that of a year ago over the near term. While further reduction in the recent operating rate of 82 percent may be small, increased utilization of plant is unlikely until late in the year.

Sales of mill products are likely to continue downward over the near term, extending the easier trend that developed during 1969. Aided by projected firming of demand and prices later this year, little change in total 1970 sales appears in prospect. Apparel sales, which scored a good gain in 1969, may reach a new peak in 1970.

Mill earnings apparently declined around 8 percent in 1969 as a result of unfavorable final-half comparisons. Curtailed operating rates, higher wages, and unsatisfactory prices will keep profits below a year ago at least through the first half of 1970. A better trend should develop thereafter, but lower full-year net appears likely. Among apparel manufacturers, results will continue to vary widely.

The May 15, 1970, issue of Fortune provides some interesting data concerning textiles and apparels.

Twenty-six textile and apparel companies rank among the 500 largest American corporations this year, one less than the number last year, although in most cases the ranking of these companies were one or two longer than in 1969. This is about twice the number 10 years ago, however.

At the same time, however, the industry median for changes in sales developed by Fortune showed that apparels increased 21.8 percent in sales, second only to tobacco, while textiles increased 10.2 percent, which was more percentagewise than appliances and electronics, food and beverages, petroleum refining, motor vehicles and parts, rubber, chemicals, and aircraft and parts.

While changes in profits showed an increase of 12.8 percent for apparel, textiles as such showed a decrease of 1.9 percent. The percentage increase for apparels was higher than for shipbuilding, railroad equipment, and mobile homes, pharmaceuticals, food and beverages, farm and industrial machinery, metal products, glass, cement, gypsum and concrete, chemicals, tobacco, motor vehicles and parts, metal manufacturing, soaps and cosmetics, and petroleum refining. Although textiles showed a slight decline, rubber, mining, aircraft and parts, and publishing and printing suffered considerably more. For instance, rubber declined by 11.6 percent.

As for return on sales, apparel declined 0.3 percent from 1968 to 1969, while textiles declined 0.1 percent in this same period. The average for all industries declined 0.2 percent. On return on invested capital, apparels showed 11.9 percent and textiles 7.9 percent. Apparels enjoyed a 7.4-percent return on total capital, while textiles had a 6-percent return. On sales per dollar of invested capital, apparels were fourth, with $3.30 worth of sales per dollar of invested capital, and textiles were eighth, with $2.66 worth, out of 22 major industries. Both apparel and textiles were above the average for all industries, which was $2.41.

This Fortune data is interesting because it shows that apparels are in a better economic condition than textiles as such and that, while both apparels and textiles do not rank among the most profitable of American industries, they are no longer considered at the bottom.

McGraw-Hill's Textile World for January 1970 features economic forecasts. According to the long-range predictions, textile mill activity will increase 52 percent in this decade, textile sales in 1980 will be up 65 percent over the 1970 volume level, and capital investment for new plant and equipment will climb 116 percent in 10 years time.

This textile trade publication describes the look of 1970 in these paragraphs:

> Textile-manufacturing activity will continue to grow, but at a slower page than in previous years. This is due primarily to a waning of consumer spending. After a sharp rise in 1969 to a peak of 180, TW's exclusive "Index of Textile Manufacturing Activity" will hit a moderate peak of 183 in 1970. This is attributed, in part, to the high cost of living, taxes, and tight credit.
>
> The slowdown in the rate of growth of the TW index also is attributed to a faster increase in hourly earnings over productivity. This relationship has prevailed since the first quarter of 1968.
>
> Operating rate. With only a slight rise seen in manufacturing activity, the outlook for textile mills' operating rate of 1970 is only for a level of 89 percent. This is a slight gain from last year's 88 percent, but doesn't approach 1968's mark of 91 percent.
>
> Profits and textile shipments. Earnings for the textile industry should rebound a little from their disappointing showing in 1969. Estimates for after-tax profits for 1970 are $638 million, compared to $600 million in 1969.
>
> The chief reasons for the profit weakness last year were increasing imports, higher costs and taxes, the tightness of credit, and the difficulty of raising prices.
>
> Textile shipments will rise to $22.6 billion in 1970. This is a healthy $1.5-billion gain over 1969, when tapering expenditures for Vietnam and slower consumer spending brought a decrease of $300 million from 1968.

While a tabulation indicates that total imports of textiles increased by 16.3 percent in 1969 over 1968, exports also increased by 2.9 percent, according to McGraw-Hill.

Not only the textile industry, including clothing, enjoyed its golden decade in terms of production, profits, innovations, et cetera, it also has a most promising future. This is the prediction of John Figh, technical director for textiles of the Chase Manhattan Bank. He foresees textile sales growing from the present $21 billion a year at the mill level to a $30 billion business in the next 5 years.

The increase will be in line with the expected 50-percent increase in personal consumption expenditures and at a faster rate than the projected growth of the gross national product, the total of goods and services produced.

In enumerating the improvements expected by textiles in 1975, the banker-economist included a faster rate for yardspinning and weaving and knitting of cloth. There will be much greater use of automation in all steps of fabric production, estimated to increase by 25 percent, and knitting machines will be more flexible and will be capable of producing improved quality fabric with many more style variations.

There is talk too of a computer-controlled knitting machine that will permit almost immediate changes of pattern. Improvement in finishing textile fabrics was also predicted, as was the greater use of mixes and blends of not only manmade fibers but also natural fibers.

Fewer companies will account for a larger portion of the industry's operations, according to Mr. Figh, which would follow the general trend toward mergers, consolidations, and conglomerates, as well as to multinational operations. Currently, the 25 largest textile companies account for about 40 percent of the textile mill product sales, whereas in 1975 they are expected to account for 60–75 percent of the sales.

As the Japanese, and other foreign producers, view with envy the sales and profits of the American industry—from textile sales of $13.4 billion and apparel sales of $12.3 billion in 1961 to $21.8 and $22.7 billion in 1969, respectively, and from textile industry profits of $589 million and garment industry profits of $331 million in 1961 to $1.2 billion and $953 million in 1969—they can hardly be faulted if they cannot understand what justification the Nixon administration has for demanding comprehensive export quotas.

If the American industry could find a guaranteed annual market at a certain level with a certain small annual incerase, they would have complete monoply after imports reached their particular ceiling.

Under that kind of protection, Mr. Chairman, the inefficient, the poorly managed, the badly financed firms would be able to continue. We don't think that the American taxpayer and the American consumer should be forced to pay the price for that kind of guaranteed market.

SELECTIVE INJURY ACCEPTANCE

While the Japanese, and others, contrast the huge industry totals with the minuscule import quantities and reject the argument that total, across-the-board export restrictions are needed, they are realistic and honest enough to acknowledge that there may be specific textile and apparel items that may be causing, or threatening, serious injury to a particular segment of the giant American textile complex. They appreciate the possibilities that there may be some sectors of the domestic industry that produce certain merchandise that are particularly sensitive and vulnerable to import competition.

Why should noncompetitive goods be placed under a ceiling? Why should haramaki, something you wind around your stomach, which is made in Japan, out of cotton, has a relatively small market in the United States, be included in the cotton quota? And why should this be charged against the Japanese exports to the United States?

Mr. Chairman, you could go through a rather lengthy listing of these various items and discover that for many apparel products, as well as for fabric products, the Japanese are not competitive at all.

Therefore, the Japanese, in asking for a selective approach, I think, are doing exactly what America itself would like to have done when they go overseas, that is speaking of export products.

We must remember that we must look at this particular problem not in the context of textiles alone, for if we do, other products which will also suffer may be ignored, and to our peril.

The Tariff Commission more than a decade ago, in response to Resolution 236 of the 85th Congress, summed up this fundamental fact of textile operations in advising the Senate Finance Committee:

> 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 manufacturers 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.

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

When the Commission reached its inevitable and inescapable economic conclusion in 1957, the American textile industry was experiencing its post-Korean war depression, when production was down, profits low, exports declining, imports increasing, unemployment threatening, investment funds scarce, and innovations few.

Today, the United States textile industry is regaining the momentum of its golden decade, with record production, profits, et cetera, and such development as wash-and-dry, durable-press, nonwoven, soil-resistant, stretch, bonded fabrics, et ceteras, pointing to a promising future.

The total textile operation is a sound and productive one, and what impact specific textile imports may have will be to individual products or minute sectors of the massive industry. In other words, import impact is selective, and not general and comprehensive.

1968 TARIFF COMMISSION IMPORT CONCLUSIONS

Though couched in different words, the Tariff Commission reached essentially the same conclusions in January 1968 as did the Commission some 10 years earlier.

As the Tariff Commission reported in mid-January of 2 years ago:

> 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.* (Italic 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 yard 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 large, 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 of products which are of low price and are marketed principally in retail outlets which promote and sell these products mainly on the basis of price. And 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, multi-product 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.

SELECTIVE IMPACT OF JAPANESE TEXTILES

In insisting upon comprehensive consideration of textile limitations, the United States seems to be operating under a misapprehension, and that is that all of the textile-producing nations are able to spin, weave, and fabricate every type of piece goods and made-up articles and to export them without any difficulty to this country.

This is far from fact. And even Japan, which has about as sophisticated and advanced a textile industry as any in the world is limited by competitive and economic considerations beyond its control in exporting to this particular marketplace.

About a third of all Japanese textiles shipped to the United States is restricted and restrained by the LTA. The rest—wool, manmade fiber, silk, and combination fibers—may be subject to export to this country only if certain conditions and factors are present.

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, leadtime, 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 differences, confusing 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 of experience selling Japanese fabrics testified to the Tariff Commission in November 1967 in hearings on textiles and apparel that, even if all the different constructions of cloth woven in the United States were available in Japan, only about 5 to 8 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, mandmade; 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" concerning the merchandise he could import from Japan, much depending on the status of U.S. 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 mechandise. 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—or even Fords—Datsuns, Toyopets, Volkswagens, and other imported minicars may be part of the answer. He explained further that many people still cannot afford "to eat cake, so I provide them with bread."

Mr. Chairman, you and I have been looking for white cotton shirts. One reason we have difficulty in finding them is because American industry in upgrading their lines of shirts have brought in polyester—cotton mixtures, and so on. Instead of giving us this good Arkansas or other type of cotton shirt, they give us something they call wash and dry. Maybe it is good for the ladies. But for people like me, I still prefer the good American—in fact, Arkansas—cotton shirt.

The CHAIRMAN. I would like to associate myself with your statement.

Mr. MASAOKA. The harsh economics of international trade restricts substantial Japanese textile exports largely to two major categories of textile goods—labor-intense items and occasionally exportable 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 American 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.

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, kimonos, et cetera. Others simply are not produced in the United States for one reason or another—such as shell sweaters, lightweight habutae silk, and certain rayon-filament fabric.

Certain Japanese goods cater to different trades or markets than their U.S. duplicates—such as table damask. The Japanese import is for gift purposes, and the American is for institutional uses.

Lightweight Japanese handprinted, multicolored fabrics are not copied in the United States, though some imported dyed cloth is used for linings. The American competition is used for dresses.

Multicolored screen printing by the Japanese can run into 18 screens at times, while the usual maximum U.S. competition is about eight screens.

Certain Japanese apparel and household wares are brought in to replace price and merchandise lines that were voluntarily dropped by U.S. industry in its bid to upgrade their 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, et cetera.

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 that began a few years ago. Once domestic production is geared for such specialized output, Japanese imports fell off sharply—80 percent 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 reexported to third countries, usually in Latin America—such as spun-yarn fabrics, nylon sheers, et cetera.

Certain Japanese imports are entered after licensing by and the payment of royalties to U.S. companies, as for certain manmade-fiber piece and made-up goods—using such materials 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 manmade-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.

Although silk is not grown in the United States commercially and although Japanese raw silk and silk fabrics at one time were a big moneymaker for the Japanese, currently they are of relatively minor significance in the American textile marketplace. Although this imported lightweight Japanese silk cloth, for example, was not comparable to heavier American-woven silk fabrics, the development of nylon and other synthetic substitutes for silk, plus the high cost of raw silk in Japan, have contributed to the present depressed condition of the U.S. silk trade with Japan. So silk, once the major export from Japan in dollar value, has become a casualty of high prices and the discovery of synthetic silk substitutes.

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

The Japanese tend toward more labor-intense merchandise, while especially in piece goods the U.S. production is concentrated on long runs and standard patterns. In apparel and made-up goods, however, the reverse tends to be true, with the Japanese favoring standard exports and the United States favoring fashion and fad items.

Mr. Chairman, as you know from cotton, a fashion can mean the change of millions of bales of cotton. For example, when the girls were wearing long-length skirts, it was one thing. Then when it went to mini, more than a million bales of cotton were lost in that simple fashion change.

Therefore, perhaps someone ought to worry about reversing that fashion trend in ladies' dresses, and we might be able to get rid of some of our surplus fabrics.

Knowing that there can be only selective import injury, and not an industrywide one caused by increased imports, and knowing that a substantial portion of their wool and fabric imports and a significant percentage of their apparel and other made-up goods are not meaningfully competitive with the American-made product, the Japanese, we believe, are prepared to consider voluntary restraints on selective merchandise if and when serious import injury can be established for these individual textile articles on the same basis as for other import-sensitive goods.

MULTILATERAL APPROACH PLEA

If selected wool and manmade fiber-textile imports are shown to be suffering serious injury, or threatened with such injury, we believe that the Japanese would prefer a multilateral to a bilateral arrangement to control the designated items.

As they see it, textiles is not an industry confined to a few nations but is a worldwide complex, with countries in all stages of industrial development involved to a greater or lesser degree in the international trade in textiles. Thus, it would be unfair to other textile exporting countries for Japan, or any other American supplier, to agree unilaterally or bilaterally to any restraint measures and levels to which, subsequently, other countries may become voluntary or involuntary participants.

According to a Department of Commerce report for December 1969, 36 countries shipped textiles to the United States—10 countries in the Western Hemisphere, 10 in the Far East, 14 in Europe, and one in the Middle East, and one in Africa. Almost half—46 percent—came in from the LDC's, mostly in Asia, with 25 percent from Western Europe and 26 percent from Japan.

Among Asian suppliers aside from Japan are countries which border on Red China and are considered as allies in the joint effort to "contain" Asian communism. These countries include South Korea, Taiwan (Nationalist China), the Philippines, Malaysia, Singapore, Hong Kong, India, and Pakistan. For each of these countries, this textile trade is vitally important, and in some it is essential to their economic stability. The problem is more acute now than before because American foreign aid to these nations is shrinking to the lowest levels in 20 years.

Two nations on the so-called "Asian danger list"—South Korea and Taiwan—and Japan are often cited by American officials as showplace countries that have demonstrated "what non-Communist Asian countries can achieve economically in contrast to Mainland China and other Communist-dominated countries."

At this point I must speak to one of the questions asked by a member of your committee to a witness earlier. That relates to so-called American military troops being based in Japan.

The suggestion was made that perhaps there ought to be an excise tax or some kind of special recovery tax on Japanese exports in the United States to help pay for the American military presence in Japan.

The CHAIRMAN. Would it disturb you if we interrupted you in the middle of your statement and asked you to suspend until we can get back? We have a vote on final passage of a bill. It will be just a few minutes, if you will remain here.

(Brief recess.)

The CHAIRMAN. The committee will be in order.

You may proceed, sir.

Mr. MASAOKA. Mr. Chairman, I alluded to the question regarding the placement of American military presence in Japan. This is not done just for the protection of Japan. America also has a vital stake in this.

If it were not so, America, for example, would not have insisted upon the right to retain troops on Okinawa and would have allowed it to go back to Japan without such insistence. This is a part of the overall security of the United States as well as of Japan that these troops are maintained there.

I think that Japan, with her great industrial potential, is a mighty ally of the United States. And, having fought in one war, they now know the importance of allies. I think it is important that we have Japan as an ally of the Americans in the Far East.

Certainly, if Japan, with the tremendous know-how and productive capacity, ever teamed up with Red China in a threat to the United States, our situation would be very tragic and precarious.

Therefore, I feel that what we are doing in Japan is also a part of our own security program.

South Korea, for example, ships us $105 million in textile products, which represents about a sixth of all cotton, wool, and man-made-fiber textiles imported last year from the other developing nations in Asia, Latin America, and a few other areas, but only about one-fourth of 1 percent of total annual American textile consumption. Though small by United States standards, this amount helps the Republic of Korea to not only maintain its troops to prevent a Communist invasion of its territory but also to provide some infantry support in South Vietnam.

The worldwide character and impact of the textile complex is such that the Japanese believe that only an international or multilateral solution to the import problems of the United States is reasonable, justifiable, and equitable.

POLITICAL NATURE OF TEXTILE DEMAND

No matter how it is explained in terms of economics and commerce, the Japanese believe that politics, more than trade, is responsible for the Nixon administration's vigorous advocacy of voluntary export quotas on wool and man-made-fiber textiles.

They recall that then-Candidate Nixon promised textile import curbs to the industry during the presidential campaign of 1968. They remember, too, that from time to time in communications to various textile trade associations since he assumed the Presidency, as Chief Executive he has pledged to redeem his campaign promise in this regard. They note that many political observers have commented on the political implications of this textile problem, with special reference to the so-called "Southern Strategy" of the President.

About the time the President first sent Commerce Secretary Stans on his trip to Western Europe and the Far East on behalf of voluntary export restraints on textiles, the Washington Post (Feb. 13, 1969) observed editorially:

Doubtless there is, as he (the President) put it, a "special problem" on these textiles. But quite likely that problem is not economic—sales and profits in the (textile and apparel) industries concerned are rising—but a political problem centering on a campaign debt to the South.

A few days later, the New York Times (Feb. 17, 1969) explained editorially:

The chief reason that the textile industry is a special case is that, for the moment, it seems to be the one that has found Presidential favor.

As recently as last week, Congressman John Byrnes of this committee noted that industries with "political clout" were able to persuade the Executive to use its discretion to urge voluntary export quotas. He wondered whether it would not be fairer to establish some permanent guidelines in law that would require the President, not on the basis of "political clout" but on the basis of established rules and regulations, to initiate international discussions with the view of securing voluntary quotas on import sensitive industries. As he saw it, such industries as steel and textiles, among others, had the political power to secure administration aid in seeking voluntary export restraints, while some other industries, perhaps with even more cause and justification for similar protection, are left to their own resources in this area of import limitations.

Probably because the Japanese textile industry appreciates the political organization developed by its United States counterpart industry, its leaders have not only organized themselves into the National Textile Federation, but have organized a special parliamentary committee, headed by a former Minister of International Trade and Industry, to represent its interests in the Diet and with the Government. The textile labor unions, too, have organized to oppose governmental accession to any voluntary export-restraint program proposed by the United States.

The Japanese textile industry feels so strongly about the correctness of its position that for the first time since the end of World War II an industry has confronted the Government and steadfastly refused to cooperate in any effort to agree to voluntary, bilateral, comprehensive export curbs on textiles destined for the American marketplace. In fact, its textile committee in the Diet passed a resolution rejecting any proposal advanced by the United States that would cause Japan to accept such trade restrictions.

If we understand the Japanese attitude, it is that the Japanese textile industry should not be used to redeem the political pledge of a foreign political leader. For if this is done in the instance of textiles, then other American industries with more persuasive cases of import injury than textiles will seek the political route to import restrictions, rather than those provided by statute. And in the long run, world trade and commerce would become a political football, rather than an economic factor, to the detriment of all, including especially the United States as the world's leading commercial power.

SAD JAPANESE EXPERIENCES WITH LTA, ET CETERA

Probably the single most persuasive reason for the unfavorable Japanese reaction to American proposals for voluntary, bilateral, comprehensive wool, and man-made-fiber textile export-quota programs is their sad and unfortunate experiences with various cotton textile export-control systems voluntarily undertaken by the Japanese at the insistence of the American Government and industry.

Although most references to such protective devices are now in terms of the LTA, the Japanese experience with these voluntary bilateral agreement goes back almost 15 years, to 1956, when the Japanese first agreed to impose voluntary export restrictions.

At that time the Japanese cotton-textile industry voluntarily imposed export limitations on fabrics to the United States of 150 million square yards, with specific breakdowns of 70 million square yards for ginghams, 20 million for print cloth, and 5 million for velveteen, together with a ceiling of 1,500,000 dozen blouses.

This particular voluntary action was taken as a goodwill gesture, even though it meant considerable economic and financial sacrifice on the part of the Japanese cotton-textile industry. This spirit was not reciprocated by the American industry, however, which cited the voluntary agreement as vindication of their claims about "cheap" Japanese textiles.

The next year the United States insisted that, because a precedent had now been established, the Japanese should extend its voluntary export program to include an overall, category-by-category control system on all cotton textiles destined for the American market. Again, Japan acquiesced, though more reluctantly, to further Japanese-American relations.

All cotton cloth was placed in group 1, with its one-year earlier total of 150 million square yards cut to 113 million. Within this category, ginghams were reduced from 70 million to 35 million square yards, and velveteens from 5 million to 2½ million square yards. Made-up goods limitations, which had been restricted only to blouses a year earlier, were extended to include all items, whether manufactured in the United States or not, broken down into groups or categories, each with their own ceilings.

Group 2, to include "made-up goods usually included in U.S. cotton-broadwoven-goods production," was allocated the equivalent of 30 million square yards.

Group 3, to include all "woven apparel," was provided the equivalent of 71 million square yards.

Group 4, to include all "knit goods," was given the equivalent of 12 million square yards.

Group 5, to include a catch-all "miscellaneous cotton textiles," was assigned the equivalent of 9 million square yards. The overall quota ceiling, for all piece goods and all made-up goods, was the equivalent of 235 million square yards.

Japan was pledged to strictly implement these export curbs for 5 years.

Coincidentally, when the voluntary bilateral 5-year export quota program was about to expire in 1961, then-President Kennedy decided to redeem his 1960 presidential campaign promise to the American textile industry. Thus, the short-term and long-term international cotton textile arrangements were negotiated in Geneva under the threat of congressionally legislated import quotas in the event that the major textile producers at the mulilateral conference failed to accept voluntarily the negotiated agreement. By alleging this arrangement was a voluntary one, under the auspices of GATT, the United States was able to avoid retaliation by the exporting countries.

In the short-term arrangement, four major groups (I, II, III, and IV) were established. And although the United States originally proposed 116 separate categories for restraint, based upon the tariff schedules of the United States (TSUS), this was reduced to 64 in the final agreement. These four major groups, divided further into 64 TSUS categories, were automatically extended into the LTA.

Eighteen nations, in addition to the United States, signed the short-term arrangement and the LTA for the 1-year period—beginning October 1, 1961—for the short-term arrangement and for the 5-year period—ending September 30, 1967—for the LTA. These 18 countries were divided into three groups for enforcement purposes. All of the countries in group I, the "Developing Importing Countries," are in Western Europe, except for Canada and the United States. In group II, the "Developing Importing Countries" are Hong Kong, India, Israel, Pakistan, Portugal, Spain, and the United Arab Republic (Egypt). Japan is the only country in group II, the "Developed Exporting Country."

In 1967, with slight modifications, the LTA was extended for another 3 years, to September 30, 1970.

There are now 31 governments participating in the LTA, with 24 bilateral agreements, authorized by the LTA, supplementing the basic multilateral arrangement. Japan worked out a bilateral agreement with the United States under the LTA for the first time in 1963, which, with some minor revisions, still remains in force.

The Japanese industry believes that it has been penalized improperly and unduly for its continued cooperation with the United States, that the informal and formal understanding relating to the LTA have been disregarded by the United States to its own advantage, and that the LTA has demonstrated the economic weaknesses and liabilities of arbitrary and rigid quota ceilings to the loss of the exporting countries, particularly the Japanese since they are among the major suppliers and the first to cooperate in these voluntary export control undertakings.

JAPANESE LOSS EXPERIENCES

When Japan first entered into the voluntary agreement to limit certain selected cotton-textile exports in 1956, Japanese cotton imports enjoyed some 76 percent of America's total cotton-textile import market. Just 5 years later, when the short-term limitations went into effect, that share had been reduced to 18.8 percent. Today it is considerably less.

On the other hand, Hong Kong's share rose from 2 percent to 18 percent in this 5-year period. And many countries which previously had not exported to the United States began to do so as American importers, seeking new sources after Japan's voluntary restraints, helped develop the fabrics and the apparel that met competitive U.S. demand.

Other countries starting with practically nothing have taken over much of the share that Japan surrendered.

But, most effective in restricting Japanese cotton-textile exports were the carefully structured categories and groups, each with their own ceilings and designated individual items with their own ceilings within ceilings.

We have constructed the following tabulation to illustrate the fact that, although annual increases of 5 percent were authorized, Japan has never been able to reach its total ceilings in any of the 13 years of its comprehensive voluntary agreements with the United States, from the 5-year bilateral arrangement to the short-term and LTA.

In 1965, when imports reached almost 100 percent of its quota ceiling, the data included delayed shipments of 1964 caused by the seamen's strike.

Broken down into piece goods and made-up goods, the export performance of the latter far exceeds that of the former, which has been in decline in the past 3 years.

JAPANESE PERFORMANCE RECORD—VOLUNTARY COTTON AGREEMENTS

[In thousand-square-yard equivalents]

Year	Overall quota ceiling	Actual exports	Percent quota filled
1957	235,000	214,971	91.5
1958	235,000	234,403	99.7
1959	247,200	231,184	93.5
1960	247,200	213,297	86.3
1961	254,760	212,286	83.3
1962	275,000	271,395	98.7
1963	287,500	259,815	90.4
1964	296,125	277,221	93.6
1965	310,931	309,242	99.5
1966	326,478	320,483	98.2
1967	355,311	287,637	81.0
1968	373,077	292,589	78.4
1969	391,731	297,679	76.0

In terms of cotton fabrics, or group I, exports amounted to 75.4 percent of the 1957 cotton fabric group quota, to 92.1 percent of 1958, to 90.8 percent of 1959, to 80.8 percent of 1960, to 87.6 percent of 1961, to 97.2 percent of 1962, to 88.2 percent of 1963, to 92.2 percent of 1964, to 100.1 percent of 1965, to 98.9 percent of 1966, to 79 percent of 1967, to 75.3 percent of 1968, and to 71.1 percent of the 1969 group I cotton textile fabric totals.

Demand and fashion trends may be evidenced in velveteens, for example, which from 1957 to 1966 filled 90 percent or more of its individually identified quota, but in 1967 and thereafter dropped to 79 percent, 75.3 percent, and 71.7 percent, respectively. Ginghams, too, showed its popularity for almost the same period, from 1957 to 1966, filling more than 85 percent of its special quota, but dropping to 64.4 percent in 1967, to 54 percent in 1968, and to 36.7 percent in 1969. Handkerchief cloth dropped from 100 percent of its quota in 1963 and 1964 to 83.9 percent in 1965, to 56.3 percent in 1966, to 19.8 percent in 1967, to 8.6 percent in 1968, and to 2.5 percent in 1969.

As mentioned before, the performance of cotton made-up goods was quite favorable compared to cotton piece goods in the 13 years of the voluntary, comprehensive cotton agreements.

In group II, made-up goods usually include in U.S. cotton broadwoven production, which includes pillowcases, dish towels, handkerchiefs, table damask, sheets, and other, the Japanese were able to perform as follows, in percentages of their overall group quota:

1957, 104.6 percent; 1958, 104.8 percent; 1959, 89.9 percent; 1960, 85.9 percent; 1961, 99.7 percent; 1962, 104.1 percent; 1963, 91.9 percent; 1964, 91.3 percent; 1965, 98.7 percent; 1966, 94.4 percent; 1967, 81.8 percent; 1968, 84.7 percent; 1969, 79.4 percent.

In group III, woven apparel, which includes T-shirts, knit shirts, dress shirts, sports shirts, raincoats, other coats, trousers, blouses, dresses, playsuits, nightwear, and others, the Japanese performance record in percentages of their overall group quota is as follows:

1957, 109.1 percent; 1958, 109.4 percent; 1959, 98.6 percent; 1960, 93.5 percent; 1961, 74.5 percent; 1962, 105 percent; 1963, 94.9 percent; 1964, 98.3 percent; 1965, 101.3 percent; 1966, 100.5 percent; 1967, 82.9 percent; 1968, 79.4 percent; 1969, 79.6 percent.

In group IV, knit goods, which includes T-shirts, knit shirts, knit gloves and mittens, zipper tapes, and others, the Japanese performance record percentagewise in relation to the group quota is as follows:

1957, 98.5 percent; 1958, 106.3 percent; 1959, 104 percent; 1960, 101.3 percent; 1961, 63.4 percent; 1962, 68.8 percent; 1963, 60.2 percent; 1964, 68.8 percent; 1965, 70.7 percent; 1966, 78.4 percent; 1967, 80.6 percent; 1968, 81.3 percent; 1969, 75.3 percent.

In group V, miscellaneous cotton textiles, a catchall classification, the Japanese performance record, again percentagewise to the group quota, is as follows:

1957, 101.6 percent; 1958, 93.3 percent; 1959, 81.7 percent; 1960, 73.3 percent; 1961, 81.1 percent; 1962, 83.7 percent.

After 1962, in the LTA, items in this group were shifted into groups II, III, and IV, according to their TSUS.

A summary of the performance record for all Japanese cotton made-up textiles, in percentages of the total quota allocated to all such cotton goods, is as follows:

1957, 106.4 percent; 1958, 106.8 percent; 1959, 95.8 percent; 1960, 90.9 percent; 1961, 79.7 percent; 1962, 100 percent; 1963, 92 percent; 1964, 94.7 percent; 1965, 98.7 percent; 1966, 97.6 percent; 1967, 82.5 percent; 1968, 80.8 percent; 1969, 79.3 percent.

Because a 10-percent shift is allowed in categories, the percentages in certain years are over 100 percent. This overage may also be accounted for in terms of export time from Japan to delivery in this country.

In any event, there is general recognition that Japan has faithfully observed its voluntary comprehensive export quota restraint levels not only as to the overall ceiling but also as to the group and individual product ceilings when such individual items are given separate ceilings.

The yearly shifts in certain individual articles are not reflected in these group percentage statistics.

In group II, for instance, in the last 5 years, 1965–69, cotton pillowcases have been relatively stable, while others dropped from 93.1 percent to 58.3 percent in this half-decade period.

In group III, in this same 5-year period, T-shirts jumped from 50.3 percent in 1965 to 81.7 percent the next year, and then proceeded to drop to 36.4 in 1969. Cotton dress shirts started at 99.8 percent in 1965 but were down to 27.4 percent in 1969. Cotton blouses used up 100 percent of its item quota in 1965. Yet in 1969 it used only 39 percent of its allotted share.

Therefore, the Japanese have found that these quotas are much too rigid and inflexible.

The Japanese felt they were in a straitjacket and couldn't do anything about it.

I wish I could articulate this properly. It is difficult to do this as the Japanese would like it done. But, nevertheless, with some feeling for their position, when the Japanese in 1956 entered into the first 5-year program with just the United States, the Japanese Textile Export Council, was a quasi-government agency.

A quick examination of the fluctuations that have taken place in the several groups and in the several item categories suggest fashion changes, trends toward manmade fiber items, shifts to informal wear, movement toward durable press, development of textile substitutes, et cetera.

But, to the Japanese, this 13-year performance record demonstrates the loss that they sustained because they had to export year after year for more than a decade approximately the same merchandise, even though some lost favor while others gained, and new products could not be accommodated within the structured rigid groups and categories.

They could not experiment or innovate, for they had no spare allowances in the export limitations to attempt new ideas, new fashions, new merchandise. They were forced to continue to produce about the same things year after year, with little chance to raise prices, improve quality, and increase profits. They found themselves locked into sterile situations over which they had no control.

At the same time that they felt that they were in a straightjacket—that is, the LTA—that was voluntarily accepted and worn, the Japanese witnessed other textile-producing nations, and even newcomer countries, many using techniques and procedures developed by them, selling what they considered their products to customers in markets they had initially found, pampered, and developed into lucrative outlets, not only in the United States but elsewhere.

No wonder the Japanese textile industry is frustrated. No wonder its cotton-textile sector is not prepared to agree to another voluntary extension of the LTA when that arrangement expires this coming September 30.

OTHER UNHAPPY CONSEQUENCES

When the United States persuaded the Japanese in 1956 to enter into a voluntary 5-year program to curb cotton-textile exports, the Government-sponsored Japan Textile Export Council declared:

> The present voluntary control measures are based upon the condition that the United States Government would take all feasible steps to solve the problem of discriminatory state textile legislation and to prevent further restrictive action with regard to the importation of Japanese textiles into the United States.

At that time, South Carolina and Alabama had so-called "Japanese Textiles Sold Here" sign laws on their books. But the Federal Government took no action whatsoever, and those signs are still on the statute books in those two Southern jurisdictions. That made it difficult in that period for the Japanese products to be sold.

But the Federal Government, in spite of its pledge to the Japanese Government, has never done anything about it.

Then, in 1959–60, the Secretary of Agriculture recommended to the President and the President, in turn, directed the Tariff Commission to conduct an investigation into the effects of cotton textiles on the cotton-export program of the Nation. And the Department of Agriculture was the principal advocate before the Tariff Commission that cotton-textile imports be curbed. Fortunately, the Commission rejected the Agriculture Secretary's recommendation. But the Japanese cannot forget that it was a Cabinet officer of the United States who instituted restrictive action against already restricted Japanese cotton textiles.

Although cotton typewriter-ribbon cloth was under export restraint, the President approved a Tariff Commission recommendation that tariffs be increased. Then, even though the Netherlands exported more cotton typewriter-ribbon cloth to the United States than Japan, which was already under export curbs, the administration took no action to impose restraints on this Western European country. To the Japanese, this seemed like discriminatory treatment.

And when they were humiliated into accepting a 2.5-million-square-yard ceiling on velveteens, after the United States had approved their original offer to restrain exports to 3.5 million square yards, the Japanese were understandably bitter.

Further, the Japanese hoped that the United States and the American textile industry would reciprocate for Japanese cooperation and sacrifice in this matter of voluntary, comprehensive cotton-textile export quotas at the "annual reviews" by offering Japanese more generous ceilings on popular items, greater flexibility in transferring unused quotas from one category to another, and meaningful assistance in opposing restrictive National, State, and local legislation in the guise of country-of-origin labeling—"Buy America," et cetera.

Their hopes that traditional American magnanimity and "fair play" would reward, not penalize, their cooperative attitude were rebuffed by United States intransigence. In fact, they learned that not cooperation but the lack of such reciprocity often resulted in more sympathetic attention and treatment.

The crowning consequence to the Japanese, however, was when the Kennedy administration, in the furtherance of a political obligation and without regard to previous commitments made to Japan that the United States would not seek further restrictions of Japanese textiles, convened a special meeting in 1961 under the sponsorship of GATT in Geneva and virtually coerced Japan and 17 other nations to accept the LTA.

Japan would not have been at that Geneva conclave had it not received certain assurances from then Under Secretary of State Ball, who was visiting Tokyo in July 1961. The American diplomat assured the Japanese that the goal of the International Textile Conference was to realize more liberal trade policies and practices, that provisional measures would be adopted to establish orderly trade in cotton textiles on a global basis as a step toward gradual expansion of world commerce, and that the Japanese efforts for the voluntary control of cotton exports would be respected. And Japan was promised favorable treatment in order that it might recover its decreased share of the American market that had been lost to Hong Kong and other countries during the period of voluntary Japanese export restraint.

In any event, under United States prodding, Japan agreed to an export-control system for cotton textiles. This time, however, the Japanese were relying not only on American assurances to Japan itself but also to 18 other sovereign nations as to the formal and informal understandings and undertakings of this multilateral arrangement.

Once again, though, Japan was doomed to disappointment.

To begin with, the LTA was to be only a temporary measure, to be effective "during the next few years," while "adjustments" of local industries "that may be required by changes in the pattern of world trade in cotton textiles" may be effected. (Article 1.) The LTA has been in force now for 8 years, the 5 years of its original duration and the 3 years of its extension. And the United States is proposing another continuation this September 30, 1970, for possibly another 3-year term. The LTA is now at least a semipermanent threat to freer trade, and the potential that it will become an established trade practice haunts those who truly believe in trade liberalization and expansion.

Then the LTA, in its preamble, states one of its purposes is "to provide growing opportunities for exports of these (textile) products," and another is "to facilitate economic expansion and promote the development of less-developed countries * * * by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture." (Preamble, pars. 4 and 2.)

Also, the LTA was to be used to eliminate restrictions on the importation of cotton textiles then in force in the signatory countries and to expand the cotton-textile trade. (Article 2.) The Japanese understood this to mean that the United States would help open access to the markets of the European Economic Community and elsewhere, so that whatever Japan lost in its exports to American markets would be more than equalized by these new markets. But the United States failed to carry out this understanding. And the EEC has remained practically a closed region to Japanese textiles.

Moreover, while importing nations such as the United States may request participating countries to restrain disruptive cotton textile imports, the "request shall be accompanied by a detailed, factual statement of the reasons and justification for the request." (Article 3.)

Annex C, "Extract from the Contracting Parties' Decision of November 19, 1960," sets forth the following criteria for market disruption:

> These situations (market disruption) generally contain the following elements in combination:
>
> (i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;

(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
(iii) there is serious damage to domestic producers or threat thereof;
(iv) the price differential referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.
In some situations other elements are also present, and the enumeration above is not therefore intended as an exhaustive definition of market disruption.

As a matter of record, the United States has invoked Article 3 more often and more unsparingly than all of the other 30 signatories combined. The United States has called for more than 275 separate "restraint levels," despite the requirement (Article 3, par. 7) that it be "resorted to sparingly and should be limited to the precise groups or categories of products causing or threatening to cause market disruption."

And, according to the information provided us, the United States has failed to provide the documentation of market disruption required by Article 3. Furthermore, it has proclaimed these "restraint levels" unilaterally, without consultation, and has ignored the proviso of paragraph 6 that it "keep under review the measures taken under this article with a view to their relaxation and elimination as soon as possible."

Of the 16 advanced industrial nations that are signatory to the LTA, 12 have imposed restrictions on Japanese cotton textiles, including the United States, which has concluded bilateral agreements for this purpose with Japan.

Article 4 authorizes bilateral agreements of "mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this arrangement." As previously mentioned, the United States and Japan negotiated a bilateral agreement, which, with extensions, is currently in force, that carefully structures Japanese cotton-textile imports into four major groups and 64 TSUS categories. It is thereby a restrictive arrangement and not an expansive one as contemplated by the LTA.

The LTA is recognized as an exception to the intent and spirit of GATT. (Article 1.) But the United States insists on its continuance, as well as expansion, as if it were part and parcel of the GATT program.

Finally, the LTA specifically states:

They (the signatories) also recognize that since these measures are intended to deal with the special problem of cotton textiles, they are not to be considered as lending themselves to application in other fields. (Article 1.)

Nevertheless, the U.S. industry and Government are currently embarked on an international campaign to establish a program patterned after the LTA for all other textiles not covered by that arrangement, with particular reference to wool and manmade-fiber textiles.

In its specific relationship to Japan, the United States has attempted to take advantage of technicalities in the LTA and its supplementary bilateral agreement as it interprets them.

At one time the United States insisted that such nontextile items as certain dolls, toys, decorative birds, et cetera, be classified as "cotton textiles" since cotton was used at least partially in their manufacture.

The United States too once insisted that such historic "Japan items"—such as kimonos, yukata, juban, haori, wafukukoto, happi, judogi, kendogi, kappogi, momohiko, and sashiko in the "cloth" category—obi, obishime, tabi, koshihimo, erisugata, sodeguchi, and homaekake in the "clothing-accessories" category—and futon, futon cover, zabuton, furoshiki, koinobori, noren, and tenugui in the "household-wares" category—should be included in the overall ceiling for cotton textiles, despite the fact that they are not produced in the United States, are indigenous to Japan, and do not cater to a significant market.

And when certain items needed to be segregated and changed in classification, in the opinion of the United States—such as those involving slacks and blouses, skirts and blouses, pants and shirts, et cetera—the Department of Commerce, which administers the LTA and the bilateral agreements, forced Japan to accept its definitions. Again, new categories have been created by the United States, as distinguishing between "dress" and "dressing gown," et cetera. Differences in data or other information from the American conception have resulted in embarrassing confrontations.

These are among the problems that the Japanese textile industry recalls having with the United States in connection with its voluntary, comprehensive cotton-textile export-restriction programs. And while we as American importers have not been able to articulate them as effectively and as eloquently as the Japanese feel about them, we sincerely believe that they help explain why the Japanese have reacted as they have done to the most recent U.S. proposals for voluntary, comprehensive export controls on wool and manmade fiber textiles.

To some Japanese, these voluntary export restraints are a national disgrace and a humiliation that no self-respecting nation can accept without definite proof of serious injury from individual imports.

They remember too that Japan was the first to be approached by the United States for voluntary cotton-textile export quotas. They cannot forget that what Japan considered to be the best bargain it could secure from the United States proved to be just the starting point for negotiations for other countries. They learned that the first to bargain with the United States often ends up with a less advantageous proposition than a later bargainer.

In response to all this, the United States asks why the Japanese want to treat its requests less expeditiously than it does similar requests from others, pointing out that Japan currently has voluntary export controls on textiles to 11 countries.

The Japanese answer is simple. None of the export-control programs with the 11 nations are comprehensive in scope. Most of them were developed almost 10 years ago, and many were in consideration of Japan's desire to joint GATT. Of the 11 countries involved, with the exception of two nations, the number of items restrained has been reduced drastically since they were first applied. In one case, the quantitative number of restraints has increased slightly, while in the other the number is the same as when they were agreed to. And the United Kingdom has promised to consider eliminating all of its export restraints on Japanese textiles by 1972.

OTHER ASSESSMENTS OF LTA

The Japanese are not the only ones critical of the LTA. There are many non-Japanese who have also criticized and condemned the LTA.

These include such organizations and associations as the Committee for a National Trade Policy, the National Retail Federation, the League of Women Voters, and various farm groups.

They also include such professional economists and educators as Gardner Ackley, former Chairman of the President's Council of Economic Advisors, and such former Government trade specialists as William Roth, the former Special Representative for Trade Negotiations.

They include too such former Members of Congress as former Senator Paul Douglas of Illinois, who has asked, "How long the textile industry, which has been seeking import protection since before the Civil War a hundred years ago, intends to remain an 'infant industry'?"—and former Congressman Thomas Curtis of Missouri, a former senior member of this Ways and Means Committee, who has suggested that the LTA was the "price" that President Kennedy paid the textile industry for its support in his presidential campaign of 1960.

For the purpose of this statement, however, we shall quote only two sources—one a congressional committee and the other the chairman of this committee.

The report of the Joint Congressional Economic Committee on the 1970 Economic Report of the President, released March 26, 1970, calls for the reexamination of the LTA, among other quota restrictions:

All existing statutory quotas and "voluntary" quantitative limitations on imports should be reviewed in terms of the benefits that consumers might derive from abolition or the substitution of less disruptive measures. The limitations on steel, oil, and beef are particularly appropriate for re-consideration in this light. Similarly, the Long-Term Cotton-Textile Agreement should be re-examined to determine the magnitude of savings that consumers might realize from unimpeded imports. The average consumer spends about 10 percent of his income on apparel, and the percentage for lower-income individuals is probably considerably higher. Given the current inflationary environment, failure to seriously re-examine quantitative import limitations must necessarily impair the credibility of any effort to reduce or stabilize prices.

On January 27, 1969, Chairman Wilbur Mills of this committee, in addressing the Annual Meeting of the National Cotton Council in Hot Springs, Ark., had this to say concerning the LTA:

An objective look at the record would indicate that the long-term arrangement on cotton-textile products has not been wholly successful. The arrangement has not resulted in the degree of control of imports that many of us anticipated when President Kennedy announced his seven-point program for the textile industry in 1961. Despite the multi-lateral agreement and the bilateral undertakings which have been negotiated, cotton-textile imports have continued to increase and to account for a rising share of domestic consumption of such textiles.

In establishing the volume of imports of cotton textiles by country and by product under the arrangement, we have had to accommodate the requests of new exporting countries, principally developing nations, for a share of the United States import market. As a result, we are importing more cotton textiles from many more countries than was the case prior to the long-term arrangement.

The negotiations of the bilateral agreements to establish the level of cotton textile imports for the various product categories from each country in some cases have tended to create problems in foreign relations. Moreover, these negotiations necessitate much time and energy on the part of interested government agencies as well as those representatives in the industry who serve on the Textile Advisory Committee.

I do not want to appear critical of those in the Executive Branch who have had the responsibility for administering the restraint program under the long-term arrangement, for they have worked long and hard to make the program a success. But we must face the fact that this program on balance has not turned the tide toward a more reasonable level of textile imports.

Not only has the long-term arrangement on cotton textiles resulted in a greater number of cotton textile exporting countries, but the restraints on cotton textiles may have accelerated the shift to man-made fibers. The competition from man-made fibers is, of course, a problem that domestic cotton producers are experiencing to a severe degree in our own mills. Abroad the increase in production and world exports of textiles of man-made fibers make them the most dynamic sector in the world textile market.

CASE AGAINST IMPORT QUOTAS

In his address to the National Cotton Council, Chairman Mills also stated well the general case against legislated import quotas:

We have had experience with other problems in the administration of present import quotas that have led me to believe that their imposition in present form would not at this time be helpful to the problems of the textile industry and to your own problem of increasing cotton consumption. For example, the oil-import program, administered by the President under the National Security provisions of the Trade Expansion Act, has been much in the papers in recent months. Under this program, license to import specified quantities of petroleum and petroleum products is granted on a historical basis. It has apparently been felt that this rather rigid control of imports has not been responsive to the developing needs for access to foreign petroleum, particularly in the petro-chemical industry. As with the long-term arrangement on cotton textiles, it has been found difficult to make room for new entrants—in this case, new consumers—and still retain the overall volume control on imports. This situation has been responsible for creating a whole range of controversies, most of them not directly related to the question of national security, the original basis for the oil-import quota system.

Holders of licenses to import have an obvious economic advantage over those who have no access to imports. The development of vested interests can often be a drawback to meeting changing economic conditions and new competitive challenges. Just as importantly, the administration of import quotas ultimately involves the creation of a bureaucracy and the issuing of import licenses is ultimately followed by various forms of government control.

Government controls are often onerous on the businesses involved. Moreover, the administration of statutory quotas doubtlessly involves the development of bureaucracies in the business community which adds nothing to the efficiency—but undoubtedly increases the cost of business operations. Knowing as I do some of the problems that businessmen face in complying with the multitude of government laws and regulations, I am sometimes surprised that our business leaders are so willing to subject themselves to the government controls that could stem from a program of statutory import quotas.

Finally, such quotas tend to add rigidities to the marketplace, and in reality are the antithesis of what we say we hold important—an open and competitive economy.

To many, inflation is the single most important internal economic problem in the United States today.

The Joint Congressional Economic Committee, in its March 26, 1970, Report, devotes a whole section to this matter of "removing import quotas," and inferring opposition to the imposition of such trade restrictions, in the context of inflation:

Limits on the absolute quantity of goods that can be imported into a country, unless set so high as to be meaningless, invariably result in higher prices to domestic purchasers and encourage arrangements among domestic producers to restrict competition. While arguments for quotas are usually formulated in terms of national security or the need to protect certain groups of producers within the economy, it is always questionable whether the indirect subsidy consumers are forced to pay is worth the resultant benefit.

During periods of inflation, it is especially important that the continued need for quotas be questioned. In addition to simple abolition, the alternatives of tariff protection or direct cash payments to domestic producers must also be considered. The elimination of quotas or the substitution of other measures that do less violence to the market mechanism can effectively combat inflation in at least two ways.

First, the threat of foreign competition can break up market-sharing arrangements that domestic producers have devised or have implicitly accepted over the years. Second, when foreign producers are prepared to increase their output without substantially raising prices, the abolition of quotas can make imports available to domestic users at far lower prices than those charged by domestic producers. Even the substitution of tariffs for quotas would permit an expansion of competitive imports when inflation drives up the prices of similar domestically produced goods.

Quantitative import restrictions are inconsistent with any economically rational and effective attack on inflation. All quantitative limits on imports should be reviewed, not only because these restrictions misallocate resources, but especially because their removal could have a significant anti-inflationary impact.

President Nixon himself, in submitting his proposed Trade Act last November 1969, expressed the basic objection to import quotas: that such restrictions would invite retaliation by the exporting countries. Although we have quoted him earlier, we believe that what he had to say is worth repeating here.

I reject this argument not only because I believe in the principle of freer trade, but also for a very simple and pragmatic reason: any reduction in our imports produced by U.S. restrictions not accepted by our trading partners would invite foreign reaction against our own exports—all quite legally. Reduced imports would thus be offset by reduced exports, and both sides would lose. In the longer term, such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible.

Former Chairman of the President's Council of Economic Advisers, Gardner Ackley, representing the American Retail Federation, summarized the case against import quotas in his testimony earlier this week.

He noted that the direct costs of the quotas—voluntary, negotiated, or legislated—would be paid by the American consumers. He noted also that the argument is advanced that such costs may be worth paying because (a) It will create, or at least protect, American jobs; and (b) It will improve, or at least avoid a further deterioration of, the U.S. balance of payments. In his expert judgment, neither of these hoped for advantages will accrue, for any reduction of U.S. imports as a result of quotas will be fully offset by a reduction of U.S. exports.

He noted further:

Reduced imports . . . would reduce the number of dollars flowing to foreigners. To some extent, this would directly reduce our exports, as well. But the main reason is that other nations whose exports would be hurt by our quotas would—as they have every right to do—impose equivalent barriers on U.S. exports. As a result, our balance of payments would not be improved; and we would export as many jobs as we protected, and, on the whole they would be higher-paying jobs. Many of these jobs would almost surely be in agriculture.

Incidentally, Professor Ackley also observed that the United States cannot take a completely holier-than-thou attitude toward Japan's restrictions: because of some $6.2 billion of U.S. imports in 1969—17 percent of our total imports—were of products on which the United States maintains import quotas.

CASE AGAINST TEXTILE IMPORT QUOTAS

As the Japanese have demonstrated, unless, the principle of import injury is firmly insisted upon, all trade and commerce between nations would be subject to chaos and political expediency. President Nixon in his message accompanying his Trade Act of 1970, recognized this principle.

But in doing so, "moderate the impact and to facilitate the adjustment process," we should not depart from what has long been the keystone of our trade policy and is, indeed, the keystone of the international trading system embodied in the principles of the General Agreement on Tariffs and Trade. This concept is that a nation can take these measures to provide import relief only when injury occurs or is threatened. It is fundamental to the trading world in which we live, to the system of rights and obligations we have gradually built among nations. Without it, there could be no rule of law in trade, no reasonable expectation of certainty so necessary for economic activity, no means of policing or enforcing binding obligations. It works to protect our rights which, as the world's largest exporter, are of great importance to us. It would not be difficult to envision the results if we were to cease to respect this concept or to embark on a unilateral course affecting the vital interests of others.

And, certainly in the case of American textiles, there is no comprehensive serious injury to the vast U.S. textile complex. And, until and unless selective serious injury can be demonstrated for individual textile products, selective import relief is not justified or warranted.

For, if import quotas are imposed on textiles unilaterally by statute, exporting countries may well retaliate, and the direct loss to other U.S. industries may be considerably more than the protection afforded the wool and man-made fiber textile sectors.

In addition, textile quotas—export or import—would only add fuel to the inflationary fires. According to the estimates of the National Retail Merchants Association, textile quotas would cause a 15- to 25-percent increase in apparel prices, which would be "devastating for the American consumer," particularly since the price increases would hurt the poor and the poverty stricken people the most.

The American Retail Federation has estimated retail price savings on comparable key apparel items, on a percentage basis. Imported men's dress shirts save American consumers approximately 25 percent, imported boy's dress shirts 33⅓ percent, women's tailored blouses 33⅓ percent, imported women's walk shorts, 37 percent, imported men's walk shorts 40 percent, imported men's ziplined raincoats 21 percent, imported women's raincoats 15 percent, imported acrylic sweaters 20, 30, and 33⅓ percent, and imported men's worsted wool suits, 30 percent.

A timely example of how prices can rise when voluntary export quotas are imposed may be seen in the recent experience of the steel industry. In the 10-year period 1959 to 1968, the index of steel prices rose only 6 percent. But, in the single year 1969, when the voluntary steel export restriction programs of Japan and the EEC were in effect the steel price index rose 7 percent. Moreover, with most of the steel companies increasing their prices even more this year, the increased cost of steel because of the voluntary export quotas should become even more apparent and inflationary.

CASE AGAINST JAPANESE TEXTILE EXPORT QUOTAS

In an earlier section we tried to explain some of the reasons that prompted the Japanese to act as they have in regard to American proposals to agree to voluntary wool and manmade fiber textile export quotas. Although somewhat repetitious, we believe that the "case" against the comprehensive voluntary cotton textile export quota summarized by Prof. Warren Hunsberger is most instructive as an impartial view.

Since his book "Japan and the United States in World Trade" was published in 1964, his comments do not include the LTA. However, we feel that what he had to say then about cotton textiles apply equally today to wool and manmade fiber textiles.

1. Their quota imposition conflicts with the United States aim to reduce barriers to international trade. While the Japanese were "penalizing their own trade, so to speak" American pressures leading to Japanese action violated the spirit of GATT and "created measures that are economically as objectionable as import quotas."

2. The export quotas were worked out behind the scenes, "without any legal process." No official investigations or public hearings were heard, nor were any of the usual orderly procedures of internal and international law utilized. Japan was not given "concessions" as are authorized by GATT when certain trade benefits were withdrawn by the United States.

3. The implicit discrimination against Japan is obvious in the pressures for a "voluntary" quota and subsequent arrangements and agreements. No similar pressures were used against Europeans, for example, for sharp increases in competitive imports. And no LTA "restraints" have been imposed against any of the European Economic Community (EEC) nations, even though one of the countries may export without "restraint" the same cotton textile product, such as cotton typewriter ribbon cloth. In the beginning, only Japanese goods were placed under quota, while Americans continued to import from other Asian and then European countries. Was it fair to Japan when late arrivals were permitted to increase their share of the United States market, while Japan was being "penalized" for its cooperation?

4. By their tendency toward rigidity, the healthy expansion of production and trade, especially for a country like Japan, is also "restrained," because the groups and categories of the quota program restrict the exports that may be shipped to the United States in the way of cotton textiles.

5. Some of the secondary effects in Japan are not salutary. For instance, the image that the United States is unwilling to buy Japanese goods, while calling for the sale of American merchandise to Japan, is confirmed. Another example is that the insistence on export quotas has "worked to strengthen both the cartel organization of the cotton textile industry in Japan and Government control over this and other industries. * * * By its pressure for export quotas, the United States,

which imposed antimonopoly legislation in Japan during the occupation, has been strengthening the forces that resist change and inhibit the liberalization of economic life in Japan."

PROPOSED TRADE ACT OF 1970 ENDORSED

As American importers, we endorse, with appropriate amendments, H.R. 14870, the so-called Administration's Trade Act of 1970, introduced jointly by Congressmen Wilbur Mills and John Byrnes, November 18, 1969.

We recognize, as the President himself explained, that this legislation is only a temporary one, while our national trade principles, policies, and practices are re-examined in terms of the 1970's. We welcome the Commission on World Trade, and offer our association's cooperation in its efforts to recommend a trade program for this decade, which we continue to believe is one that should expand and enlarge the area of freer trade between all nations and peoples.

Aware that many companies and industries, as well as their workers, must adjust to imports, as well as other problems and implications of world trade, we are in agreement that the adjustment assistance provisions of the Trade Expansion Act of 1962 should be liberalized and made more meaningful and constructive for all parties concerned. It is our belief that the more expeditious and facilitative these corrective and remedial provisions are, the greater the reliance on them will be by companies, plants, and workers who feel aggrieved by increased imports.

As for the escape clause, we are satisfied with its present wording, since we are of the opinion that in actuality few American industries are seriously injured by foreign goods. Our feeling is that recourse to the escape clause should be discouraged, and not encouraged, by its criteria for extraordinary import relief. However, we are aware of the criticism of the existing standards and would agree with the substitution of the language proposed in H.R. 14870, provided, though, that the current requirements for a causal relationship between increased imports and a trade concession be retained. In this way, the escape clause concept in GATT will be preserved.

Furthermore, when the President proclaims escape clause relief, we would require that he issue an explanatory statement as to the reasons for his "extraordinary" action, announce a definite termination date for the import relief granted, and detail to the people the costs of the subsidy, including those to the consumer.

Finally, we oppose the extension of section 252 to include all United States goods, and not the current limitation to agricultural products, since we cannot accept the thesis that "any weapon is most effective if its presence makes its use unnecessary." We think it ill becomes the greatest nation on earth to resort to such tactics, when inspired leadership should be able to accomplish far more.

OPPOSITION TO TEXTILE, FOOTWEAR, OMNIBUS TRADE BILL

For understandable reasons, we must take strong exception to H.R. 16920 and similar bills, "To provide for the orderly trade in textile articles and articles of leather footwear, and for other purposes," which was introduced on April 13, 1970.

We object to not only title I which establishes import quotas for two specifically identified products—textiles and footwear—but also to title II—Adjustment of Imports and Adjustment Assistance for Firms and Workers.

As far as title II is concerned, we prefer the provisions of the proposed Administration's Trade Act because we are convinced that they more truly reflect a freer trade purpose than does H.R. 16920.

As for title I, we believe that all imports, regardless of the products involved and of the countries of origin, should be treated equally and equitably. Therefore, we would subscribe to the principle of escape clause relief for all industries seriously injured, or threatened with actual serious injury, by increased imports. Accordingly, textiles and footwear should not be singled out for discriminatory import quota treatment, particularly since neither has been the beneficiary of recent escape clause consideration.

Beyond this, we fear that whatever justification can be advanced for special protection for textiles and footwear can be used to demand equal protection for many, if not most, other American industries. And, if such a proposition were to be accepted by the Congress, and the administration, the United States might well be inviting an international trade war that could destroy the warp and woof of world trade and commerce.

As importers, we are particularly aware of the rollback features of title I. If, as proposed, wool and manmade fiber textile import quotas would be established on the basis of the average level of such imports in 1967 and 1968, an official of the Department of Commerce has stated that manmade fiber textile and apparel import would be reduced overall by 33 percent from 1969 import levels. If apparels alone are subject to this formula, imports would be reduced by 50 percent. All wool textiles in the aggregate would "hardly be affected" by the measure, though wool apparel imports would be reduced by about 14 percent from last year's levels.

In terms of import values, this same official said that the overall cutback in wool and synthetic fiber textiles, including clothing, would total about $330 million, mostly in manmade fiber textiles.

The Far East would be most seriously affected by this rollback feature. Japanese wool and manmade fiber imports together would be decreased by about 32 percent, Hong Kong imports by about 40 percent, Korean imports by about 53 percent, and Taiwan imports by about 62 percent.

Since manmade fiber textile imports from Japan are of gravest concern at the moment, may we submit some estimates as to the percentage of its 1969 exports to the United States that will be lost or gained by the average 1967–1968 formula for determining specific category quotas.

First, for manmade fibers. The loss would be about 13.3 percent.

Second, for manmade fiber yarns. The loss would be about 50.5 percent.

Third, for manmade fiber broadwoven fabrics. The loss would be about 8.0 percent.

Fourth, for all manmade fiber madeup goods, including apparel. The loss would be about 35.8 percent.

Fifth, for only manmade fiber knitted goods. The loss would be 40.2 percent.

Sixth, for only manmade fiber household goods. The loss would be about 15.6 percent.

Seventh, for only manmade fiber wearing apparel. The loss would be about 39.6 percent.

Eighth, for only manmade fiber "miscellaneous goods." The loss would be about 39.6 percent.

This data on manmade fiber textile percentage losses to Japan alone under the average 1967–1968 formula underlines the seriousness of the rollbacks proposed in H.R. 16920.

Korea, Taiwan, and Hong Kong, especially the first two, would be hard put to make up such dollar losses because their industrial system have not yet developed to the point that they can export such a diversity of products as Japan, for example.

While this measure authorizes the negotiation of voluntary bilateral and multilateral agreements to control the report of wool and chemical fiber textiles, such arrangements would be under the duress or threat of the cutback alternative. Negotiating under such circumstances is not conducive to developing and maintaining friendly, cooperative relations. It also might lead to retaliation by the exporting countries to the disservice and detriment of the United States, even though such negotiated arrangements would supersede the arbitrary rollback proviso.

In any event, we as American importers of Japanese textile feel very strongly that textile quotas, export or import, voluntary, negotiated, or legislative, on a comprehensive basis are not justified in fact or in law. We conclude, therefore, that we must oppose any such across-the-board, all fiber, all stages of manufacture, textile trade restrictions, regardless of whether the United States imposes them unilaterally or the Japanese accept them voluntarily.

I think I can close by saying the basic Japanese principle and the one they must adhere to is the question of import injury. They feel that if they give in on this particular point, then the structure of free world trade is destroyed. They feel then that all of their products to America might become subjected to export restraints. They feel that other countries, too, may insist that they be treated equally and begin to resist Japanese exportation.

They also feel that America, as an exporting country, would lose out in the long run, because other countries would then begin to apply the same standards to American products and the result would be chaos.

As one who believes in the rule of law and regulation, we believe that the Japanese have a sound position. We are hopeful, Mr. Chairman, that the administration bill, with certain amendments which we recommend in our statement, passes.

In all candor, however, we oppose the bill which you propose, simply because it has set out textiles and footwear as the target of import quota restrictions and not all others. We think that textiles, footwear, whatever, all items should be considered on the same uniform basis with all other products, because we fear that once you start down the road of import restrictions with one item, other industries, with perhaps a better case for economic justification, will insist on adding their products to a quota bill. Then we would have a Christmas tree.

With that, Mr. Chairman, may I thank you for this opportunity to appear before you.

The CHAIRMAN. We appreciate your very fine statement. And it was very ably delivered. I have known you for a number of years, and I expected you to do that.

You are a good advocate.

I can understand some part of the statement about the confusion and uncertainties and somewhat contradictory positions between what we ask and what we sometimes do. We are not by ourselves, though, in that regard.

I won't try to defend this, because somebody else does it. But this seems not to be fully understood throughout the world.

America and all of our people, all of these witnesses who have been here, all of them who will be here, don't want walls built around the United States. They want countries to have access to this market.

Much of what is produced outside of the United States, some of our people desire and want. No one wants to cut it off.

What I think is being missed, on the other hand, is the fact that America is not going to permit an industry to be transferred from the United States to other countries. It is just that simple. It never would do it. It never will do it—even though there are some theorists in the United States who advocate the elimination of certain low-wage industries and that we do nothing but manufacture with computers.

I hope all of our people sometime will have such a degree of educational background and ability that they could engage in such production. But they are not there now. We do have in this country a need for certain types of production, which are made up largely of high labor costs—that is, a high percent of the total cost is in labor—just as do other countries of the world, whether they be developed or undeveloped countries.

There is a feeling there to protect not just the more sophisticated type of industries that really at the moment don't need protection, but also afford jobs to people of lesser skills, perhaps, than others.

I think it is a mistake for any foreign government to think that our economy is open to any and all percentages of increases of imports in any line.

I can well understand your point of view that the bill I introduced picks out just two products. It just happens that those two employ a great number of people in the category that I am talking about, who do not possess as high skills, perhaps, as some other industries require of employees.

What would you say if we applied the rule across the board? You would be more uncomfortable; would you not?

Mr. MASAOKA. It seems to me it should be across the board in terms of a due-process procedure, such as an escape clause procedure or some kind of recourse so that where there is a hearing, there will be an effort to establish the merits of each individual product.

The CHAIRMAN. What is the difference between your legislative body and the Congress of the United States deciding by law what constitutes injury?

Mr. MASAOKA. I can't speak for the Japanese, not being a Japanese national.

The CHAIRMAN. I know you are not. You are an American citizen. But you have done an eloquent job of presenting the point of view of the Japanese Government, and I commend you for it.

What I am asking you is, Would the Japanese say, for instance, that their Diet did not have the right to make such standards for injury? I don't think so.

Mr. MASAOKA. I don't think, Mr. Chairman, that the bill that you have proposed which singles out textiles or footwear sets up any legislative standard.

The CHAIRMAN. I am trying to accommodate you now by legislating across the board, where we do lay down certain standards that are to be taken as injurious to our economy, the industries that make up our economy, and when those conditions arise automatically the door closes.

Mr. MASAOKA. But I think that that being an internal matter, the Japanese would simply have to accept that.

The CHAIRMAN. I would think so. I would think that GATT would say we did not violate any of the rules of GATT, and maybe then there may be one or two countries that would state we were venting our ire at them. I glory in the ingenuity of any group of people that can develop the technique, technology and know-how to penetrate our market. On the other hand, I think we would be very foolish to let them penetrate our market to the extent that they would take over our markets. That, to me, is not the essence of freer trade, by any means. I think you can have freer trade within limitations, and that is what I am talking about.

Mr. MASAOKA. I think, Mr. Chairman, we are in agreement. There are procedures that can be set up.

The CHAIRMAN. Legislative?

Mr. MASAOKA. Legislatively, and which apply to all goods, all across the board, for all countries. I think that criteria can be established by the Congress and others to set up a uniform procedure.

The CHAIRMAN. I feel a little bit the requirement to do some of these things because I put my name on the bill that the President talked me into being for, to put 4,000 or 5,000 more people who were on welfare and in the so-called working category into better jobs. We are going to have to find some jobs for them. I don't know whether we are going to be able to put them into the electronics industry, or the computer industry. We have to find something more fitting to their skills. We may have to start an "underdeveloped" program of our own in textiles, shoes, or something else. We have our problems and you are aware of that. You have been here a long time.

But don't ever get any impression that there is anything vindictive about it. We are going to do what every other country is going to do, we are going to legislate for the overall benefit of the country we represent, plus all of our friends along with it. But we are not going to let our friends take over everything that they want to have here. We can't do it and our friends wouldn't let us do it. They would be foolish if they did. It is just that simple.

What we are talking about is trying to develop some rules within which this freer trade can be carried out at these very low tariff rates that we have, and then work to see if we can't get some better recognition of the good quality of your products somewhere else in the world.

One of the big problems is the fact that you are faced with certain limitations, or Japan is, in trying to ship anything anywhere else except the United States. Isn't that right?

Mr. MASAOKA. This is one of the problems that Japan faces and it was one of the understandings under which they went into the LTA too.

The CHAIRMAN. I know that. Japan has been very cooperative and we have tried to cooperate with Japan. I don't know whether it was you or somebody else who came to me about the steel agreement, and the request from the oil interests, by steel, to build the pipeline from the field in Alaska out to the sea coast.

Mr. MASAOKA. We want to thank you for your interest.

The CHAIRMAN. Of course I told you there wouldn't be any violation of any agreement as far as I understood, if you did that. The American steel companies said they could not produce it. Has the order been placed?

Mr. MASAOKA. The order has been placed. But there are other problems now, problems of conservation of the land over which the pipeline is to be built.

The CHAIRMAN. That can be worked out, but at least they gave you the order, and it is not within the quota for the Japanese.

Mr. MASAOKA. That is right.

The CHAIRMAN. So all of us try to cooperate to the extent we can, but we cannot cooperate on the basis of disruption of American industry, the loss of American jobs to the extent our people foresee the loss of those jobs in these two industries, at least, and there are others that we will hear about.

I know quite a bit about the textile industry. I have been in it in my own State and other States. I know they do have very modern plants and facilities, equipment and all that. I saw in one instance a building that looked to me like it was a mile each way, with spindles turning thread, with one man operating all those machines. At least, I couldn't see more than one man. So I think we have modernized. I know the industry is in pretty bad shape. I get letters constantly from my own constituents that they are working about 3 days a week in place of 5 days a week. We had evidence some weeks ago about flat glass, I believe, where in a very short period of time half the jobs in that industry had been taken by the European countries. I want you to know that we recognize there is more to it than just shoes and textiles. There are perhaps more people employed in those industries.

Mr. MASAOKA. Mr. Chairman, I would like to point out, and I am sure you are aware of the fact, that too often imports are used as a scapegoat for many of the problems. Long before imports came in, mills were going broke and people becoming unemployed. As a matter of fact, when the industry moved from New England to the South there was a greater turnover in problems than imports are causing today.

The CHAIRMAN. But the problems are in the South now.

Mr. MASAOKA. So we leave it to the conscience and to the work which you members of the committee always do to take into consideration all the pertinent facts and work out a good program.

The CHAIRMAN. We will, but there are certain limitations within which we can operate in a political environment.

Mr. MASAOKA. We are very aware of that, sir.

The CHAIRMAN. Are there any further questions of this fine gentleman?

If not, we thank you for coming before the committee.

Mr. MASAOKA. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Ramsey will be our next witness.

STATEMENT OF CLAUDE R AMSEY, CHAIRMAN OF THE BOARD, MANMADE FIBER PRODUCERS ASSOCIATION; ACCOMPANIED BY E. FONTAINE BROUN, PRESIDENT, EUGENE L. STEWART, COUNSEL, AND THE FOLLOWING MEMBERS OF THE EXECUTIVE ADVISORY COMMITTEE: DR. HOWARD SWANK, DR. REINER STOLL, JAMES MAHONEY, AND ROBERT CHURCHILL

Mr. RAMSEY. Thank you, sir.

I am Claude Ramsey, chairman of the Man-Made Fiber Producers Association.

The CHAIRMAN. You are not importers of fiber?

Mr. RAMSEY. No, sir. I am chairman of the group representing the various manufacturers of manmade fibers.

I am also president of American Enka Corp., and an American fiber producer in North Carolina.

I am accompanied here today by members of the executive advisory committee of our association whom I should now like to introduce:

Dr. Stoll of Celanese; Mr. Mahoney of Monsanto; Dr. Swank of Du Pont; Mr. Churchill of Eastman; Mr. Fountaine Broun, president of the association, and Mr. Stewart, counsel to the association.

This association, on behalf of its members who account for more than 90 percent of the domestic production of manmade staple fiber, filaments, and filament yarn, strongly supports the enactment of H.R. 16920.

The CHAIRMAN. Did Mr. O'Neil go over this and approve it?

Mr. RAMSEY. Mr. O'Neil approved it; yes, sir. He is a distinguished predecessor of mine as chairman of this association.

Before I get into my summary of the statement, I should like to take up directly an issue that was raised in the testimony of the Secretary of Commerce in his appearance here on May 12. In commenting on the textile portions of H.R. 16920, he stated that the definition of "textile articles" is too broad. He recommended that it be revised to exclude manmade staple fiber and filament. He justified his recommendation by stating that these articles "are products of the chemical industry rather than of the textile industry."

I disagree with the Secretary's recommendation. With my colleagues in the manmade fiber-producing sector of the textile industry, we have great respect for the Secretary and appreciate very much the efforts which he and the President have devoted to an attempt to secure a negotiated solution to the manmade fiber textile import problem, even though their concept of the scope of the problem does not include our primary products: manmade staple fiber and grouped filaments, commonly called tow.

I submit for incorporation in the record a separate statement entitled "Man-Made Fiber Primary Products Are an Essential Part of the Program for Control Through International Agreement of Imports of Man-Made Fiber Textile Articles." This memorandum develops in detail the reasons why manmade staple fiber and filaments should be included in any program directed to a solution of the manmade fiber textile import problem, and specifically why they should be retained within the scope of textile articles in H.R. 16920.

The Secretary's error lies in attempting to judge the status of an article by considering the type of manufacturing corporations which include in their diverse production the manufacture of manmade fiber primary products. His attention should be directed to a consideration of the nature of the product itself. Briefly, the reasons why regulation of the rate of increase of imports of the primary products is appropriate within the context of H.R. 16920 include the following:

1. Manmade fibers in their primary form are textile materials and are recognized in international trade and industry classification systems as textile articles.

2. Imports of manmade fiber, in primary as well as secondary form, have increased rapidly, and our Nation's balance of trade in these articles has shifted from a surplus to a deficit position.

3. Manmade fibers in primary form account for roughly half of the volume of sales of manmade fiber to the domestic textile industry. The fiber producers total sales generate the funds devoted to textile research and development which benefit the entire textile industry and the American consumer. This research effort accounts for 74 percent of the total funds devoted to textile research in the United States. A continuation of this research effort is dependent upon the maintenance of healthy conditions in the manmade fiber-producing industry. The regulation of imports of manmade fibers is essential to the maintenance of these conditions.

4. In Europe and in Japan, the manmade fiber textile industry is more vertically integrated than in the United States, with fiber producers owning or controlling textile mills and apparel plants. To the extent that U.S. import regulation of manmade fiber textile articles omits the primary products, a loophole will be created through which the foreign producers will pour their surplus production of manmade fiber primary products as a means of avoiding any overall limitation on the total volume of manmade fiber textiles exportable to the United States.

The Secretary is also misinformed in his belief that manmade fibers in primary form are the product of the chemical industry. It is true that some companies noted for their chemical manufacturing activities, such as Du Pont, Monsanto, and Union Carbide, also manufacture manmade fibers. But it is equally true that many of the manmade fiber producers do not manufacture and sell chemicals. My company, American Enka, and Courtaulds, Beaunit Fibers, and New Bedford Rayon, are examples of fiber producers whose activities do not include the manufacture and sale of chemicals.

I hope, Mr. Chairman, that members of the committee and its staff will carefully consider the contents of the separate memorandum which I am submitting on this subject. I believe you will find that it documents a strong case for retention of manmade staple fiber and filaments within the scope of the definition of textile articles in H.R. 16920.

I shall turn now to the substance of my prepared testimony, commencing with point I on page 2.

I. Since the enactment of the Trade Expansion Act of 1962, the textile industries of the United States and of the world have changed from a cotton to a manmade fiber base

When this committee considered the Trade Expansion Act of 1962, it was aware that the textile industries of the United States and of the world were primarily based on the use of cotton. Further, the principal cotton textile trading nations had entered into the international cotton textile arrangement which provided for comprehensive regulation of cotton textile imports into the United States and other major recipient countries.

In the year which preceded your committee's consideration of the 1962 act, cotton accounted for 62 percent of domestic consumption of textile fibers, while manmade fibers supplied only 29 percent. With nearly two-thirds of the domestic textile market protected by the international cotton textile arrangement, this committee was not concerned with formulating public policy for the regulation of textile imports.

Subsequent to the Trade Expansion Act of 1962, the world trading community carried out the Kennedy round of trade agreement negotiations. The concept of a cotton-oriented domestic and world textile industry dominated the thinking of the trade negotiators. Reductions in duty were made on cotton textiles in the context of bargaining to secure the extension of the life of the long-term cotton textile arrangement. Small reductions in duty were made on wool textiles, but manmade fiber textile articles sustained deep reductions in duty. Manmade fibers themselves were reduced by 50 percent except for one classification.

While negotiations proceeded on this basis, the textile industries of the United States and of the world were in fact undergoing a major revolution in fiber utilization. In 1969, manmade fibers accounted for 53 percent of domestic textile fiber consumption; cotton, 42 percent; and wool, less than 5 percent. In the world as a whole, the share of the production of textile fibers accounted for by manmade fibers rose to 35 percent by 1968, and remained at that level in 1969.

In the light of these changes, it has become evident that the regulation of textile imports geared exclusively to cotton textile articles through the long-term cotton textile arrangement is no longer adequate.

II. Since the enactment of the Trade Expansion Act of 1962, our balance of trade in textile articles has shifted from equilibrium to a large and rapidly growing deficit

The textile market in the United States is interdependent from a fiber point of view. Specifically, cotton and manmade fibers compete with each other in a broad range of textile articles that were once traditionally made of cotton. Similarly, manmade fibers and wool compete with each other across virtually the entire product range of articles once traditionally made of wool.

With this as background, I now invite your attention to chart I, see p. 1442. Chart I shows the dramatic reversal in the position of the United States in foreign trade of textile articles. This is such a major change that it merits your committee's favorable consideration of the pending legislation.

III. Since 1964 when negotiations in the Kennedy round commenced, there has been no growth in U.S. exports of textile articles, with all of the 35-percent increase in world exports being supplied by Japan and other nations

The most recent 5-year period for which data are available concerning textile exports of all nations in 1964–68. During this period, U.S. exports increased by only 3 percent while those of all industrial nations increased by 33 percent, with Japan registering an increase of 41 percent.

The developing nations boosted their exports of textile articles by 51 percent, and even the Communist-bloc nations boosted their exports by 30 percent. Overall, world exports of textile articles increased by 35 percent.

In fact, U.S. exports of textile articles declined subsequent to 1966. In 1968, U.S. exports accounted for only 5 percent of world exports of textile articles, down from 7 percent in 1964. Japan's share in 1968 was 13 percent, up from 12 percent in 1964. The less developed nations accounted for 17 percent of textile articles in 1968, up from 15 percent in 1964. The other industrial nations, excluding Japan and the United States, accounted for 56 percent of world exports of textile articles, unchanged from their share in 1964.

The domestic market provides the sole opportunity for the U.S. industry to maintain or even expand its employment. For this reason, effective regulation of imports of textile articles is crucially important if the textile industry, the Nation's largest employer among major manufacturing industries, is to be able to maintain its present employment and provide increased employment opportunities for the Nation's growing labor force.

IV. Since the enactment of the Trade Expansion Act of 1962, the manmade fiber producing industries of Japan and Europe have boosted their production of manmade fibers for export, including export to the United States, the most open market in the world

There are two basic classes of manmade fibers: cellulosic, such as rayon, and noncellulosic, such as nylon, acrylic, and polyester. Production in each class consists of staple fiber and tow which are spun into yarn, and filament yarn which, like spun yarn, is woven and knitted into fabric for use in the production of apparel and other finished textile products.

Between 1962 and 1968, the latest year for which data for all nations are available, Japan and the countries of western Europe increased the proportion of their production exported to the world. In 1968, 20 percent of Japan's production and 31 percent of Europe's production were surplus to their respective home consumption needs for cellulosic staple fiber. In the case of cellulosic filament yarn, producers in both Japan and western Europe had 17 percent of their total production in excess of home market needs. The situation is only slightly less dramatic in the case of noncellulosic staple and filament yarn. In 1968, 18 percent of Japan's production of both products and 11 percent of Europe's production were surplus to their home market needs.

Mr. Chairman, the developed countries account for 92 percent of the total productive capacity for manmade fibers in the non-Communist world. The United States and the EEC/EFTA countries each hold 35 percent of the capacity, and Japan 18 percent. The less developed countries account for only 8 percent. So far as limitation of future increases in imports of mandmade fibers themselves are concerned, the nations principally affected will be western Europe and Japan, and not the underdeveloped nations of the world.

In 1968, the United States accounted for only 6 percent of exports of manmade fibers to non-Communist countries, compared with the Common Market countries' share of 51 percent, the EFTA countries' share of 23 percent, and Japan's share of 16 percent. The less-developed nations accounted for only 2 percent.

The United States has the largest and most open of the world export markets and can expect to be subjected to continuing pressure from manmade fiber imports from both Europe and Japan.

V. Since the enactment of the Trade Expansion Act of 1962, imports of all manmade fiber textile articles have increased strongly, and the composition of imports has shifted heavily into intermediate and finished manmade fiber textile products

When manmade fiber textile articles are imported in the form of the basic manmade fiber itself, such as staple fiber and tow, the market impact is registered solely on the domestic producers of such fiber. When the imports are received in the form of yarn or fabric, the impact is registered on both the textile and knitting mills which produce the fabric and on the manmade fiber plants which produce the fibers spun into yarn and the filament yarn used in knitting and weaving.

When imports are received in the form of apparel and other finished textile articles, the market impact is felt by the apparel plants which produce the like articles of finished textile products, and on the textile and knitting mills which produce the fabric, and the manmade fiber plants which produce the staple fiber and yarn used in the fabric. The market impact is most extensive when the composition of manmade fiber textile imports is weighted toward the finished textile products.

Since 1962, the composition of imports of manmade fiber textile articles has shifted in the direction of the heaviest weight being accounted for by intermediate and finished textile products. At the same time, imports have increased strongly in the basic fiber. The result has been that all sectors of the manmade fiber textile industry have sustained increased and heavy pressure from imports.

Thus, imports of the basic fiber increased from 78 million pounds in 1962 to 179 million pounds in 1969, a 129-percent rise, while imports of the intermediate and finished products increased from a fiber equivalent weight of 40.2 million pounds in 1962 to 294.1 million pounds in 1969, a 632-percent increase.

Contrast these increases with cotton textile imports. Intermediate and finished cotton textile imports increased from 309.8 million pounds in 1962 to 488 million pounds in 1969, a 58-percent rise. During the same period, imports of raw cotton were kept under strict control by mandatory import quotas designed to protect our price-support program on cotton. Imports of raw cotton amounted to less than 1 percent of domestic consumption of cotton for the years 1968 and 1969, and averaged less than 2 percent for the entire decade of the 1960's. In contrast, imports of basic manmade fiber accounted for 3.5 percent of domestic consumption of manmade fiber in 1969 and 4.9 percent in 1968, and averaged about 4.5 percent of such consumption for the decade of the 1960's.

As compared with 1961, the last year available to this committee at the time of its consideration of the Trade Expansion Act of 1962, imports of all manmade fiber textiles have doubled their penetration of the U.S. market, rising from 4.5 percent to 9.1 percent of domestic consumption.

Our Nation is correct in protecting its domestic sources of supply for raw fiber through the imposition of absolute import quotas on raw cotton, to encourage the continued production of raw cotton under our domestic price-support program. Our Nation is remiss, however, in not having a policy to protect its domestic source of manmade fiber, which is now of greater importance to the operations of our domestic textile industry and to the fundamental objective of clothing our people than either cotton or wool.

VI. Since the enactment of the Trade Expansion Act of 1962, the major part of employment in the U.S. textile mill products industry has become dependent upon the production of and use of manmade fibers

The consumption of textile fibers in the United States has shifted dramatically from primarily cotton to primarily manmade fiber. During the first 5 years of the decade of the 1950's, cotton accounted for 68 percent of textile fiber consumption, and manmade fiber only 23 percent. By 1969, these ratios had been dramatically changed, with cotton accounting for 41 percent, and manmade fiber for 55 percent of consumption of textile fibers.

An important consequence of this shift is that today the number of workers employed in manmade fiber producing plants and in the textile mills which consume principally manmade fibers exceeds the employment in establishments primarily consuming cotton and wool.

The manmade fiber textile industry complex in the United States in 1967 consisted of 4,099 establishments employing 540,200 workers engaged either in the production of manmade fibers or in the production of textile articles in which manmade fibers were the principal textile fiber used.

Between February 1969 and February 1970, the manmade fiber textile industry complex sustained a loss of 16,800 jobs. This is only a portion of the loss of employment in the entire textile industry complex. Between March 1969 and March 1970, employment in the textile mill products and apparel, and other textile product industry groups declined by 53,000 jobs.

Mr. Chairman, this loss of jobs has special significance for the country because of the characteristics of the employment by the industry. This textile industry complex accounts for a sizable proportion of factory employment in numerous small and medium-size communities.

Some 61 percent of textile workers are employed in nonmetropolitan areas. While the apparel sector of the industry is more urban than textile mill products or manmade fiber production, as witness the major employment afforded workers in New York City and other large communities, it is the fact that apparel manufacture accounted for more than 15 percent of all factory jobs in the nonmetropolitan areas of six States.

The proportion of nonwhite employment in the textile industry doubled between 1962 and 1968, exceeding the gain for such employment in manufacturing as a whole. This upward trend continued into 1969 until interrupted by the drop in employment which commenced in the latter part of the year and which has extended into 1970. The apparel industry, in particular, employs large numbers of workers of minority groups, and the proportion of such employment in apparel is greater than in manufacturing generally.

The textile industry is a major source of factory employment for women, and it is well known that women are less mobile in their employment than men, so that the loss of employment at a particular plant presents a more difficult problem for adjustment for women than for men. Because the median age of employment in textiles is 41 years and in apparel 42 years, displaced workers in these industries have relatively a greater problem in adjustment than do younger workers as, for example, in manufacturing generally.

A loss of employment of this magnitude in such an important major industry is a new fact reflecting a change of considerable importance in comparison with the situation that was known to this Committee when it considered the Trade Expansion Act of 1962.

Mr. Chairman, I believe that these points provide you and the Committee with a compelling basis for expressing in legislation our Nation's public policy in regard to the regulation of imports of textile articles. H.R. 16920 accomplishes this in a manner consistent with continued, reasonable, and orderly access for foreign-produced textile articles to the United States market. The bill would provide such access to a degree compatible with the preservation of the standard of living and employment opportunities of the workers in the textile industry and of the economic health of the hundreds of communities in which they live.

(Mr. Ramsey's prepared statement follows:)

BEFORE THE

COMMITTEE ON WAYS AND MEANS,

HOUSE OF REPRESENTATIVES

Public Hearings on Tariff and Trade Proposals

STATEMENT OF
CLAUDE RAMSEY, CHAIRMAN,
MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.

MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.
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and
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E. FONTAINE BROUN,
President

Counsel:

EUGENE L. STEWART
Washington, D. C.

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New York, N. Y.

May 20, 1970

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Mr. Chairman and members of the Committee, I am Claude Ramsey, Chairman of Man-Made Fiber Producers Association, Inc. I am also President of American Enka Corporation, a domestic producer of man-made fibers, with headquarters at Enka, North Carolina, and a member of the Association.

The witnesses from the domestic textile industry who have preceded me have developed in considerable detail the dimensions of the textile import problem and the reasons why the organizations representing both workers and management in the textile industry are united in their support of the Chairman's bill, H. R. 16920, and the 127 companion bills sponsored by a total of 196 members of the House of Representatives.

This Association, on behalf of its members who account for more than 90% of the domestic production of man-made staple fiber, filaments, and filament yarn, strongly supports the enactment of that legislation. Without duplicating the information which has already been presented to you, I believe that we can be of service to you, Mr. Chairman, and to the members of the Committee by setting forth major changes in the foreign trade position of the domestic man-made fiber textile industry which warrant the enactment of the pending legislation.

Mr. Chairman, I am well aware of your own preference and that of the Committee as a whole, that the United States avoid the use of mandatory import quotas as a general policy for import regulation; indeed, that the United States move toward ever-freer international trade. Nevertheless, you and the other members of this Committee have always manifested a willingness to take a fresh look at the foreign economic policy of the United States based upon the hard realities of developments in foreign trade affecting our national interest.

I believe that a number of major developments affecting the textile industry, and especially the man-made fiber sector of the industry, offer persuasive evidence of reasons for the enactment of legislation epitomized by the Chairman's bill, H. R. 16920. Let me describe these major changes as briefly as possible.

I. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, THE TEXTILE INDUSTRIES OF THE UNITED STATES AND OF THE WORLD HAVE CHANGED FROM A COTTON TO A MAN-MADE FIBER BASE.

When this Committee considered the Trade Expansion Act of 1962, it was aware that the textile industries of the United States and of the world were primarily based on the use of cotton. Further, under President Kennedy's leadership, the principal cotton textile trading nations had entered into the international cotton textile arrangement which provided for comprehensive regulation of cotton textile imports into the United States and other major recipient countries. It was unnecessary, therefore, for the Committee to give explicit attention to the situation of the domestic textile industry in the context of the 1962 legislation.

In the last full calendar year which preceded your Committee's consideration of the 1962 Act, cotton accounted for 62% of total domestic consumption of textile fibers, while man-made fibers supplied only 29% of that consumption.[1] With nearly two-thirds of the domestic textile market protected by the regulatory system set up in the international cotton textile arrangement, this Committee was not concerned with formulating public policy for the regulation of textile imports.

In the world as a whole in 1961, cotton accounted for 63% of the total production of textile fibers, while man-made fibers accounted for only 21%.[2] When I use the expression "textile fibers," Mr. Chairman, I am referring to the aggregate of the cotton, wool, and man-made fibers, which are the principal textile fibers. There was, therefore, in 1962, based on knowledge of the data for the most recent year, reason to believe that regulation of cotton textiles through the international cotton textile arrangement would adequately deal with the textile import problem of the United States.

Subsequent to the enactment of the Trade Expansion Act of 1962, the world trading community prepared for and carried out the Kennedy Round of trade agreement negotiations. The concept of a cotton-oriented domestic and world textile industry dominated the thinking of the trade negotiators. Substantial reductions in duty were made on cotton textiles in the context of bargaining to secure the extension of the life of the Long-Term Cotton Textile Arrangement. Virtually no reductions in duty were made on wool textiles, but man-made fiber textile articles sustained

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[1] See Exhibit I.
[2] See Exhibit II.

deep reductions in duty. Man-made fibers themselves were reduced by 50% with the exception of a single classification.

While negotiations proceeded on this basis, the textile industries of the United States and of the world were in fact undergoing a major revolution from the point of view of fiber utilization.

By 1968 and in 1969, consumption of man-made fibers dominated textile manufacturing in the United States. The usage of man-made fibers in textile manufacturing in the United States exceeded that of cotton, with wool lagging very far behind. In 1968, man-made fibers accounted for 50% of textile fiber consumption; cotton, 45%; and wool, only 5%. In 1969, man-made fibers accounted for 53% of domestic textile fiber consumption; cotton, 42%; and wool, less than 5%.[3]

This fiber revolution in textile manufacture has not been limited to the United States. In the world as a whole, the share of the production of textile fibers accounted for by man-made fibers rose to 35% by 1968, and remained at that level in 1969.[4]

In the light of these changes in the share of world production and U. S. consumption accounted for by man-made fibers, it has become evident that our nation's approach to the regulation of textile imports geared exclusively to cotton textile articles through the Long-Term Cotton Textile Arrangement is no longer adequate.

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[3] See Exhibit I.
[4] See Exhibit II.

II. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, OUR BALANCE OF TRADE IN TEXTILE ARTICLES HAS SHIFTED FROM A CONDITION OF EQUILIBRIUM TO A LARGE AND RAPIDLY GROWING DEFICIT.

The textile market in the United States is interdependent from a fiber point of view. Specifically, cotton and man-made fibers compete directly with each other in a broad range of textile articles that were once traditionally made of cotton. Similarly, man-made fibers and wool compete with each other directly across virtually the entire product range of articles once traditionally made of wool. Man-made fibers thus form the link which causes the textile market to be competitively interdependent from a fiber point of view.

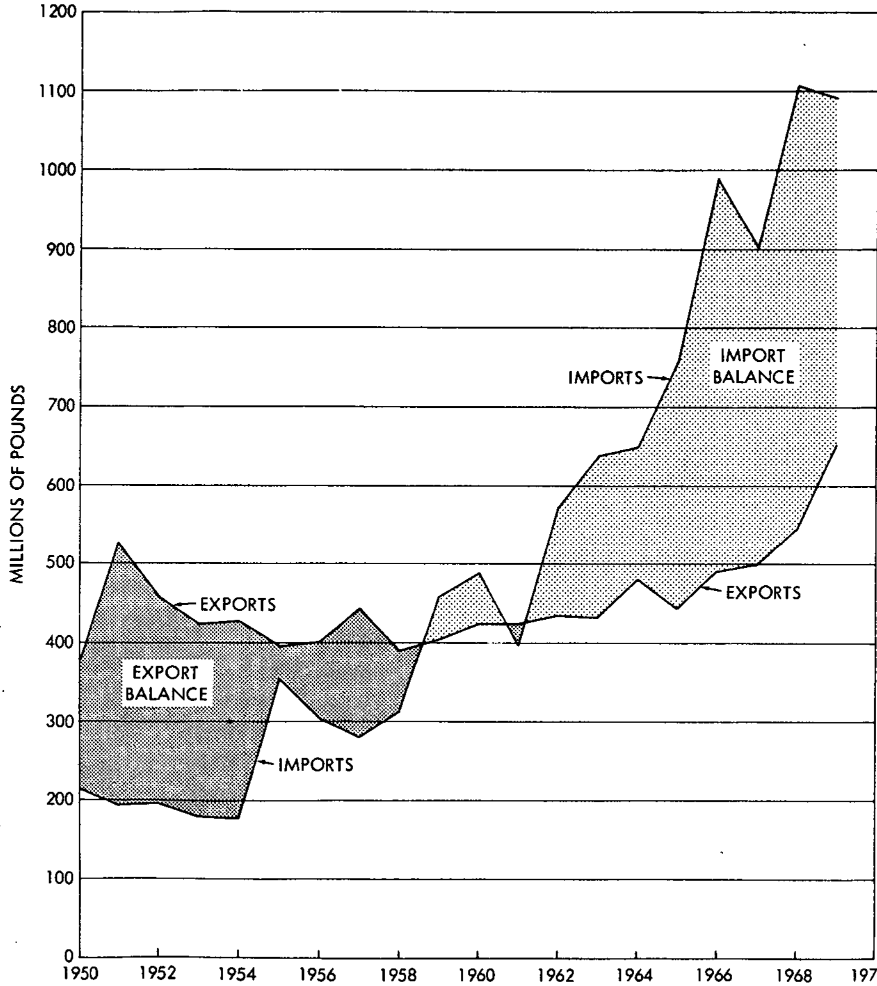
In evaluating developments in the United States international trade in textile articles, therefore, it is appropriate to aggregate total imports and exports of all textile articles, whether of cotton, wool, or man-made fiber. We believe the most appropriate unit is the pounds of fiber moving in foreign trade regardless of stage of manufacture because this permits comparison with domestic output.

With this as background, I now invite your attention to Chart I which depicts the dramatic shift in the foreign trade balance of textile articles during the period 1950 through 1969.

CHART I

6.

U.S. Imports, Exports, and Balance of Trade in Cotton, Wool, and Man-Made Fiber Textiles



SOURCE: EXHIBIT III

Notice that the United States had a substantial export surplus in its foreign trade in textile articles during the period 1950-1954. Beginning in 1955 and extending through 1958, our nation continued to enjoy an export surplus, but it was greatly reduced in size. There was a mild deficit in 1959 and 1960, but a position of virtual equilibrium was achieved in 1961. The fact of that equilibrium understandably would have contributed to the attitude of this Committee that special consideration was not required in the Trade Expansion Act of 1962 to deal with the textile import problem.

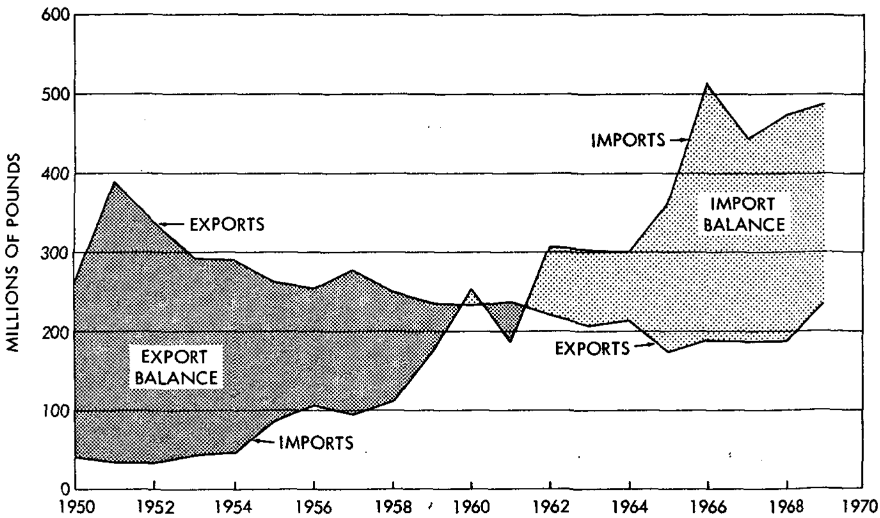
The enactment of the Trade Expansion Act of 1962 and the well-publicized liberal attitude of the United States towards the Kennedy Round of trade agreement negotiations seemed to stimulate a dramatic increase in imports which so far-eclipsed the rate of increase in exports as to create the massive and growing import deficit shown on Chart I.

The picture presented on Chart I speaks for itself. It evidences a dramatic reversal in the position of the United States in foreign trade of textile articles. This reversal is such a major change in the position of the United States textile industry in world trade that it merits your Committee's favorable consideration of the pending legislation.

The situation depicted in Chart I is manifested in each sector of the textile trade. Chart II depicts a virtually identical reversal in the U. S. position in foreign trade in cotton textiles.

CHART II

U. S. Imports, Exports, and Balance of Trade on Cotton Textiles

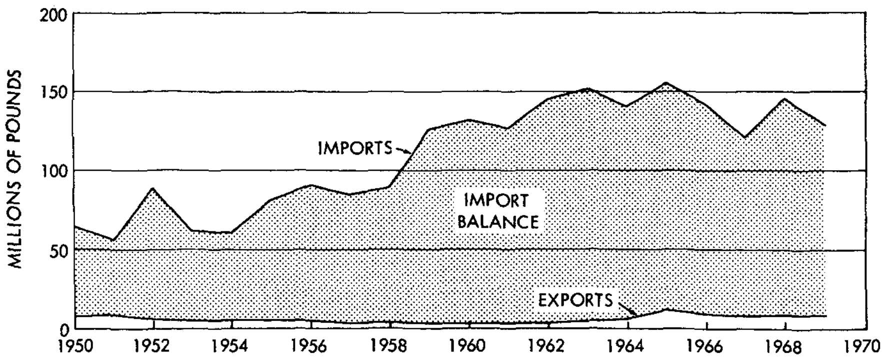


SOURCE: EXHIBIT IV

The United States has suffered from a large and growing deficit in its balance of trade in wool textile articles throughout the past two decades. The general magnitude of this trade deficit increased during the period 1958-1961, and then increased again commencing in 1962 and extending up to the present time. This is shown in Chart III.

CHART III

U. S. Imports, Exports, and Balance of Trade on Wool Textiles

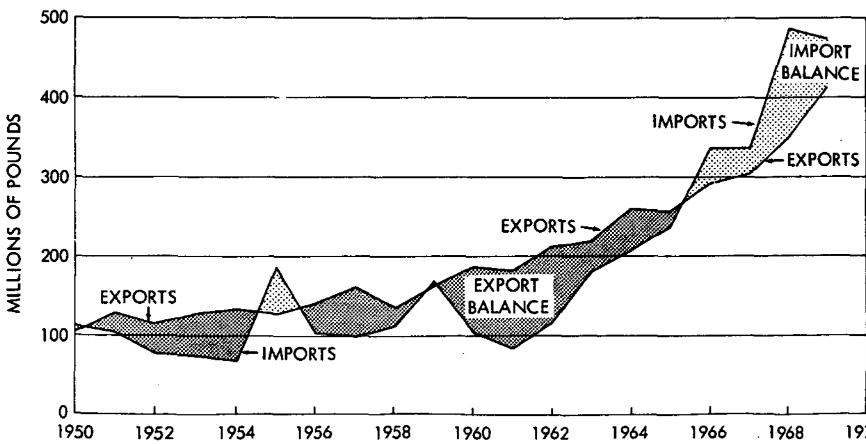


SOURCE: EXHIBIT V

Our nation enjoyed an export surplus in foreign trade in man-made fiber textile articles throughout most of the period 1950-1965. A strong import rise commenced in 1962, however, and by 1965 this import rise eclipsed the growth in exports of man-made fiber textiles, producing a significant and growing trade deficit. Thus, during the period 1966-1969, the United States has had a deficit in its foreign trade in man-made fiber textiles. This is shown in Chart IV.

CHART IV

U. S. Imports, Exports, and Balance of Trade in Man-Made Fiber Textiles



SOURCE: EXHIBIT VI

Chart I, presenting the overall trade balance in textile articles regardless of fiber content, and the separate analysis reflected in Charts II, III, and IV evidence developments in the textile trade so striking and so contrary to the position of the United States in foreign trade in textiles prior to the enactment of the Trade Expansion Act of 1962 that this Committee has strong grounds for defining through legislation a policy of regulation for imports of textile articles.

This change in position is not minor; it is major. The inability of our remaining tariff rates to effect sufficient regulation to preserve the U. S. market from disruption by excessive imports is manifest by Charts I through IV.

III. SINCE 1964 WHEN NEGOTIATIONS IN THE KENNEDY ROUND UNDER THE AUTHORITY OF THE TRADE EXPANSION ACT OF 1962 COMMENCED, THERE HAS BEEN NO GROWTH IN U. S. EXPORTS OF TEXTILE ARTICLES, WITH ALL OF THE 35% INCREASE IN WORLD EXPORTS BEING SUPPLIED BY JAPAN AND OTHER NATIONS.

The rapid increase in U. S. imports of textile articles in recent years is evidence of a steady weakening of the competitive position of the U. S. textile industry. This fact is also manifested by the experience of the United States in the world export market for textile articles. The most recent five-year period for which data are available concerning textile exports of all nations is 1964-1968. During this period, U. S. exports increased by only 3% while those of all industrial nations increased by 33%, with Japan registering an increase of 41%. Unlike data discussed in the preceding sections of my testimony, which are in terms of physical units, these export data are in terms of dollar value.

The developing nations boostea their exports of textile articles by 51% during this period, and even the Communist bloc nations boosted their exports by 30%. Overall, world exports of textile articles increased by 35%.[5]

In fact, U. S. exports of textile articles declined subsequent to 1966. In 1968, U. S. exports accounted for only 5% of world exports of textile articles, down from 7% in 1964. Japan's share in 1968 was 13%, up from 12% in 1964. The less-developed nations accounted for 17% of textile articles in 1968, up from 15% in 1964. The other industrial nations, excluding Japan and the United States, accounted for 56% of world exports of textile articles, unchanged from their share in 1964.[5]

Mr. Chairman, not only has Japan eclipsed the United States in the world export market for textile articles; she has also done so in manufactured articles generally, boosting her exports of manufactures to the world by 100% during the period 1964-1968, while the growth of U. S. exports of manufactures lagged far behind, at 42%. In fact, the United States lagged far behind Japan in the rate of growth of its exports of all commodities during this period, the rate of growth of Japan's exports being more than three times that of the United States.

While our nation's experience in textile exports has been generally similar to its experience in all manufactures and in all commodities, the textile export experience is nevertheless unique because

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[5] See Exhibit VII.

in that category our exports registered virtually no growth at all. Judged by our experience in all commodities and in manufactures, the United States textile industry is denied increased access to the world market for its production of textiles. This means that the domestic market provides the sole opportunity for the U. S. industry to maintain or even expand its employment.

It is for this reason that effective regulation of imports of textile articles is crucially important if the textile industry, the nation's largest employer among major manufacturing industries, is to be able to maintain its present employment and provide increased employment opportunities for the nation's growing labor force.

IV. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, THE MAN-MADE FIBER PRODUCING INDUSTRIES OF JAPAN AND EUROPE HAVE SIGNIFICANTLY BOOSTED THEIR PRODUCTION OF MAN-MADE FIBERS FOR EXPORT, INCLUDING EXPORT TO THE UNITED STATES, THE MOST OPEN MARKET IN THE WORLD.

There are two basic classes of man-made fibers: cellulosic (such as rayon) and noncellulosic (such as nylon, acrylic, and polyester). Production in each class consists of staple fiber which is spun into yarn, and filament yarn which, like spun yarn, is woven and knitted into fabric for use in the production of apparel and other finished textile products.

Between 1962 and 1968, the latest year for which data for all nations are available, Japan and the countries of Western Europe reduced the share of their production of staple and filament yarn of both cellulosic and noncellulosic fiber consumed in their home markets and correspondingly increased the proportion of their production exported to the world.

For example, in 1968 Japan's production in excess of home consumption of cellulosic staple fiber was equivalent to 20% of her total production, while in Europe, production of cellulosic staple surplus to home consumption needs had risen to 31% of total production. In the case of cellulosic filament yarn, producers in both Japan and Western Europe had 17% of their total production in excess of home market needs. The situation is only slightly less dramatic in the case of noncellulosic staple and filament yarn. In 1968, 18% of Japan's production of both products was surplus to her home market needs, compared with approximately 11% of Europe's production.[6]

In this context, the present situation of the man-made fiber producing industry has ominous implications. Bear in mind, Mr. Chairman, that with the textile industry of the United States already primarily based upon the use of man-made fiber, and the textile industries of the world rapidly moving to that status, the availability of man-made fibers in amounts adequate to meet the needs of the citizens of this country is of fundamental strategic importance. A nation must be able to command adequate supplies of food, clothing, and shelter if it is to meet its responsibilities to its people.

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[6] See Exhibit VIII.

Mr. Chairman, the sword of Damocles which hangs over the domestic man-made fiber industry in the form of the large surplus production capacity for export which exists in other nations concerns primarily the developed countries of the world. This year the developed countries account for 92% of the total productive capacity for man-made fibers in the non-Communist world. The United States and the EEC/EFTA countries each hold 35% of the capacity, and Japan 18%. The less-developed countries account for only 8%. So far as limitation of future increases in imports of man-made fibers themselves are concerned, the nations principally affected will be Western Europe and Japan and not the underdeveloped nations of the world.

The impact of the use of U. S. productive capacity almost exclusively to supply our domestic market, compared with the use of foreign capacity in large measure to supply the export market, is illustrated by the fact that in 1968 the United States accounted for only 6% of exports of man-made fibers to non-Communist countries, compared with the Common Market countries' share of 51%, the EFTA countries' share of 23%, and Japan's share of 16%. The less-developed nations accounted for only 2%.[7]

The United States has the largest and most open of the world export markets and can expect to be subjected to continuing pressure from man-made fiber imports from both Europe and Japan.

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[7] See Exhibit IX.

V. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, IMPORTS OF ALL MAN-MADE FIBER TEXTILE ARTICLES HAVE INCREASED STRONGLY, AND THE COMPOSITION OF IMPORTS HAS SHIFTED HEAVILY INTO INTERMEDIATE AND FINISHED MAN-MADE FIBER TEXTILE PRODUCTS.

When man-made fiber textile articles are imported in the form of the basic man-made fiber itself, such as staple fiber and tow, the market impact is registered solely on the domestic producers of such fiber. When the imports are received in the form of yarn or fabric, the impact is registered on both the textile and knitting mills which produce the fabric and on the man-made fiber plants which produce the fibers spun into yarn and the filament yarn used in knitting and weaving.

When imports are received in the form of apparel and other finished textile articles, the market impact is felt by the apparel plants which produce the like articles of finished textile products, and on the textile and knitting mills which produce the fabric, and the man-made fiber plants which produce the staple fiber and yarn used in the fabric. The market impact is most extensive when the composition of man-made fiber textile imports is weighted toward the finished textile products.

Since the enactment of the Trade Expansion Act of 1962, the composition of imports of man-made fiber textile articles has shifted precisely in the direction of the heaviest weight being accounted for by intermediate and finished textile products. At the same time, imports have increased strongly in the basic fiber. The result has been that all sectors of the man-made fiber textile industry have sustained increased and heavy pressure from imports, while the man-made fiber producers have experienced the combined effect of rising imports of the basic fiber as well as the fiber content of the intermediate and finished products which displace the production of the domestic customers of the man-made fiber plants.

Thus, imports of the basic fiber increased from 78 million pounds in 1962 to 179 million pounds in 1969, a 129% rise, while imports of the intermediate and finished products increased from a fiber equivalent weight of 40.2 million pounds in 1962 to 294.1 million pounds in 1969, a 632% increase.[8]

It is useful to contrast these increases with the situation on cotton textile imports. Intermediate and finished cotton textile imports increased from 309.8 million pounds in 1962 to 488.0 million pounds in 1969, a 58% rise. During the same period, imports of raw cotton were kept under strict control by mandatory import quotas designed to protect our price-support program on cotton. Imports of raw cotton amounted to less than 1% of domestic consumption of cotton for the years 1968 and 1969 and averaged less than 2% for the entire decade of the 1960s. In contrast, imports of basic man-made fiber accounted for 3.5% of domestic consumption of man-made fiber in 1969 and 4.9% in 1968, and averaged about 4.5% of such consumption for the decade of the 1960s.[8]

As compared with 1961, whose data represented those for the last full year available to this Committee at the time of its consideration of the Trade Expansion Act of 1962, imports of all man-made fiber textiles have doubled their penetration of the American market, rising from 4.5% to 9.1% of domestic consumption.[8]

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[8] See Exhibit I.

The thrust of my discussion of this point, Mr. Chairman, is that our nation is correct in protecting its domestic sources of supply for raw fiber through the imposition of absolute import quotas on raw cotton, to encourage the continued production of raw cotton under our domestic price-support program. Our nation is remiss, however, in not having a policy to protect its domestic source of man-made fiber, which is now of greater importance to the operations of our domestic textile industry and to the fundamental objective of clothing our people than either cotton or wool.

In addition, it is the point of this discussion to emphasize that foreign textile producers have chosen to upgrade their man-made fiber production by advancing it in condition to the form of yarn, fabric, and apparel for export to the United States to support increased employment in the textile industries of their countries and to maximize their foreign trade earnings. The consequence of this is that the impact of man-made fiber textile imports has spread throughout our entire textile industry complex and now has a significant effect on employment in all sectors of the textile industry.

These events have transpired since your Committee's last consideration of trade policy in connection with your handling of the Trade Expansion Act of 1962, and they represent changed circumstances which warrant your taking a fresh look at the need for positive import regulation of man-made fiber textile articles.

VI. SINCE THE ENACTMENT OF THE TRADE EXPANSION ACT OF 1962, THE MAJOR PART OF EMPLOYMENT IN THE U. S. TEXTILE MILL PRODUCTS INDUSTRY HAS BECOME DEPENDENT UPON THE PRODUCTION AND USE OF MAN-MADE FIBERS.

The consumption of textile fibers in the United States during the past two decades has shifted dramatically from primarily cotton to primarily man-made fiber. During the first five years of the decade of the 1950s, cotton accounted for 68% of per capita textile fiber consumption, and man-made fiber only 23%. In 1969, these ratios were dramatically changed, with cotton accounting for 41%, and man-made fiber for 55% of per capita consumption of textile fibers.[9]

An important consequence of this shift is that today the number of workers employed in man-made fiber producing plants and in the textile mills which consume principally man-made fibers exceeds the employment in establishments primarily consuming cotton and wool.

The man-made fiber textile industry complex in the United States in 1967 consisted of 4,099 establishments employing 540.2 thousand workers engaged either in the production of man-made fibers or in the production of textile articles in which man-made fibers were the principal textile fiber used.[10]

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[9] See Exhibit XI.

[10] Excluding finishing plants which do not themselves consume fiber but, rather, process fabric already woven in other establishments, there are 26 industries defined at the 4-digit level of the Standard Industrial Classification included in the major textile mill products industry group, according to the 1967 Census of Manufactures. Aggregate employment in these 26 industries in 1967 was 852.7 thousand workers. Of these, 13 industry groups comprising 4,038 establishments employing 451.4 thousand workers accounting for $9.4 billion in value of shipments in 1967, utilized man-made fibers as the principal textile fiber by weight or by value in their manufacturing operations. In addition, the 61 establishments which produced the man-made fibers consumed by those 13 industries in 1967 employed 88.8 thousand workers. See Exhibit XII.

Between February 1969 and February 1970, the man-made fiber textile industry complex sustained a loss of 16,800 jobs.[11] This is only a portion of the loss of employment in the entire textile industry complex. Between March 1969 and March 1970, employment in the textile mill products and apparel, and other textile product industry groups declined by 53,000 jobs.[12]

Mr. Chairman, this loss of jobs in the man-made fiber sector and in the textile industry as a whole has special significance for the country because of the characteristics of the employment by the industry. As indicated in a recent study of labor in the textile and apparel industries by the Bureau of Labor Statistics, this textile industry complex accounts for a sizable proportion of factory employment in numerous small and medium-size communities.[13]

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[11] Current employment statistics reported by the Bureau of Labor Statistics do not include as fine a level of detail by industry classification as the 1967 Census of Manufactures from which the compilation in Exhibit XII was made. Some 4-digit industry groups are combined at the 3-digit level.

To give an indication of the impact of recent economic developments, including the changes in the foreign trade position of the man-made fiber textile industry, employment statistics were examined for the 4-digit industries where separately reported and for the 3-digit industries where that is the finest level of detail which includes the 4-digit industries primarily based upon the use of man-made fibers identified in Exhibit XII. This was done in order to compare the employment for the latest month, February 1970, with the employment a year ago since it is the current loss of employment which is the most significant in measuring the magnitude of the distress among workers in the domestic textile industry affected by imports.

See industry groups SIC 222, 225, 228, 229, 2283, and 2284, per U. S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, April 1970.

[12] *Employment and Earnings, ibid.*

[13] U. S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1635 (August 1969), p. 1.

Nearly 70% of this employment is located in the South and to an extent highly unusual among manufacturing industries this employment is located in small communities. Some 61% of textile workers are employed in nonmetropolitan areas.[14] While the apparel sector of the industry is more urban than textile mill products or man-made fiber production, as witness the major employment afforded workers in New York City and other large communities, it is the fact that apparel manufacture accounted for more than 15% of all factory jobs in the nonmetropolitan areas of six States.[15]

It is also significant that the proportion of nonwhite employment in the textile industry doubled between 1962 and 1968, exceeding the gain for such employment in manufacturing as a whole. This upward trend continued into 1969 until interrupted by the drop in employment which commenced in the latter part of the year and which has extended into 1970. The apparel industry, in particular, employs large numbers of workers of minority groups, and the proportion of such employment in apparel is greater than in manufacturing generally.[16]

The textile industry is a major source of factory employment for women, and it is well-known that women are less mobile in their employment than men, so that the loss of employment at a particular plant presents a more difficult problem for adjustment for women than for men. Because the median age of employment in textiles is 41 years

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[14] U. S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1635 (August 1969), p. 3.

[15] Pennsylvania, Missouri, Georgia, Tennessee, Alabama, and Mississippi. *Ibid.*, p. 4.

[16] *Ibid.*, p. 6.

and in apparel 42 years, displaced workers in these industries have relatively a greater problem in adjustment than do younger workers as, for example, in manufacturing generally.[17]

The principal burden of my remarks concerning employment is that the loss of jobs being experienced is pervasive throughout the textile industry and heavily affects the most dynamic sector of the industry - that concerned with the production and use of man-made fiber textiles. These lost jobs represent an exceptional loss to the nation because of the characteristics of the work force in the textile industry.

A loss of employment of this magnitude in such an important major industry is a new fact reflecting a change of considerable importance in comparison with the situation that was known to this Committee when it considered the Trade Expansion Act of 1962.

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[17] U. S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 1635 (August 1969), p. 6.

CONCLUSION

Mr. Chairman, I believe that these points which I have made provide you and the Committee with a strong and compelling basis for expressing in legislation our nation's public policy in regard to the regulation of imports of textile articles. H. R. 16920 accomplishes this in a manner consistent with continued, reasonable, and orderly access for foreign-produced textile articles to the United States market. The bill would provide such access to a degree compatible with the preservation of the standard of living and employment opportunities of the workers in the textile industry and of the economic health of the hundreds of communities in which they live.

On behalf of the managements of the man-made fiber producing companies, of our workers, and of the communities in which our plants are located and our workers reside, I wish to convey to you, Mr. Chairman, and to all of the members of this Committee who have introduced legislation comparable to H. R. 16920, or who will support the enactment of such legislation, our appreciation for your leadership. We strongly urge you to persevere in the enactment of this vitally important legislation.

EXHIBIT I

IMPORTS' SHARE OF THE DOMESTIC MARKET FOR TEXTILE ARTICLES, 1950-1969
(In millions of pounds)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
COTTON										
Imports										
Raw Cotton	94.5	39.5	97.5	72.5	75.0	68.5	95.5	70.5	68.5	72.5
Cotton Textiles	40.1	33.9	32.4	44.5	48.5	87.0	108.0	95.6	112.2	172.9
Domestic Consumption	4464.1	4513.9	4165.4	4209.4	3885.6	4206.6	4216.0	3878.0	3729.0	4271.0
Ratio of Imports to Domestic Consumption:										
Imports of Cotton	2.1%	0.9%	2.3%	1.7%	1.9%	1.6%	2.3%	1.8%	1.8%	1.7%
Imports of Cotton Textiles	0.9%	0.8%	0.8%	1.1%	1.2%	2.1%	2.6%	2.5%	3.0%	4.0%
Aggregate Imports	3.0%	1.7%	3.1%	2.8%	3.1%	3.7%	4.9%	4.3%	4.8%	5.7%
MAN-MADE FIBER TEXTILES*										
Imports**										
Staple tow and waste	99.9	94.5	73.1	69.2	60.6	175.3	95.0	89.0	96.6	131.6
Man-made fiber textile products	10.8	9.4	3.7	5.8	7.6	9.8	10.6	11.6	15.8	38.5
Domestic Consumption	1420.0	1360.1	1357.5	1385.6	1362.2	1744.8	1549.9	1607.7	1582.8	1850.2
Ratio of Imports to Domestic Consumption:										
Imports of Staple Fiber	7.0%	6.9%	5.4%	5.0%	4.4%	10.0%	6.1%	5.5%	6.1%	7.1%
Imports of Textile Products	0.8%	0.7%	0.3%	0.4%	0.6%	0.6%	0.7%	0.7%	1.0%	2.1%
Aggregate Imports	7.8%	7.6%	5.7%	5.4%	5.0%	10.6%	6.8%	6.3%	7.1%	9.2%
WOOL TEXTILES										
Imports	63.8	56.4	88.0	61.9	61.0	81.4	91.1	85.2	90.2	126.9
Domestic Consumption	691.1	532.3	548.3	550.8	439.5	558.9	591.3	513.1	478.2	628.4
Ratio of Imports to Domestic Consumption	9.2%	10.6%	16.0%	11.2%	13.9%	14.6%	15.4%	16.6%	18.9%	20.2%
TOTAL, ALL TEXTILE ARTICLES										
Imports	214.6	194.2	197.2	181.4	177.7	353.5	304.7	281.4	314.8	469.9
Domestic Consumption*	6575.2	6406.3	6071.2	6145.8	5687.3	6510.3	6357.2	5998.8	5790.0	6749.6
Ratio of Imports to Domestic Consumption	3.3%	3.0%	3.2%	3.0%	3.1%	5.4%	4.8%	4.7%	5.4%	7.0%

(continued)

EXHIBIT I - *page 2*

(In millions of pounds)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
COTTON										
Imports										
Raw Cotton	79.5	79.5	68.5	67.5	59.0	59.0	52.5	100.5	33.0	30.0
Cotton Textiles	252.3	188.9	309.8	304.3	300.2	360.7	510.3	443.4	473.8	488.0
Domestic Consumption	4209.9	4031.2	4277.5	4136.7	4331.4	4664.5	4951.3	4678.0	4432.1	4181.2
Ratio of Imports to Domestic Consumption:										
Imports of Cotton	1.9%	2.0%	1.6%	1.6%	1.4%	1.3%	1.1%	2.1%	0.7%	0.7%
Imports of Cotton Textiles	6.0%	4.7%	7.2%	7.4%	6.9%	7.7%	10.3%	9.5%	10.7%	11.7%
Aggregate Imports	7.9%	6.7%	8.8%	9.0%	8.3%	10.0%	11.4%	11.6%	11.4%	12.4%
MAN-MADE FIBER TEXTILES*										
Imports**										
Staple tow and waste	69.3	53.6	78.0	116.8	149.3	144.0	196.5	172.2	244.9	179.0
Man-made fiber textile products	36.0	30.0	40.2	64.6	58.9	94.3	139.3	162.9	241.6	294.1
Domestic Consumption	1670.1	1850.6	2181.1	2544.9	2893.7	3302.3	3660.9	3939.7	4976.4	5187.5
Ratio of Imports to Domestic Consumption:										
Imports of Staple Fiber	4.1%	2.9%	3.6%	6.4%	5.2%	4.4%	5.4%	4.4%	4.9%	3.5%
Imports of Textile Products	2.2%	1.6%	1.8%	2.5%	2.0%	2.9%	3.8%	4.1%	4.9%	5.7%
Aggregate Imports	6.3%	4.5%	5.4%	7.1%	7.2%	7.2%	9.2%	8.5%	9.8%	9.1%
WOOL TEXTILES										
Imports	132.1	127.4	145.6	152.5	141.1	156.1	142.9	121.7	146.0	129.4
Domestic Consumption	607.4	603.9	644.7	633.4	565.4	600.4	560.7	479.7	515.0	476.5
Ratio of Imports to Domestic Consumption	21.7%	21.1%	22.6%	24.1%	25.0%	26.0%	25.5%	25.4%	28.3%	27.2%
TOTAL, ALL TEXTILE ARTICLES										
Imports	489.7	399.9	573.6	638.2	649.5	755.1	989.0	900.2	1106.3	1090.5
Domestic Consumption*	6487.4	6485.7	7103.3	7315.0	7790.5	8567.2	9172.9	9097.4	9923.5	9845.2
Ratio of Imports to Domestic Consumption	7.5%	6.2%	8.1%	8.7%	8.3%	8.8%	10.8%	9.9%	11.1%	11.1%

* excludes glass fiber; ** includes man-made fiber primary products

SOURCE: *Textile Organon*, March 1962, October 1969, and March 1970; U. S. Department of Agriculture, *Agricultural Statistics*, 1967, 1969.

EXHIBIT II

U. S. AND WORLD PRODUCTION OF COTTON, WOOL, AND MAN-MADE FIBER, 1950-1969

	COTTON (000's of bales)			WOOL (000's of 500-lb. equivalent bales, greasy basis)			MAN-MADE FIBER (000's of 500-lb. bale equivalent)			TOTAL (000's)			% MAN-MADE OF TOTAL	
	World	U. S.	U. S. Share	World	U. S.	U. S. Share	World	U. S.	U. S. Share	World	U. S.	U. S. Share	World	U. S.
1950	32,852	16,005	48.7%	8,000	498	6.2%	7,396	2,764	37.4%	48,248	19,267	39.9%	15.3%	14.3%
1951	30,501	9,878	32.4%	8,260	508	6.2%	8,472	2,930	34.6%	47,233	13,316	28.2%	17.9%	22.0%
1952	38,681	15,155	39.2%	8,940	534	6.0%	7,638	2,693	35.3%	55,259	18,382	33.3%	13.8%	14.7%
1953	40,126	15,167	37.8%	9,068	550	6.1%	8,978	2,887	32.2%	58,172	18,604	32.0%	15.4%	15.5%
1954	41,595	16,402	39.4%	9,130	558	6.1%	9,838	2,615	26.6%	60,563	19,575	32.3%	16.2%	13.3%
1955	41,016	13,630	33.2%	9,600	624	6.5%	8,651	3,280	37.9%	59,267	17,534	29.6%	14.6%	18.7%
1956	43,672	14,680	33.6%	10,160	622	6.1%	11,878	3,096	26.1%	65,710	18,398	28.0%	18.1%	16.8%
1957	42,159	13,027	30.9%	10,120	592	5.8%	12,718	3,310	26.0%	64,997	16,929	26.0%	19.6%	19.6%
1958	41,582	10,960	26.4%	10,680	590	5.5%	11,898	3,051	25.6%	64,160	14,601	22.8%	18.5%	20.9%
1959	44,831	11,504	25.7%	11,270	638	5.7%	13,674	3,624	26.5%	69,775	15,766	22.6%	19.6%	23.0%
1960	47,302	14,555	30.8%	11,176	646	5.8%	14,594	3,411	23.4%	73,072	18,612	25.5%	20.0%	18.3%
1961	46,772	14,453	30.9%	11,390	640	5.6%	15,522	3,692	23.8%	73,684	18,785	25.5%	21.1%	19.7%
1962	45,354	14,448	31.8%	11,326	594	5.2%	17,394	4,490	25.8%	74,074	19,532	26.4%	23.5%	23.0%
1963	48,216	14,920	30.9%	11,468	562	4.9%	19,372	5,010	25.9%	79,056	20,492	25.9%	24.5%	24.4%
1964	50,415	15,340	30.4%	11,358	510	4.5%	21,944	5,677	25.9%	83,717	21,527	25.7%	26.2%	26.4%
1965	52,137	15,245	29.2%	11,458	482	4.2%	23,762	6,608	27.8%	87,357	22,335	25.6%	27.2%	29.6%
1966	53,258	14,920	28.0%	11,704	472	4.0%	25,686	7,175	27.9%	90,648	22,567	24.9%	28.3%	31.8%
1967	48,897	9,860	20.2%	11,864	454	3.8%	27,282	7,453	27.3%	88,043	17,767	20.2%	31.0%	41.9%
1968	47,781	7,215	15.1%	12,196	428	3.5%	32,206	9,614	29.9%	92,183	17,257	18.7%	34.9%	55.7%
1969	53,555	11,060	20.6%	12,354	400	3.2%	35,028	10,124	28.9%	100,937	21,584	21.4%	34.7%	46.9%
% Change														
1950-59	*+36.5%*	*-28.1%*		*+40.9%*	*+28.1%*		*+84.9%*	*+31.1%*		*+44.6%*	*-18.2%*			
1960-69	*+13.2%*	*-24.0%*		*+10.5%*	*-38.1%*		*+140.0%*	*+196.8%*		*+38.1%*	*+16.0%*			
1950-69	*+63.0%*	*-30.9%*		*+54.4%*	*-19.7%*		*+373.6%*	*+266.3%*		*+109.2%*	*+12.0%*			

SOURCE: *Textile Organon*: October 1962 and 1969, February 1962 and 1970, and December 1957, 1962, and 1970.

EXHIBIT III

U. S. IMPORTS, EXPORTS, AND BALANCE OF TRADE
ON COTTON, WOOL, AND MAN-MADE FIBER TEXTILES
(In millions of pounds)

	U. S. IMPORTS	*U. S. EXPORTS*	*BALANCE OF TRADE*
1950	214.6	370.9	+156.3
1951	194.2	527.1	+332.9
1952	197.2	458.3	+261.1
1953	181.4	424.6	+243.2
1954	177.7	429.5	+251.8
1955	353.5	396.4	+42.9
1956	304.7	401.4	+96.7
1957	281.4	443.6	+162.2
1958	314.8	391.8	+77.0
1959	469.9	406.5	-63.4
1960	489.7	427.5	-62.2
1961	399.9	426.8	+26.9
1962	573.6	436.9	-136.7
1963	638.2	433.4	-204.8
1964	649.5	481.2	-168.3
1965	755.1	443.6	-311.5
1966	989.0	491.3	-497.7
1967	900.2	500.3	-399.9
1968	1,106.3	547.3	-559.0
1969	1,090.5	652.6	-437.9

NOTE: Data exclude textile glass fiber and include imports and exports of rayon and acetate and noncellulosic fiber.

SOURCE: *Textile Organon*, March 1962 and February and March 1970.

EXHIBIT IV

U. S. IMPORTS, EXPORTS, AND
BALANCE OF TRADE ON COTTON TEXTILES
(In millions of pounds)

	U. S. IMPORTS	*U. S. EXPORTS*	*BALANCE OF TRADE*
1950	40.1	258.7	+218.6
1951	33.9	388.6	+354.7
1952	32.4	337.9	+305.5
1953	44.5	291.2	+246.7
1954	48.5	290.2	+241.7
1955	87.0	262.8	+175.8
1956	108.0	254.6	+146.6
1957	95.6	278.0	+182.4
1958	112.2	250.1	+137.9
1959	172.9	236.4	+63.5
1960	252.3	233.3	-19.0
1961	188.9	239.2	+50.3
1962	309.8	220.3	-89.5
1963	304.3	207.8	-96.5
1964	300.2	213.2	-87.0
1965	360.7	173.7	-187.0
1966	510.3	189.5	-320.8
1967	443.4	188.4	-255.0
1968	473.8	188.2	-285.6
1969	488.0	232.4	-255.6

SOURCE: *Textile Organon*, March 1962 and March 1970.

EXHIBIT V

U. S. IMPORTS, EXPORTS, AND
BALANCE OF TRADE ON WOOL TEXTILES
(In millions of pounds)

	U. S. IMPORTS	*U. S. EXPORTS*	*BALANCE OF TRADE*
1950	63.8	7.5	-56.3
1951	56.4	8.2	-48.2
1952	88.0	6.1	-81.9
1953	61.9	5.0	-56.9
1954	61.0	5.6	-55.4
1955	81.4	5.5	-75.9
1956	91.1	5.7	-85.4
1957	85.2	4.6	-80.6
1958	90.2	4.6	-85.6
1959	126.9	4.9	-122.0
1960	132.1	4.7	-127.4
1961	127.4	4.5	-122.9
1962	145.6	4.4	-141.2
1963	152.5	5.6	-146.9
1964	141.1	7.0	-134.1
1965	156.1	12.7	-143.4
1966	142.9	10.1	-132.8
1967	121.7	8.6	-113.1
1968	146.0	9.3	-136.7
1969	129.4	8.9	-120.5

SOURCE: *Textile Organon*, March 1962 and March 1970.

EXHIBIT VI

U. S. IMPORTS, EXPORTS, AND BALANCE
OF TRADE ON MAN-MADE FIBER TEXTILE ARTICLES
(In millions of pounds)

	U. S. IMPORTS	U. S. EXPORTS	BALANCE OF TRADE
1950	110.7	104.7	-6.0
1951	103.9	130.3	+26.4
1952	76.8	114.3	+37.5
1953	75.0	128.4	+53.4
1954	68.2	133.7	+65.5
1955	185.1	128.1	-57.0
1956	105.6	141.1	+35.5
1957	100.6	161.0	+60.4
1958	112.4	137.1	+24.7
1959	170.1	165.2	-4.9
1960	105.3	189.5	+84.2
1961	83.6	183.1	+99.5
1962	118.2	212.2	+94.0
1963	181.4	220.0	+38.6
1964	208.2	261.0	+52.8
1965	238.3	257.2	+18.9
1966	335.8	291.7	-44.1
1967	335.1	303.3	-31.8
1968	486.5	349.8	-136.7
1969	473.1	411.3	-61.8

NOTE: Data exclude textile glass fiber and include imports and exports of rayon and acetate and noncellulosic fiber.

SOURCE: *Textile Organon*, March 1962 and February and March 1970.

EXHIBIT VII

U. S., JAPAN, AND WORLD TRADE IN TEXTILES AND CLOTHING, COMPARED WITH TOTAL MANUFACTURES
(In billions of dollars, f.o.b.)

EXPORTS FROM → / TO ↓	INDUSTRIAL AREAS: TEXTILES AND CLOTHING: Total	Of which U. S.	Of which Japan	INDUSTRIAL AREAS: TOTAL MANUFACTURES: Total	Of which U. S.	Of which Japan	DEVELOPING AREAS: Textiles and Clothing	DEVELOPING AREAS: Total Manufactures	COMMUNIST BLOC: Textiles and Clothing	COMMUNIST BLOC: Total Manufactures	WORLD: Textiles and Clothing	WORLD: Total Manufactures	TOTAL EXPORTS, ALL COMMODITIES: Total	Of which U. S.	Of which Japan
INDUSTRIAL AREAS															
1964	$ 5.33	$0.38	$ 0.54	$53.93	$ 9.14	$ 2.81	$ 0.87	$ 3.56	$ 0.14	$ 1.55	$ 6.35	$59.48	$111.23	$15.09	$ 3.18
1965	5.78	0.38	0.54	60.58	10.76	3.77	0.97	4.04	0.14	1.84	6.89	67.04	121.35	16.95	4.20
1966	6.45	0.42	0.69	68.94	12.16	4.47	1.09	4.99	0.17	2.17	7.72	76.89	134.40	18.82	4.92
1967	6.36	0.39	0.65	74.25	13.46	4.81	1.16	5.39	0.17	2.26	7.71	82.68	142.28	19.98	5.18
1968	7.38	0.40	0.77	86.64	15.38	6.21	1.40	6.65	0.23	2.55	9.02	96.74	159.93	22.59	6.63
% Change 1964-68	*+38.5%*	*+5.3%*	*+42.6%*	*+60.7%*	*+68.3%*	*+121.0%*	*+60.9%*	*+86.8%*	*+64.3%*	*+64.5%*	*+42.0%*	*+62.6%*	*+43.8%*	*+49.7%*	*+108.5%*
DEVELOPING AREAS															
1964	1.83	0.30	0.73	18.63	5.69	3.06	0.50	1.74	0.23	1.81	2.57	22.47	35.13	8.62	3.28
1965	1.85	0.39	0.78	20.01	6.05	3.82	0.54	1.90	0.26	2.01	2.66	24.27	37.21	8.82	4.04
1966	1.90	0.30	0.88	21.88	6.53	4.32	0.53	2.09	0.28	2.16	2.71	26.58	40.58	9.63	4.58
1967	1.89	0.30	0.86	22.42	6.77	4.73	0.61[e]	2.22[e]	0.27[e]	2.13[e]	2.77[e]	27.23	41.51	9.87	5.03
1968	2.11	0.30	0.99	25.64	7.65	5.76	0.83[e]	2.80[e]	0.28[e]	2.20[e]	3.22[e]	30.90	45.48	11.13	6.10
% Change 1964-68	*+15.3%*	*0.0%*	*+35.6%*	*+37.6%*	*+34.4%*	*+88.2%*	*+60.0%*	*+60.9%*	*+21.7%*	*+21.5%*	*+25.3%*	*+37.5%*	*+29.5%*	*+29.1%*	*+86.0%*
COMMUNIST BLOC															
1964	0.16	-	0.02	2.51	0.02	0.20	0.11	0.18	0.60	8.96	0.86	11.65	20.03	0.34	0.22
1965	0.21	-	0.11	3.21	0.03	0.19	0.16	0.27	0.60	9.40	0.96	12.87	21.42	0.14	0.21
1966	0.25	-	-	3.96	-	0.25	0.15	0.31	0.60	9.52	1.00	13.78	22.32	0.20	0.27
1967	0.37	-	0.05	4.74	0.07	0.22	0.16[e]	0.29[e]	0.70[e]	10.52[e]	1.20[e]	15.55	23.86	0.19	0.23
1968	0.41	-	0.06	5.00	0.07	0.22	0.15[e]	0.30[e]	0.76[e]	11.95[e]	1.32[e]	17.40	25.87	0.22	0.23
% Change 1964-68	*+156.2%*	*0.0%*	*+200.0%*	*+99.2%*	*+250.0%*	*+10.0%*	*+36.0%*	*+66.7%*	*+26.6%*	*+33.4%*	*+53.5%*	*+49.4%*	*+29.2%*	*-35.3%*	*+4.5%*
WORLD															
1964	7.79	0.69	1.29	79.21	16.64	6.09	1.58	5.66	0.98	14.35	10.38	98.11	172.20	26.09	6.67
1965	8.30	0.70	1.43	88.47	17.29	7.78	1.76	6.40	1.01	13.29	11.10	109.28	186.42	27.00	8.45
1966	9.04	0.74	1.61	99.15	19.15	9.05	1.85	7.60	1.05	13.87	11.98	122.04	203.37	29.90	9.78
1967	9.08	0.71	1.57	106.22	20.77	9.76	2.03[e]	8.16	1.14[e]	14.94	12.27	130.74	214.29	31.15	10.44
1968	10.35	0.71	1.82	122.32	23.65	12.19	2.38[e]	9.75	1.27[e]	16.70	14.00	150.60	238.15	33.98	12.97
% Change 1964-68	*+32.9%*	*+2.9%*	*+41.1%*	*+54.4%*	*+42.1%*	*+100.2%*	*+50.6%*	*+72.3%*	*+29.6%*	*+35.2%*	*+34.9%*	*+53.5%*	*+38.3%*	*+30.2%*	*+94.5%*

e - partially estimated.
SOURCE: The Secretariat of GATT, *International Trade 1968*, Table 31; United Nations, *Statistical Papers*.

EXHIBIT VIII

CONSUMPTION AS A PERCENTAGE OF
PRODUCTION OF VARIOUS TYPES OF FIBERS

	CELLULOSIC FIBER				*NONCELLULOSIC FIBER*			
	STAPLE		FILAMENT		STAPLE		FILAMENT	
	1962	1968	1962	1968	1962	1968	1962	1968
OECD Europe	70.3	69.2	82.2	82.9	90.1	88.5	90.1*	88.5*
United States	108.9	113.2	92.1	98.7	94.8	96.7	91.0	93.6
Canada	111.1	96.0	104.3	124.9	110.9	170.5	106.7	111.1
Japan	83.8	79.5	85.4	83.3	95.8	81.7	94.0	81.5

* Polyamide and polyester only.

SOURCE: OECD, *Man-Made Fibres*, Paris, 1969.

EXHIBIT IX

NUMBER AND PRODUCTIVE CAPACITY OF MAN-MADE FIBER PRODUCING PLANTS IN THE WORLD, 1969-1970; PRODUCTION AND EXPORTS, 1968

(No. of plants in units; other data in millions of pounds)

	NUMBER OF PLANTS as of June 1969	PRODUCTIVE CAPACITY as of December 1970 Pounds	% of Non-Communist Capacity	% of Total Capacity	1968 CONSUMPTION[2] Pounds	% of Total	1968 PRODUCTION Pounds	% of Total	1968 EXPORTS Pounds	% of Total
DEVELOPED COUNTRIES	611	18,637	91.9%	78.6%	11,304	89.9%	12,749	79.4%	3,209	97.9%
Of which,										
USA	*166*	*7,115*[1]	*35.1%*	*30.0%*	*4,861*	*38.7%*	*4,782*	*29.8%*	*197*	*6.0%*
EEC	*172*	*4,699*	*23.2%*	*19.8%*	*2,301*	*18.3%*	*3,136*	*19.5%*	*1,660*	*50.6%*
EFTA	*89*	*2,376*	*11.7%*	*10.0%*	*1,447*	*11.5%*	*1,735*	*10.8%*	*767*	*23.4%*
Japan	*110*	*3,596*	*17.7%*	*15.2%*	*1,968*	*15.7%*	*2,591*	*16.1%*	*535*	*16.3%*
DEVELOPING COUNTRIES	206	1,632	8.1%	6.9%	1,190	9.5%	923	5.7%	70	2.1%
Of which										
Latin America	*114*	*798*	*3.9%*	*3.4%*	*525*	*4.2%*	*455*	*2.8%*	*10*	*0.3%*
Africa	*6*	*47*	*0.2%*	*0.2%*	*116*	*0.9%*	*26*	*0.2%*	*2*	*0.1%*
Asia (except Japan)	*79*	*764*	*3.8%*	*3.2%*	*475*	*3.8%*	*425*	*2.6%*	*46*	*1.4%*
Middle East	*7*	*78*	*0.4%*	*3.3%*	*74*	*0.6%*	*46*	*0.3%*	*12*	*0.4%*
		20,270								
COMMUNIST BLOC COUNTRIES	164	3,442		14.5%	n.a.		2,394	14.9%	n.a.	
Of which,										
Russia	*69*	*1,718*		*7.2%*	*n.a.*		*1,221*	*7.6%*	*n.a.*	
Red China	*28*	*116*		*0.5%*	*n.a.*		*89*	*0.6%*	*n.a.*	
WORLD TOTAL	981	23,712		100.0%	12,570[3]	100.0%	16,066	100.0%	3,279[3]	100.0%

[1] As of July 1970.
[2] Production plus imports less exports.
[3] Excludes Communist Bloc nations, except Cuba.

SOURCE: *Textile Organon*, June 1969.

EXHIBIT X

GROWTH IN PRODUCTION ATTAINABLE
OVER THE PERIOD 1968 TO 1970 ASSUMING VARYING DEGREES
OF UTILIZATION OF PRODUCTION CAPACITY PLANNED FOR 1970

ASSUMED DEGREE OF CAPACITY UTILIZATION 1970		*OECD EUROPE*	*UNITED STATES*	*JAPAN*
Polyamide:	70%......	5.6	-0.8	-6.4
	80%......	12.9	6.0	1.5
	90%......	19.8	12.5	6.2
	100%......	26.6	18.6	12.0
Acrylic:	70%......	11.8*	1.5*	-0.7
	80%......	12.5*	8.6*	6.3
	90%......	26.8*	15.1*	12.7
	100%......	33.6*	21.3*	18.8
Polyester:	70%......	14.7	13.1*	-0.7
	80%......	22.6	21.0*	6.2
	90%......	30.0	28.3*	12.7
	100%......	37.1	35.2*	18.7

* Staple only.

SOURCE: OECD, *Man-Made Fibres*, Paris, 1969.

EXHIBIT XI

PER CAPITA CONSUMPTION OF TEXTILE FIBERS IN THE UNITED STATES, 1950-1969

PERIOD	POPULATION *(Millions)*	PER CAPITA CONSUMPTION *(Pounds)* Cotton	Man-Made Fibers	Wool	Total
1950-1954	157.6	26.9	9.0	3.8	39.7
1955-1959	171.9	23.6	10.3	3.2	37.1
1960-1964	186.5	22.5	12.8	3.3	38.6
1965-1969	199.0	23.0	22.8	2.7	48.5
1969	203.2	20.6	27.8	2.3	50.7

SOURCE: *Textile Organon*, March 1970.

EXHIBIT XII

U. S. INDUSTRIES BASED PRIMARILY UPON THE USE OF MAN-MADE FIBERS, 1967

(Number of establishments in units; employment in thousands; other data in millions)

SIC	NAME	NO. OF ESTAB-LISHMENTS	TOTAL EMPLOY-MENT	VALUE OF SHIPMENTS	TOTAL COST OF MATERIALS	TOTAL FIBER CONSUMED: COTTON Lbs.	COTTON Value	WOOL Lbs.	WOOL Value	MAN-MADE FIBER Lbs.	MAN-MADE FIBER Value	TOTAL Lbs.	TOTAL Value	% MAN-MADE Lbs.	% MAN-MADE Value
2211	Weaving Mills, Cotton	394	203.5	$3,346.1	$1,770.0	3,115.7	$788.5	-	-	248.1	$143.1	3,412.9	$940.0	7.3%	15.2%
2221	Weaving Mills, Synthetics	395	108.2	2,280.2	1,360.3	280.0	80.1	23.8	$ 21.3	841.7	557.6	1,281.6	737.6	65.7%	75.6%
2231	Weaving & Finishing Mills, Wool	310	41.8	1,091.6	657.7	-	-	204.2	233.1	21.0	12.5	250.7	255.9	8.4%	4.9%
2241	Narrow Fabric Mills	383	25.2	433.1	227.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2251	Women's Hosiery, Except Socks	359	58.0	839.1	430.4	....	....	-	-	57.5	120.1	57.5+	125.3+	Nearly 100%	95.8%
2252	Hosiery, n.e.c.	444	38.0	508.6	290.2	45.0	38.6	....	....	49.6	63.3	94.6+	141.3	52.4%	44.8%
2253	Knit Outerwear Mills	1,168	73.6	1,269.8	672.8	71.2	50.6	29.0	73.9	86.5	140.3	186.7	264.8	46.3%	53.0%
2254	Knit Underwear Mills	113	30.7	445.3	251.8	136.8	100.6	----	----	2.7	4.9	147.3	115.3	1.8%	4.2%
2256	Knit Fabric Mills	538	36.1	1,349.3	918.1	155.6	119.2	14.9	25.5	290.7	353.4	461.2	498.1	63.0%	70.9%
2259	Knitting Mills, n.e.c.	63	3.0	39.0	16.5	8.0	4.6	----	----	----	----	8.0+	4.6+	>50%	>50%
2271	Woven Carpets & Rugs	63	8.7	232.5	132.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2272	Tufted Carpets & Rugs	245	32.3	1,453.0	1,004.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2279	Carpets & Rugs, n.e.c.	79	3.0	90.2	47.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2281	Yarn Mills, Except Wool	373	73.6	1,403.1	854.0	1,027.9	291.2	41.0	36.1	689.3	368.9	1,835.2	720.8	37.6%	51.2%
2282	Throwing & Winding Mills	181	18.5	568.0	387.8	-	-	-	-	194.8	251.4	210.6	265.3	92.5%	94.8%
2283	Wool Yarn Mills	134	14.6	362.3	237.9	-	-	136.9	146.6	39.5	35.4	184.5	195.1	21.4%	18.1%
2284	Thread Mills	75	11.4	255.4	158.2	41.7	18.4	-	-	86.5	99.2	128.2	117.6	67.5%	84.4%
2291	Felt Goods	40	4.5	133.6	69.3	-	-	37.0	12.0	50.7	11.1	87.7	23.1	57.8%	48.1%
2292	Lace Goods	142	5.0	65.7	28.0	3.7	2.8	-	-	7.0	11.5	10.7	14.3	65.4%	80.4%

(Continued)

EXHIBIT XII - *page 2*

(Number of establishments in units; employment in thousands; other data in millions)

						TOTAL FIBER CONSUMED									
		NO. OF ESTAB-LISHMENTS	*TOTAL EMPLOY-MENT*	*VALUE OF SHIPMENTS*	*TOTAL COST OF MATERIALS*	COTTON		WOOL		MAN-MADE FIBER		TOTAL		% MAN-MADE	
SIC	*NAME*					Lbs.	Value	Lbs.	Value	Lbs.	Value	Lbs.	Value	Lbs.	Value
2293	Paddings & Upholstery Filling	154	6.7	$ 172.2	$ 92.1	323.0	$ 26.9	-	-	73.9	$ 11.0	396.9	$ 37.9	18.6%	29.0%
2294	Processed Textile Waste	138	4.3	88.9	53.3	43.0	2.7	5.7	$ 1.9	55.3	17.4	104.0	22.0	53.2%	79.1%
2295	Coated Fabrics, Not Rubberized	179	17.9	629.1	376.0			This industry		purchases fabrics		not fiber or yarn.			
2296	Tire Cord & Fabric	20	10.1	441.1	354.3	53.5	13.3	-	-	422.0	304.4	475.5	317.7	88.7%	95.8%
2297	Scouring & Combing Plants	69	5.3	96.5	57.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2298	Cordage & Twine	165	10.1	187.5	94.6	23.9	8.5	-	-	43.3	28.3	67.2	36.8	64.4%	76.9%
2299	Textile Goods, n.e.c.	194	8.6	218.6	124.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Subtotal, industry classifications utilizing man-made fiber and yarn as the principal raw material (in quantity or in value)		*4,038*	*451.4*	*$9,390.3*	*$5,671.3*	*1,745.5*	*$625.4*	*151.4*	*$170.7*	*2,874.9*	*$2,326.9*	*5,000.7*	*$3,284.7*	*57.5%*	*70.8%*
2823 2824	Man-Made Fibers	61	88.8	2,930.5											
TOTAL		*4,099*	*540.2*												

- = None
... = Reported in the total, but not separately
---- = Not separately reported

SOURCE: U. S. Department of Commerce, Bureau of the Census, *1967 Census of Manufactures*.

Mr. LANDRUM (presiding). Thank you very much.
Mr. Betts.
Mr. BETTS. I have just one question: I was concerned about the story you tell indicating that there is not much protection at all for your industry. Is that correct? That is, in the way of agreements.
At the bottom of page 5 you mention you are not part of the long-term cotton textile arrangement. Is that correct?
Mr. RAMSEY. No, sir, we are not.
Mr. BETTS. Are you a party to any arrangement?
Mr. RAMSEY. There are some tariffs which have been reduced by 50 percent in the Kennedy round.
Mr. BETTS. You mentioned that. But you are not party to any agreement like cotton or anything else?
Mr. RAMSEY. No, sir.
Mr. BETTS. In other words, you are on your own.
Mr. RAMSEY. We are on our own, yes, sir.
Mr. BETTS. I happened to think of something, and I don't know whether Mr. Stewart has the answer or not. He has a lot of figures at his command.
This thought occurred to me: You mentioned how the imports have affected jobs in your industry.
Mr. Stewart, are there any statistics as to employment in Japan in like industries? Have they suffered loss of employment there, or have they maintained their employment?
Mr. STEWART. Mr. Betts, the figures I have looked at in regard to Japan indicate that in comparison with our present unemployment rate, which is nearly 5 percent in this country now, the unemployment rate in Japan currently is 1 percent or slightly less. The country is experiencing a labor shortage and, in fact, it is the policy of the Japanese Government to encourage the transfer of workers out of the textile industry and into higher wage industries in Japan, such as electronics and other industries. Consequently, the import regulation in H.R. 16920, should it have any employment effect on textile workers in Japan, which I doubt, would actually tie in with the policies of the Japanese Government to encourage the transfer of workers into higher paying industries in Japan. But basically we believe the situation in Japan to be one of full employment in the textile as well as other industries, and in the nation as a whole slightly less than 1 percent compared with our nearly 5 percent unemployment rate.
Mr. CONABLE. Will the gentleman yield on that point?
Mr. BETTS. Yes.
Mr. CONABLE. Isn't it true, Mr. Stewart, that the Japanese are losing some employment, however, to Taiwan, Hong Kong and South Korea? They actually are establishing plants in some of these places to take advantage of the wage differential there in textile industry and the textile industry in these other countries which are substantially below theirs?
Mr. STEWART. You are quite correct in describing the investment of Japanese textile firms and plants in those countries, Mr. Conable. But the consequence or the motivation is not a loss of employment. The lower wage countries are more competitive because textiles are a labor-intensive product in Japan. Japan is experiencing a labor shortage and recognizing that if the plants in the low-wage countries

were established with American investment or European investment, would foreclose their sale of manmade fibers to those plants, has taken the initiative to invest in Taiwan, Korea, Indonesia and other Asian countries, plants to spin yarn and make fabric which is brought back into Japan where it is cut and sewn into apparel articles and shipped to the United States with the price advantage of the complex of low cost, represented by the low wages of these other countries and their low raw material cost.

Mr. CONABLE. A new coprosperity sphere.

Mr. STEWART. It has not had an adverse effect on employment in Japan. In fact, it has served to maintain employment in their apparel industry.

Mr. BETTS. Frankly, Mr. Chairman, that was all I cared to ask about.

I think you have made an airtight case, I would say, for manmade fibers.

Incidentally, I think anybody deserves a lot of credit for staying all day until after 6 o'clock to make their case. I want to compliment you.

Mr. CONABLE. May I ask another question?

You mentioned there is absolutely no market for American manmade fiber elsewhere. Is that because of price alone or are there substantial foreign restrictions which are effective, and are they effective in excluding manmade fiber goods that otherwise you would be able to sell?

Mr. RAMSEY. There are other restrictions other than normal duties. There are border taxes in some countries and exchange control through administrative guidance in Japan.

Mr. CONABLE. But price is the major problem?

Mr. RAMSEY. Price is a major problem, of course. But the border taxes in Europe and the allocation of foreign exchange by the Japanese Government also enter importantly into this picture.

Mr. CONABLE. We have no market for our textile goods of this sort in Europe, is that right?

Mr. RAMSEY. No, sir, there is a market in Europe but it is not a market that offers the unlimited growth opportunities that the American market now offers to importers of like materials into this country.

Mr. CONABLE. Thank you.

Mr. LANDRUM. I didn't hear the early part of your statement, Mr. Ramsey, for which I apologize. I notice from reading, however, that you disagree with the Secretary of Commerce, Mr. Stans, who requested that we amend the version of the bill so that we exclude from the definition of textiles the manmade fiber filaments.

Mr. RAMSEY. Yes, sir.

Mr. LANDRUM. You do disagree with that?

Mr. RAMSEY. Yes, sir; I disagree strongly. He bases his position largely on the point he makes that manmade fibers are made mainly by chemical companies. But this isn't true in all cases. In fact, in the instance of our own company, which employs 10,000 people in the manufacturing of manmade fibers, we make no chemicals. We sell no chemicals. We are a manmade fiber producer. In our own case, while it is true that part of our production process relies upon chemical reaction, in fact 80 percent of our process is of textile type, quite similar to that used in the typical textile mill. Eighty percent of our employees are involved in textile type operations as opposed to chemical type operations. We are a part of the textile industry. We are not part of the chemical industry.

Mr. LANDRUM. Would it be true that the chemical part of the development of your raw material, the material you use in the manufacturing process, the chemical process is similar, in fact, to the development of the raw product in the agricultural process used, such as cotton? The cotton mills depend upon the farmer to grow their raw product, and you depend upon the chemical industry to develop your product. So you are still part of the textile industry?

Mr. RAMSEY. That is right. That is definitely the case.

Mr. LANDRUM. It just happens there is no logic in the Secretary's suggestion, is that correct?

Mr. RAMSEY. There is a grain of logic in that many large chemical companies have gone into the fiber business, but their fiber business in almost every case is run as a separate part of the company, as a separate division, as a separate profit center, and it just happens that the chemical company is in that business. It could just as well be a steel company or, as in our own case, we started from scratch in fibers and that is still our dominant manufacturing.

Mr. LANDRUM. There is just no logic at all in the Secretary's suggestion; is that right?

Mr. RAMSEY. There is no logic in Mr. Stans' suggestion.

Mr. LANDRUM. That is what I said to him the other day.

We thank you, Mr. Ramsey. Chairman Mills regrets he had to be called out on another matter.

Mr. STEWART. Mr. Chairman, at the outset Chairman Mills very kindly, without objection ruled that Mr. Ramsey's prepared statement could go into the record. In the course of his oral summary Mr. Ramsey presented a separate document, entitled "Supplemental Memorandum," which has been filed with the committee. We request permission that the supplemental memorandum also go into the record.

Mr. LANDRUM. Very well, that will be done, without objection.

Mr. STEWART. Thank you.

(The material referred to follows:)

SUPPLEMENTAL MEMORANDUM: "MAN-MADE FIBER PRIMARY PRODUCTS ARE AN ESSENTIAL PART OF THE PROGRAM FOR CONTROL THROUGH INTERNATIONAL AGREEMENT OF IMPORTS OF MAN-MADE FIBER TEXTILE ARTICLES," SUBMITTED BY CLAUDE RAMSEY, CHAIRMAN, MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.

The combined textile industry complex in its statements before Congressional Committees and Government Agencies has consistently defined "textile articles" within the context of the textile import problem as including man-made staple fiber, filaments, and filament yarn, which are the "primary products" of the man-made fiber sector of the textile industry. (See Appendix.) H. R. 16920 conforms to this concept.

This position is supported by the following considerations:

1. Man-made fibers in their primary form are internationally recognized as textile articles.

2. Imports of man-made fiber, in both primary and secondary form, have increased rapidly and the balance of trade therein has been sharply reduced.

3. The import regulation of man-made fibers in primary form is required in the interest of the entire textile industry which depends on the research and development efforts of domestic man-made fiber producers, the principal source of textile research in the United States.

1. *Man-Made Fibers in Their Primary Form Are Internationally Recognized as Textile Articles*

To understand this point, it is essential to realize that a three-stage manufacturing process is involved in producing man-made fibers. In these three stages there is a fundamental transformation of raw materials which culminates in the production of a textile article through textile manufacturing methods. The production methods for man-made fibers have been correctly described by the Department of Labor as follows:[1]

"Described broadly, three basic processes are involved:
(1) The chemical preparation of the spinning solution;
(2) the transformation of the spinning solution into

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[1] U. S. Department of Labor, Bureau of Labor Statistics, *Industry Wage Survey, Synthetic Fibers, February-April 1966*, Bulletin No. 1540 (January 1967), pp. 2, 3.

solidified filaments; and (3) *the finishing or textile operations which place the product in the form in which it is sold.*" (Emphasis added)

The textile operations are more specifically described by the Department of Labor as follows:

"The finishing (textile) operations depend upon the form in which the product is to be sold. Continuous filament yarn is twisted and wound on bobbins for shipment. Tow, on the other hand, is a ropelike strand of untwisted filaments which is packaged in bulk and does not require winding. Staple (tow cut to specified lengths) is handled in much the same manner as tow, with the exception of the added operations of crimping and cutting."

The Labor Department's occupational descriptions in the man-made fiber producing industry include many of the same occupations as the Department has established in its survey of that sector of the textile mill products industry engaged in spinning yarn and weaving fabric of man-made fibers.[2] In particular, the following occupations are found in both sectors of the industry:

MAN-MADE FIBER PRODUCING PLANTS	MAN-MADE FIBER TEXTILE MILLS
Creel Tender	Slasher Tender
Drawtwist Operator	Twister Tender, Ring Frame
Thrower (Twister)	Uptwister
Warper Operator	Warper Tender
Winder, Yarn	Winder, Yarn, Automatic Machines, Nonautomatic Machines, and Other

The Bureau of Labor Statistics also recognizes that man-made fibers in their primary form (staple fiber, filaments, and filament yarn) are properly included within the category of "Textile Products and Apparel" in the Wholesale Price Index.[3] Specifically, under Code No. 033, "Manmade Fiber Textile Products," the first two sub-categories consist of "Cellulosic, Yarns and Fibers" (Code No. 0331), and "Noncellulosic Yarns and Fibers" (Code No. 0332), followed by

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[2] U. S. Department of Labor, Bureau of Labor Statistics, *Industry Wage Survey, Synthetic Fibers, ibid.*, pp. 30-31, compared with *Industry Wage Survey, Synthetic Textiles, September 1965*, Bulletin No. 1509 (June 1966), pp. 55-58.

[3] U. S. Department of Labor, Bureau of Labor Statistics, *Wholesale Prices and Price Indexes*, September 1968, pp. 10, 11.

broadwoven goods, knit goods, apparel, and other finished textile products.

It is particularly significant that in each of these two subcategories, the primary products of the fiber producing sector of the industry (filament yarns, staple, and tow) are listed with subcategories that include spun yarns.

Thus, in its price data selected from the market, the Labor Department makes no distinction in the man-made fiber textile products area between the primary products of the man-made fiber producing sector of the textile industry, on the one hand, and the secondary products of the textile mill products sector of the textile industry, on the other.

This classification concept which includes the primary products of the man-made fiber producing sector of the textile industry in the same categories as the products of the textile mill products sector of the industry is found also in the United Nations' International Standard Industrial Classification.

The classification group of the ISIC, 231 "Spinning, Weaving, and Finishing Textiles," specifically includes man-made staple fiber, continuous filament yarns, as well as spun yarn and fabrics.[4]

This concept of including man-made fiber primary products with the man-made fiber textile articles produced in textile mills is also confirmed in the Brussels Tariff Nomenclature, an international tariff classification code followed by most European countries. Man-made fiber primary products are included under Section XI, "Textiles and Textile Articles," in Chapter 51, "Man-Made Fibres (Continuous)," and Chapter 56, "Man-Made Fibres (Discontinuous)," each chapter including both the primary products of the fiber producers and the secondary products of the textile mills.[5]

Consistent with this classification, it is significant that man-made fiber primary products are *not* included under Section VI of the Brussels Tariff Nomenclature reserved for "Products of the Chemical and Allied Industries."[6]

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[4] United Nations, *Classification of Commodities by Industrial Origin - Relationship of the Standard International Trade Classification to the International Standard Industrial Classification*, Statistical Papers, Series M No. 43 (New York, 1966), pp. 18, *et seq.*

[5] United Nations, *Standard International Trade Classification, Revised*, Statistical Papers, Series M No. 34 (New York, 1961), pp. 89, 93.

[6] *Ibid.*, pp. 68 *et seq.*

From the above information it should be abundantly clear that man-made fibers in their primary product form are widely accepted by the United States and other governments in meaningful areas of classification as being textile articles indistinguishable in that respect from the products of the textile mill products industry.

2. *Imports of Man-Made Fiber, in Both Primary and Secondary Form, Have Increased Rapidly and the Balance of Trade Therein Has Been Sharply Reduced*

Foreign-produced man-made fibers, regardless of the form in which imported, have an effect upon the U. S. market for man-made fibers: If imported in primary form, they obviously compete directly with domestically produced man-made fibers in primary form; if imported in the form of advanced products such as spun yarn or fabric, or as finished articles, in the form of apparel, house furnishings, or other finished textile products, the man-made fiber content of the imported articles represents a diminution in the potential demand within the United States market for man-made fibers to be spun into yarn, woven into fabric, and cut and sewn into apparel and other finished textiles.

Accordingly, it is informative to include in the statistics on imports of man-made fiber textiles, man-made fibers in both primary and secondary form. The total of these imports of man-made fiber in all forms may then be related to domestic consumption to secure the ratio of the aggregate imports in fiber or fiber equivalent terms to the consumption of man-made fibers in the United States.

The textile articles produced in man-made fiber plants include man-made staple fiber, monofilaments, grouped filaments (usually referred to as "tow"), continuous filament yarn, and textured yarn. The ratio of imports of these primary textile articles of man-made fiber to domestic consumption of the same products is shown in the following table.

TABLE I

RELATIONSHIP OF PRIMARY IMPORTS TO DOMESTIC CONSUMPTION OF MAN-MADE FIBER TEXTILES
(In millions of pounds of fiber for primary products)

	MAN-MADE FIBERS		
	*Primary Imports**	*Domestic Consumption*	*Ratio of Imports to Consumption*
Average 1961-1962	73.9	2,015.9	3.7%
Average 1963-1965	154.2	2,913.6	5.3%
Average 1966-1968	234.1	4,192.3	5.6%
1968	293.2	4,976.4	5.9%
1969	215.6	5,187.5	4.2%
% Change:			
Avg. 1961-62/avg. 1963-65	+108.7%	+44.5%	+43.2%
Avg. 1963-65/avg. 1966-68	+51.8%	+43.9%	+5.7%
Avg. 1961-62/1969	+191.7%	+157.3%	+13.5%

* Excludes glass fiber.

SOURCE: *Textile Organon*, March 1962, October 1969, and March 1970.

In the case of cotton, the United States through its price-support program provides incentive for the production by cotton farmers of an exportable surplus of cotton fiber. To protect the domestic price-support program from impairment or serious injury by unregulated imports of cotton fiber from other nations, the United States maintains absolute control over the volume of imports through the use of import quotas. Thus, the ratio of imports to domestic consumption under the effect of the quota regulation has moved downward from a minuscule 1.9% in 1961-1962 to an even lower figure of 0.7% in 1969.[7]

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[7] Relationship of primary imports to domestic consumption of cotton textiles (in millions of pounds of fiber for primary products):

	COTTON		
	Primary Imports	*Domestic Consumption*	*Ratio of Imports to Consumption*
Average 1961-1962	79.5	4,154.4	1.9%
1969	30.0	4,181.2	0.7%
% Change	-62.3%	+0.6%	-63.2%

SOURCE: Imports - U. S. Department of Agriculture, *Agricultural Statistics*, 1967, 1969. Consumption - *Textile Organon*, March 1962 and March 1970.

By contrast, imports of man-made fiber in primary form are substantially unregulated. The level of duties applicable to U. S. imports as a result of past trade agreement actions was an ad valorem equivalent of 16.8% in 1967, and under the Kennedy Round is to be cut by an additional 50%, with but one exception (a 29% cut). The ratio of imports to domestic consumption of man-made fiber textiles in primary form rose from 3.7% in 1961-1962 to 4.2% in 1969.

For wool fiber, the ratio of imports to domestic consumption is approximately 40%, declining slightly from 41.4% to 39.7% in the period above described.[8] It must be remembered, however, that the United States is a deficit nation in wool textile fiber, unlike cotton and man-made textile fiber. In recognition of our deficit position, the Congress has placed certain categories of wool fiber on the free list. No valid comparison may thus be made between the import penetration ratio of wool fiber and of man-made fiber.

As stated above, it is essential to relate the total imports of man-made fibers in all forms to domestic consumption thereof, in order to evaluate the growing problem of such imports. Table II following shows not only an increase in imports of man-made fibers in primary form of nearly 200% since the period when the Short-Term Cotton Textile Arrangement began to take effect, but shows that imports of secondary man-made fiber products have increased over 850% in the same period, stimulated by the controls imposed on cotton textile articles during that period by the Long-Term Arrangement.

Furthermore, the absolute level of man-made fiber textile imports in the domestic market in 1969 (9.1%) is nearly twice the level which existed in 1961-1962 (5.0%) when the Short-Term and Long-Term Cotton Textile Arrangements were established as necessary control measures, for textile imports.

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[8] Relationship of primary imports to domestic consumption of wool textiles (in millions of pounds of fiber for primary products):

	WOOL		
	Primary Imports	*Domestic Consumption*	*Ratio of Imports to Consumption*
Average 1961-1962	258.4	624.3	41.4%
1969	189.2	476.5	39.7%
% Change	-26.8%	-23.7%	-4.1%

SOURCE: Imports - U. S. Department of Agriculture, Economic Research Service, *Wool Situation*, February 1970; *Supplement for 1966 to Wool Statistics and Related Data, 1920-64*. Consumption - *Textile Organon*, March 1962 and March 1970.

TABLE II

RELATIONSHIP OF IMPORTS TO DOMESTIC CONSUMPTION OF MAN-MADE FIBER TEXTILES

(In millions of pounds of fiber for primary products and of fiber equivalents for secondary products)

	AVERAGE 1961-62	AVERAGE 1963-65	AVERAGE 1966-68	1968	1969	% CHANGE Avg. 1961-62 to Avg. 1963-65	Avg. 1963-65 to Avg. 1966-68	Avg. 1961-62 to 1969
MAN-MADE FIBERS*								
Imports								
Primary	73.9	154.2	234.1	293.2	215.6	+108.7%	+51.8%	+191.7%
Secondary	27.1	55.1	151.7	193.3	257.5	+103.3%	+175.3%	+850.2%
Total	*101.0*	*209.3*	*385.8*	*486.5*	*473.1*	*+107.2%*	*+84.3%*	*+368.4%*
Consumption	2,015.9	2,913.6	4,192.3	4,976.4	5,187.5	+44.5%	+43.9%	+157.3%
Ratio of Imports to Consumption	5.0%	7.2%	9.2%	9.8%	9.1%	+44.0%	+27.8%	+82.0%

* Excludes glass fiber.

SOURCE: *Textile Organon*, March 1962, October 1969, and March 1970.

The United States has also shifted from a trade surplus to a trade deficit position in man-made fiber textiles. The following table shows sharp shifts in the balance of trade for both primary and secondary products of man-made fibers.

TABLE III

U. S. BALANCE OF TRADE IN MAN-MADE FIBER TEXTILES
(In millions of lbs. of fiber for primary products and of fiber equivalents for secondary products)

	AVERAGE 1961-62	*AVERAGE 1963-65*	*AVERAGE 1966-68*	*1968*	*1969*	*Avg. 1961-62 to Avg. 1963-65*	*Avg. 1963-65 to Avg. 1966-68*	*Avg. 1961-62 to 1969*
						% CHANGE		
IMPORTS								
Primary	73.9	154.2	234.1	293.2	215.6	+108.7%	+51.8%	+191.7%
Secondary	27.1	55.1	151.7	193.3	257.5	+103.3%	+175.3%	+850.2%
Total	*101.0*	*209.3*	*385.8*	*486.5*	*473.1*	*+107.2%*	*+84.3%*	*+368.4%*
EXPORTS.								
Primary	109.2	134.5	180.9	220.8	265.2	+23.2%	+34.5%	+42.9%
Secondary	88.5	111.6	134.0	129.0	146.1	+26.1%	+20.1%	+65.1%
Total	*197.7*	*246.1*	*314.9*	*349.8*	*411.3*	*+24.5%*	*+28.0%*	*+108.0%*
						CHANGES IN POUNDS		
BALANCE OF TRADE								
Primary	+35.3	-19.7	-53.2	-72.4	+49.6	-55.0	-33.5	+14.3
Secondary	+61.4	+56.5	-17.7	-64.3	-111.4	-4.9	-74.2	-172.8
Total	*+96.7*	*+36.8*	*-70.9*	*-136.7*	*-61.8*	*-59.9*	*-107.7*	*-158.5*

SOURCE: *Textile Organon*, February and March 1970.

3. *The Import Regulation of Man-Made Fibers in Primary Form Is Required in the Interest of the Entire Textile Industry Which Depends on the Research and Development Efforts of Domestic Man-Made Fiber Producers, the Principal Sources of Textile Research in the United States*

If man-made fibers in primary product form are left out of the program for the achievement of some measure of control of man-made fiber textile imports, the fiber producing plants in the countries whose exports are subject to future limitations will increase their shipments of the primary products to the United States where no restraint would exist.

In other words, their inability to sell primary products in unlimited quantities to their local textile mills for further fabrication for export to the United States will encourage them or their governments to increase their exports of primary products to the United States in order to maintain their overall growth rate in the production of man-made fibers destined for export sale to the United States in some form.

A significant indication of the economic impact of man-made fiber textile imports on the U. S. man-made fiber producing sector of the textile industry can be gained by relating the volume of imports to the periodic excess capacity in the U. S. industry.

The following table indicates that the U. S. man-made fiber producers periodically carry a large volume of unused capacity and that in recent years the volume of man-made fibers imported in all forms would have permitted the utilization of from nearly half to a clear majority of this capacity.

TABLE IV

RELATIONSHIP OF MAN-MADE FIBER TEXTILE IMPORTS TO EXCESS U. S. PLANT CAPACITY FOR THE PRODUCTION OF MAN-MADE FIBERS

(In millions of pounds)

	Average 1961-62	*Average 1963-65*	*Average 1966-68*	*1968*	*1969*
Plant Capacity*	2,576	3,333	4,939	5,523	6,150
Fiber Producers Shipments	2,179	2,991	4,153	4,856	5,421
Excess Capacity	397	342	786	667	729
Imports	101	209	386	487	473
Ratio of Imports to Excess Capacity	25.4%	61.1%	49.1%	73.0%	65.0%

* Capacity data as of November for each calendar year.

SOURCE: *Textile Organon.*

Approximately $1 of capital investment has been made for each pound of annual capacity for the production of man-made fibers. Imports at the 1969 level, therefore, represent an idling of capacity whose capital investment cost was in the approximate order of magnitude of $500 million.

It is not a valid answer to the problem to suggest that the fiber producers can hold their market and maintain their capacity utilization by continued reductions in prices. The U. S. man-made fiber producers have lowered prices significantly in recent years. The Wholesale Price Index for noncellulosic yarns and fibers in December 1969 was 77.3 (1957-59 = 100), while the Index for cellulosic yarns and fibers stood at 96.1 for the same period, as compared with an Index of 115.1 for all industrial commodities.[9]

Finally, it is most important to realize that excessive imports of man-made fiber textiles in both primary and secondary product forms can harm the entire textile industry complex in the United States through injury to the research and development activities of the domestic man-made fiber producers. The entire man-made fiber industry originated in scientific laboratories, and as recognized by the U. S. Department of Commerce,[10] the future prospects of the industry, especially in the growing, noncellulosic sector, depend on the success of the industry's research and development efforts.

The major significance of this research and development activity by the man-made fiber producing industry lies in the fact that, as recognized by the Department of Commerce, it "extends beyond its own products into the items made from its fibers."[11]

The magnitude of this research and development effort is shown in the following Table V.

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[9] U. S. Department of Labor, Bureau of Labor Statistics, *Wholesale Prices and Price Indexes*, December 1969.

[10] U. S. Department of Commerce, Business and Defense Services Administration, *U. S. Industrial Outlook 1969*, p. 115.

[11] *Ibid.*

TABLE V

COMPARATIVE ECONOMIC INPUTS OF U. S. MAN-MADE FIBER PRODUCERS TO THE TEXTILE INDUSTRY COMPLEX, 1967

(In millions of dollars)

	CAPITAL EXPENDITURES	*RESEARCH AND DEVELOPMENT*
Man-Made Fibers	$ 282	$142*
Textile Mill Products	710	51
Apparel and Other Textile Products	198	
TOTAL TEXTILE INDUSTRY	*$1,190*	*$193*
% Man-Made Fibers of Total	23.7%	73.6%

* 1967 figure unavailable; therefore, 1968 figure employed.

SOURCE:
Capital Expenditures: U. S. Department of Commerce, Bureau of the Census, *1967, Census of Manufactures*, Preliminary Report.
Research and Development: National Science Foundation, *Reviews of Data on Science Resources*, No. 17, February 1969; man-made fibers, Textile Economics Bureau, Inc.

The facts established by the data in the table are of major importance; namely, that the man-made fiber producing sector of the textile industry complex accounts for 74% of the expenditures for research and development in textiles, and for 24% of the annual capital investment in new plants and equipment in the industry.

Thus, from each of the points of view developed above, it is of real economic importance that the man-made fiber primary products be incorporated in the scope of the product categories which are the subject of the program for control of future imports of textile articles.

May 1970

APPENDIX

In testimony given on behalf of the entire United States textile industry by Mr. Halbert M. Jones on October 20, 1967, before the Committee on Finance of the United States Senate in support of the then pending legislation to impose quotas on the importation of textile articles, the term "textile industry" was defined to mean all establishments engaged in the production in the United States of "textile articles." The term "textile articles" was, in turn, defined to include "wool tops; cotton, wool, and man-made fiber spun yarn; man-made staple fiber, filaments, and filament yarn; and fabric, apparel, and all other textile manufactures whether of cotton, wool, or man-made fiber or a combination or blend of these fibers with each other or in combination with other fibers."

Textile articles were defined to the same effect in H. R. 16920 and its companion bills.

Mr. LANDRUM. Mr. Bisssinger will be the next witness.

STATEMENT OF FRED BISSINGER, JR., PRESIDENT, AND MICHAEL P. DANIELS, COUNSEL, AMERICAN ASSOCIATION OF WOOLEN IMPORTERS, INC.

Mr. BISSINGER. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am Fred Bissinger, Jr. I am the president of the American Association of Woolen Importers, Inc., a nonprofit organization of American small businessmen. The association is composed of importers of woolen and worsted fabrics from all of the major exporting countries in the world.

On my right is Mr. Michael Daniels, our legal counsel.

Two officers who were scheduled to attend the hearing with me are currently in Europe working with their mills in Scotland, Ireland, and England. I refer to David Smith and Mr. Lichtenstein.

Because my statement includes many pertinent references to the men's clothing industry, I feel you should be aware of my background.

I have been affiliated with the men's clothing business since March 1918 in practically every phase: retailing, wholesaling, and manufacturing. I have been engaged primarily in the styling and purchasing of woolen and worsted fabrics used in men's clothing.

I started in the business in March 1918 as a stock boy. Later I was a retail salesman, retail store manager, wholesale clothing salesman, piece goods buyer, and production manager of men's clothing manufacturing.

All of these positions were in the quality men's clothing bracket. Starting in 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 fabrics from Japan. In addition to contacting the men's wear clothing manufacturers for the past 15 years, I have maintained personal contact with some of my former retail clothing accounts in Los Angeles, San Francisco, Baltimore, Washington, Chicago, Cincinnati, Boston, and New York.

I would like to state for the record that it is the consensus of the quality men's clothing wholesalers and retailers, as expressed to the members of the American Association of Woolen Importers, that the market for American-made quality men's wear, especially suits, is largely dependent upon their being tailored from imported woolen and worsted materials.

Without an adequate supply of these imported fabrics, the quality men's clothing manufacturers and the quality men's clothing retailers would no longer be able to serve the clothing needs of an important segment of American men. The loss of quality sales volume would result in lower employment in both the American men's wear wholesale and retail establishments, and, in my view, would drastically affect the tailored clothing manufacturing industry.

We simply do not manufacture quality woolen and worsted fabrics for the men's trade in any appreciable volume. American manufacturers have concentrated upon, and I might say have prospered in, the production of lower end fabrics of simple design and lower quality, to be utilized in the cheaper clothing lines. They cannot, and will not, make quality fabrics since such fabrics are not a profitable item for them.

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

The illustrate that briefly, based on market information, the three largest American woolen and worsted mills average in production a 27-piece warp minimum per color, per pattern, which make approximately 2,160 yards, which would in turn make 655 suits.

When a foreign mill can make a four piece warp of approximately 300 yards, you come down to a figure of 85 suits, giving the consumer, who is interested in a better product a more selective group of woolens in the product that he would be buying.

What is obvious to us in the market place is that foreign mills are selling on the basis of style and quality while domestic production is selling at considerably lower prices and does not offer the clothing manufacturers the variety of style which is available in the imports.

For example, silk and worsted fabric is a unique blend which is strictly a development of Japanese styling technique and ingenuity. It is a cloth which has not been duplicated anywhere else in the world and certainly not by our domestic mills. The rise in Japanese cloth in recent years can in large part be attributed to the fashion appeal of this fabric. These cloths are now apparently going out of style, which accounts also for the drop in imports of chiefly wool worsted fabrics from Japan.

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 market place is that the average American price for worsted cloth runs from about $2.80 to $3.40 per 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, most of the worsted cloth brought in from Japan sells at around $4 per yard. There have been price fluctuations reflecting the condition of the market in the United States and in Japan in recent years. The price movement is now definitely up with increases of as much as 15–20 cents being reported in the market.

The Tariff Commission in its 1967 study 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.

I believe that I am well qualified to talk about the market and the competition between imported and domestic goods. The raw statistics showing the high percentage of imports to domestic consumption do not, in my opinion, reflect the actual relationship. This is because, by and large, imported cloths are simply not competing with American production in any direct sense.

Domestic production of worsted fabric for men's and boys' clothing has had ups and downs over the years, reflecting cyclical patterns in the industry, but there is certainly no pattern of injury. The U.S. production of chiefly wool worsted fabrics from 1965 through the present time is as follows:

Year:	*In millions of finished linear yards*
1965	65.4
1966	63.4
1967	51,7
1968	64.3
1969	59,6

A growing trend in this market is the substitution of polyester/worsted fabric for all wool worsteds. This has been a large factor in the spring and summer suiting market. We are now beginning to see inroads in the fall market as well.

The U.S. producers have had a near monopoly in this field for years. Imports are now beginning to enter this field, growing from less than a million yards in 1965 to about 6 million yards in 1969 from all countries. Japan has most of this market with imports of about 5 million yards in 1969. Domestic production in this field grew from 30 million yards in 1963 to about 50 million yards in 1969.

The figures show a pattern of growth from 1965 through 1968, with only a slight decrease in 1969.

Year:	*In millions of finished linear yards*
1965	40.1
1966	40.4
1967	45.4
1968	50.3
1969	49.6

Here again there are vast differences in styling and quality between imports and domestic production. The wool content is of a higher quality and the yarns are spun in finer counts and plied. Whereas imports tend to be dyed in the yarn or top dyed, American industry has specialized in piece dying, allowing much longer runs of cloth to be woven since dying takes place at a later stage of production, closer to the market.

It is a difficult question as to whether chiefly wool fabrics and chiefly polyester/wool fabrics are directly competitive. As far as the market is concerned, the answer of most businessmen is that they are distinct and different cloths. If, however, imports and domestic production are combined for both types of cloth, the ratio of imports to consumption has remained fairly stable over the last 3 years, with a decline in imports of all wool cloths in the last year and an increase in polyester/worsted cloth. Given this movement from wool to the manmade fabric, it would be tragic if imports of the newer fabric were cut off at the present low levels, with wool declining.

Despite cyclical factors, I believe that we may have commenced a long-term decline in imports of chiefly wool worsted fabrics. Imports from Japan, which account for most of the worsted imports, declined by 23.3 percent comparing the first quarter of 1970 with the first quarter of 1969. This is on top of an annual decline from 1968 to 1969 of 11.8 percent.

Furthermore, such restriction would help nobody but would only provide a windfall for the giants of the industry. Worsted imports are competing, if at all, only against certain divisions of Burlington Industries, J. P. Stevens, and Deering-Milliken.

In the chiefly wool worsted field, domestic production of quality cloth is extremely small and really limited only to Burlington and Stevens. A study done by the Bureau of the Census shows that in 1964, the four largest companies accounted for 67 percent of domestic wool worsted production.

In the chiefly polyester/wool worsted field, the four largest companies accounted for 91 percent of the production in 1964. To our knowledge, there is no small company with which imports are directly competing in either of these fields.

I realize that many of the details which are necessary to explain the true situation are highly technical in nature. There are difficult comparisons to be made which largely depend on company performance, market data, an analysis of the physical characteristics of the fabric, and production techniques in this industry. It is for this reason that we believe that an investigation is absolutely necessary before any judgment can be reached as to whether or not imports are causing injury.

We emphatically believe that injury is not being caused by imports. 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 light weight summer suiting and slacks.

High import ratios in themselves are absolutely meaningless. It is only by investigation into the real facts that determinations can be made.

The committee should not ignore the consumer interest in this matter. The Wholesale Price Index shows a 45.1 percent rise in prices for men's and boys' suits and coats over a 1957–59 base. From December 1968 to December 1969, the Wholesale Price Index increased by a full 10 points. The Consumer Price Index shows an 8.3 percent increase from December 1968 to December 1969 for men's suits of year-round weight.

This reflects rising costs, primarily labor and credit, for the men's clothing industry. If, on top of this, prices for fabrics increased, which would certainly follow the imposition of quotas, there would be major price increases for tailored clothing. Men's suit prices are already at high levels. Further increases in price could not only affect the consumer, but deal a damaging blow to the men's tailored clothing manufacturers and workers.

For these reasons, the American Association of Woolen Importers strongly opposes H.R. 16920 or the negotiation of any quota arrangement without full investigation and findings of injury.

Your consideration of these points would be greatly appreciated.

Thank you for giving me and our association the opportunity to appear before you.

The CHAIRMAN. We thank you, Mr. Bissinger, for bringing to us not only your views and your association's views, but also bringing back Mike to the table with you.

Mr. BISSINGER. Thank you.

The CHAIRMAN. Our next witness is Mr. Bruce N. Lynn.

STATEMENT OF BRUCE N. LYNN, PRESIDENT, NATIONAL COTTON COUNCIL OF AMERICA; ACCOMPANIED BY DABNEY S. WELLFORD, ECONOMIST

Mr. LYNN. Mr. Chairman.

The CHAIRMAN. Mr. Lynn, we always have a practice around here of saving the best to the last. Maybe sometimes we are not very considerate when we recognize the last one. We apologize for holding you so long. It is now 6:30.

Mr. LYNN. I appreciate that, Mr. Chairman.

The CHAIRMAN. I know you can do as well as you could have done at 10 o'clock.

What State are you from?

Mr. LYNN. Louisiana. I am just like you, Mr. Chairman, I am looking for some Louisiana and Arkansas cotton shirts.

Mr. Chairman, my name is Bruce N. Lynn. I am a cotton farmer from Gilliam, La. I am here to testify as president of the National Cotton Council, which is headquartered at Memphis, Tenn.

I have with me Mr. Dabney Wellford of Memphis, Tenn., an economist for the National Cotton Council.

The CHAIRMAN. We are glad to have both of you with us. We recognize you.

Mr. LYNN. The council is the central organization of the cotton industry, representing producers, ginners, warehousemen, merchants, cottonseed crushers, cotton cooperatives, and cotton textile manufacturers.

During the year 1969, our country imported about 1,017,000 bales of cotton in the form of manufactured textile products. During the first 3 months of 1970, these imports have been at a rate equivalent to 1,070,000 bales per year.

Twenty years ago, our imports of cotton in manufactured form were relatively insignificant. Nearly two-thirds of all the growth in these imports has occurred within the past 10 years. More than one-third of it has come within the past 5 years.

To the casual observer it might appear that the rate of increase has slowed down just a bit during the past 2 years, since the imports rose only 93,000 bales or a little more than 10 percent from 1967 to 1969. But any such appearance is highly deceptive. If we consider the whole picture, the rate of increase in cotton textile imports has never been more disturbing than it is today. Allow me to mention two parts of that picture.

First, we are looking at a 2-year period in which the domestic mill consumption of cotton actually declined by a full million bales. It dropped from 9.2 million in 1967 to 8.2 million in 1969. Into that tragically depressed domestic market for cotton our foreign competitors poured not less, but more of their products. When they shipped us 924,000 bales in manufactured form during 1967, that was just over 10 percent of our domestic mill consumption. But when they sent us 1,017,000 bales in 1969, that was 12.4 percent of it. But this is only a part of what happened.

Second, the imports of textile products made from manmade fibers jumped in those same 2 years by 83 percent. As we roughly compute the cotton equivalent of these imports, they rose from 488,900 bales in 1967 to 895,400 bales in 1969. This is where the expansion was occurring in the domestic mill market. Moreover, the manmade fiber products were allowed to enter this country with no quota restraints whatever. So this is where the main blow of the imports fell. These imported textiles compete vigorously for all our cotton markets. They increased from 5.3 percent of domestic mill cotton consumption in 1967 to 10.9 percent of it in 1969.

If we combined these imports with those made from cotton, we find that the total rose from 15.3 percent of domestic mill cotton consumption 2 years ago to 23.3 percent of it in 1969. Never before have we lost markets to imports at such an alarming rate.

Why are these imports coming in? For the most part, the answer is a simple one. Textile products, including clothing, require a great deal of labor. Textile plants and garment factories can be and are being built in countries where wages are very low by the standards which are necessary in the United States. We have compiled figures on our cotton textile imports in 1969 from the 20 largest suppliers, accounting for 93 percent of the total. We found that more than 90 percent of those imports came from Hong Kong, Japan, India, Pakistan, Taiwan, Mexico, Brazil, Korea, Singapore, Egypt, Portugal, Spain, Colombia, and the Philippines.

Foreign-produced cotton goes through the mills of those countries and rides into our domestic markets on the backs of cheap foreign labor. This is competition which our domestic mills, which must use our own cotton, are unable to meet. It is a bottomless pit in which more and more and more of our domestic fiber market could be lost.

The case is only moderately different with manmade fiber textiles. Japan, which is still a cheap labor country itself, sent us about one-third of all our manmade fiber textile imports last year. Of the rest, about 55 percent came from Taiwan, Korea, Hong Kong, the Philippines, Mexico, Spain, and Singapore.

In the old days, when the standard arguments for free trade were being written into our textbooks, capital and technology did not move very speedily from one country to another. Today it is possible for the most backward countries to install textile or apparel plants which are as modern and efficient as they care to make them. This, in combination with cheap labor, has created a problem of a magnitude that the world has never experienced before. European countries have a great variety of special quota systems. Licensing arrangements and other devices for keeping these imports under control. By comparison, the United States has stood out as the one great market into which more and more of them could be poured.

There is today a lot of loose news reporting which gives a very false impression of what we are trying to do. We are not here to request that all this import competition be denied access to the American market. We are not requesting some unreasonable cutback in the level of these imports. We would not close the door to still further expansion. Cotton people have always believed in a high level of international trade, and we do today. We have always believed in competition, and we do today. All we ask is that a rising tide of imports, based on the use of cheap foreign textile labor, not be allowed to engulf the domestic market for our cotton.

If it is our national policy to let our cotton economy be destroyed in this way, then a lot of other efforts to save it and put it on a healthy basis are being made in vain. We all know that cotton is in deep trouble. But many people are thinking and acting responsibly about the problem. This fiber has a great potential to become once again a profitable, self-sustaining, highly progressive part of the American economy. A lot is at stake, not only for the 1,300,000 Americans who live on cotton farms and the 5 million Americans who depend on an important extent upon employment involved in producing, marketing and processing cotton and cottonseed, but also for all of American agriculture and for the strength of our whole economy, our whole country.

A big part of the challenge has to be faced by the Congress itself. In this session great consideration is being given to the kind of farm program that we are going to have in the years ahead. A sound program will involve costs for the American taxpayer, but those costs are being faced with the realization that so much is at stake for everyone involved.

Large parts of the challenge are being faced by individual American citizens. Cotton farmers in particular are voluntarily paying a dollar a bale of their own money to support long-range programs of research and promotion, which have a big potential for reducing costs and reviving market growth. This and many other ways, cotton people are facing the great costs of an adequate effort to put cotton on a more healthy basis. At this critical point in time, they deserve help, not discouragement.

If all these efforts, public and private, are to mean anything, they must not be undermined by an unrealistic trade policy. If we succeed in the great effort to put adequate research and promotion behind our cotton, and if the Congress passes a farm program which is otherwise sound, we could still see our cotton economy go down the drain if our domestic market should be eaten up by import competition which is completely impossible to meet.

We heartily endorse many of the principles set out in H.R. 16920. We think they suggest a reasonable and practical approach to a solution. In particular we endorse the principle that future imports of all textile products into this country should be related to a recent base period and should be allowed to expand only as our domestic market expands. The imports should not be allowed to absorb all the market growth and thereby destroy all our chance to build a more dynamic, progressive domestic economy. Instead they should be required to share in the growth of our markets, taking only their reasonable pro rata share of the growth. This is not a repressive, backward-looking concept. It looks forward to expanding trade, in which our foreign friends can have their full share and thus serve the American consumer more in the future than in the past. It would just not destroy the ability of our own economy to be healthy and progressive and to compete for a chance to serve its own consumers.

We heartily endorse the principle, set forth in this bill, that the permitted imports should be related to specific categories of textile products, so that further increases will come in markets that are increasing and will not be permitted to cripple markets which are already depressed.

We believe that these principles should be applied in all cases, regardless of whether they are implemented by a formula which applies automatically, under the provisions of section 103, or by international agreements or arrangements, as provided under section 104.

We believe the committee should consider modification of two features of H.R. 16920, because of the interpretation which might be placed upon certain language. We certainly do not believe it is the intent to encourage the kind of interpretation which we fear—quite the contrary. Accordingly, we feel that we are merely suggesting some clarification.

Allow me to refer to the sentence in section 101 which reads in part as follows:

> The Long Term Cotton Textile Arrangement entered into by the United States and other nations in 1961 is not adequate to prevent disruption of markets for textile articles in the United States because the Arrangement is limited to cotton textile articles.

Apparently this language might be taken to imply that if the terms of this Arrangement could be applied to all textile articles, it would indeed be adequate to prevent the market disruption. As you know, however, the Long Term Cotton Textile Arrangement, while being of some value, has woefully failed to keep a reasonable restraint upon the increasing volume of even our cotton textile imports.

The Arrangement requires in effect that every provision for the control of imports from every country must allow for a minimum increase of five percent every year, regardless of whether the domestic market has been growing or declining. Moreover, the Arrangement, in practice, has permitted a great array of clever "loopholes" to exist, through which imports could pour into this country at a very fast rate. Since the year 1961, when the Arrangement was first adopted, this country's imports of cotton in manufactured form have increased from less than 400,000 bales to more than a million.

We hope that the language of the bill can be adjusted to avoid any risk that this Arrangement will be looked upon as a model for future international agreements affecting textile trade.

The second clarification which we suggest is with reference to section 105, which reads as follows:

The quantitative import limitations on textile articles of cotton heretofore established by the United States pursuant to the Long Term Cotton Textile Arrangement or pursuant to bilateral agreements heretofore entered into by the United States as provided in such Arrangement shall supersede the provisions of this Act until the expiration of the Arrangement.

The existing Long Term Cotton Textile Arrangement is not a permanent compact but is extended from time to time for periods of a few years. The present extention is scheduled to expire on October 1, 1970. Likewise the bilateral agreements adopted under this Arrangement are for short periods of years.

The above quoted language might be interpreted to mean that so long as the Arrangement is kept alive by periodic extensions, this country's cotton textile imports will continue to be exempted from the terms of H.R. 16920. In such event, this apparently would allow cotton textiles to be imported on more liberal terms than those applying to other textile products.

We do not suggest that existing agreements to which this Nation is firmly committed should be disregarded, but we do urge they not be extended beyond the terms of the present commitments on a basis different from that applying to other textiles in H.R. 16920. Accordingly we respectfully suggest that the word "Arrangement" at the end of section 105 be deleted and that in lieu thereof the phrase, "current term of such agreements", be inserted.

The National Cotton Council, in supporting H.R. 16920 with these modifications, is in no sense overlooking the vital importance of raw cotton exports to our whole cotton economy and to the entire Nation. Let me say with all possible emphasis that our cotton producers and our cotton industry cannot survive without a strong and healthy export market for cotton. Our exports last season were down to the very low figure of 2.7 million bales, and the indications are for something like the same volume again this season. This is too small an export market. It must be greatly expanded. We have real problems in the export field. They must be understood and overcome. They certainly require that our Federal Government have sound policies in this area.

From time to time we encounter the argument that if this country adopts measures to save its domestic market from an unreasonable volume of imports, it will thereby destroy its export market. We reject this point of view. We hold that both the domestic and the export markets are essential and that both can be preserved. Positive steps need to be taken in the interest of greater exports. But on this occasion we must deal with the negative argument that we cannot protect our domestic market without hurting our export market.

It is sometimes said that when we import cotton textiles, we are merely bringing back cotton which we had previously exported as raw fiber. There is not much to this argument today. Last season the 10 countries which sent us the largest quantities of textiles got only 9.4 percent of their total raw cotton requirements from the United States. As a matter of fact, in recent years the countries showing the biggest percentage growth in textile exports to the United States have been those which grow a large amount of cotton themselves. Last year, for example, Mexico, Brazil, India, and Pakistan increased their total textile shipments to us by 60,000 cotton bale equivalents, or nearly 50 percent. And now it has to be recognized that the biggest and most damaging increases in our textile imports are not longer cotton textiles, but are made predominantly of manmade fiber.

Today the chief argument which we hear is that if we strengthen our import controls, foreign countries will "retaliate" by refusing to buy from us. This kind of threat seems to be used especially with respect to Japan. Actually, however, we have seen our cotton exports decline a great deal over the very same years when our textile imports were greatly increasing. Mexico imports no cotton textiles at all from Japan, or virtually none, and yet last season Japan imported more cotton from Mexico than from the United States. We have studied the records of the 15 foreign countries having the largest exports of cotton to Japan last year. They shipped Japan nearly four times as much cotton as we did, but they bought less than half as much cotton cloth from Japan as we did. If our textile imports really did affect the decisions of the Japanese on where to buy their cotton, they should be buying a great deal more from us now.

Since this argument has become so absurd, the threatened "retaliation" has been broadened to embrace all of our agricultural exports to Japan. Recently a newspaper published in Memphis said in an editorial that "Japan has let it be known that if Washington should impose quotas on her textiles, she will retaliate by reducing her imports of United States agricultural products." This is spelled out in terms of potential damage to our important Japanese market for soybean exports.

Japan is a great nation and a great ally of the United States. We thoroughly appreciate the fact that Japan is the largest single foreign customer for our exports of cotton and soybeans. We respect our Japanese friends, and for that very reason we feel that the alleged threats of retaliation are unworthy of them. Let us analyze the situation just a bit.

So far as individual businessmen in Japan are concerned, they obviously will continue to do their buying where they can get the best deal, all things considered. Any serious retaliation would have to come from the Japanese Government itself. But let us contemplate what that would mean, first on moral grounds, and then on practical or economic grounds.

Morally, Japan is in the worst possible position to oppose efforts of our Government to defend our own economy. After World War II Japan was a prostrate country. The United States held overwhelming economic power. We poured our resources into rebuilding the Japanese nation. The General Agreements on Tariffs and Trade was adopted in 1947. It condoned extremely protectionist policies in a country like Japan, which was in great balance of payments difficulty. At the same time the United States led the world in the liberalism of its own import policies.

Through the years since 1947 the world scene has radically changed. With our help the Japanese economy has become the most dynamic in the world. Its industrial production and its exports have doubled in the last 4 years. Its reserves of gold and foreign exchange have almost doubled. Today our own economy is in grave difficulty and our balance-of-payments position is severely weakened. While Japan has had very little military expense since World War II, we are defending her vital interest in South Vietnam as well as Korea with our lives and resources. That very fact is at the root of the inflation which has contributed so greatly to the weakening of our balance of trade. Against this background, how in the world could Japan object on moral grounds when we are merely trying to get reasonable protection for our own economy.

On the ground of Japan's own self-interest, her case for retaliation against us would be equally absurd. Japan is highly dependent on her export market, and nearly one-third of her entire export trade is the United States. Our highly vulnerable domestic market has been the key to her success. She ships more goods to us than to all of Europe plus Canada, Latin America, Australia and the entire Communist bloc combined. We greatly value our export trade with Japan, but it has to be recommended that we buy a great deal more from her than she buys from us. If Japan should slap us in the face by "retaliating" against us for reasonable efforts to protect our economy in our own time of distress, she would be inviting real disaster for herself. Retaliation is a two-way street.

We need not worry too much about vague threats that reasonable import protection will destroy our present small export market for cotton. The emphasis of our thinking should be on positive ways to rebuild and expand our cotton exports. Just as a healthy trade policy must keep imports within reasonable bounds, it must also put great stress upon the essential role of exports. For many years our cotton exports earned half a billion dollars or more annually in hard foreign currency. We face a challenge and an opportunity to return to that level of exports and go above it. While the allotted time does not permit us to develop this subject today, the Cotton Council does have a strong and well-rounded program for export expansion. We believe it can succeed. It must succeed.

May I close with an expression of appreciation to the members of the committee for the time and interest which you are devoting to this subject. We compliment the Members of the House of Representatives who have joined with Chairman Mills in introducing legislation similar to H.R. 16920. We respectfully urge that it receive favorable action at the earliest possible time.

The CHAIRMAN. Mr. Lynn, before you leave the table, I want to thank you, sir, not only for bringing us your very fine statement but for the cooperation that you and others connected with the Council provided in helping us in connection with our hearings, not only the people in Memphis, but your very fine representative here in Washington, Mr. Young, who was most cooperative and worked with our staff on this matter.

In return for what they did for us, I would insist that next time they not put you on last on the calendar.

Mr. LYNN. I appreciate that, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Lynn, for your appearance. We appreciate your coming before the committee.

Mr. LYNN. Thank you.

The CHAIRMAN. Without objection, the committee adjourns at 15 minutes to 7 until 10 o'clock in the morning.

Is there objection?

(Whereupon, at 6:45 p.m. the committee was adjourned, to be reconvened at 10 a.m. Thursday, May 21, 1970.)

TARIFF AND TRADE PROPOSALS

THURSDAY, MAY 21, 1970

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. John C. Watts presiding.

Mr. Watts. The committee will please be in order.

The first witness is the Honorable Strom Thurmond, one of our colleagues from the other body. Is Senator Thurmond here?

He is not present.

We will call upon the Honorable James T. Broyhill, one of our esteemed colleagues in the House.

Welcome to the committee, Mr. Broyhill.

STATEMENT OF HON. JAMES T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Broyhill. Thank you, Mr. Chairman.

Mr. Chairman and members of this distinguished committee, I very much appreciate the opportunity to appear personally this morning to offer testimony concerning one of the most important issues confronting the Nation today.

The decision of this committee at the conclusion of these public hearings will provide the broad outlines of the Nation's international trade policy in these last three decades of the century. New circumstances and new problems require changes in past practices. Trade policies which have encouraged disorder in our domestic marketplace must be reassessed and more equitable solutions provided. Certainly, there is no more alarming and threatening example of deficiencies in our present trade policies than the experience of the U.S. textile, apparel, and footwear industries. I am here today to urge that your committee favorably consider H.R. 16920, the bill which Chairman Wilbur Mills introduced on April 13, 1970.

I and more than 200 of our colleagues have joined with Chairman Mills as joint sponsors of this needed, reasonable, and fair proposal. I will predict to you now, Mr. Chairman, and to the members of this committee, that within the next 10 days considerably more than a majority of the Members of the House of Representatives will have joined with you as formal cosponsors of this legislation. This is an outpouring of bipartisan concern that cuts across every political philosophy and every region represented in the House.

It indicates a genuine determination on the part of a majority of the Members of the House to correct a serious and damaging wrong and to prevent the destruction of these major industries for reasons over which they have no control and for reasons which are a direct result of our Government's trade policies.

As this committee knows, the textile and apparel industry is widely spread across the country. It is dispersed in hundreds of small towns where it provides the economic basis for millions of families which look to jobs in these plants for a livelihood. Beyond this, this industry indirectly provides the means for all of those service activities and much of the tax base that support the needs of each of these communities.

The 10th District of North Carolina which I represent here contains the largest concentration of textile and apparel operations of any congressional district in the Nation. It is, therefore, a sensitive barometer of the welfare of this great industry. I can assure this committee that the challenge of the uncontrollable increase of imports is directly felt on the main streets of my district's cities and towns. This impact is translated into curtailed workweeks, reduced family incomes, and the spreading economic malaise which follows as the inevitable result.

On a national basis, the American textile and apparel industries have been reduced by 65,000 jobs since January 1969. This figure would be greater were it not for the fact that some mill operators have placed their faith in a reasonable solution being reached in Washington. It is in these mills where much of the current production is being placed in inventory in order to retain skilled employees and to help sustain the economic life of their communities. There is obviously a limit to how long such operations can continue. The sense of urgency, gentlemen, is justified, and I believe as strongly as I can indicate to you that the industry's faith in fair treatment from Washington must now be justified by action here in the Nation's Capital.

I will not take the committee's time describing the total picture of economic distress that afflicts the industries which are dealt with in H.R. 16920. Neither will I repeat the complex pattern of "penetration pricing," collusive maneuvers, and export subsidies which some nations use to freeze out American products from the American marketplace. These tactics, many of which would be illegal if used by American producers, add to the huge low wage cost advantage which allows great profit margins to foreign textile producers without offering the American consumer a commensurate price break.

All of these factors have been fully and most effectively described to the committee by spokesmen for the textile, apparel, and footwear industries and their employee organizations yesterday.

We cannot condemn the producers of these foreign products because they exploit such competitive advantages as they find in this country, but we certainly can and must take stock of what is happening and correct the injustices that are spreading an increasing economic blight. It is ridiculous to sit idly by while these major industries are being carved up as though we do not have the means to prevent it. We most surely do have the means and it is unconscionable, in my opinion, if we fail to exercise the necessary will to see this thing through quickly.

I have been encouraged by the strong position President Nixon took more than a year ago when he clearly recognized the special problems that are involved here. His efforts to obtain agreements with textile-producing nations voluntarily restraining import increases have met with the full approval of the textile industry.

I have discussed these negotiations personally and on many occasions with the White House and with the Secretary of Commerce who has sought such agreements with great skill and persistence.

There has been no lack of determination, patience, or sincerity on the part of our Government to achieve a limitation of imports through voluntary agreements. Those of us who have followed these negotiations closely over the months have shared a keen sense of disappointment and frustration that they have failed.

Mr. Stans, the Secretary of Commerce, has come before this committee in recent days to request a delay in the consideration of H.R. 16920 to allow an additional temporary period for further negotiations. Although I deeply respect the Secretary's judgment, I respectfully oppose this request and it is my hope that the committee will proceed with the consideration of the Mills bill with all possible speed.

The time for forbearance and trust in negotiations is past, in my opinion, unless the incentives for negotiation which H.R. 16920 provides are made available to the President and to the Secretary of Commerce as his agent.

The entire emphasis of this bill is upon negotiated agreements. Nevertheless, our disappointing experience of the last year now demands that the Congress assert its constitutional authority to provide a formula since there is little indication that a satisfactory solution can be reached otherwise.

We are not seeking in this legislation to bar imports of textiles, apparel, and footwear. We are saying that foreign producers may share a reasonable proportion of our domestic market—that they may share in its growth in an orderly way. We are not proposing fixed and inflexible quotas on imports. We are not erecting high tariff barriers around our marketplace. We are saying in this bill that import limitations will not apply to any country which negotiates voluntary agreements with us. We are actually advocating far fewer restrictions on textile imports into our country than are being imposed today by other textile-producing countries.

For many years, many of us here have warned that the increasing flood of textile, apparel, and shoe imports is signaling a new era in American trade relations. The classical "free trade" arguments are no longer relevant. Industries such as those I am discussing today can no longer rely on technological superiority to offset the wage gap existing between our country and the low-wage nations since their technology is as sophisticated as ours. Our trade policies have tended to ignore the warnings which should have been clear to all. Unless we alter those policies, we will increase the exportation of American jobs and plunge on toward our own economic self-destruction.

We have before the Congress a new alternative which assures an effective, progressive, and orderly development of our domestic market for three great industries. Without this legislation, I cannot be optimistic about their future, and I am convinced that serious economic dislocation will continue at an even faster rate than we have seen thus far. With its passage by the Congress and its approval by the President, fair competition can be restored and a wide range of benefits obtained not only for the United States but for its trading partners abroad as well.

Again, I want to urge in the strongest terms available to me that the committee consider this legislation favorably at the earliest possible date so that the full membership of the Congress may have the opportunity to debate this measure and work its will upon it. There is no doubt that the essential new legal tools which this bill provides will be overwhelmingly approved.

Mr. WATTS. Thank you very much for your statement, Mr. Broyhill. I can assure you as one member of the committee that we are very conscious of the problems that our foreign trade has brought on a lot of American industries.

We are going into it thoroughly and as expeditiously as we can. Mr. Pettis.

Mr. PETTIS. I have no questions, Mr. Chairman. I would like, however, to join you in commending our colleague on a very fine statement.

Mr. BROYHILL. Thank you very much, Mr. Pettis.

Mr. CHAMBERLAIN. Mr. Chairman, I, too, would like to commend our colleague for his very fine statement. I have discussed this problem with him personally many times. I know of his deep devotion to the problem affecting the people in his district.

I want to assure him that these matters will be carefully considered by the committee as we act on this legislation.

Mr. BROYHILL. I thank the gentleman from Michigan. I know I may have made a pest of myself with some of my colleagues, but it is a subject in which I have a great concern. I do thank you.

Thank you.

Mr. WATTS. Thank you very much.

The next witness will be another colleague, the Honorable William D. Hathaway.

STATEMENT OF HON. WILLIAM D. HATHAWAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. HATHAWAY. Thank you, Mr. Chairman.

I appear primarily to speak in behalf of the men and women of Maine, New England, and the Nation, who earn their livelihood in the textile and footwear industries.

The fact that nine New England shoe manufacturing plants ceased operations in the first quarter of 1970 and that a Maine textile plant employing 900 people is now in the process of phasing out its operations will provide you with a measure of my concern and sense of urgency. Action must be taken to assure orderly import and marketing policies and to assure a reasonable degree of job security for American workers.

I would like to illustrate my point by showing the effects of past policies and practices on the economy and people of a Maine industrial community, a community like many others in Maine and New England that have experienced a similar unhappy fate.

The twin cities of Lewiston and Auburn, Maine, have a population of about 80,000. They were built around a once thriving textile industry, an industry now decimated and facing a most uncertain future.

During the past two decades, shoe manufacturing replaced textiles as the industry providing the greatest number of jobs. Both remain most important in the local economy, and both must have relief if they are to survive as important contributors of jobs.

While other factors such as wage differentials, tax and other inducements, and consequent industrial migration to other sections of the Nation contributed to problems of the past, it is clear that the competition of foreign-made, low-cost goods is the dominant problem.

New England's shoe and textile industries were able to weather the competition of the less-industrialized States, but it is clear they will not surive, without some measure of relief, the competition of Japan, Spain, Italy, Taiwan, and other nations.

Today, only a remnant of a once-great textile industry remains in Lewiston; firms are held there more by loyalty to the community than by hopeful prospect of earnings.

And the experience of the past decade would seem to indicate that a still vigorous shoe industry may soon wither away; a dim prospect for the skilled workers who reside in the community. Available statistics prove that the shoe industry has already been seriously injured by imports, but I am convinced that the full impact and consequences of this will be felt in the next 2 or more years when more shoe firms will close and we could well witness the end of our local textile industry.

In both the textile and shoe firms in the Lewiston-Auburn area there were fewer people employed in 1970 than in 1960, underemployment was evidenced by a drop in average weekly hours worked.

In a recent statement, the secretary-treasurer of the Lewiston-Auburn Shoeworkers Protective Association, a labor organization representing the majority of shoeworkers, said that 1,200 workers in the local industry have lost jobs in the last decade.

The Maine Employment Security Commission confirms the loss of 700 jobs in Lewiston-Auburn since 1968 and reports a drop in average hours worked each week from 35.5 to 32.4.

The average earnings of Lewiston-Auburn shoeworkers in 1969 were $75.80. This is nearly $20 less than if full employment had prevailed. It might be said that in 1969 shoeworkers in Lewiston and Auburn, Maine, were taxed $20 each week to subsidize our present import policies.

The people who work in the shoe industries need and deserve our consideration and protection. The experience of Lewiston and Auburn makes it clear that our domestic industry has been severely injured by an excess of imports. It has not shared in the growth of domestic markets and has been at a disadvantage in foreign markets.

As a result, we have lost scores of thousands of former and potential jobs, and those Americans still fortunate enough to be working in those trades are working less than a 40-hour week.

Mr. Chairman, I believe in free trade. I believe that other nations should have an opportunity to sell their goods in our markets. However, I feel strongly that our domestic industry is entitled to be guaranteed a fair share of our markets; and that our import policies should provide this guarantee.

H.R. 16920, of which I am a cosponsor, is a reasonable and fair measure which would bring some order into the presently unchecked flow of textile and footwear imports. While it assures producers, both domestic and foreign, continued participation in our expanding markets for these goods, it, nevertheless, insures our domestic industries a sound economic basis and protects them from severe injury and undue disruption of markets due to unfair competition.

I therefore urge favorable consideration of H.R. 16920, and I thank the committee for the opportunity to express my views here today.

Thank you, Mr. Chairman, for this opportunity to express my opinion.

In addition, let me state briefly that I would like to express my support also for revision of the escape clause and adjustment assistance provisions of the 1962 Trade Expansion Act.

These provisions have proven to be so stringent and rigid that the Tariff Commission has been unable to justify any recommendations for relief.

Under the present statute, a petitioning industry has to establish that its problems are "as a result in major part of concessions granted under trade agreements," regardless of what other factors in a tightly competitive trade situation may be involved.

In 1969, the Maine sardine industry, for example, produced evidence of a tremendous increase in imports which has contributed to the higher cost of producing sardines in this country, with lower selling prices for the foreign carriers.

This has resulted in Maine's share of the domestic sardine market decreasing from 65 percent to 35 percent over a period of 7 years, according to the industry's testimony.

Despite the fact that the Tariff Commission agreed with many of the industry's points and admitted that imports were responsible for erosion of Maine's sales in important marketing areas, the Commission could offer no relief to the industry due to the wording of the present statute.

The 1962 provision that requires that increased imports must be the major cause of injury has emasculated the powers of the Tariff Commission to provide relief to affected industries.

The fact that not one of 22 similar cases brought before the Commission by other industries has been favorably acted upon gives another indication of the inflexibility of this provision.

I favor a liberalization of the escape clause to provide that relief should be available to affected industries whenever increased imports are the primary cause of injury, and toward this end I have cosponsored, along with Congressman Harrington, of Massachusetts, H.R. 16074, and I endorse the reform of the escape clause and adjustment assistance provisions contained in H.R. 16920 and in the administration bill.

I believe that these reforms will go far toward providing an effective, workable trade adjustment assistance mechanism for workers and firms adversely affected by imports.

The amendment would change "major" cause to "primary" cause, the difference being that a major cause is a cause that is greater than all other causes combined. At the present time, if an industry wants relief it must show that the imports cause greater injury than every other cause combined, and that is a very difficult case to establish; whereas, if we change the wording to "primary" cause, it would simply mean that imports would cause greater injury than any other single cause.

In this way, it would be much easier for industries affected by imports to get relief.

Thank you again for allowing me to come before the committee.

Mr. WATTS. Thank you very much, Mr. Hathaway, for your fine statement.

Are there any questions?

Mr. PETTIS. Mr. Chairman, I would like to observe that our colleague, Mr. Hathaway, has provided information this morning which has been borne out by testimony all this week and last week as well.

I am sure that he knows that we have a member of this committee from New England who has made a pretty persuasive case and has interrogated witnesses and brought out facts that he also makes in his presentation today.

I commend the gentleman for his statement.

Mr. HATHAWAY. Thank you very much.

Mr. WATTS. Are there further questions?

Mr. Corman.

Mr. CORMAN. I, too, want to join the chairman and Mr. Pettis in thanking my colleague from Maine.

I am wondering, if the textile industry or the shoe industry were to get relief under the escape clause, would it be your thinking that they should anticipate some tariff relief or adjustment assistance, or would it have to be tailored to the specific firm that was seeking relief?

Mr. HATHAWAY. Well, I would think it would have to be tailored to the particular firm. It might take the form of relocation assistance. I am not saying that this Nation should be geared to subsidizing a fixed list of industries that you might adopt right at this moment.

I think we should be flexible enough to change our industries and, in that way, accommodate foreign imports. But I don't think that the workers should bear the brunt of this, which they do under the present import programs.

What I mean by relief would be to see that the workers, if they have to be displaced in order to accommodate foreign imports, would be able to take other jobs of equivalent income and not just be thrown out on the street.

This might mean that we would have to have tariffs imposed until such time as other occupations for these workers could be found.

Mr. CORMAN. Do you think there might be some possibility of conversion to a different kind of manufacturing in that same locality?

Mr. HATHAWAY. Yes.

Mr. CORMAN. If there was capital infusion and retraining, it could be adapted by both management and labor to keep employment up and still not have to go the tariff route for relief.

Mr. HATHAWAY. That is right.

Mr. CORMAN. Thank you very much.

Mr. WATTS. Are there further questions?

If not, thank you very much.

Mr. HATHAWAY. Thank you, Mr. Chairman.

Mr. WATTS. We have with us the Honorable Samuel N. Friedel, of Maryland. We are pleased to have you appear before our committee, and you may proceed as you wish.

STATEMENT OF HON. SAMUEL N. FRIEDEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. FRIEDEL. Mr. Chairman, I am pleased to be here this morning before my friends and colleagues on our all-important Ways and Means Committee to speak in support of my bill, H.R. 17343, which is identical to H.R. 16920.

Briefly, my bill would provide for orderly trade in textile articles and articles of leather footwear. This bill, as I see it, would do two things. It would first spell out clearly, once and for all, that the specific cause of the flood of plant closings that we have most unfortunately experienced in the United States in these two important industries were as a direct result of excessive imports. Secondly, it would spell out the determination of the Congress that there be regulation in this area so as to foster and maintain a strong textile, apparel and footwear industry within the United States. Further, the bill would provide that for 1970, textile and leather footwear imports will be limited to the average of 1967 and 1968 levels; for 1971 and thereafter, imports would be permitted to increase or decrease under a formula to be determined by the Secretary of Commerce under adequate safeguards.

The bill would also provide that quota limitations currently in effect would not be disturbed and finally, as I view it, the other most important improvement that the bill would make is that under the tariff adjustment and assistance program relief would be granted when imports are determined to be "the substantial cause" of the injury rather than simply, as a law now reads, "the major cause" of injury. This word change would mean a great deal in terms of the effectiveness of the adjustment and assistance program.

In 1969, approximately 60 shoe factories were forced to close their doors because of imports. Shoe imports from abroad have been able to take away business from domestic manufacturers for one simple reason, the wage rates paid in the foreign countries. Wages so low that they would be illegal in the United States and any capitalistic or tightfisted American manufacturer would be ashamed to even think about such wage levels for his employees.

Let me just cite a few examples. The wage rate for shoe workers in Italy is $1.06 an hour; in Spain it is 59 cents an hour, including fringe benefits, and, perhaps most shocking of all, in Taiwan, shoe workers are paid 22 cents an hour.

As a result of this cheap labor, shoe imports have flooded the U.S. market. Let me give you the figures. In 1960, we imported 26 million pairs of shoes. By 1969, just 9 years, imports of shoes manufactured abroad, at unbelievably low wage rates, reached a fantastic height of 195 million pairs. What is even more shocking is that estimates of imports for 1970 are estimated to reach a total of 220 million. No wonder our domestic shoe industry is faced with a crisis and shoe factories throughout the country are closing at a quickening rate. My fair city of Baltimore has not been spared from this tragedy. We have lost shoe and apparel factories, and many valued and skilled employees have been seriously hurt during the past 9 years.

Mr. Chairman, we can take it no longer. The same sad statistical story, of course, is true in the textile-apparel area. Our imports have skyrocketed over the last 8 or 9 years. Whereas, in 1962, imports of cotton, wool, and manmade fiber textiles were at the level of 447 million square yards, they have by 1969 increased to the level of 1,520 million square yards. Again the cause of these increased imports is basically the labor scale paid in the country of production. Our domestic industry simply cannot compete because of the low prevailing wage scale in the foreign countries.

Several areas of the domestic apparel market are being hit especially hard by imports. Imports of sweaters of all fibers is almost 75 percent of the U.S. sweater production in 1969. Imports effect on the markets for woven shirts, women's slacks and shorts, men's knit shirts, and men's trousers and shorts is almost as high as sweaters when measured against our U.S. production. Because apparel product lines are so readily interchangeable in the manufacturing process in our industry, the damage experienced by one segment of the industry can very readily be experienced, with great rapidity, by any other segment of the industry. It is for this reason that I so strongly support the total-category approach to this problem which is taken by my bill and H.R. 16920 rather than the selective approach advocated by some.

The bills that the committee has before it are exceptionally enlightened legislation. They are fair and they are equitable. They would not totally bar imports but they would put a sensible limit on the penetration that imports make in the domestic market of domestically produced shoes and textiles, thereby saving hard-earned investments and thousands of jobs throughout the country.

A good share of our domestic market would be available for foreign competition but safeguards would be built in against the takeover of the entire market by low-wage foreign manufacturers whose trade policy connives unfairly against America's self interest. I trust and hope that the committee under the magnificent leadership of my friend and colleague, Chairman Mills, will ultimately report out a bill that will accomplish these badly needed objectives.

Mr. Watts. Are there any questions? If not, we appreciate your appearance here today.

Our colleague from Rhode Island, the Honorable Fernand J. St Germain, will be our next witness. Please come forward, Mr. St. Germain, and present your statement.

STATEMENT OF HON. FERNAND J. ST GERMAIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. St Germain. Mr. Chairman, as you know, I have introduced a companion bill to H.R. 16920 and I would like to add my voice to those who are supporting this legislation which would place reasonable controls on the flood of low-wage textile imports pouring into this country.

This flood of imports is wiping out thousands and thousands of American textile and apparel jobs. Not only in my State of Rhode Island; not only in New England, but throughout the United States.

Today textile-apparel employment in New England alone stands at 177,000. Of this number, 26,600 live and work in Rhode Island; 80 to 85 percent are in my district. These Rhode Island textile-apparel employees make up 21 percent of the State's entire manufacturing work force.

These jobs are being threatened by low-wage imports and it doesn't take much imagination to realize the disastrous effect on my State—and all the other textile-apparel-producing States—unless we get immediate relief.

I can speak from personal experience on this issue. In my home city of Woonsocket, R.I., we have lost 36 textile plants since 1946. Those plants employed almost 11,000 persons in a city whose total population was less than 50,000.

I ask the consent of the committee to include here a list of the Woonsocket manufacturing concerns, with the number of persons employed in each of them in 1946, which have since gone out of business.

Testimony has been presented to this committee that, since 1953, 249 mills employing 89,000 workers in New England have been liquidated. Not all of these mills have been closed because of imports alone, but imports have been a major factor in the decision to close them.

The imports threat to textile and apparel workers is already a harsh reality and is becoming increasingly ominous. The record speaks for itself.

In Rhode Island alone the textile industry's work force dropped by 1,700 during the year 1969. Nationally, textile jobs fell from 1 million in January 1969 to 964,000 in March 1970. Apparel-industry employment decreased from 1,424,000 to 1,395,000 during the same period. This is a total loss of 65,000 textile-apparel jobs since the beginning of 1969. Why, I ask, do we allow our own people to be thrown out of work so that foreign manufacturers, who pay wages of 11 cents to 45 cents an hour, can rake in the profits?

A typical example of what I am talking about was the announcement earlier this month at Biddeford, Maine, by West Point-Pepperell that it was being forced to shut down its sheeting operation there, putting 900 persons out of work. At the same time, Crown Alexander, Inc., in nearby Dexter, a woolen manufacturing company, closed its doors, putting 150 on the unemployment list. Both closings were attributed directly to textile imports from low-wage countries. In Woonsocket, R.I., early this year the French Worsted Co. was forced to close out operations. At one time this was the largest worsted spinning mill in Rhode Island, and until recently it employed over 500 persons.

Domestic consumption of textile products has soared in the past decade. Right now jobs should be increasing steadily. There should be many thousands of new jobs in American textile mills this year; instead jobs are being lost. The new jobs—and some of the old ones too—are going to foreign workers in foreign mills. Textile imports have more than tripled since 1961. They are presently coming into this country at an annual rate of nearly 4 billion square yards. Some studies estimate that imports have taken away 250,000 jobs that otherwise would have been created in American firms for American workers. There would not be so many men standing idle today on American street corners if the import limitation, which I and other members of the informal House Textile Committee have long favored, had been in effect.

Although not as dramatic as a plant closing, but almost as devastating to a community's economy is the short work week. Imports are forcing many textile mills to cut back on the hours and days of operations, thus whittling away the take-home pay of the country's textile employees.

Low-wage imports are causing a decline in expenditures for capital improvement. May I point out that outlays for new plant and equipment rose from $500 million in 1962, when restrictions were placed on cotton textile imports, to $820 million in 1966. Since that time, with imports at a runaway rate, capital investment has decreased to $630 million.

Textile-apparel jobs are declining, capital investment is slipping, and short workweeks are gaining momentum, while low-wage imports continue to skyrocket. During the first quarter of 1970, they exceeded 1 billion square yards equivalent and were 33 percent higher than the same period last year and 44 percent greater than the same period in 1967.

We must not forget the danger to our national security that a threat to our textile industry implies. During World War II when we had shortages of butter, tires, gasoline, meat, et cetera, we became very conscious of how crucial it is to be self-sufficient. Certainly no one wants to see a repetition of World War II, but it would be unrealistic to ignore the possibility.

Attempts by the administration to negotiate voluntary agreements to control this influx of foreign-produced textiles have been rebuffed by our trading partners. Japan, in particular, has been given every opportunity to adopt some voluntary limitations. All the exchanges and discussions have been completely fruitless. Japan has rejected every single proposal.

The time has come for the Congress to act.

The bill under consideration by this committee is a good bill and a fair one. It places emphasis on encouraging negotiated agreements by imposing specific limitations only on those nations which do not enter into negotiated agreements with the United States. Present agreements and any agreements negotiated before and after the bill is passed will be honored.

Only those countries which refuse to negotiate agreements would be subject to specific limitations on their shipments to the United States of textiles, apparel articles, and footwear. These limitations would be set, by category, during 1970 to equal the average amounts that entered the United States in 1967–68. After 1970, the permissible level of imports would be adjusted up or down annually to reflect increases or decreases in domestic consumption.

This measure does not shut off imports from any nation. It does encourage negotiated agreements for reasonable restraints. It also includes new escape and adjustment assistance provisions which would make it easier for other injured industries and employees to achieve more effective relief than now available.

I respectfully request and urge this committee to act favorably on this legislation so desperately needed for the well-being of this country.

APPENDIX

Textile industry manufacturing concerns that have closed in Woonsocket, R.I., since 1946

Name of firm:	Number of employees (1946)
Airedale Worsted Mills, Inc	120
Amallor Machine Works	5
Apex Weaving Co	30
Argonne Worsted Mills	416
Bayart, Inc	20
Bell Co. of Rhode Island (Mason Street)	321
Bell Co. of Rhode Island (Lowland Street)	230
Belmont Woolen Yarn Mills	91
Blackstone Cotton Mill	675
Blackstone Dye Works	115
British Woolen Co. of America	22
Blumenthal, Sidney & Co	300
Chauvin Spinning Co	16
Cherry Brook Worsted Co	165
Cumberland Worsted Mills	128
Dorlexa Dyeing & Finishing Co	40
Dunn Worsted Mills	225
French Worsted Co	791
Glenark Mills (Uxbridge Worsted)	733
Guerin Mills, Inc. (3 mills)	1,125
Goldmark Knitting Co	12
Handicraft Woolen Mills, Inc	28
Lafayette Worsted Spinning Co	357
Manville Jenckes Co	2,250
Mayfair Worsted Mills	36
Masurel Worsted Mills	251
Murray Worsted Co	60
Rhode Island Plush Mills	109
Slatersville Finishing Co	491
Sydney Worsted Co	175
United States Testing Co., Inc	5
Verdun Manufacturing Co	150
Woonsocket Falls Mill	370
Woonsocket Rayon Co	230
Woonsocket Spinning Co	225
Woonsocket Worsted Mills	385

Mr. WATTS. If there are no questions of Mr. St Germain, we appreciate your being with us today, sir.

Our next witness will be our colleague from the State of Alabama, the Honorable Tom Bevill. If you will come forward, we will be happy to hear your testimony.

STATEMENT OF HON. TOM BEVILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. BEVILL. Mr. Chairman, distinguished members of the Ways and Means Committee, I want to thank you for giving me the opportunity of appearing before you today in support of my bill, H.R. 17001, which would place reasonable mandatory quotas on textile articles.

Mr. Chairman, textile imports are no longer something of concern only to the people who earn their living from the textile industry. Textile imports have become a national problem—a problem which reaches into the economies of hundreds of communities and industries throughout the United States.

Because textile imports are a national problem, with broad national implications in terms of employment and growth, we must act now to protect the future development of this industry.

While America continues her open-market policy, other countries throughout the world are developing complicated import duties, border taxes, bounties and foreign currency regulations which make it all but impossible for us to expand our export market for textiles.

Injury to our domestic textile industry is mainly due to our excessive tariff reductions without reciprocal concessions. This, and the long-term textile agreement with foreign producing countries without a strict limitation as to the percentage of our domestic consumption they can export to us.

With all major textile companies complaining of falling sales, lessened profits, and increasing unemployment, I feel that Congress should step in now with legislation to protect our domestic textile companies.

The bill I have introduced offers reasonable regulations. It does not attempt to close our market to foreign products. We all know that we cannot cut trade ties which we have developed with nations throughout the world.

But the time has come to develop a textile trade program which will protect America's textile industry.

Months of discussions and negotiations with Japan have failed to produce any concrete proposals to relieve the unfair pressure of imports on our textile industry.

The textile trade legislation which you are considering provides foreign importers with a fair share of our market. But at the same time, it will protect existing jobs in our textile industry and help build a solid foundation for future growth.

Mr. Chairman, the textile industry, which employs more than 2 million people, is vital to the defense and security of our Nation, and must not be jeopardized by this continuing excessive flow of imports.

For these reasons, I urge that you give favorable consideration to this legislation.

Thank you.

Mr. WATTS. Are there any questions? I hear none. Thank you for taking the time to appear before the committee.

Our colleague from North Carolina, the Honorable Wilmer D. Mizell, will be our next witness. Please come forward and identify yourself for the record.

STATEMENT OH HON. WILMER D. MIZELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. MIZELL. Mr. Chairman, in speaking in support of my proposed legislation, H.R. 16943—same as H.R. 16920—I would like to begin by pointing out what the textile industry means to the people in my own district, the Fifth Congressional District of North Carolina, and to the State as a whole.

My district, made up of eight counties, has a total population of 406,479 and 6.7 percent of these people are employed in textile plants. These 27,098 textile mill jobholders are paid $129,801,000 a year, according to the North Carolina Employment Security Commission.

When a payroll of this magnitude comes under a threat from foreign low-wage competition, the people I represent demand that their Government take action to remove that threat in a fair and equitable manner.

Taking a broader look at the situation, the need for textile-apparel import controls is as great in the State of North Carolina as it is in my own district.

The textile industry is North Carolina's largest single industrial employer providing a livelihood for more that 276,000 North Carolinians in nearly 1,200 plants located in 80 of the State's 100 counties. The annual textile payroll is more than $1,207 million.

The apparel manufacturing industry also plays a key roll in the North Carolina economy, furnishing jobs for more than 65,000 persons whose annual wage payments exceed $224 million.

The textile-apparel complex employs slightly more than 50 percent of the entire industrial work force. Therefore, a healthy textile-apparel industry is vital to the continued economic and social growth of North Carolina.

The alarming influx of textile imports affects not only textile jobs and textile payrolls, but a great many other industries and jobs which provide goods and services to the textile industry.

A good example of this is the amount of money spent by the textile industry in North Carolina on new plants, equipment, and modernization programs.

Capital expenditures by the textile industry in North Carolina from 1961 through 1968 totaled $1,142,810,000. It is not difficult to imagine just how many jobs this one item of expenditure must have generated in the construction industry alone.

Translated to the national level, the same story holds true.

One of every eight U.S. manufacturing jobs is in textiles or apparel. The textile-apparel industry itself employs more than 2 million people and meets a $10 billion annual payroll. It also creates work for some 2 million more in businesses that supply goods and services.

Each year the textile industry buys $4 billion worth of fibers, including all domestically produced wool and two-thirds of the output from 300,000 cotton farms. It spends $600 million for chemicals and dyestuffs; $420 million for power and fuel; $240 million for packaging products; $100 million for trucking services. It generates more than $2.5 billion in Federal, State, and local government tax revenues.

As it is in North Carolina, the textile-apparel complex is a cornerstone in the economy of this Nation. And, at the present time, this economic cornerstone is being eroded by the influx of foreign, low-wage textile imports.

During the 1959–69 period, the dollar value of textile-apparel imports rose from $744 million to $2.1 billion. In volume, imports increased from 978 million square yards equivalent in 1959—then an alltime record—to 3.6 billion in 1969, and the outlook for this year is that these imports will reach the 4-billion mark.

Most of the increase originated in Asia and consists of products manufactured from manmade fibers. These rose from 151 million yards in 1959 to 1.7 billion in 1969, a jump of 1,080 percent. In terms of dollars, the increase was from $61.2 million to $695 million. In 1969, the import volume of manmade fiber products exceeded cotton textiles for the first time in history.

As textile imports dramatically increased, textile jobs in this country decreased just as dramatically. Textile jobs fell from 1 million in January 1969 to 964,000 in March 1970. Apparel-industry employment slumped during the same period from 1,424,000 to 1,395,000—a total loss of 65,000 textile-apparel jobs since the beginning of 1969.

Mr. Chairman, I regret to report that 8,500 of those jobs lost over that period of time were in my State, North Carolina, according to the U.S. Department of Labor's Atlanta office.

To check this erosion of American textile and apparel jobs, I urge enactment of H.R. 16943.

The legislation places emphasis on encouraging negotiated agreements, by imposing specific import limitations only on those nations which do not enter into negotiated agreements with the United States. Present agreements and any negotiated before and after the bill is passed will be honored.

Only those countries which refuse to negotiate agreements would be subject to specific limitations on their shipments to the United States of textiles, apparel articles, and footwear. These limitations would be set, by category, during 1970 to equal the average amounts that entered the United States in 1967–68. After 1970, the permissible level of imports would be adjusted up or down annually to reflect increases or decreases in domestic consumption.

The bill also includes new escape clause and adjustment assistance provisions which would make it easier for other injured industries and employees to achieve more effective relief than now available.

This proposed legislation is fair to foreign textile and apparel manufacturers. It allows them a share of the growth of the domestic textile market. It does not shut them out. It assures them not only a part of the American market, but a share in the growth of that market.

At the same time, it allows and assures the domestic textile producers their proper share of the U.S. market and a share in the continued growth of that market.

The textile-apparel and footwear trade bill is aimed at no particular nation. The measure provides a framework for a long-range solution of the years-old import problem of the textile, apparel, and footwear industries, as well as the deteriorating U.S. balance of trade. By leading to more evenly distributed international commerce, its effects would accrue to the long-term best interests of all nations.

I solemnly urge the committee to report favorably on this bill.

Thank you.

Mr. WATTS. If there are no questions, we thank you for appearing before the committee today.

If the Honorable R. Lawrence Coughlin of Pennsylvania will come forward, we will be pleased to have your statement. You may proceed as you wish.

STATEMENT OF HON. R. LAWRENCE COUGHLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. COUGHLIN. Mr. Chairman, I share the concern of many of my constituents that foreign competition in the textile industry is, in many instances, causing undue hardship to domestic firms. I wish to convey to the members of the committee our growing alarm and the conviction that effective action in this area by the Congress is needed.

Probably the most serious example of such competition is the import-export situation between the United States and Japan. Japanese textiles are manufactured by Japanese subsidiaries using low-wage labor in other South Asian countries. The goods produced are of high quality, because the Japanese use the most advanced technology in the field, and they enter the United States under a formula of a 5-percent increase over imports of the previous year. Many experts consider this rate of increase too large for the well-being of the American textile industry.

Meanwhile, Japan protects herself by a system of import controls which causes a considerable disproportion between her exports to the United States and our exports to Japan.

As a matter of principle, I generally do not favor protectionist policies. The evils of protectionist and high-tariff policies are apparent to all of us. In addition to producing an artificial climate that can work to the detriment of the American consumer, protectionist policies can affect adversely our relations with foreign countries.

While there is evil to protectionist policies, there also is evil to a situation where a foreign country enjoys disproportionate advantages over domestic producers and refuses to cooperate voluntarily in rectifying a grossly unfair status. This seems to be the case with Japan, since that country thus far has declined to agree on voluntary controls. I am disappointed by Japan's reluctance, especially in light of the U.S. post-World War II policy of friendship and aid that has helped bring Japan to its present state of affluence. What cannot be done voluntarily then must be done by the Congress legislatively.

I believe the situation is such that we must enact the laws that will afford the needed protection to domestic industries upon which depend the jobs of thousands and thousands as well as the general healthy condition of these producers in our overall economic picture. This especially is vital as our economy tries to adjust to the trauma of change from a wartime atmosphere to peacetime activities.

During the last few months, I have received correspondence from many of my constituents on current inequities in the textile import industry. As just one example of the disparity that exists, I would like to cite the experience of Sunset Manufacturing Co., Inc., of Pottstown, Pa. Mr. William J. Boden, Jr., president, sent me samples of two uniforms, one manufactured by his firm, the other made in Japan. These uniforms have been placed in the legislative file of the Committee on Ways and Means. The uniforms were identical in style, and the Japanese workmanship appeared to as good as that of the American garment. The Japanese uniforms wholesale for $2.50 in this country, the domestic ones for $3.70.

Another item manufactured by Sunset and sold for $4.25 is duplicated by the Japanese and sold for $3, forcing the discontinuation of this product by Mr. Boden's company.

Foreign and domestic textile concerns should share equitably in the growing world market. H.R. 17822 would provide for orderly trade in textile articles and articles of leather footwear, setting stricter limits on the annual growth rate of such imports.

I have cosponsored this legislation because of my concern about the crisis facing the U.S. textile manufacturers, and my basic belief in fairness as an essential ingredient of healthy international trade. I urge the members of the House Committee on Ways and Means to take those steps necessary to reestablish order in the marketing process.

Mr. WATTS. We thank you for your appearance here today. If there are no questions, we will proceed to the next witness.

The next witness is Mr. Sidney S. Korzenik.

STATEMENT OF SIDNEY S. KORZENIK, COUNSEL, APPAREL INDUSTRIES INTER-ASSOCIATION COMMITTEE; ACCOMPANIED BY HERBERT F. FERSTER, COUNSEL, CLOTHING MANUFACTURERS ASSOCIATION OF THE U.S.A., AND JAMES McEVOY, RESEARCH DIRECTOR, NATIONAL KNITTED OUTERWEAR ASSOCIATION

Mr. KORZENIK. My name is Sidney S. Korzenik. I appear here in behalf of the Apparel Industries Inter-Association Committee.

I greatly appreciate the opportunity accorded me to make this statement.

With me here are Mr. Herbert F. Ferster, counsel to the Clothing Manufacturers Association of the U.S.A., manufacturers of men's clothing, and on my left, Mr. James McEvoy, research director of the National Knitted Outerwear Association.

Mr. WATTS. We are pleased to have you with us this morning.

Mr. KORZENIK. This statement is presented in behalf of the Apparel Industries Inter-Association Committee, an organization consisting of 31 trade associations whose members are engaged in the production of garments and in auxiliary activities. In urging your committee's prompt and favorable action on the bill introduced by your chairman, H.R. 16920, they express the interests of an industry consisting of some 28,000 firms employing approximately 1,600,000 persons in production and nonproduction jobs turning out apparel, both knit and woven, whose annual sales approximate $17 billion at wholesale.

This diversified, geographically widespread complex of manufacturing establishments processes into consumer end products most of the yarns and fabrics turned out by American textile mills.

Though large in the aggregate, the industry is characteristically one of small businesses with plants located in every State of the Union, in Puerto Rico and in the Virgin Islands, and very few of these areas have apparel employment of less than 1,000. It has always been a field of industry favorable to small enterprises. Despite the fact that in recent years some relatively large organizations have appeared among apparel producers, technology remains relatively simple and small firms continue to predominate. The average apparel factory has fewer than 60 employees. About 85 percent of the producers have annual sales under $2½ million.

The industry is a cockpit of intense competition. Traditionally its profits per dollar of sales have been the thinnest among industrial groupings of the United States. Throughout the decade of the 1960's, average apparel profits after taxes expressed as a ratio of sales ranged from a low of 1.3 percent to a high of 2.4 percent, according to the FTC-SEC published data on corporations. If smaller enterprises were included in that average, it would be lower still.

The apparel industry is particularly vulnerable to import competition for one major and distinguishing reason: It is highly labor intensive. Its labor costs represent a relatively high proportion of total costs, and low wages alone can determine competitive success. In these days of speedy communication and transportation, the jobber with a showroom on Seventh Avenue in Manhattan can almost as readily have garments produced to his design and specifications in Japan, Korea, or Hong Kong as in Brooklyn, Ohio, Texas, California, or elsewhere in the United States. Opportunities for automation being limited, it is not possible to overcome the foreign wage gap by means of laborsaving devices.

The basic determining facts are simple. The average hourly wage of apparel workers in Italy is about 50 cents per hour; in Jamaica, 30 cents; in the Philippines, 23 cents; in Portugal, 18 cents; Taiwan, 15 cents; India and Pakistan, 11 cents; South Korea, 9 cents; while in the United States the average in the apparel industries is over $2.30 per hour.

The consequences of these basic competitive comparisons have been precisely what one might have expected. Imports of apparel last year rose to a total of 1½ billion square yards equivalent, an increase of 33 percent from the prior year. Approximately one-third of this total represents cotton garments subject to control under the Geneva Cotton Arrangement or "LTA," and, largely because of the restraints exercised thereunder, this component of the total has been the most stable, showing relatively modest annual increments.

But apparel imports in the uncontrolled areas of wool and manmade fibers show a critically serious rate of escalation. They rose last year to nearly 450 percent of the level of 1965—up more than fourfold in 4 years.

In the absence of relief, there is no reason to expect any abatement of this trend. On the contrary, it will accelerate now that commercial bridgeheads have been formed, domestic markets explored, agencies and business relations established, financing facilitated, and the rest. Such acceleration is precisely what the record indicates. Apparel imports when reckoned as a percentage of domestic output—by dollar value at comparable U.S. prices—approximated 3.9 percent of domestic production in 1956. But by 1965 they had risen to 13.8 percent. In 1969, just 4 years later, apparel imported had risen to 22.4 percent of domestic production.

Thus, in the last 4 years, the average rate of increase has been twice as great as the average rate of increase in the previous 10-year period.

This comparison of imports to domestic production is a statistical generalization. It expresses an average, covering a broad variety of products. Not in all product areas, of course, have foreign goods made the same inroads. In some market sectors imports represent less than this average. In other areas, the market penetration has been far deeper than average. That the foreign producer has not yet invaded on all fronts at the same time and to the same extent is due only to the temporary insufficiency of his plant capacity.

But his basic economic advantage is not limited to any particular type of apparel; nor is his machinery limited to those in which he has thus far scored his greatest success. He enjoys the same competitive advantage in the manufacture of all apparel.

Conversely, we are vulnerable in all. Apparel producers understand this very well. That is why they have all joined in this statement. The initiative is with producers abroad.

Those important areas in which imports have already demonstrated their damaging effects are proof of what they can do in other areas, given time. They can choose to enter our market wherever they will. Imports have risen to 30 percent of domestic production in men's shirts; to 32 percent in women's slacks; and nearly 100 percent in women's sweaters—that is, imports are very nearly equal to the domestic production of women's sweaters.

The situation in knitted outer apparel is an example demonstrating the losing battle that domestic producers have been waging against imports. In 1956, total imports of knitted outerwear in all fibers amounted to less than 3 million pounds and represented, we estimate, less than 2 percent of our domestic production—on a poundage basis. Last year's import total had risen approximately 37 times and amounted to 112 million pounds, which is nearly 29 percent of our comparable domestic production.

This figure, too, is a statistical generalization of the knitted outerwear field. Certain sectors of that field were flooded more heavily than average. Imports of knitted outerwear of wool alone last year amounted to 69 percent of our domestic output. Imports of outerwear of man-made fiber, while not yet at that level, were rising even more rapidly. Foreign imports of men's and boys' sweaters in all fibers came to 40 percent of our domestic shipments and women's sweaters of foreign origin, as mentioned above, rose to 94 percent of the total from U.S. mills: that is, there was nearly one such sweater imported last year for every one shipped by domestic producers.

While imports have continued to increase, the production of domestic sweaters has declined. Our mills in this country produced 2 million dozen less of women's, girls' and infants' sweaters last year than we did 5 years ago. Yet, last year, importers brought in 4.7 million dozen more sweaters in this category than they did 5 years ago. Their share has grown rapidly at our expense. Our share of the market has diminished in percentage and in absolute units.

Little wonder, then, that employment of production workers in the knitted outerwear branch of the apparel industry in the United States declined by 7.6 percent last year and was lower still in the first 2 months of this year. Workers who retained their jobs were on short time, the average workweek having been lower last year than at any time recorded in the last decade.

The reason for the inability of the U.S. industry to compete with foreign manufacturing rivals is the radical difference in labor costs. A knitted outerwear mill in South Korea, advertising its sweaters to American retailers, has boasted that "its labor costs range from 3 cents to 7 cents per hour to 21 cents, and South Korea does not have the galloping inflation problems of other countries." And this advertisement also emphasized its "unlimited sources of cheap labor."

The U.S. knitted outerwear industry, like the apparel industry in general, is highly efficient. It is superior in productivity to all others anywhere on earth and has contributed to the world many advances in production technology. But however much more efficient it is than factories abroad, this is no longer enough because our wage levels are 15 or 20 times higher. Nor can we any longer depend on improved machinery or organization to overcome the gap in unit labor costs.

Foreign producers are now employing American management, know-how, and even modern machinery when they wish. But they do not have to do so in order to prevail. The manager of a knitting mill in Hong Kong explained to me that his labor costs were so low it did not pay him to install automatic machinery of the kind used in the United States. He was producing sweaters for R. H. Macy on hand-driven knitting machines. Wages are so low that the competitive advantage is on the side of the regressive technology.

From data previously submitted at your hearings in 1968, and from figures showing the rate at which imports have escalated since then, it is obvious that the need for remedial action is urgent.

The case for textile-apparel relief is distinguished by several special factors. First, as already mentioned, it is highly labor intensive. On this point I cite a study by former Director of the Budget Charles L. Schultz, with the coauthorship of Joseph L. Tryon, study 17, prepared for the Joint Economic Committee of the U.S. Congress, January 25, 1960, entitled "Prices and Costs of Manufacturing Industries." There Mr. Schultz undertook to rate the cumulative labor costs in various manufacturing industries. He found that the most labor-intensive industries in the United States were footwear and apparel.

The textile-apparel case is further distinguished by the fact that the first type of manufacture which low-wage and underdeveloped countries have entered or are likely to enter in the initial phase of industrialization is the production of textiles and apparel. Such manufacturing can both serve the home market and develop an export trade. Far from the classic case of exporters winning their way into foreign markets through superior aptitude, these foreign apparel and textile producers have captured expanding shares of our market despite their relative inefficiency solely through the exploitation of wage advantages that would be abhorrent to American standards.

Moreover, the advantage that should accrue to the consumer from the lower prices of imports is not fully realized. It is in fact substantially reduced by the outrageously high markups that retailers enjoy on imported apparel.

As the President stated in his message proposing the Trade Act of 1969, for the past 35 years the country has steadfastly pursued a policy of freer world trade. Our tariffs are lower; our markets are more open than they have ever been. At the same time, we in the United States have also been pursuing a highly protectionist policy in our labor market. We have been doing so through ever higher minimum wages, through national policy stimulating greater aggressiveness in collective bargaining, through ever higher social charges on payrolls for unemployment insurance, social security, medicare, and the rest.

Let it be recalled that, shortly after the first Reciprocal Trade Agreement Act became law, the first Federal minimum wage was instituted at the initial level of 25 cents per hour, conditions vastly different from those under which our liberalized trade and open markets function today.

We chose to pursue this labor policy through Federal instead of State legislation in the view that differences in State standards would result in unfair competition between the States. This, indeed, has been the rationale and justification for Federal action on all welfare legislation bearing on labor costs.

Yet, in our foreign trade policy we have been encouraging imports and increasingly exposing the labor-intensive apparel and textile industry to unfair competition from low-wage areas of the world in disregard of wage differences far greater and competitively more crucial than any regional differences in the United States could possibly be even in the absence of wage legislation.

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 the exposure of the products of such labor to the onslaught of competition from the low-wage areas of the world.

How then, it may be asked, do other industrialized nations with Western wage standards—though much lower, of course, than ours—compete with imports from low-wage areas?

The answer is: They don't.

They have employed various devices for restricting the importation of textiles and apparel. To pursue the illustration of knitted outerwear, nearly every country of Europe and several others with Western standards have quantitative limitations on knitted outerwear imports. This is true of the United Kingdom, France, West Germany, Italy, Canada, Australia, Sweden, Norway, and others.

Many of these countries have entered into restraining agreements with Japan of the kind that Japan has denied to us. Some of them have unilateral restraining devices.

And some of them, as foreign manufacturers have admitted, employ administrative means of blocking imports, and these last are particularly difficult to identify because they are not published and derive from no authority in any statute, treaty, or administrative regulation. By various techniques exercised by customs personnel, imports are simply barred. It is significant that the trade controls of Italy are such that in 1968 her imports of knitwear from South Korea—the major exporter of sweaters to the United States—amounted to zero—not even a sample garment entered; from Japan, zero; from Taiwan, zero; and from Hong Kong they totaled but $173,000, hardly enough to support one salesman if he had the whole of Italy as his exclusive sales territory.

It is unfair for these countries to set up dams blocking the inflow of such apparel and textiles into their markets when in consequence of such restraints more than the normal share of goods from low-wage areas are therefore sluiced into and flood our market. It is unfair that U.S. manufacturers supporting the competitive burdens of a wage structure determined by legislation and particularly by collective agreements should be exposed to competition from countries with wages so incomparably lower than ours. These are some of the reasons why there is such widespread concern about the injustices which our trade policy has visited on the textile-apparel field.

We have now reached that stage in the development of trade liberalization where we ought to be no less concerned with fair trade than with free trade. Otherwise, public acceptance of the entire structure of liberal trade as thus far developed will be jeopardized. The inequities caused by our liberal trade policy to these outstandingly labor-intensive industries and the further injury threatened is so egregious as to discredit the policy of trade liberalization.

What we want is fair trade. What we seek is an accommodation of a generally accepted policy to the distinguishing facts and circumstances of a special case. To refuse any accommodation and thus to impose hardship and inequity will not only cast disrepute on trade liberalization but will ultimately render it politically and economically unsupportable. That which will not bend will break. In a very real sense, therefore, it is those seeking reasonable accommodation of policy who may in the end prove to be the better preservers of trade liberalization than the doctrinaires who are so obsessed with abstractions that they ignore the facts.

There is an analogy here between the development of foreign trade policy and the development of our antitrust law. In removing restraints of trade under the Sherman Act it became apparent after a few decades of experience that it was not enough merely to assure vigorous competition. A quarter of a century after the Sherman Act of 1890, it became obvious that certain safeguards were needed to assure that competition will be maintained only within the bounds of fair play. In 1914, the Federal Trade Commission Act was passed, prohibiting unfair trade practices. Restraints on unbridled competition were at that point engrafted on our law. It is time we recognize that need and the effect of trade policy on the domestic trade policy.

As for the mode of relief: Not tariff but quantitative limitations are essential for several reasons. The wage gap and, therefore, the price gap between the United States and the countries exporting apparel is so great that the amount of compensatory tariff will be too high to be politically practicable. Further, even if this were not so, the impact of a uniform duty would be discriminatory between different exporting nations and would favor those with the lowest labor casts—those whose imports are most disruptive. An ad valorem duty, for example, on a $2 shirt from a low-wage country is less of an import burden than the same percentage impost on a $3 shirt from a country with higher wage levels. Such a duty would encourage the countries with lowest wages.

Finally, the market disruptions which the remedy should attempt to avoid would be more easily controllable through quantitative limitations than through tariffs and imports would thus be more readily adjustable to the growth of the domestic market.

To be effective, the system of controls must also be comprehensive, as the Mills bill contemplates, and not merely selective. The relatedness of different product classifications within the textile-apparel complex makes the comprehensive remedy essential. If yarn imports should be limited, foreign yarns may enter our market in the form of sweaters; fabrics in the form of garments, and so forth.

But even more important, selective relief would involve only a shift of the market areas which the exporters may choose to invade. Anything less than a comprehensive agreement will merely transfer the problem from one part of the field to another. The insistence by the Japanese, for example, on a selective agreement, would merely mean that, just as we have been pursuing them now for 10 years in order to bring about the agreement we have been asking, so we would be pursuing them for at least another 10 years for relief from excessive imports in the uncontrolled categories in which they would be flooding our markets. With that prospect we would have to return to you here in a few months to repeat the very statements we are making here now.

A selective approach would be the means for avoiding import relief.

To illustrate: Recognizing the injury which imports have produced in the sweater market, Japanese exporters are already anticipating that under an agreement further growth of such shipments may be curtailed and they are therefore already planning to increase exports of knitted fabrics as well as other textile items where imports have thus far not yet penetrated as deeply.

These intentions were candidly expressed in a news dispatch from Tokyo (Daily News Record, February 25, 1970).

I ask that you mark the date, February 25, 1970.

That these plans are already taking effect demonstrates the ease of such a shift. Japan's exports of knitted fabrics in the first 3 months of this year are already more than twice what they were in the first quarter of last year (Daily News Record dispatch from Tokyo, May 19, 1970).

These are Tokyo's own figures.

There appears to be no issue before this committee as to whether or not negotiated restraining agreements are desirable. The administration clearly prefers them. So, too, does the Mills bill. That measure contemplates that even under its provisions the quantitative limitations set by voluntary agreement supersede those otherwise fixed by law.

So, as between those who favor trying now again to negotiate with Japan in the absence of congressional action, and those who favor negotiation after Congress acts, the real issue is only this: What kind of an agreement are we likely to get? Will it be effective or will it be weak?

Congressman Philip Landrum clearly underscored the point when he questioned Secretary of Commerce Maurice Stans on the danger of an agreement without relief. Secretary Stans expressed his unqualified opposition to anything of that sort.

We know from the conscientious efforts that Secretary Stans has made up to now that his assurances before this committee were genuine and well intended. But his struggle is not merely in negotiations with the Japanese.

We fear he must also struggle with those in the administration who would favor a brushoff in the form of an agreement.

There has been ample opportunity for the exporting countries to come to terms. For years they have resisited doing so. We submit that action by the Congress should not be deferred for further prolonged probings abroad. Even if an accord should be reached with Tokyo before the Secretary of Commerce reports again to this committee, the Mills bill should nevertheless be approved. Its enactment will not in any way disturb or be repugnant to the effect of such an agreement. Besides, there would still be numerous other agreements to be negotiated and much time would be required.

Now that the Mills bill has been so widely endorsed and has advanced to its present stage, we urge that it be given your prompt and favorable action so that this longstanding problem may be set at rest with appropriate relief.

(The following membership list was received by the committee:)

APPAREL INDUSTRIES INTER-ASSOCIATION COMMITTEE

The Apparel Industries Inter-Association Committee is made up of the following constituent trade associations:

Affiliated Dress Manufacturers, Inc.
Allied Underwear Association.
American Cloak & Suit Manufacturers Association.
American Millinery Manufacturers Association.
Associated Corset & Brassiere Manufacturers Association.
Associated Fur Manufacturers, Inc.
Clothing Manufacturers Association of the U.S.A.
Covered Button Association of New York City,
Greater Clothing Contractors Association.
Infants' & Children's Coat Association.
Infants' & Children's Novelties Association.
Lingerie Manufacturers Association of New York.
Manufacturers of Snowsuits. Novelty Wear & Infants' Coats.
New York Coat & Suit Association, Inc.
National Association of Blouse Manufacturers.
National Handbag Association.
National Board of the Coat & Suit Industry.
National Dress Manufacturers' Association.
National Hand Embroidery Association.
National Knitted Outerwear Association.
National Skirt & Sportswear Manufacturers Association.
National Women's Neckwear & Scarf Association.
National Millinery Planning Board.
Negligee Manufacturers Association, Inc.
New York Clothing Manufacturers Exchange.
Pleaters, Stitchers & Embroiderers Association.
Popular Price Dress Contractors Association, Inc.
Popular Price Dress Manufacturers Group.
Tubular Piping Association.
United Better Dress Manufacturers Association.
United Infants' & Children's Wear Association.

Mr. WATTS. Thank you very much for your fine statement.

Are there any questions?

Mr. Gibbons.

Mr. GIBBONS. How many people do you represent?

Mr. KORZENIK. It depends on how industry is grouped.

Mr. GIBBONS. How would you group it?

Mr. KORZENIK. We speak for the apparel industry in general. The various 31 associations whose names are in the list appended to my statement represent various branches such as dresses, underwear, coats and suits, millinery, corsets and brassieres, and so forth.

Mr. GIBBONS. As I understand the thrust of your testimony today, it is that these industries are being hurt and, therefore, we should throw up a protective barrier around them. Is that right?

Mr. KORZENIK. If by protective barrier you mean the kind of orderly arrangement for the flow of goods that would share our market on equitable terms with exporting countries as is contemplated in H.R. 16920, yes, sir.

Mr. GIBBONS. You and I are both lawyers and we would both like to have that kind of protective barrier thrown around you.

But you are talking about a protective barrier. I understand that the garment industry, and particularly your clients, have had their businesses grow; that their profits-and-loss statements show growth.

What have you to say about that?

Mr. KORZENIK. Mr. Gibbons, it all depends on how you want to use your figures.

If you take the total for the apparel industry, you are talking about an average over a broad array and diverse group of products.

I stated in my presentation that not in all areas have imports penetrated to the same degree. In some areas they have penetrated less than average. The total for the average is 22.4 percent of domestic production.

But in some areas the penetration has gone so deep that in knitted outerwear, as an example, sweaters have come into this country, for women, misses, and children, in an amount very equal to the supply from domestic mills, with the consequence that in the knitted outerwear industry, the industry affected by that degree of penetration, there have been about 120 mills that have suspended business, that have gone out of business or that have had to make settlements with creditors, since January 1, 1968.

This total is not believed to be a complete count because many are small mills and it is hard to keep records. There have been numerous informal compositions with creditors because of business difficulties. The industry has suffered.

Mr. GIBBONS. What was that figure again?

Mr. KORZENIK. 120.

Mr. GIBBONS. Mr. Chairman, I would ask that at this point in the record the witness be allowed to submit the names of the 120 mills that he refers to, with a list of what happened to each one of them.

Mr. KORZENIK. I have them and I will be pleased to do that.

(The information requested follows:)

So far as we know, no agency of government or industry regularly publishes by industry groupings or otherwise the names of firms that suspend operations and pass out of existence. However, the National Knitted Outerwear Association has attempted to make a record of such cases in the knitwear industry by reviewing past issues of trade publications in the field and other sources of information on mill liquidations, large-scale machinery auctions and trade reports on bankruptcies or Chapter 11 proceedings. In this way the following list was obtained of 121 establishments which had been in the knitwear business but which since January 1, 1968 either ceased operating altogether or have had to make settlements with creditors in order to continue.

Two points are to be noted in connection with any such effort at compilation of names of companies no longer in existence:

First, many companies are small and their disappearance is not always reported in the trade press or elsewhere. Moreover, not all of those which have had difficulty meeting their obligations have entered into formal Chapter 11 proceedings that may be reported in the press. In some cases informal compositions are made with creditors without public report. The number that closed or had to make settlements with creditors is therefore believed to be substantially greater than appear in the sample listed below.

Second, the effort to compile this list was made after it became evident through other economic evidence on rising imports and declining domestic shipments and other information that imports were causing widespread difficulties in the industry. The disturbance in the industry caused by imports had become so patently apparent to anyone studying economic trends in the industry, that to no other factor but imports can the troubled economic conditions in the industry be attributed.

American Play Suit Co., Inc., 599 Broadway, New York, New York.
Ann's Custom Knitwear, 871 South 6th Street, Lindenhurst, New York.
Austin Knitting Mills, Albemarle, North Carolina.
Admira Fabrics, Inc., 1412 Broadway, New York, New York.
Best Fashions Co., Inc., 1359 Broadway, New York, New York.
Frederick Bailey Hosiery Co., 199 Hunnewell Street, Needham Heights, Mass.
Bestfit Knitting Mills, 135 West 36th Street, New York, New York.
Blue Ribbon Infantswear Co., 377 Fourth Avenue, New York, New York.
Bradford Mills, Inc., 216 Birch Drive, Manhasset Hills, New York.
Baden Sportswear Co., Inc., 1 Wyckoff Avenue, Brooklyn, New York.
Benray Knitting Mills, 3720 14th Avenue, Brooklyn, New York.
Better-Wear Knitting Mills, Philadelphia, Pa.
Bright Star Knitwear Co., 32 East 12th Street, New York, New York.
Brownie Knitting Co., Inc., 510 Sixth Avenue, New York, New York.
Beaver Shirt Co., 350 Fifth Avenue, New York, New York.
Brooklyn Knitwear Co., 1410 Broadway, New York, New York.
Britton Fabrics Co., 15–31 126th Street, College Point, New York.
Chapel Hill Knitwear Corp., 214 Taaffe Place, Brooklyn, New York.
Chas-Mar Manufacturing Corp., 262 Greene Avenue, Brooklyn, New York.
Colebrook Knitwear Co., Inc., 1407 Broadway, New York, New York.
Clark Knitting Mills, Inc.. 150 Commerce Road, Carlstadt, New Jersey.
Court Knitting Mills, 126 Tenth Street, Brookyln, New York.
Cape Lynn Sportswear, Inc., 1407 Broadway, New York, New York.
Di Roggero, Ltd., 1410 Broadway, New York, New York.
Ellson of California, 127 East 9th Street, Los Angeles, California.
Esta Knits, Inc., 2516 Atlantic Avenue, Brooklyn, New York.
Elegant Knitwear Co., Inc., 449 Broadway, New York, New York.
Emby Knitwear Co., 226 East 144th Street, Bronx, New York City.
Erie Knitting Mills, Inc., 2126 East 33rd Street, Erie, Pa.
Fairbank Knitting Mills, Inc., 253 South Mt. Vernon Avenue, Uniontown, Pa.
Fairway Knitting Mills Co., Inc., 145–11 Jamaica Avenue, Jamaica, New York.
Frances Art Creations, Inc., 137–34 71st Avenue, Flushing, New York.
Franconia Ski Wear, Inc., 212 Summer Street, Boston, Mass.
Fleetwood Knitwear Co., 132 Beckwith Avenue, Paterson, New Jersey.
Glasgo Limited, Inc., Line and Penn Streets, Lansdale, Pa.
Glen-Wood Knitting Mills, Inc., 1647 Hancock Street, Brooklyn, New York.
G.M.S. Knitwear Corp., 212 40 Jamaica Avenue, Queens Village, New York.
Geanette Knitwear Corp., 65 South 11th Street, Brooklyn, New York.
H & E Knitting Mills, Inc., 71–07 60th Lane, Ridgewood, New York.
Hurricane Knitwear Co., 103 South Avenue East, Cranford, New Jersey.
Harriet Knitwear, Inc., 108 Lawrence Street. Brooklyn, New York.
Adolph Hartbauer, 427 Monroe Street, Carlstadt, New Jersey.
Hoodwink, Inc., 209 West 38th Street, New York, New York.
Hope Knitwear, Inc., 53 Hope Street, Brooklyn, New York.
Hopknits, Inc., 1412 Broadway, New York, New York.
Industrial Knitting Mills, 1683 Palmetto Street, Brooklyn, New York.
John Kinkel & Son, 44 Apple Street, New Shrewsbury, New Jersey.
Knitco, Inc., 160 Lafayette Street, Jersey City, New Jersey.
Knit-Suits Unlimited, 220 61st Street, West New York, New Jersey.
Knit-Form Mills, Inc., 180 Madison Avenue, New York, New York.
Kuksi Knitwear, Inc., 220 Bradford Street, Brooklyn, New York.
King Knitting Mills, 592 Johnson Avenue, Brooklyn, New York.
Knit-Jac Mfg. Co., Inc., 243 Canal Street, New York, New York.
Knitgoods Corp. of America, 224 Smith Street, Perth Amboy, New Jersey.
Harry Keller Co., 703 Bedford Avenue, Brooklyn, New York.
Lex Novelty, 91 East Broadway, New York, New York.
L & B Knitting Mills, 1280 DeKalb Avenue, Brooklyn, New York.
Lily & Falmark Fabrics, 148–12 94th Avenue, Jamaica, New York.
Marshall Mills, Inc., 245 Fourth Street, Passaic, New Jersey.
Max Mehner, 59 Nostrand Avenue, Central Islip, New York.
Melody Knitwear Corp., 112 West 34th Street, New York, New York.
Lampl Knitting Mills Co., 1625 East 45th Street, Cleveland, Ohio, (one plant).
Lana Knitwear, Inc., 203 Alexander Avenue, Upper Montclair, New Jersey.
Marnette Knitting Mills, Inc., 188 Huntington Street, Brooklyn, New York.
Marigold Knitwear, Inc., 866 Sixth Avenue, New York, New York.
Marcella Sportswear, Ltd., 255 McKibben Street, Brooklyn, New York.

McWilliams Knitting Co., Inc., 130 Carol Place, Moonachie, New Jersey.
Mill-Art Knits, Inc., 1440 Broadway, New York, New York.
Monanit, Inc., 420 Austin Place, Bronx, New York City.
Neu Knitting Mills, 1245 Greene Avenue, Brooklyn, New York.
Novelty Knitting Mills, Inc., Fourth & Cumberland Streets, Philadelphia. Pa.
Omega Knits, Inc., 450 Seventh Avenue, New York, New York.
Penlyn Knitting Mills, Inc., "A" & Somerset Streets, Philadelphia, Pa.
P.K. Knitting Mills, 482 Seneca Avenue, Ridgewood, Queens, New York.
Park Knitting Mills, Inc., 52 Graham Street, Jersey City, New Jersey.
Park-Storyk Corp., 64 West 36th Street, New York, New York.
Perry Manufacturing Co., 105 Wartburg Avenue, Copiague, New York.
Prospect Knitwear Co., 80 20 Cooper Avenue, Glendale, New York.
P & A Knitwear, 1630 Weirfield Street, Ridgewood, Queens, N.Y.
Randee-Jane, Ltd., 1407 Broadway, New York, New York.
Reforso Knit Goods Co., Inc., 97 Myrtle Avenue, Jersey City, New Jersey.
Regal Knitwear Co., Inc., 21 23 Empire Boulevard, South Hackensack, New Jersey.
Ro-Nat Sportswear, Inc., 458 Doughty Boulevard, Inwood, New York.
Ramapo Knitting Mills, Inc., Garnerville, New York.
Renard Sportswear, 2101 Jericho Turnpike, New Hyde Park, New York.
Rivoli Knitting Mills, Inc., 151 Ludlow Street, Yonkers, New York.
Rubet Fabrics, Inc., 251 West 39th Street, New York, New York.
Square Knitwear Co., 147 West 35th Street, New York, New York.
Superior Knitting Mills, Inc., 1400 East 30th Street, Cleveland, Ohio.
Small-Fry Knitcraft Mills, Inc., 3908 104th Street, Corona, Long Island, New York.
So-Belle Knitwear Corp., 666 West Hoffman Avenue, Lindenhurst, Long Island, New York.
Specialty Knitwear, Inc., Box 411, New London, New Hampshire.
Strick Fabrics, Inc., 305 Boyd Street, Los Angeles, California.
Suffolk Knitting Company, 217 Jackson Street, Lowell, Mass.
Samson Knitting Mills, Inc., 55 Chestnut Street, South Norwalk, Conn.
Sargon, Ltd., 224 Smith Street, Perth Amboy, New Jersey.
Smartee, Inc., 45 East 12th Street, New York, New York.
Sophisti-Knits, 450 Seventh Avenue, New York, New York.
Ste. Laurent Cie, Inc., 1080 Channel Road, Hewlett Harbor, New York.
Sylvan Knitwear Mill, Inc., 58 51 Grand Avenue, Maspeth, New York.
Tilden Knitting Mills, Inc., 95 Railroad Avenue, Jersey City, New Jersey.
T & T Mfg. Co., 232 North 11th Street, Philadelphia, Pa.
Triton Knitting Mills, Inc., 324 Arkansas Drive, Valley Stream, New York.
Venture Mills, Inc., 5012 Tonnelle Avenue, North Bergen, New Jersey.
Lady Van Heusen (4 plants closed), 1407 Broadway, New York, New York.
Westwood Knitting Mills, Inc., 2828 So. Grand Avenue, Los Angeles, Calif.
Wahl Knitting Mills, 97 Wyckoff Avenue, Brooklyn, New York.
J. Prancl Knitting Mills, 25 40 49th Street, Long Island City, New York.
Form Fashioned Sweater, Inc., 18 Hilltop Lane, East Norwick, Long Island, New York.
Complete Flat Links Knitting Mill (advertised in Knitted Outerwear Times but no mill name given).
Complete Mill, Ridgewood, New York (advertised in Knitted Outerwear Times but no mill name given).
Rosemont Knitting Mills, 1011 Diamond Street, Philadelphia, Pa.
Clearfield Knitting Mills (Chapter 11), "A" & Lippincott Streets, Philadelphia, Pa.
Nick Roth Knitting Mills, Philadelphia, Pa.
Huntingdon Mills (Chapter 11), Philadelphia, Pa.
Pauker Boyswear (Chapter 11), 25 West 31st Street, New York, New York.
Caslon Knitting Mills, Inc., Churchville, Bucks County, Pa.
Devonshire Knitting Mills, Philadelphia, Pa.

Each of these cases represents hardship to management and employees far more extensive than this mere listing can indicate. As but one example, I appended to this list a copy of a letter received by the National Knitted Outerwear Association on May 8, 1970 from Lex Novelty Co., one of the concerns listed above, explaining its cessation of operations. Needless to say, this letter was wholly unsolicited and the Association did not know that the company was quitting the industry until it received this communication. It is appropriate that it be made a part of the record.

LEX NOVELTY CO.,
New York, N.Y., May 8, 1970.

MR. EDWARD A. BRANDWEIN,
National Knitted Outerwear Association,
New York, N.Y.

DEAR MR. BRANDWEIN: It is with the utmost sorrow and regret that I must write this letter to you.

After 41 years in the knitted outerwear business, I find it absolutely impossible to continue. The imports from Asia have so completely overwhelmed the domestic market in knitwear that the only orders we get can be called "handouts".

Only last week my contractor had to shut his doors after 45 years. Would you believe it when I tell you he had to hire a team of men with sledgehammers to smash up his knitting machinery to save the cost of hoisting?

Our relationship over these many, many years has been so very, very pleasant that there is a lump in my throat in saying "so long" to you.

Keep well,

BEN STORMWIND.

Mr. GIBBONS. Has your industry actually been losing money or is it making money as an overall industry? Isn't the garment industry in the United States growing? Isn't its net worth growing? Aren't its gross profits growing?

Mr. KORZENIK. If you take the FTC–SEC figures for recent years, you will find apparel profits per dollar of sales about level in the last 5 years; but those are figures on corporations.

If you take the great bulk of small businesses in this field, the same figures may not be applicable. I would say that if you wanted to use a device for squeezing out the small man, you could do no better than to permit an unmitigated influx of imports of apparel.

Mr. GIBBONS. What evidence do you have, what concrete evidence, to show that this has actually happened and that it is due to imports, and what is due to the growth of the American conglomerate, the American corporate structure?

Mr. KORZENIK. In order to show injury, one must take a particular category of import, show the degree of penetration and show the consequences.

I will be glad to submit to you the names of those mills, 120, that have gone out of business in the knitted outerwear industry as a result of imports.

I realize, and I suppose we both do, that when we talk about these closings being the results of increased imports, we are interpreting data. Imports don't come in and visibly push a man out of business. But when our domestic shipments of women's sweaters have declined by 2 million dozen and foreign imports are up 4.7 million dozen in the same period, and about 120 firms have gone out of business, any reasonable person who is willing objectively to judge the facts would have to draw the obvious, natural conclusion: that imports have produced this difficulty for 120 mills, if not more.

Mr. GIBBONS. That is the kind of concrete information I am looking for, sir. I appreciate your offer to submit it.

If it is all right with you, Mr. Chairman, we can put it into the record.

Mr. WATTS. Certainly, if he wants to supply it. We will leave the record open for the submission.

Mr. GIBBONS. How about the making of other clothes? What are the other principal types of textile industries that have been damaged?

Mr. KORZENIK. Men's shirts have been hurt.

But let me emphasize this point, if I may: That what we are dealing with here is an economic advantage abroad which arises from the labor-intensive character of this industry and the wage advantage enjoyed by our foreign rivals.

That advantage applies to all classifications and we are vulnerable in all even though within the knitting field we could point to some categories, like knitted fabrics, which have not yet been invaded in depth, though knitted sweaters have been.

As I tried to point out in my presentation, in anticipation of an agreement that would moderate the influx of sweaters, the Japanese are already shifting in so brief a period of time to the production of knitted fabrics which have now doubled the quantity in the first quarter of this year that was shipped in last year.

This is the same kind of shift that we can readily anticipate between other branches of the apparel field.

Mr. GIBBONS. Let us go back to shirts. I thought that is what we were talking about.

You say there has been a great increase in shirts. I am talking about the kind of shirts you and I wear, and perhaps maybe the kind that ladies wear.

Is that what we are talking about?

Mr. KORZENIK. We are talking about men's dress shirts.

Mr. GIBBONS. What maker of men's shirts in this country has gone out of business because of foreign imports, or is losing money because of foreign imports? Let us get specific about it.

Mr. KORZENIK. I am not able, Mr. Gibbons, at the moment, to give you information of this sort. I am not as familiar with it as I happen to be in the case of knitted goods. I will be glad to supply further information on this point.

Mr. GIBBONS. Mr. Chairman, I would like to ask that at this point in the record the witness be allowed to submit the makers of shirts in this country that have gone out of business because of imports or have been losing money because of imports, the names of them.

(The information requested follows:)

No list of shirt manufacturers which have ceased operations or which have had to make settlements with creditors in order to continue operating has ever heretofore been compiled, according to the American Association of Apparel Manufacturers which represents this sector of the industry. However, in demonstrating injury to this branch of the apparel industry it is pertinent to refer to the following data drawn from Table 15 of the submission made in behalf of the American Apparel Manufacturers Association:

U.S. PRODUCTION AND IMPORTS OF APPAREL PRODUCTS FOR SELECTED CALENDAR YEARS [1]

[In millions of dozens]

	Domestic production	Imports for consumption	Percent of imports to domestic production
1963	33.5	3.1	9
1964	35.7	3.7	10
1965	37.2	4.1	11
1966	35.9	5.5	15
1967	31.2	6.7	21
1968	29.2	8.1	28
1969	[2] 27.2	10.4	38

[1] Men's and boys' dress and sport shirts (not knit) (excludes work shirts from production and imports).
[2] Estimated.

Since the date of the hearing, an attempt has been made to list shirt plants which have suspended operations in the recent past. It must be pointed out that any effort to compile a list of this kind is in some respects like taking a census of the dead when it is not known how their remains may be identified or where their remains may be buried. Though it is believed there are many other shirt manufacturers who were casualties of import pressures, this list, incomplete as it is, is here offered:

Mantachie Manufacturing Co., Mississippi.
Gaymore Manufacturing, Opp, Alabama.
Woodland Shirt Co., New York, New York.
Oxford Boyswear (Chapter 11), 112 West 34th Street, New York, New York.
Holiday Shirts, New York, New York.
Van Heusen-Phillips Corp. 417 Fifth Avenue, New York, New York (3 plants).
New Era Shirt Co. (2 plants), Arcadia, Mo., St. Louis, Mo.
Siceloff Mfg., Inc., Lexington, N.C.
Progressive Industries, Inc., Lutherville, Georgia.
R.G.S. Mfg. Corp., 41 West 25th Street, New York, New York.
Halamar Garment Co., Alexander City, Alabama.
Stratburg Manufacturing Co., Galion, Ohio.
Randolph Sportswear, New Hope, Alabama.
Dover Crest Mills, Conneaut, Alabama.
Clairmont, Inc., Atlanta, Georgia.
TM–Dach, Jackson, Mississippi.
Piedmont Sportswear, Piedmont, Alabama.
Thomas Pride, Inc., Dothan, Georgia.
Atlas Shirt Co., Inc., 10 West 33rd Street, New York, New York.
Cadillac Shirt Co., Inc., 45 West 27th Street, New York, New York.
Creston Shirt Co., Inc., 12 West 31st Street, New York, New York.
Rivoli Shirt Corp., 395 James Street, New Haven, Conn.
Smithfield Mfg., Co., 10 West 33rd Street, New York, New York.
Milam Mfg. Co., Box 389, Cartersville, Ga.
Lubell Bros. Corp., 34 West 33rd Street, New York, New York.
Budro Sales Corp., 130 West 24th Street, New York, New York.
Shirtwear Corp., 1245 N. Honore Street, Chicago, Illinois.
Schiff Bros., 366 Fifth Avenue, New York, New York.
Heywood Shirt Corp., 38 West 33rd Street, New York, New York.
Fashion Glenshire Corp., 1220 Broadway, New York, New York.
Fairlee Manufacturing Co., 1024 Filbert Street, Philadelphia, Pa.
Manchester Shirt Co., 415 Market Street, Philadelphia, Pa.
Newport Shirt Co., Inc., 350 Fifth Avenue, New York, New York.
Don Skoff, 1200 Santee Street, Los Angeles, California.
Continental Sportswear, Inc., 1223 West 62nd Street, Kansas City, Mo.
Cal-Sun, Inc., 230 So. Los Angeles Street, Los Angeles, Calif.
Herb Gerry, Inc., 417 East Pico Boulevard, Los Angeles, Calif.
LeCharles Shirt Co., 1607 South Main Street, Columbia, Tenn.
Tommy Taylor Togs, 45 West 27th Street, New York, New York.
Rauch Manufacturing Co., Inc., 185 East Palisades Avenue, Englewood, New Jersey.
Chelsea Shirt, 50 West 17th Street, New York, New York.
Jay Gee Shirt, 24 West 31st Street, New York, New York.
Sagamore Manufacturing Co., 2 Weaver Street, Fall River, Mass.
Kaufman Shirt, 7 Montgomery Street, Danbury, Conn.
L & M Mfg. 10 Beach Street, Boston, Mass.
B.V.D. Co., Inc. (2 plants), 350 Fifth Avenue, New York, New York.

Mr. GIBBONS. What other kinds of garments are we talking about that are in such bad shape in this country?

Mr. KORZENIK. Knitted shirts have been very severely affected. These are sport shirts. Imports have amounted to 32 percent of women's slacks, of the slack production in the United States.

Mr. GIBBONS. We have some women's slacks plants in my area. Let us talk about slacks. Is that really in trouble in the United States, the women's slacks industry?

Mr. KORZENIK. It depends on the term "in trouble." It might be subject to different interpretations.

Mr. GIBBONS. You are asking us to increase the price to the American consumer to protect an industry here in this country. You must say that some of your industries are in trouble or you wouldn't be asking us to do that.

We have a galloping inflation right now that is jumping now at the rate of about 7 percent. What you are asking us to do is going to increase it.

I don't want to put any American labor out of jobs. I don't want to put any American businessman out of business. But I want to be specific before I legislate. Let us talk about the women's slacks industry. Is it in trouble? Are you losing money? If so, who is losing money?

Mr. KORZENIK. Those who produce slacks are under pressure of foreign imports through lower prices and they tend to shift as soon as the going gets rough into other types of apparel.

Apparel production is thus of a somewhat fluid character. I am not able at this moment to give you the names of particular slack manufacturers who have been adversely affected. But I think when one considers that a foreign competitor has appeared in the field in a relatively short period of time and now produces the equivalent of 32 percent of the total American production, it must be assumed that there is severe pressure on American domestic producers, especially with 32 percent coming into the country at prices far below the domestic level.

Mr. GIBBONS. Your argument is hard to defeat and I am not going to try to hit it head-on. I want to say as an American businessman, and I have had a little experience, you usually measure how an industry is doing by determining whether they are losing money or making money.

Can you submit a list of those companies that have lost money at the end of the year because of foreign imports?

Mr. KORZENIK. To the extent that that information is available, I will.

(The information referred to follows:)

NATIONAL KNITTED OUTERWEAR ASSOCIATION,
New York, N.Y.

Mr. JOHN M. MARTIN, JR.,
Chief Counsel, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. MARTIN: I have been absent from the office since the receipt of your letter of June 23rd and I regret the delay in this response.

I do not have a copy of the stenographic transcript of my testimony and respond to the question here as you phrased it in your letter.

There was furnished to the Committee data on the ratio of imports to domestic production of sweaters and men's dress shirts. These were nearly 100 percent and 30 percent, respectively. I also furnished information in detail on the particular firms in each of these fields which had suspended operations or were only able to continue after Chapter XI proceedings.

Also furnished by me to the Committee was the ratio of imports to domestic production of women's slacks, 32 percent.

It is therefore a reasonable conclusion in the light of business pressures caused by escalating imports of women's slacks that similar consequences may have followed.

Unfortunately, no data are available on the names of these business casualties. Firms producing women's slacks cannot be distinctly identified as such and may in many cases also produce, or are capable of producing, other types of apparel.

Comparable information to that previously supplied is not available.

Yours very truly,

SIDNEY S. KORZENIK,
Executive Director and Counsel.
By JAMES J. MCEVOY.

Mr. GIBBONS. It must be available, because you have made the assertion that it is available. You wouldn't make the assertion if it wasn't available.

Mr. BURKE. Will the gentleman yield at that point?

Mr. GIBBONS. I will be glad to yield for a question.

Mr. BURKE. If the gentleman will look through all the testimony given yesterday by the people in management of textiles, and also the testimony by the officials of the AFL-CIO, he will find enough information to support every statement that the gentleman has made this morning.

Mr. GIBBONS. Mr. Burke, I don't want to argue with you. I have looked through it and I didn't find it. That is why I am asking the questions.

Mr. BURKE. I am referring to the testimony of the Textile Workers of America, AFL-CIO, on the need of import quotas in textiles. This is replete with all kinds of information on jobs, the amount of jobs that have been lost, and refers to the authorities and information. It goes and tells how many jobs were lost, what firms and everything else. We have had all that information given to us.

In addition to that, I think it will be borne out, if the gentleman wants to look into the return for invested income for the textile industry. He will find out that that industry has the lowest return of any large industry in America.

I believe it is less than 3 percent. The question is can they continue?

Mr. GIBBONS. Mr. Burke, I don't want to argue with you. We can do that in executive session. I would like to examine the witness.

Mr. BURKE. I think you are asking him some specific questions that have already been answered in previous testimony.

Mr. GIBBONS. Just allow me to continue.

Mr. WATTS. If you will permit me—I think the witness should file any information he has or that he can get his hands on. However, I don't think the committee should put him to the burden of digging up information it would take about a year to get.

Mr. GIBBONS. Mr. Chairman, I am interested in this industry and I am interested in the workers in this industry. But I am also interested in the people who are going to pay the burden on this.

I don't see anything that is so sacrosanct about not having the facts.

Mr. WATTS. I don't, either, Mr. Gibbons, if the facts are available and the gentleman can get them. He can supply them.

Mr. GIBBONS. I don't want to ask for anything that is not available.

Mr. KORZENIK. To the extent I can, I will be happy to do so.

I might make one other point. That is with respect to the consumer's burden.

The consumer's presumed advantage in buying the import as against buying American products made under American labor standards is not as great as one would expect it to be by reason of the monstrous markups retailers enjoy on imported apparel. Not the total difference of that competitive advantage is made available to the consumer.

I will cite a specific instance. A sleeveless cotton garment coming into this country duty paid costing the retailer $1—I refer to a specific instance—was sold by a prominent New York department store for $2.98. That is not to say that that $2.98 was not somewhat lower than would have been the price of the domestically manufactured counterpart, but a great portion, most, of the advantage that would accrue to the consumer goes to that retailer-importer.

Moreover, some years ago, there was an organization in this country known as the National Consumers League. It was interested not merely in low prices, but in exercising the responsibility of the consumer for sustaining decent American labor conditions.

The American Consumers League was not a group of bargain hunters. They were a group of people who wanted to make the consumer conscious of the consumer's role in helping maintain the American standard of living.

So when one speaks of the consumer interest, one must bear in mind that aspect of the matter.

Mr. WATTS. Are there any further questions, Mr. Gibbons?

Mr. GIBBONS. Yes, sir.

I want to know isn't it a fact, sir, that despite the industrial slump that began in this country in the fall of 1968, haven't the profits in the textile industry as a whole increased during this time?

Mr. KORZENIK. I don't have those records before me. I think they are in the record, sir. If they are not, I will be glad to supply them.

Mr. GIBBONS. Fine. I hope you can do that at this point.

(The information requested follows:)

It is not a fact that profits in the textile industry have increased since the fall of 1968. The very opposite has been the case, as demonstrated by the following statistics from the reports of the Federal Trade Commission-Securities and Exchange Commission:

Textile profits since the fall of 1968

[In millions of dollars]

1968:	
3d quarter	180
4th quarter	178
1969:	
1st quarter	138
2d quarter	173
3d quarter	153
4th quarter	157

Mr. GIBBONS. Didn't the Tariff Commission, after an impartial study—I guess it is impartial, or I assume it would be—determine that the apparel industry in this country was neither in any economic danger nor threatened by unemployment as a result of imports?

Mr. KORZENIK. If you are referring, sir, to the inquiry which the Tariff Commission made in November of 1967—and I think the report was issued some time in the late spring of 1968, a report that was subject to the most widespread criticism for failing to perform the mission that it set out to perform—it was asked to project what the likely effect would be of imports in the reasonably foreseeable future, and that was one aspect of the problem that it did not address itself to at all, and there are other criticisms that have been more widely treated——

Mr. GIBBONS. Didn't they examine your industry, look at the books, facts and figures, and come to the conclusion, inescapably, that you had not been hurt? Didn't that occur?

Mr. KORZENIK. The Tariff Commission came to certain conclusions at that time, sir, which were not regarded as acceptable or as expressing proper conclusions from the facts that had been submitted.

When you say did they look at the books, if you mean individual firm books, I am not aware that they did. There were hearings in November and many submissions made.

On the basis of those submissions, a report was made.

Mr. GIBBONS. But it is a fact that they came to the conclusion that you had not been hurt economically, and that labor had not been adversely affected?

Mr. KORZENIK. There were dissenting opinions, as I recall, to the conclusions that some of the Tariff Commission members offered at that time.

Mr. GIBBONS. Those are all the questions I have, Mr. Chairman.

Mr. WATTS. Mr. Burke.

Mr. BURKE. I think there is an old expression that when you see a duck, he walks like a duck, he swims like a duck, and he quacks like a duck, so he is a duck.

With relation to the profits the textile industry has allegedly made, I hope you will include in your figures the tremendous losses of those firms that went out of business.

When we look at an industry and we see 77,000 jobs being lost, it is quite apparent that they are being hurt from somewhere.

In New England, we see these firms closing, and they seem to have closed down more since the passage of the Trade Act. The great acceleration of imports has taken place since that time.

I don't think you and I are so naive as to believe that the textile industry has a good return today when their return is less than 3 percent, and when you take a look at the closings that have taken place, with the thousands of jobs lost not only in New England but throughout the country.

God knows, we have had more evidence presented to us in the last 2 days, enough to sink a battleship, to sustain your statement here this morning.

I want to point out that we should read the statements that have been put into the record, and the testimony of the textile people.

And there were very few questions of them yesterday, and there were no questions that I know of that were asked of the labor organizations that came here yesterday to sustain their statements, along the same line as yours.

I regret they weren't as aggressive with them as they are with you. I am not criticizing my good friend from Florida. He and I are good friends. But I think that where the thrust should have been made was yesterday when the head of the textile unions, and the head of the AFL and other groups were here, and all management people were sitting around that table, people who owned textile mills, who could give you the facts right there, they should have been asked the questions.

I think the questions the gentleman has asked of you are perfectly proper, but I would suggest that he read some of the testimony that was given yesterday.

Mr. KORZENIK. Thank you, Mr. Burke.

Mr. WATTS. Have you anything further, Mr. Burke?

Mr. BURKE. No, Mr. Chairman.

Mr. WATTS. Mr. Morton.

Mr. MORTON. I am very much impressed with your statement, but I would like to get a few things straight in my mind.

The association which you represent does $17 billion worth of business in wholesale, is that correct?

Mr. KORZENIK. No, sir, not the association itself. This is a committee of 31 trade associations speaking for the apparel industry. The apparel industry as a group does that business, including knit goods.

Mr. MORTON. What share of the market is that $17 billion of the whole apparel industry in the country?

Mr. KORZENIK. The apparel industry, sir, has total annual sales of $17 billion. Our members in these 31 associations do not supply us with sales figures, which vary from year to year, and I would be unable to say what proportion of the total they would represent.

Mr. MORTON. The point that Mr. Gibbons is trying to get at, and I guess we all are trying to get at, is in terms of total dollars what has been the encroachment in the market of foreign manufactured goods in this field?

If the total market is $17 billion, then what percent of that market is enjoyed by foreign manufacturers?

Mr. KORZENIK. We have the total in terms of dollars.

I have set the figure down at 22.4 percent of our total dollar value of sales. But that import figure, may I explain, is adjusted to make comparison possible. The imports come in at values, foreign values, which are so much lower than ours, that to them must be added duty, freight, insurance, and importer's markup to establish an equivalence to the American selling price. The 22.4 percent ratio of imports to domestic production results after imputing U.S. value to foreign goods.

Mr. MORTON. Do we have an economic index of what the actual impact of foreign importations in this field actually is, either in terms of dollars or in terms of dozens? Is there a way to arrive at that?

Mr. KORZENIK. We do have the ratio that I offered, 22.4 percent. Imports represent 22.4 percent of domestic production.

Mr. MORTON. And you would say, because of the price differentials, that 22 percent of the dollars would represent a larger percent of the actual goods available to the consumer?

Mr. KORZENIK. That 22 percent has already been adjusted for that, taking imports at the equivalent American value.

Mr. MORTON. What we are really being asked to do here is to freeze this figure at some level, is that correct, through some sort of device, whether it be quotas or whether it be other devices?

We are being asked to protect the domestic market from further inroads by foreign manufacturers. Is that correct?

Mr. KORZENIK. Subject to growth as the market grows.

Mr. MORTON. But we are being asked to maintain the ratio, is that correct?

Mr. KORZENIK. It would be the ratio in each category and not an overall figure.

Mr. MORTON. I understand that.

In your opinion, if we enact the Mills bill, which is H.R. 16920, which, in effect, is a means of freezing the ratio between the sales of domestic and foreign originated apparel, how will the industry continue to fare?

Mr. KORZENIK. In those areas where the import penetration has been deep, it would still be tough going. In others, there would be a better opportunity for U.S. producers to accommodate themselves to imports to those conditions under which they will be able better to grow.

I think that there would still be intense competition between imports and domestic goods, and a continuation, of course, of the same intense competition that has always existed between domestic apparel manufacturers, assuring the low prices that have been conspicuous in this area.

Mr. MORTON. We just heard the figure of 3-percent return on investment. That is not the figure. The average profit is 3-percent return on sales, isn't it?

Mr. KORZENIK. Sir, I don't have the range on invested capital on apparel. The invested capital is relatively trivial because it is not a heavy equipment industry. But on sales, taking profits as a percentage of sales, the rate for corporations under the FTC–SEC figures ranged from a low of 1.3 percent to a high of 2.4 percent.

Mr. MORTON. With an average, you would say, of around 2 percent?

Mr. KORZENIK. Somewhere in that vicinity, yes, sir.

Mr. MORTON. However, it is obvious that the return of capital employed, return on capital employed, would probably be in the order of 10 or 15 percent. That is correct, isn't it?

Mr. KORZENIK. I am advised by my associate here that it would come closer to 8, and possibly at the most, 10 percent.

Mr. MORTON. If you were to compare the return on sales in the textile or apparel industry with the return on sales of other major processors, such as food processors, how would you come out in that comparison?

Mr. KORZENIK. I don't know food processing offhand. Food processing is rather low, too, I believe. By that yardstick apparel profits have been among the lowest of any industrial grouping in the United States, and consistently so over long periods of time.

Mr. MORTON. If you took the four or five major food companies in the United States, you would find that their return on sales is in the order of between 2 and 3 percent, also.

Do you think the approach of the Mills bill in terms of establishing quotas is the right way to freeze this ratio and protect the American industry in the field as well as to provide enough competition to protect the consumer?

Mr. KORZENIK. I do believe so, yes, sir, and I say that because the bill contemplates a yielding of whatever rigidity may exist in this legislative prescription to the softening effects of international accords. The bill looks toward international agreements and states that the quota limits, the quantitative limitations, fixed under the bill would yield to such agreements.

They would be superseded by the terms of an agreement. This is what we need to reach the agreements that we have not been able to get from the major exporting countries, even though such agreements have been forthcoming with other major Western countries.

I might also say that this bill—this point was not touched upon—by establishing quantitative limitations would make it possible to accommodate the need of the less developed countries in a much better way. Japan and Hong Kong have, if I may use the term, been market-grabbers, whereas, the small starters would not have been able to get into our cotton market at all, as they, themselves, avowed at the last Geneva Annual Review of the Cotton Agreement, if it hadn't been for the restraining effects of that agreement.

Otherwise, Japan and Hong Kong might well have gobbled up our entire import market. These smaller countries were able to come in by being allocated a share thereunder. We accommodated them and their growth was greater in our market than was the growth of Japan and Hong Kong.

Mr. MORTON. I have a final thought and question.

Do you feel that these international agreements should reflect what other nations buy from us and should have a reciprocal element in them as far as our consideration is concerned?

Mr. KORZENIK. Reciprocity is certainly desirable, and I think much is to be said over the question as to whether or not we have really enjoyed reciprocity from those we have accommodated very generously in our market. I don't think we have.

But reciprocity need not necessarily take the form of a 1 to 1 reciprocity, because international trade is not merely between two nations but involves so much more between others involved.

I think at the present time Japan, for example, has a protective system which perhaps involves more abridgements or violations of her obligations under the GATT than any other industrialized nation.

I wouldn't say that we need necessarily, therefore, erect the greatest barriers against her. On the contrary, we should attempt to reduce her barriers.

But certainly, it is true that we need not worry about compensatory problems when others that are shipping to us have shielded their own markets from imports as fully as Japan has.

Mr. MORTON. Thank you, Mr. Chairman.

Mr. WATTS. If there are no further questions, thank you very much for your appearance.

Mr. KORZENIK. Thank you.

May I, Mr. Chairman, just make one more statement?

I want to assure Mr. Gibbons, that though his questions were described as aggressive, I welcomed them all.

Some of the data that we might ideally wish is not always available to us. That which we might find most desirable, we somehow or other must compromise with and accept less because the best is not available.

We are willing to give him everything we have. We feel it will be sufficient. If you will look over what we have submitted and will submit, it will make out the case we are speaking for.

Mr. GIBBONS. I want to say to the witness I appreciate his forthrightness and I think he is a very fine witness.

My search is to try to get at what is the truth.

Mr. Chairman, I have one more question, if I may ask it.

Mr. WATTS. All right.

Mr. GIBBONS. Was it not true that the textile industry didn't have the capacity between 1965 and 1969 to meet the combined civilian and military needs which jumped during those years?

Isn't that one of the chief causes for encouraging foreign goods into this market in the textile field?

Mr. KORZENIK. Sir, I am not expert enough on all phases of the textile industry and I am not sure anyone is, but if you refer to the fact that there was, for a brief interval there, some stringency in the yarn market by reason of a very rapid escalation of demand, I think that had temporary applicability for a very brief period of time, and we did bring into the country a considerable quantity of yarns then.

But it would be misjudging the situation if this long term problem that we are dealing with were to be treated in the light of that passing exigency that was special and not typical of the situation. Imports were aggravated but not caused by that temporary rise in demand.

Mr. GIBBONS. Thank you.

Mr. WATTS. Thank you very much.
The next witness is the Honorable Strom Thurmond.

STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Chairman and gentlemen of the committee, I wish to thank you for your courtesy in allowing me to appear before you this morning on this vitally important subject.

I endorse the Mills bill wholeheartedly, in toto.

Mr. Chairman, the State of South Carolina is the textile capital of this country.

What happens in the textile industry reverberates throughout the Palmetto State, as textiles and textile-related industries account for 75 percent of the industrial wages in South Carolina, 70 percent of the industrial employment, 68 percent of the annual product value, and some 50 percent of the capital investment.

While it is true that no other State has a higher degree of textile concentration than South Carolina, this is nevertheless a nationwide industry essential to the interest of the country.

In addition to the people who are employed in the production of textiles, there are some 3 million Americans engaged in various support activities such as transportation, the supplying of raw materials for the industry, and in the selling of the textile goods themselves.

Every State of the Union has some manufacturing process involved in the textile apparel industry. There are over 36,000 plants operating throughout the 50 States and 19 States in this country grow cotton, whereas almost every State of the Union produces wool.

The annual payroll for the industry has been estimated at more than $10 billion, and let us not forget that this industry produces products which are essential to the defense of this Nation and is second only to steel in the area of national defense.

In the area of textiles, at the end of 1962 our imports of cotton, wool and manmade fiber textile products amounted to 1.5 billion square yards, of which cotton textile products accounted for 1.2 billion.

In 1969, these overall imports amounted to 3.6 billion yards with cotton textile products at 1.6 billion yards and man-made fiber textile products at 1.8 billion yards.

It is astounding to note that manmade fiber imports have doubled roughly every 2 years; and compared with the 1961–62 level, manmade imports have gone up 855.7 percent when compared with 1969.

Today, Japan supplies the largest share of total U.S. imports of manmade fiber textiles. Her share is larger than all Western Europe and virtually as large as all the rest of Asia combined.

From the base period of 1961–62, when partial regulation of textile imports went into effect to 1969, total imports of textile articles increased by 124 percent while consumption increased only by 48 percent.

This annual average rate of increase of 18 percent for imports of textile articles, but of only 7 percent for textile consumption, has had an unfavorable impact on the domestic industry.

The great flooding of excess textile apparel imports into the United States from Japan and other Asian countries, such as Hong Kong, Taiwan, and South Korea, over the past few years has done great injury to the American textile industry.

During 1968–69, some 27 textile plants closed their doors. More than one-third of these textile plants were located in South Carolina, and more than one-half in South and North Carolina.

Thousands of textile jobs have been lost, and almost 2.5 million jobs across the country are now directly threatened by the rising quantity of foreign imports.

In South Carolina, 5,000 jobs alone were lost during the 1968–69 period, and over 230,000 new jobs in the United States have been lost as a direct result of imports.

Between March 1969, and March 1970, over 53,000 textile jobs were lost, reflecting a disturbing increase nationwide.

One of the reasons why Japan and the other Asian textile manufacturing countries have been able to undercut our domestic prices for textile and apparel products is because notoriously low wages are paid to workers in Far Eastern countries.

Apparel workers in the United States receive on the average $2.39 an hour. The same work done in Japan, the highest paying of the Far Eastern countries, receives 57 cents per hour. In Korea, 13 cents is the hourly wage for this work when done by a man and 7 cents when it is done by a woman.

The key to this problem of excessive textile and apparel imports is clearly Japan.

From a condition of desolation more than two decades ago, Japan has become the second or third strongest nation in the world economically.

Following the Second World War, the United States took the leadership in supplying Japan with raw materials needed for its industrial plant and we opened wide our vast markets to her products.

In 1956, the United States made tariff concessions in trade agreement negotiations under the General Agreement on Tariffs and Trade for the benefit of Japan. In fact, we cut our duties in exchange for concessions by European countries to Japan.

In 1958, the year these tariff concessions became effective, Japan had a net deficit in its balance of trade of $156 million while the United States had a surplus of $5 billion.

By the end of 1969, Japan had a net surplus in its balance of trade of $1 billion, while the United States had a deficit of $1.3 billion. Therefore, the trade positions of the United States and Japan have just been reversed since 1958.

As a result of our benevolence and help, in 11 years Japan switched from deficit to surplus; and we switched from surplus to deficit. Because of this fact, Japan enjoys a favorable balance of trade relative to the United States in many categories.

Japan's dominance of United States-Japan trade relations is so great that the mind boggles in trying to grasp the full significance of the trade data.

In iron and steel mill products, Japan accepts less than 1 percent of our exports of iron and steel, but supplies 42 percent of our imports. Her iron and steel mill products imported into the United States are equal to 10,650 percent of our exports of such products to Japan.

Mr. Chairman, this is the largest imbalance of trade in any product category that we have with Japan.

In textile mill products and apparel, Japan accepts only 3 percent of our exports of such articles, but supplies 23 percent of total U.S. imports.

Imports of textile products and apparel from Japan are equal to 2,731 percent of U.S. exports to Japan of such articles.

This is the second most serious imbalance in our trade with Japan and indicates why the Nixon administration has sought to negotiate voluntary restraint by Japan on her exports of textile and apparel products to the United States.

The third highest state of imbalance in the United States is in radios, television, and other telecommunication equipment; the fourth largest imbalance is in automotive vehicles and parts; the fifth largest imbalance in this trade is in the category of musical instruments, phonographs, tape recorders, records and parts; and the sixth largest imbalance is in the category of textile sewing and leather machinery.

Mr. Chairman, the United States had a balance of trade deficit in 1969 of $3.3 billion and $2.4 billion of that amount was in our trade in these six commodities with Japan.

In other words, our trade with Japan accounts for 72 percent of our $3.3 billion deficit in the products of these heavily impacted industries.

The U.S. trade balance in the area of textiles can be described in only the bleakest terms. As recently as 1961, we enjoyed an export surplus of textiles and apparel made from cotton, wool and man-made fibers.

This position reversed itself in 1962 and in each subsequent year the deficit of imports over exports has climbed rapidly.

In 1966 and 1967, it was just over $500 million; in 1968, it rose to more than $800 million, and last year it amounted to almost $1 billion.

Where is it going to stop?

Mr. Chairman, notwithstanding her great and growing foreign trade surplus with the United States, Japan, as a matter of positive policy, is also sharply reducing her purchases of agricultural commodities from the United States.

The injury to the American economy which I am describing which is being caused by Japan's foreign trade policies is, therefore, not limited to the manufacturing sector but extends across the entire American economy.

To argue as certain free traders do that textile and other imports from Japan will somehow increase American jobs is ludicrous.

It is perfectly ridiculous.

The Japanese Government holds our exports at bay and lures our manufacturers to set up noncontrolling joint ventures in Japan for the manufacture of goods there that would otherwise be exported from the United States, and goods that would otherwise be produced in the United States by American workers for consumption here.

We hear a lot of talk about free trade but the Japanese are no more involved in free trade than is a man with a monopoly.

When you involve yourself in free trade, everybody plays by the same rules and there are no restrictive tariffs and there is no protection, but the Japanese are protecting their industry and they are protecting their jobs and their people.

All we are asking is that the United States protect its people and their jobs and its industry.

Mr. Chairman, long ago we could have retaliated to redress the wrongs committed by Japan in restricting access for U.S. exports to Japan.

Our forbearance as a nation has earned us the right to special consideration by the Japanese of our most urgent trade problem, textile imports.

We may have come to a point in our trade relations with Japan where the Japanese have grown accustomed to our extreme consideration and forbearance of her protectionist policies and practices.

The textile case is the logical one to use to demonstrate to Japan that the day has come when she is no longer entitled to a free ride in our markets at the expense of our employment and the economic health of our manufacturing industries.

She has reciprocal moral obligations to us which she must honor, and the Mills bill is ideally suited to encourage her in this direction.

Mr. Chairman, I think there can be no doubt that we are justified in curbing excessive imports of textile and apparel goods.

We are justified on the grounds that by restricting imports we can save American jobs, help maintain a strong and viable economy and help reduce our very unfavorable balance of trade deficit.

My belief that we were justified in taking action led me to introduce S. 3615 in the Senate on March 20. This bill would curb excessive textile and apparel imports and is similar to H.R. 16920.

Mr. Chairman, I fully support the Mills bill in its entirety, and I will ask my colleagues in the Senate to support it when it comes before us, as it is a logical and equitable method for protecting the vital interests of the American worker through guaranteeing the continuance of the American textile industry.

I wish to thank you, Mr. Chairman, and gentlemen of the committee, for your courtesy.

Mr. ULLMAN (presiding). Senator, you have given us a very forceful and hard-hitting statement.

Are there any questions?

We very much appreciate your views.

Senator THURMOND. Thank you.

Mr. ULLMAN. Our next witness will be Mr. George Bronz.

STATEMENT OF GEORGE BRONZ, ON BEHALF OF TIE FABRIC IMPORTERS ASSOCIATION

Mr. BRONZ. Mr. Chairman and members of the committee, my name is George Bronz. I am an attorney here in Washington. I appear on behalf of the Tie Fabric Importers Association, an organization of American companies which import approximately 80 percent of all the tie fabrics brought into this country. This appearance is made to oppose the enactment of H.R. 16920, or any other bill which would establish across-the-board limitations on the imports of fabrics. The members of the association are convinced that such legislation would be disastrous for their business, and would severely injure the tie manufacturers of the United States, who are their customers.

Tie fabrics are among the most expensive cloths imported today. They are expensive not because of any structural superiority in the fiber or weave, but because the principal value of a tie fabric lies in its color, pattern and style. Tie manufacturers insist upon buying a large variety of fabrics, each in a small quantity, so that the higher priced ties will offer a measure of individuality, and a purchaser will rarely encounter an exact duplicate. For this purpose, it is necessary for the weavers to create large numbers of patterns and styles, and to offer short runs of each. Small, old-fashioned mills can offer short runs of a large variety of patterns, while a modern, high-speed textile mill cannot afford to indulge in the luxury of short runs and great variety. The efficiency of the American textile industry is based upon mass production, in very large quantities, of a relatively few patterns of cloth. The American textile industry does not, and cannot, produce the range and variety of fabrics required by the tie industry. There are many small European mills which specialize in just this kind of cloth, and it is these mills which provide the principal source of the fabrics used in the higher priced American ties.

Style leadership in tie fabrics, as in other types of fabrics, is concentrated in Europe. Designers who are recognized worldwide can create patterns which are distributed worldwide in relatively small quantities for each market. Thus, a European mill, with a worldwide market, can economically design tie fabrics which the expectation of a reasonable run counting all of its worldwide sales. An American mill, without real prospects of competing outside the United States, cannot afford to offer short runs of fabrics in the style and variety of the European mills. Thus, most of the higher priced tie fabrics continue to be imported into the United States, mainly from Switzerland, France, Italy, Germany, Austria, and the United Kingdom. American production of comparable fabrics is small, and it would not pay American mills to expand their output significantly, even if imports were embargoed completely.

Unfortunately, it is not possible to provide a simple definition of tie fabrics which could be written into legislation to insure separate treatment. The fabrics used for making men's ties are almost all designed and produced for this specific purpose. However, it is not possible to provide a definition in terms of fiber, weave, weight or other objective factors, which would precisely distinguish this class of fabric. Most tie fabrics are made of silk, man-made fibers or a mixture of the two, but there are tie fabrics made of wool and even of cotton.

Traditionally, tie fabrics were woven in a width of 25 to 28 inches, but some tie fabrics today are woven in double widths, and others in intermediate widths, such as 36 inches. The old tariff schedule segregated silk fabrics up to 30-inches wide from other silks. At a time when most tie fabrics were of silk, and most were woven in 25–28-inch widths, this classification provided a fair basis of segregation.

The current tariff schedule contains no such classification by width, and the developments in the trade would make such a category less useful today. Typically, tie fabrics are heavier than dress fabrics, but lighter than upholstery or drapery cloth, but here again, there are exceptions. The essential characteristic, which makes a tie fabric readily recognizable in the trade, is the pattern, but this is the feature hardest to describe in the objective terms upon which customs officials insist. Even if we could manage to devise a definition that would take all these factors into account, there would still be some leakage in both directions. Occasionally ties are made out of fabrics intended for women's garments, and occasionally garments are made out of tie silks.

Because of this problem of definition, it seems inevitable that any scheme of quantitative restrictions is likely to overlook specific requirements of tie fabrics and lump them together with other textiles. The result would inevitably be a disastrous curtailment of tie fabric imports, the very fabrics which cannot be produced in the United States and which are vital for the economic health of the tie manufacturing industry in this country.

The tie manufacturing industry in the United States is heavily dependent upon imports of tie fabrics, which are used for the bulk of the higher priced ties. Equally important, these imports provide style leadership for the mass-produced domestic fabrics which are the typical materials used in cheaper ties. There are a great many tie manufacturers operating throughout the United States.

The five largest companies are located, respectively, in New Orleans, Wilmington, N.C.; Cincinnati, Rochester, N.Y.; and Miami. Other tie manufacturers are located in the New York metropolitan area (which used to be the center of the industry), and in Los Angeles, Kansas City, Seattle, St. Louis, Boston, Chicago, and a number of Texas cities, to mention only a representative sample. These tie manufacturers all buy imported fabrics, principally for their more expensive neckware. The patterns of these fabrics usually provide the inspiration for the offerings of American mills which manufacture mass-produced tie fabrics mainly for lower priced neckware.

The Mills bill, H.R. 16920, requires mandatory quotas by statute or by international agreement on each category of cloth, with the categories defined, generally, in terms of the five-digit or seven-digit item numbers in the annotated tariff schedules. There would be no discretion which would permit the exclusion from quantitative control of any special kind of fabric, even when it is obvious that imports of that fabric do more good than harm to the domestic textile industry and are of vital significance for a domestic industry such as the tie manufacturing industry.

Mandatory provisions such as those of H.R. 16920 would have an impact on tie fabrics far more severe than a mere limitation to past import quantities. There is no single five-digit or seven-digit category covering tie fabrics. Such fabrics are scattered over a dozen or more different categories, and make up no more than a tiny fraction of any such category. Let me give you one example. Suppose that a quota were established limiting imports in category 337.20, colored woven fabrics of silk, to X million yards per year. Importers of standard, traditional, solid colored or classically patterned silk dress fabrics could order their year's supply for delivery at the beginning of the quota period, and exhaust the quota. The tie fabric importer, who cannot afford to guess consumer taste far in advance, would not be able to import at all. In fact, many tie fabrics are woven to order. Neither the importer nor the European mill could afford to assume the risk that the fabric would be blocked at the customhouse because the quota was exhausted.

Mandatory quotas by categories would not only hamper the business of the importers of tie fabrics; they would probably destroy the business completely. In doing so, they would destroy the supply of tie fabrics for better ties, on which the American tie industry is heavily dependent.

Let me give you another example of the special harm to tie fabric imports from a heavy-handed across-the-board quota system. H.R.

16920 would base quotas on imports in 1967 and 1968. In 1967, ties were usually made 2 to 2¼ inches wide. Three yards of cloth were needed for a dozen ties. Now, wider ties have become fashionable. A tie 4½ to 5 inches wide, with an extra inch in length to compensate for the thicker knot, requires 4½ to 5 yards of cloth per dozen ties. This style change means that 50 to 65 percent more cloth is needed to make 1970 ties than sufficed in 1967.

We cannot conceive of any form of general quantitative restrictions on fabric imports which would not have disastrous effects upon the import trade in tie fabrics, and upon the tie manufacturing industry in the United States. Therefore, our basic position is complete opposition to the textile import provisions of H.R. 16920, and of other bills before this committee which would establish fabric import quotas. If the committee should, nevertheless, determine that some form of quota bill must be reported, we offer the following proposals which would mitigate, somewhat, the severe damage which any such legislation would involve for the business of the members of the association:

1. Exclude silk fabrics from the bill. Silk fabrics comprise a very substantial portion of the tie fabric imports, although the proportion is now less than in earlier years.

The Secretary of Commerce has advised this committee that there is no justification for restricting the import of silk fabrics. The statistics show plainly that imports of silk fabrics have been declining sharply. In yardage terms, imports of all silk fabrics in 1969 were less than 25 percent of what they were 10 years earlier. To call such declining imports "disruptive" of the American market is to fly in the face of obvious facts.

2. Limit the quantitative restrictions to the categories of fabrics, and to the countries of origin, from which imports have, in fact, been rising, and having disruptive impact on the American market. This is the pattern which has been followed in the administration of the cotton textile agreement. Under this arrangement, there are practically no restrictions on imports from the advanced Western European countries, which are the source of the high-priced luxury fabrics of cotton, as well as of silk, manmade fibers, and wool.

3. Provide administrative authority to define categories of fabrics which would be exempt from quantitative limitation, and give the administrative officers the power to define such categories in terms of value, suitability for use and actual use, as well as in such objective terms as the width of the cloth, the weave, the number of colors, and the type of pattern.

Thank you, Mr. Chairman.

Mr. ULLMAN. Mr. Burke will inquire.

Mr. BURKE. I was interested in your comment about the wide ties. I was wondering whether the next tie people next year might come out with a new shoestring-type tie that might cause all the men to put their wide neckties away and try to keep up with the styles. Then we would be cutting down the amount of cloth used.

I notice the styles of women in mini dresses now. The style and dress people are now advocating the maxi dress. Possibly after they all buy the maxi dress, they might come in and raise the hemlines a bit between the maxi and the mini.

I was wondering if the necktie people indulge in that kind of practice.

Mr. BRONZ. Mr. Burke, I am sure I am no prophet, and I suspect that the members of my association wish they knew a year ahead of time what the public will want next year. But they don't make the styles. They try to follow them and they try to guess which will be popular.

Mr. BURKE. You understand under the Mills bill that there actually is no restriction on the amount of imports that can come into this country if a country enters into negotiations.

Actually, they can keep the levels they have and also grow with the domestic market.

Mr. BRONZ. Mr. Burke, as I read the Mills bill, it provides that there must be a quantitative limitation on every category from every country. If there is an agreement with any given country, the quantities for some or all of the categories may be fixed by that agreement. But the bill would, nevertheless, require that there cannot be a category without a quota under the Mills bill.

Mr. BURKE. The imports into this country would be based on the 1967–68 average, plus the growth in the domestic market since that time.

In other words, if the domestic market on textiles from that country were coming in at a certain rate and the domestic market grew 5 percent in 1969, then they would be allowed that growth.

If it grew another 5 percent in 1970, they would be allowed that. In other words, it wouldn't be one person that would be injured in a foreign country by the voluntary import bill. I don't think your necktie industry would be affected one iota. I notice the prices my wife pays for my ties. I don't think the quota is going to affect the necktie industry as much as you point out.

I can understand your concern if they were shut off from these cloths from the small producers in Europe, but I don't think we are dealing with the producers in Europe as much as we are dealing with the producers who produce textiles in Korea, Taiwan, and Hong Kong.

As I have said all during these hearings, I am concerned about what Japan is doing, but I think Japan will come around to our way of thinking. I think that they are improving their working conditions over there.

I don't think we have the problem with Japan that we have with Hong Kong, Taiwan, or Korea, where they have a terribly low wage base, 7 cents an hour.

I wouldn't be too concerned about the Mills bill if I were you. I think the Mills bill will help the necktie industry.

Mr. BRONZ. The bill provides that there must be a quota on every category from every country in the world. It cannot be limited to the Orient only. If the bill provided only for limitations on imports from the Orient, I suspect this association would not be concerned enough to have made an appearance at all.

Mr. BURKE. Why would a country refuse to enter into negotiations when they can be allowed what imports they had and a growth with the domestic market?

What do they want? Do they want more than the domestic market is growing?

I can't understand why a country wouldn't happily enter into this agreement unless they expect to take over the entire American textile market. I don't think the necktie people are going to be affected one iota by this bill.

In fact, as you point out, the necktie industry deals with high-priced goods.

We are not talking about high-priced shoes or high-priced textiles. We are not talking about those things.

We are talking about where the market is being glutted with a lot of low-wage-produced materials that are causing the loss of hundreds of thousands of jobs throughout the country.

Mr. BRONZ. But, Mr. Burke, the bill does cover high-priced fabrics and it does cover fabrics from Europe. It would set up quotas on these very fabrics. Because of the pattern of trade, the tie fabric importers are afraid.

It is not a question of increasing their imports over previous years. They are afraid they will be cut out completely because the dress fabric people will bring in the cloth first, use up the quota in January, and by the time the tie fabric people get around to ordering their fabrics the quota will be gone for the year.

Mr. BURKE. Did you ever see the time when high-priced goods couldn't reach the market? Let us be a little bit realistic here.

When you are trading with high-priced goods, they usually reach the market.

Mr. BRONZ. Under this bill they wouldn't, Mr. Burke.

Mr. BURKE. I doubt that very much. They would more than likely be the first goods that reach the market.

Mr. BRONZ. This bill provides for absolute quotas.

Mr. BURKE. No, it doesn't. It provides for absolute quotas based on 1967–68 figures if the country fails to enter into negotiated agreements.

If they enter into negotiated agreements, then the quotas are set on the average of 1967–68, and they are allowed to increase their imports from 1967–68 averages on the growth of the domestic market.

If the domestic market went up 10 percent, they could increase their imports 10 percent.

I think that is a reasonable approach. I don't think that is protectionism. I don't think it will affect any of the high-priced goods that are coming in at all.

Mr. BRONZ. Mr. Burke, if the bill permitted a quota based on 1967–68 imports of tie fabrics, with the adjustment you suggested, I think this association would be much less worried about it. But there isn't any category of tie fabrics in the tariff schedule. Therefore, if there were a quota on, say, silk fabrics, colored silk fabrics, and the tie fabrics were just part of this big quota, then we might not get any tie fabrics in because the dress people might get their stuff in first.

Mr. BURKE. I might agree with you on the silk fabrics. I don't think they are the real problem. I would more than likely go along with your recommendation on the exemption of the silk products.

But I think on textile products as a whole, I don't think the necktie people will be hurt.

My wife bought a tie last week and I almost dropped dead when she told me what she paid for it.

I said, "Great God, I used to get that tie for $2. I will not tell you how much she paid for it because she might object. But they are doing pretty well in the necktie business. They are getting some pretty good prices.

I don't mind that. That is good. But I don't think the necktie people are going to suffer as a result of the passage of the Mills bill.

That is stretching a point quite far. I would hope that the necktie people would be a little more realistic and concerned about the American worker who is losing his job who buys those neckties. He won't be able to buy them if he is unemployed. He won't be able to buy those high-priced ties, losing his job, if we have high unemployment, and if this trend continues with the wiping out of jobs over America.

Who will be able to afford to buy these high-priced ties? You will only have the topflight executives around who will be able to buy them. Once in a while it is nice for a working man to be able to buy a nice necktie. If we lose all these jobs, the tie sales will drop. You want to look at it a little bit more realistically.

Mr. BRONZ. Mr. Burke, if you would just put one little amendment in, just say, "except tie fabrics," we will be very happy.

Mr. WATTS (presiding). Mr. Vanik.

Mr. VANIK. Mr. Bronz, would you wear a bow tie like the one in my hand?

Mr. BRONZ. I wouldn't like it, no.

Mr. VANIK. That is the Dean Martin type tie and it is destroying the bow tie industry of America. It is all right for Dean Martin but it wouldn't be all right for you or for me.

I am very serious about this. I have been buying bow ties since I was in college. They have become a fixture in my life. I want to protest against some of the outlandish, disreputable designs on today's bow ties. They are disgraceful. They are overbearing. I would say this one in my hand is lewd.

I think you ought to give the consumer a decent option.

I import my ties from Venice and I am having trouble getting them now. The same place and the same tie, and I have been getting them for years. I hope the necktie industry will try to accommodate the American consumer, to let them make a free and unrestrained choice of their ties. I don't think we should be slaves to what someone in the industry may call high tie.

I am now on my last ties and they are all frayed. I can't find any more like them. I will be happy to study the actuarial tables and buy a lifetime supply of ties, so I can get rid of this question. I am absolutely serious. Give me a chance for tie freedom.

Tell the industry I know of an extensive market that is available. I have hundreds of people who have asked me to get this tie. I will be very glad to become a representative and see that these orders are fulfilled.

It is the whole garment industry. It is not just the tie. I don't mean to single you out. I think we ought to realize that in America there is a constant and steady market for people who want something they have learned to like and they are not going to change. They are not going to be slaves to fashion.

If you don't make me the tie that I want, I am going to have a tailor make it. If you create problems, I am going to do other things about it. Frankly, I think that the whole industry, the whole garment industry, the tie industry for men, is designed on a quickie acceptance theory and a quickie obsolescent theory.

Some of the garish clothing being worn today can only be worn once. If you get a part of it out of place, you have to throw away the whole outfit, because the shirt goes with the tie, with the suit, with the hat.

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If any one part of it is gone, you are completely out of luck in your whole system.

I know what is happening in the garment industry. They have system engineering. It is all designed to make a person feel inadequately dressed after spending his bottom dollar to try to get out and look like something living.

I appeal to you as a member of the bow-tie association of the United States to do something about this problem.

I am glad you are here and I am glad I am here today. I think the case you make for silk is important. There is silk in this tie. I think it is essential to have silk in ties.

But, please, if your requests are met by the action of this committee, please put an end to this sort of thing as the tie in my hand. I think you will destroy the tie. People will go to the turtleneck sweater to avoid it. The same goes for some of the other things in four-in-hand ties.

There are people in this country who are just giving up wearing this sort of thing. I am finding it necessary more and more to look for outside sources or try to have things made to accommodate some of the things I would like to have.

Well, anyway, I thought I would take advantage of this chance to get this issue before you and get it before the industry.

I hope you will take it back to your colleagues.

Mr. CONABLE. Will the gentleman yield?

Mr. VANIK. Yes.

Mr. CONABLE. Since the gentleman is well-known for his fine representation of his constituency, I am shocked to see him pushing a purely personnal sartorial interest in these hearings.

Mr. VANIK. This is most extraordinary, but I am very desperate.

Mr. BRONZ. Mr. Chairman, I want to assure Mr. Vanik that I will convey the message. I should remind him that my clients are the importers of the cloth. The ties are made up by their customers. But I am sure they can pass the message on to their customers.

I hope as long as you and I want to buy conservative bow ties, someone will make them.

Mr. VANIK. I hope so.

Mr. WATTS. Are there any further questions?

If not, thank you very much.

(The following was received for the record:)

STATEMENT OF BERNARD REIMANN, PRESIDENT, TIE FABRICS IMPORTERS' ASSOCIATION

In an attempt to stop a flood of certain foreign textile products into the American Market, Honorable Wilbur D. Mills, introduced H.R. 16920, which was referred to the Committee on Ways and Means, of which he is chairman. The aim as stated in the bill, is to correct "the increasing disruption of the Nation's textile markets . . . [which] has injured workers in the domestic textile industry . . . through under-employment and unemployment." The bill would establish restrictive quotas on the importation of *all* textile articles, which would include tie fabrics. *The importation of tie fabrics has not hurt American industry, but on the contrary has contributed to the prosperity of the tie manufacturing business.*

The bill would impose quotas on certain categories of textile articles as described in tariff schedules. But since tie fabrics are not distinguished in these schedules from other textile fabrics, the restrictions imposed on these categories would automatically include tie fabrics. *This is patently unfair to the tie industry.*

It means that giant importers of textiles for the manufacture of dresses, for instance, could use up the entire quota of a category of textile articles, leaving no quota whatsoever for the importation of tie fabrics during the quota year.

Thus, the bill gives a great advantage to other textile users and puts tie fabric users at a great disadvantage. The users of standard qualities and designs of fabrics other than tie fabrics will be able to order their full anticipated requirements for delivery at the beginning of each quota year. Since this method of ordering is not consistent with the tie business, bulk users of other than tie fabrics would consume the entire quota before the manufacturers received any deliveries.

The Tie Fabric Importers Association believes that tie fabrics ought to be exempted from the operations of the proposed legislation. We recognize that the Congress is especially anxious about the importation of dress fabrics into the United States. But if Congress passes a textile quota bill, we think it should exempt tie fabrics.

The importation of tie fabrics does not injure American weavers who are engaged in the manufacture of fabrics suitable for ties. These plants are working at full capacity.

The tie business depends on novelty and variety. Ties permit a man to express his personality. The greater the selection the more ties are sold at the counter.

The broad selection of patterns and colors available in imported fabrics has given great impetus to the business of the American tie manufacturer and his retail customers in all price ranges. The exclusion or reduction of imported tie fabrics will reduce this variety and ultimately the number of ties manufactured from these fabrics in the United States, and sold over the counters of retail outlets here. Thus, while the bill would seek to protect American jobs, in the tie industry it would have the opposite effect.

Jobs in the American tie manufacturing industry depend not only on changing tastes and fashions, but more importantly, on the widest possible selection of colors and designs. The creativity of the European fashion industry, as reflected in imaginative tie designs and fabrics, assures full employment for American workers in the manufacture of finished ties in our own country.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 17, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR WILBUR: It is my understanding that Mr. Bernard Reimann, President of Tie Fabrics Importers' Association, recently testified before your Committee with particular reference to the effect of textile import quotas on the tie industry.

You will recall that it was strongly pointed out that under the quota system, as proposed, the large importers of textiles for the manufacture of dresses could use up the entire quota of a category of textile articles, leaving no quota whatsoever for the importation of tie fabrics. I am sure you and other Members of the Committee are cognizant of the problems that could develop to the disadvantage of tie fabric users.

A tie manufacturing company in my District employs 900 persons, and 75 percent of the fabrics used by the company are imported. Imported tie fabrics, I am advised, do not injure the American weavers of fabrics suitable for ties.

Your careful review of the factors brought to attention by the Fabrics Importers' Association and every consideration given the suggested exemption of tie fabrics from textile quotas will be greatly appreciated.

Most sincerely,

ALTON LENNON, *M.C., North Carolina.*

Mr. WATTS. The next witness will be Mr. Bates. I see our colleague, Mr. Mizell, is coming forward.

STATEMENT OF HON. WILMER D. MIZELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. MIZELL. Mr. Chairman, I would like to thank you for permitting me to present to the committee Mr. Victor Bates, president of the

Nitewear, Inc., who has a plant in my Yadkinville, N.C., as well as his home office in Congressman Preyer's district.

I can truthfully say that this man wanted to appear here and be heard today simply because of his love for this industry and his concern for its future.

Mr. WATTS. Mr. Preyer, did you also wish to make a comment?

STATEMENT OF HON. RICHARDSON PREYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. PREYER. I would like to second what Mr. Mizell says. Mr. Bates life's story is a real Horatio Alger story. He began with nothing and has built the largest firm of its kind in the country.

Mr. Bates may not earn the highest marks as a diplomate, but he would earn very high marks as a tell-it-like-it-is man. He tells it straightforwardly and honestly.

I commend his testimony to you.

Mr. WATTS. Thank you.

STATEMENT OF VICTOR BATES, PRESIDENT, BATES NITEWEAR CO., INC.

Mr. BATES. I am Victor Bates, and I am president of Bates Nitewear Co. of Greensboro, N.C., Our company is a closely held family corporation with no outside shareholders. We employ in excess of 600 people in four separate plants throughout North Carolina. One of these plants is located in what has been described as the distressed Appalachian area of our State. For 25 years, we have profitably produced children's nightwear under the trade name of "BATES JAMA."

We started with 10 employees in 1946, nine of whom, including my wife, devoted their full time to the cutting and sewing operations of the company. From our small and shaky beginning, we have grown into the largest in our field with a sales volume in excess of $9 million last year. Our customer list numbers more than 2,500 accounts and we are proud that this list includes most of the large retail chainstores as well as numerous independent stores.

CURRENT PROBLEMS AND TRENDS

Our current fiscal year began on October 1, 1969, and we can demonstrate that our comparative sales as opposed to our last fiscal year, are 30,000 dozens less due to the Far Eastern competition. This competition, because of its abundant and cheap labor supply, is able to copy our product and sell it to our customers at 40 percent less than our cost. The savings to our customers has not, uniformly, been passed on to the ultimate consumer. This drastic loss in our current fiscal year amounts to approximately $500,000, or 6 percent of our total sales volume for last year.

Most of you are aware of the very low gross margin of profit in our industry and I am certain that if this pattern is permitted to continue, we will be forced into drastic curtailment of production and layoffs. Unfortunately, we have already learned that during our next fiscal year, this pattern will not only continue but will worsen. Several of our largest customers have advised us that their orders for the spring of 1971 with our company will be reduced by 65 percent because of the availability of cheaper Far Eastern-made goods. Converted into production volume and production personnel, this projected decrease will mean a curtailment of 40 percent to our company and its employees.

CONCERN OF EMPLOYEES AND SOURCES OF SUPPLY

This is not a plea from management alone. Our employees are vitally interested in textile quota legislation. Many of them have petitioned Congress for the very type of legislation which you are now considering. All of our employees are the beneficiaries of a profit-sharing plan into which our company has contributed in excess of $500,000 in the past 12 years and is currently contributing at least 10 percent of its gross profits. Simple math indicates that these contributions cannot long endure.

Some of our sources of supply are drying up because of Far East competition. Within the last month, we have been advised by Riegel Textile that it will no longer produce certain flannels and broadcloth because it can no longer compete on a profitable basis with the materials that are produced in the Far East.

SUMMARY

How can we pay an average of $2.19 an hour to our employees as a base wage plus 40 cents per hour in fringe benefits and still compete with "coolie" labor in Formosa, Malaysia, Hong Kong, and Korea, which receive 7 cents to 10 cents per hour and which do not receive the standard benefits offered by us such as profit sharing, hospitalization, bonuses, and vacation pay?

Unless our administration is given a bargaining tool in the current negotiations now taking place with respect to textile import quotas, it is our opinion that nothing will result from these negotiations.

The Indochina war and our peace negotiations in Paris demonstrate clearly that the Asiatic will not bargain in good faith unless it knows the other side has the wherewithal and backbone to back up their negotiating team.

I came to this country in 1920 from Greece at the age of 16. I came here because I thought this country was a land of opportunity. I still have this basic belief. My first job was as a delivery boy in the sweatshops of the cut-and-sew industry. I have never backed off from a fair fight and I have thrived on fair competition, but it is now apparent to me that this fight is no longer fair because of the standard of living which all of us, including our employees, have come to enjoy.

For the past several years, our company has made it a policy to offer college scholarships to our employee's children. This has been done with the assistance of Dr. Claude Bowen, pastor, First Baptist Church of Greensboro, N.C.; Dr. Grimsley Hobbs, president, Guilford College, Greensboro, N.C.; and Mr. W. J. House, superintendent of Greensboro Public Schools, Greensboro, N.C. They select six outstanding students each year.

I am afraid that the influx of imports will hurt our profit structure and I am sure it will if same continues. We would be forced to discontinue this wonderful educational benefit for our employee's children.

Unless Congress passes the legislation now under consideration by this committee, I am convinced that my business and its employees will suffer the consequences.

Thank you very much.

Mr. WATTS. Thank you very much.

Are there any questions?

If not, we appreciate your appearance. You have made a fine statement.

The next witness is Mr. David Guttman.

STATEMENT OF DAVID GUTTMAN, EXECUTIVE REPRESENTATIVE FOR MISS ERIKA, INC.; DAVID GUTTMAN, INC.; AND RICKI KNITS, JR.

Mr. GUTTMAN. My name is David Guttman. The firm that I represent is Miss Erika.

Mr. Chairman and members of the committee, my appearance here is in behalf of three importing firms: Miss Erika, Inc., David Guttman, Inc., and Ricki Knits. I am one of the principal officers of each firm. I have been in the sweater business for 30 years. For 27 years, I was a domestic manufacturer and for the last 8 years I have been importing from Europe and the Far East. They tell me I am an expert on sweater manufacturing and importing and I am very much opposed to the proposed quotas.

The domestic sweater industry has been a difficult business for the last 25 years. Historically, the sweater industry had paid low wages. The knitting process is highly technical and performed by rather sophisticated and expensive machinery but the cutting, sewing, looping and pressing are rather elementary jobs, quickly learned, tedious and performed by semiskilled labor. To further complicate the problem, this is a seasonal business heavily concentrated in the last 6 months of this year. Many factories close down either completely or partially for the first 4 months. The result has been a rapid turnover of labor with a high degree of incompetence.

Over 10 years ago, the industry started to move from the traditional centers of New York City, Cleveland and Philadelphia, to the South and Puerto Rico. Regardless of quotas, this move will continue.

Ten years ago, the sweater industry was stagnating. This was a result of high labor costs that made it impossible to use high styling and expensive details. Moreover, the skilled labor needed for this became more and more scarce. At this point, the fashion industry in Italy became the initiators of new ideas in knitted wear. Several American manufacturers went to Italy prepared to copy these new fashions and thus stimulate the domestic industry. However, they discovered they could import these products with a higher degree of quality and at a lower price than they could reproduce them here. Suddenly the styling and quality that was once available only to the wealthy became available to the average customer.

It was an inevitable and logical step then to go to the Far East to reproduce these new and elaborate European designs at still lower costs. It is not surprising that knitting which is one of the oldest and most primitive handicrafts, can be found in even the most underdeveloped society. In the primitive form, it requires small capital investments and lots of rather unskilled labor. For example, the hand-knitting machines that are used in the Orient (the same type that were used here 40 years ago) cost about $100 a machine. Poor countries find it an important source of revenue without involving large outlays of capital which they don't have.

Japan was the first oriental country which our manufacturers and importers explored. But today, Japan's sweater industry is barely holding its own. As in the United States, labor is becoming scarce and high-priced and moving to better paying and more attractive industries. Without quotas, in my opinion, there will be no increase of sweater imports to this country from Japan. Actually, for the past 3 years, and considering the Japanese inflation factor, the dollar value of ladies' sweaters imported from Japan has actually declined.

In fact, Japanese manufacturers candidly admit that they are no longer able to compete, and advise me to go to less-developed countries. Firms such as C. Itoh and Marusan have opened factories in Taiwan, not only for export of sweaters to the United States, but also for the Japanese market.

Hong Kong is facing a similar but lesser rise in its standard of living. From 1968 to 1969, the dollar value in imported ladies' sweaters from Hong Hong to the United States rose less than 10 percent. This was certainly attributable to the Hong Kong inflation and monetary deflation. No one conversant with the sweater industry sees any rise in the import of sweaters from this area as likely.

The situation in Taiwan is different. Imports have risen dramatically from $20 million in 1967 to $48 million in 1968 and $69 million in 1969 and are expected to rise. It must be emphasized at this point that the manufacturer of sweaters in underdeveloped countries like Taiwan employs many more people than a comparable production would require here. It is basically hand-knitting on frames. There is practically no power-knitting in the sweater industry there. Our domestic industry in the United States is completely mechanized and requires 10 percent of the work force to produce the same number of sweaters.

The growth of the sweater industry in Taiwan is one of the main reasons that country no longer needs economic aid from us and it is extremely likely that if quotas reverted to 1967 levels, they would again need our economic help to survive.

The growth of the sweater industry in Korea has also been dramatic, going from $13 million in 1967 to $30 million in 1968 to $44 million in 1969. However, my feeling is that the rise there is tapering off.

In Korea, too, the sweater industry is essential to its economic well-being. To go back to 1967 figures for Taiwan and Korea would be a disaster for their economies. Knitting is an important source of their revenue and accumulation of capital for these two struggling countries.

Since Japan's sweater exports have not risen recently, a return to 1967 figures, would not hurt them at all, although it would be an extreme hardship for Taiwan and Korea. On the contrary, it would help Japan regain some of the business it has lost to these countries.

If we should put quotas on countries like Taiwan and Korea, other places will be found to produce sweaters. Singapore is already being developed and a Japanese manufacturer suggested just two weeks ago that his firm was planning to open factories in Indochina and Africa.

Another Japanese firm is interested in Trinidad. So we must understand that if quotas are imposed on one area, new areas will be developed and the same problem will reoccur. Our domestic industry will be no better off.

The chief beneficiary of imports is the American consumer. A full-fashioned, long-sleeved acrylic ladies sweater made in the United States would retail in our department stores at about $8 to $9. My firm has made the same garment in Taiwan to retail in this country at $4 to $5. A ladies wool cardigan, full fashioned, long sleeved, produced domestically would retail at $11 to $13. The same quality sweater produced in Hong Kong sells at $6 to $7.

Certainly, this is a great advantage to the average shopper. With our inflationary problems, any attempt by Congress to force the American housewife to pay much more for her wardrobe would be greatly resented.

Quotas, as such, are inflationary. First, when a manufacturer has a quota on his goods and the amount is limited, his prices immediately firm up and bargaining is curtaineld. Psychologically, quotas imply shortages and prices always rise. In my personal experience with cotton T-shirts where quotas exist, we find that our own markup is higher since our competition and supply are limited.

Mr. Korzenik, I think, emphasized this point, when he said that a store buying a cotton T-shirt at $1 was able to sell it at $2.99. This is because of quotas. We have quotas on cotton goods now.

Secondly, quotas, as has occurred in the cotton quotas, are bought and sold by one manufacturer from another. For example, if a manufacturer has a large order and an insufficient quota, he simply "buys" the quota from another manufacturer. Obviously, his price is increased and the final cost of the product must go up.

In conclusion, let me stress these points:

1. Quotas, unless they are universal, will help the domestic industry for a very short time only.
2. Universal quotas obviously create retaliatory measures.
3. Quotas create great dislocation in struggling economies that do not have our vast resources or the ability to move quickly into new fields.
4. Quotas are inflationary.

In view of the above conclusions, it seems to me to be very unwise to impose quotas on the sweater industry.

Thank you very much.

Mr. Watts. Thank you very much, Mr. Guttman.

The next witness is Mr. Eugene Stone.

STATEMENT OF EUGENE STONE III, PRESIDENT, STONE MANUFACTURING CO.

Mr. Conable. Mr. Chairman, I understand Mr. Stone is a fine constituent of our colleague, Albert Watson of South Carolina, who had hoped to be in the room when he was introduced. In Mr. Watson's behalf, I would like to greet Mr. Stone.

Mr. Stone. Thank you very much. I will only take a few minutes.

I am Eugene Stone, president of Stone Manufacturing Co. of Greenville, S.C.

In 1933, during the very depths of the depression, I organized Stone Manufacturing Co. for the avowed purpose of producing popular priced clothing for the children of America.

Starting with just five machines and 10 dedicated employees, our styling was so superior and our value so good, that we were able to expand our business one-third each year for almost the next 30 years.

During this time, we produced more than 1 billion garments at a profit of just over 1-cent per garment. We worked on very close margin of profit. Our Cherrydale division, in Greenville, S.C., became known as one of the largest, finest, and most automated apparel plant in the world.

In addition to Cherrydale, we established seven other plants scattered throughout North and South Carolina. One of these was located in the very heart of the Applachian Mountain region at Marshall, N.C.

This plant was engineered to employ 400 people and for the first year or two we operated there, we did very well. But then imports from the Far East began flooding into America. Naturally, these foreign manufacturers wanted long, steady runs of staple merchandise, so the type of apparel we manufactured at Marshall was an ideal target for them.

Marshall was dependent on large orders from chains, mail order houses and discounters.

When this business, which was our "lifeblood," was placed overseas, within a few months we were forced to close this plant. Many of our employees there went on relief, and Marshall's $1 million payroll migrated overseas.

Four hundred working Americans' jobs were sacrificed, and thus, America's position as the world's leading nation became less secure.

During these years, I had the pleasure of serving on both Secretary of Commerce Luther Hodges' and Tom Connally's advisory committee on imports. Our committee foresaw and predicted increases of imports first in yarn, then in cloth, and finally in apparel, almost exactly as has happened.

Last year, as we predicted, import increases forced us to close another large plant in Greenville, thus putting an additional 400 employes out of work.

We realized that if imports continued to increase, it would be a mortal blow to the American apparel industry as well as Stone Manufacturing Co.

We decided to take a trip around the world to see for ourselves just what these foreign competitors were doing. On this trip, we visited Japan, Korea, Taiwan, and Hong Kong, and many other countries.

We observed all kinds of factories, from obsolete to ultramodern. We saw plants over there employing children 8, 10, and 12 years old, receiving wages from 5 cents to 50 cents an hour.

The productivity in some of these plants was equal to or was better than what the best plants in America are able to obtain today. New plants were being built everywhere and we were advised that the entire production of many of these was scheduled for America.

On returning to Greenville, we made the decision to "trade up" from staple merchandise, which had been our forte for years, to fashion merchandise.

This was the only way we saw to stay in business without moving overseas. This transition has been terrifically expensive. It has cost us more than $1 million; and it has been frustrating to our people; but we believe it will enable us to keep our employees busy for another season or so, at least until such time as the jumbo jets get into operation and foreign imports invade this fashion field.

Unless restrictions are put on imports before then, we believe all American apparel manufacturers will be forced out of business or be driven overseas, and America's security will become even further jeopardized.

It is for this reason that beginning this coming Tuesday we will take our case to the American people by placing this ad in many newspapers and periodicals throughout the country.

Before it is too late, we therefore urge the passage of the bill H.R. 16920 to restrict foreign imports.

Mr. Chairman, if I may take just a few minutes more, sir, I would like to read this.

America's payrolls have made her great. Imports are taking these payrolls away. Every garment, every radio, every car and American purchases from a foreign low-wage country speeds the day when America will no longer be the number one country in the world.

Will some shortsighted Americans, anxious to save a dollar now, sacrifice their country's future by buying more and more of these import products?

If the present import trends continue, it will not be long before all American manufacturers are driven out of business or will be forced to migrate overseas. When America's payrolls are gone, where then will Americans get the money to buy even foreign imports?

Foreign apparel manufacturers have already warned that they will raise their prices once American manufacturers are no longer in business here to compete against them.

Eventually, then, you, as Americans, will be paying far more for these imports than American-made products cost you today.

If you don't think this threat is serious to all American industries, the following table showing the percent of our American markets that imports took last year should convince you that imports must be restricted.

Steel, 13 percent; automibiles, 18 percent; woolens, 26 percent; television sets, 30 percent; shoes, 33 percent; apparel and textiles, 35 percent; sewing machines, 40 percent; sweaters, 42 percent; electric calculators, 73 percent; table radios, 80 percent; tape recorders, 90 percent; and finally, portable radios, 95 percent.

A few unthinking individuals will tell you that unrestricted free trade is necessary for our country's continuous growth.

For years, when we had slow communications and even slower transportation, few Americans got concerned about this foolish theory, for the pecentage of imports then was very small.

Today, with instant communications and jumbo jet transportation, this so-called free trade is drastically increasing each year.

This will destroy America's payrolls and ruin you if allowed to continue. On the other hand, no modern American manufacturer objects to "fair trade," where every manufacturer that ships any product into our country is forced to operate under the same wage and hour rules that all American manufacturers abide by.

Recent average hourly wage rates paid in foreign countries shipping the largest volume of apparel imports into America were reported as follows: Japan, 35 cents an hour; Hong Kong, 24 cents an hour; Taiwan, 13 cents an hour, and Korea, 10 cents an hour.

It is unthinkable to suggest that our American payrolls be reduced to the near-slave labor rates that foreign manufacturers now pay. The only alternate is to force foreign manufacturers to either raise their rates to what American manufacturers pay or restrict their imports coming into our country.

Since foreign countries have refused to restrict their shipments voluntarily, every American employee, particularly those in the apparel and textile industries, must ask Congress to pass legislation immediately to restrict imports to not more than 15 percent of our national market.

Failure to do so will seriously jeopardize your American jobs and our country's economic future. We urge you to express your concern about imports and your job security now.

Send your letters today to President Nixon, Maurice Stans and Wilbur Mills.

This is published in the interest of the American apparel and textile interests by Stone Manufacturing Company, Greenville, South Carolina, producers of Stonewear apparel for men, women and children.

Mr. WATTS. You have made a fine presentation.

Are there any questions?

If not, thank you very much.

Mr. STONE. Thank you, sir.

(The following was received by the committee:)

INTERNATIONAL TRADE ASSOCIATION SPEECH PRESENTED BY EUGENE STONE AT ATLANTA, GA., APRIL 23, 1970

The top spot on the "Mountain of Success" is a slippery place indeed. Few countries attain the summit, and fewer still remain there for more than a few generations.

America reached this pinnacle shortly after World War I, and our standard of living soon became the envy of the entire world. Our success was directly attributable to the fact that our citizens were both able and willing to out-produce the citizens of any other country. Year after year, by better education, newer ideas, and superior machines, Americans have constantly increased their productivity and their payrolls. Today our people have more of the so-called "niceties of life" than the people of any other nation.

Recently, though, this increase in productivity has *not* been keeping pace with increases in taxes and increases in labor costs. In an endeavor to push us off the summit, many foreign countries are improving their education systems, developing even better machines than we have, and instilling in their young people a desire to work. Bit by bit these countries are producing superior merchandise at prices lower than American firms can offer, and today they are rapidly taking over more and more of our markets, as well as our payrolls.

Our high labor costs today have opened the entire American market to foreign imports. Just listen to the percentages of our market that imports took over last year:

	Percent		*Percent*
Steel	13	Sweaters	42
Automobiles	18	Electric Calculators	73
Woolens	26	Table Radios	80
Television Sets	30	Tape Recorders	90
Shoes	33	Portable Radios	95
Sewing Machines	40		

In California last month, Stan Nehmer, Assistant Secretary of Commerce, advised that South Korea and Taiwan were demanding that they be allowed to increase their imports to us annually by 65% and 95% respectively. This request was not for next year only, but also for every year thereafter.

For the last several years, I have endeavored to awaken both textile and apparel manufacturers to the danger of this foreign competition. Let me, therefore, get down to "brass tacks" right now and tell you of the mushrooming problems of imports from foreign low wage countries that I predict, unless soon checked, will prove to be devastating to America.

I want to pass on to you just what I actually saw these countries tooling up to do while I was on a trip around the world last fall.

But first—let me give you a little of the background as to what caused me and my associates to make this trip and what we looked for in the 25,000 miles that we traveled.

I believe that most of you know that I am an apparel manufacturer. For those who do not, I might mention that Stone Manufacturing Company is South Carolina's largest apparel company. Up until this season, we have always made *popular*-priced clothing for men, women, and children. Last year we produced almost seventy-five million garments—enough to help clothe one out of every three people in the entire United States.

About ten years ago we noticed we were beginning to lose an order now and then to foreign competition. But—what was only a trickle of imports then is a roaring torrent today, and threatens to become an all-engulfing flood tomorrow.

In 1963 we warned our Government officials that the apparel industry in the United States had become a "sitting duck" for low wage foreign country imports. The three main things that caused this were:

(1) Wages in America are ten to twenty times higher than wages being paid in many foreign countries—

(2) Air transportation has reduced travel and shipping time from days to hours—and Jumbo Jets will soon reduce shipping costs—

(3) Free traders in our Government have continually lowered our import tariffs—

We further warned our Government that unless this situation was corrected that our apparel industry would be forced to migrate or to liquidate.

Season after season has passed and still there is no positive relief in sight. Slowly at first, but at an ever quickening tempo, American apparel manufacturers, wholesalers and retailers began "testing the market" to determine if it was economically profitable to buy or manufacture overseas, and sell such products in this country. These tests proved that there was little or no customer resistance to such imports. As a results, last year alone imports of apparel increased more than one-third over the year before. We at Stone Manufacturing Company realized that if we wanted to stay in business, that the time had come for us to take a long hard look at the best of these foreign countries to determine if we should change our policies, which up until then had been to buy *nothing* but American fabrics, and to manufacture apparel *only* here in the United States.

Early last September, I asked my Head Designer, Jewell Keyes, and my Vice President of Purchasing, Doug Wheale, to accompany me on a trip around the world. I explained that our main objective in the Far East would be to observe and study the Governments and their people in relation to our contemplated policy changes, and in Europe to observe the very latest in fashion.

On the morning of September twentieth we lifted off from Greenville and just twelve "jet flying" hours later landed in Hawaii. Changing to a Pan-Am "four engine jet" we were whisked on to Tokyo without even a ripple. We reached our destination in the industrial city of Oaaka in time for supper, somewhat confused because it was our normal breakfast time. For the next several days we visited many Japanese cities. We shopped retail stores, talked with exporters, looked at textile mills and observed apparel plants.

Japan has a population of just over one hundred million, and the people appear to be healthy, well-educated, and very energetic. We found that the Japanese like to work together, and cooperate with one another exceedingly well. Most companies practice "life-time employment" and employees seldom switch from one company to another. Labor is becoming scarcer there each year, and as a result, wage rates are increasing faster than here in the United States. The average there now is about fifty cents an hour. Many of the industries that we saw were more modern than those in this country. Japan's productivity increased more than fourteen percent last year. Employees seem to "love to work" and somehow the *Japanese are convinced that work is a vital and necessary ingredient for the success of the individual as well as their country.* This is something all Americans badly need to learn. Japanese waste neither space, material, nor time. The scrub women who mop the floors do so with vigor; taxi drivers step on the gas like moon-bound astronauts; and sewing machine operators stitch as if the garments they are making had to be delivered yesterday! "Public welfare" seems to be the *prime* goal of business, with "profit making" second, but profits come naturally because of the dedication of employees—many of whom actually run to work. One Japanese worker beamed when he said, "Japan Number Three world-power today—velly soon, we be Number One world-power." Yes, Japan is a nation *hurrying* to progress!

In summary, we believe that Japan's booming economy will require ever more workers at constantly increasing rates of pay. Because Japan in her modern textile mills uses very little labor in spinning yarn or weaving cloth, she should continue to be able to undersell our American mills. But since *apparel manufacturing* requires a much higher percentage of labor per dollar sale, Japan will probably be unable to continue making and exporting apparel to other countries from her homeland. Instead, with their "know-how and capital" her industrialists are already moving their apparel plants to countries where they can pay lower wage rates. This is where the real Japanese danger to our apparel industry will come from in the future.

So much for Japan. We also visited India, arriving at New Delhi around midnight, which is about the only time airlines schedule stops there. All of India we saw was poverty stricken—squalor was everywhere. Women were doing the same heavy work as men. Average pay from sunup to sundown was three rupees per day—about forty cents in our money. Very antiquated methods were used in building—agriculture methods were just as bad—wooden plows pulled by water buffalo were the only methods of tilling the soil that we observed. Water was contaminated—food tasteless. Nothing much was good about India except the Taj Mahal, which is without a doubt, the most beautiful building in the world. To see it we drove 150 miles from New Delhi to Agra in a chaffeured car at a terrifying pace, blowing our horn almost continually and dodging people, sacred cows, even camels and elephants. Somehow we made it, but not without our driver stopping and almost slapping the head off of a man riding a bicycle who did not get out of the way fast enough. All the rider did was to put his hands together and close his eyes—he was an "untouchable." In summary we can't believe India will give our industry much competion in the near future.

Our longest non-stop flight was from New Delhi to Rome. This took about ten hours and was almost all over desolate mountain ranges. In Italy fashion was king! Beautiful tailored apparel was the rule for both men and women. Jewell Keyes, our Designer, had a field day! We liked Italy—even the hippies were well-groomed and shiningly clean. We rented a Mercedes and drove North through the most beautiful farm lands I have ever seen. Farming there was just as intensive as in Japan, but instead of rice, there were grapes, apples, and pears everywhere. We also visited Switzerland, Germany, France and England and brought back many new fashion ideas that will be used in our future Stones wear collections. We went through many factories, but found little that we had not seen before. In summary, Europeans are so involved with their own problems that we doubt seriously if they will give our industry much competition for a long time to come.

And now let me tell you about South Korea, Taiwan and Hong Kong. Our Governments lists all three as emerging nations—but they are emerging at the fastest pace you have ever seen! In South Korea and Taiwan surplus people were everywhere. They all were clamoring for jobs—any job. They were young, conscientious workers willing to put in ten hours a day, seven days a week—for pay from as low as three dollars per week. They learn fast and work happily under adverse conditions. Most of them appeared to be thin and hungry.

The mountain peak colony of Hong Kong has little "level space" left on which to build. It is openly referred to over there as being the port for smuggling out South China exports. But in South Korea and Taiwan buildings were going up almost everywhere. Construction workers swarmed like ants over rickity bamboo scaffolding, some as high as twenty stories. Taiwan was a beautiful island. The hotels were good; the food excellent. Unfortunately, we bumped into Typhoon Flossie, and fifty-eight inches of rain poured down on us in three days. Every apparel manufacturer that we visited was expanding and all of them expect to ship this extra production into the United States. Not one of them believes that our Government is serious about restricting imports!

Will our Government allow these additional imports to come in and plague us? The answer to this question will affect all of our pocketbooks. There are several ways American Apparel Manufacturers can protect themselves from being liquidated by such foreign imports—short of moving their plants and production overseas. These are:

(1) Automate apparel manufacturing completely. This will take years and the cost is almost prohibitive for the apparel industry.

(2) Demand that all foreign companies that desire to ship apparel and textiles into America operate under the same wage and hour laws that we do and see that these laws are enforced. This, of course, is economically and politically unfeasible.

(3) Subsidize American Apparel Manufacturers for the difference between foreign wage rates and wage rates we pay here in America. This, too, is economically and politically unfeasible.

(4) Restrict imports to an acceptable volume by category and type. This is both economically and politically feasible and is the policy of most of the nations around the world.

Just how much imported goods can our American market absorb and still have our textile and apparel industries survive? This is the sixty-four dollar question that must be answered now!

After watching this problem get hotter and hotter for the past several years, until it's now at the boiling point, we would like to offer the following plan as *our* suggestion for a solution:

Allow all foreign countries combined to have up to, but not more than, fifteen percent of what our total American market was the year before in textiles and apparel. Divide this fifteen percent into three major categories: 5% for yarn, 5% for piece goods, and 5% for apparel. Subdivide each of these into more specific categories. Allow no shifting between categories and no carry-overs.

That's our plan—simple but effective—and liberal too!

In 1968 the total American market in Textiles and Apparel absorbed the equivalent of approximately twenty billion square yards. Fifteen percent of this would be three billion square yards which is just about the total equivalent yardage shipped into America in 1967 by all importers. This plan is far more liberal than any foreign country would offer us. Allowing a larger percentage than this to come in will be disasterous!

We have always tried to be good loyal Americans. We love South Carolina. Our greatest desire is to stay right there and continue working with our many, many wonderful people, who over the years, through loyal devotion and hard work, have helped our company to become, what we believe, is one of the finest apparel organizations in the world today. For years we have operated under strict Government wage and hour controls. Under these rules, when a "push became a shove", we have always been able to hold our own against any American competition.

It is a sorry Government indeed that requires our American manufacturers to operate by these strict rules and at the same time allows all foreign manufacturers to compete against us without abiding by *any* rules whatsoever. Sooner or later American manufacturers are bound to lose! In our own case, although we have lost the cream of our popular-priced staple business to these foreign imports, we are trading up, at tremendous cost, to fashion merchandise. This requires higher styling and shorter lead time, but since importers haven't invaded this field in depth yet, we believe we will still have a good season ahead of us.

Our Government officials have endeavored season after season to get the Japanese and other countries to limit imports voluntarily. These countries have stubbornly refused to ilsten to our request, and instead of reducing imports, have drastically increased them each season.

Two years ago Congressman Wilbur Mills promised legislation would be enacted before winter came to restrict imports. This did not come to pass.

Now, with plant after plant closing down because of imports, and the profits of other plants being forced more and more toward the vanishing point, a feeling of "protectionism" is beginning to sweep the country. More and more Americans are demanding that imports be restricted.

Recently Senator Strom Thurmond introduced a Bill in the Senate to restrict textile and apparel imports to the average of what came into our country between 1961 and 1966. His Bill is the finest, in my opinion, introduced to date. A few days ago Wilbur Mills introduced his own Bill to restrict textile, apparel and shoe imports to the average that came in between 1967 and 1968. Mr. Mills has stated that he will push for passage of this Bill if the Japanese do not voluntarily offer to restrict imports.

Reopening import discussions with the Japanese would be time consuming and disastrous for our industry. We need restrictions *now*—not at some future date. Any delay will be too late.

Yesterday I visited three apparel plants that usually employ a total of about 2,000 people. The three combined now were operating with less than 400 people. For the last several years Jolly Kids has been one of our toughest American competitors. Yesterday we received notice advising that their plant was out of business and was being put on the "auction block." Whether they knew it or not, imports broke them.

America's payrolls are what made her great and enabled her to reach the top spot on the "Mountain of Success." If these payrolls migrate to foreign countries, it is just a matter of time before we fall from our high place on the Mountain and become a second class nation.

We must not let this happen, for there is only one short step between losing our payrolls and losing our freedom. I have no interest in becoming a slave.

Mr. WATTS. The next witness is Mr. A. T. Berman.

I understand Mr. Berman is not present, so the next witness will be Profs. Herbert R. Northrup and Richard L. Rowan.

STATEMENT OF RICHARD L. ROWAN, ASSOCIATE PROFESSOR OF INDUSTRY AND ASSOCIATE DIRECTOR, INDUSTRIAL RESEARCH UNIT, WHARTON SCHOOL OF FINANCE AND COMMERCE, UNIVERSITY OF PENNSYLVANIA

Mr. ROWAN. I am Richard L. Rowan. I am an associate professor of industry and associate director, industrial research unit, Wharton School of Finance and Commerce, University of Pennsylvania.

I regret that my colleague, Prof. Herbert R. Northrup, scheduled to testify with me today, is unable to do so because of urgent university matters.

We are not here to plead the special interest of an industry. Rather, we wish to indicate some of the social and economic problems that are likely to ensure if imports of textile products are permitted to cause unemployment among southern textile employees.

Our analysis is based on studies of Negro employment in American industry.

Since 1961, a staff under the direction of Professor Northrup and myself, has examined Negro employment in over 30 industries.

Our rationale and major thesis has been summed up in a book scheduled for June 1970 publication as follows:

> The civil rights issue remains the number one social and economic problem in America today. Basic to this issue is the right and ability of citizens to earn a livelihood.
>
> Negroes, our largest minority, continue to represent a disproportionate share of unemployment, and are concentrated disproportionately in the unskilled and lower-paying jobs where employed.
>
> Other civil rights issues would undoubtedly not disappear if minority group employment problems were solved to the same extent as those of the white majority have been, but the opening of jobs on a truly fair and equal basis would be the most significant step toward eliminating racial inequities.
>
> A job with dignity and income stabilizes the family, permits the acquisition of decent housing, and enables a person otherwise to fend for himself even if he is socially unacceptable to others, or encounters invidious rebuffs.
>
> Considerable detail concerning the Negro in the labor market is now available. Several studies have been made of union and government policies toward discrimination in employment.
>
> A number of case studies of particular employer racial employment policies are also available. But employer policies have not been analyzed in depth to determine their rationale.
>
> Yet, employer policies will be the major determining factor in the course of minority group employment, even though union and government policies will interact with and affect such employer policies.
>
> If economic conditions of minority groups are to continue to be improved, we must know why some industries are more hospitable to minority group employment than are others, and why some companies within the same industry have vastly different racial employment policies.
>
> What are the economic, institutional, and behavioral factors determining these policies?
>
> If these questions are capable of constructive analysis—as it is believed that they are—then it can be determined in what types of industries and comanies the greatest potential for Negro employment exists, and in what types the most significant barriers to such employment are found.
>
> These findings, combined with labor market analysis and trends with business and job forecasting, will permit a more rational attack on discrimination in employment in terms of potential results for efforts expended.
>
> They should also materially improve vocational guidance, the direction of training and development at all levels, and the utilization of legal means to overcome discrimination. (Herbert R. Northrup, Richard L. Rowan, et al., 'Negro

Employment in Basic Industry.' 'Studies of Negro Employment,' Volume I (Philadelphia: Industrial Research Unit, Wharton School of Finance and Commerce, University of Pennsylvania, 1970), Part One, pages 3 and 4.

Table 1 lists the industries in which we have examined Negro employment, as well as the forthcoming books in which we are combining and contrasting the racial policies of related industries.

You will notice that I am the author of the study of the textile industry—report No. 20.

I have been on the faculty at Wharton since 1961, and previously received my doctor of philosophy degree at the University of North Carolina.

For the past 18 months, I have been visiting southern textile mills, obtaining information, and discussing Negro employment with mill officials and others.

(The table referred to follows:)

TABLE 1.—*Industrial Research Unit, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.*

RACIAL POLICIES OF AMERICAN INDUSTRY REPORT SERIES

1.	The Negro in the Automobile Industry, by Herbert R. Northrup, 1968	$2.50
2.	The Negro in the Aerospace Industry, by Herbert R. Northrup, 1968	2.50
3.	The Negro in the Steel Industry, by Richard L. Rowan, 1968 (Out of stock).	
4.	The Negro in the Hotel Industry, by Edward C. Koziara and Karen S. Koziara, 1968	2.50
5.	The Negro in the Petroleum Industry, by Carl B. King and Howard W. Risher, Jr., 1969	3.50
6.	The Negro in the Rubber Tire Industry, by Herbert R. Northrup and Alan B. Batchelder, 1969	3.50
7.	The Negro in the Chemical Industry, by William Howard Quay, Jr., 1969	3.50
8.	The Negro in the Paper Industry, by Herbert R. Northrup (cloth) 1969	8.50
9.	The Negro in the Banking Industry, by Armand J. Thieblot, Jr., March 1970	5.95
10.	The Negro in the Public Utility Industries, by Bernard E. Anderson, July 1970	5.95
11.	The Negro in the Insurance Industry, by Linda P. Fletcher, May 1970	5.95
12.	The Negro in the Meat Industry, by Walter A. Fogel, February 1970	4.50
13.	The Negro in the Tobacco Industry, by Herbert R. Northrup, March 1970	4.50
14.	The Negro in the Bituminous Coal Mining Industry, by Darold T. Barnum, July 1970	4.50
15.	The Negro in the Trucking Industry, by Richard D. Leone, June 1970	4.50
16.	The Negro in the Railroad Industry, by Howard W. Risher, Jr. August 1970	5.95
17.	The Negro in the Shipbuilding Industry, by Lester Rubin, September 1970	5.95
18.	The Negro in the Urban Transit Industry, by Philip W. Jeffress, September 1970	4.50
19.	The Negro in the Lumber Industry, by John C. Howard, September 1970	4.50
20.	The Negro in the Textile Industry, by Richard L. Rowan, October 1970	5.95
21.	The Negro in the Drug Manufacturing Industry, by F. Marion Fletcher, October 1970	5.95

In Preparation

22. The Negro in the Department Store Industry, by Charles R. Perry.
23. The Negro in the Air Transport Industry, by Herbert R. Northrup.
24. The Negro in the Retail Drug Industry, by F. Marion Fletcher.
25. The Negro in the Supermarket Industry, by F. Marion Fletcher.
26. The Negro in the Electrical Machinery Industry, by T. V. Purcell, and D. P. Mulvey.
27. The Negro in the Farm Equipment and Construction Machinery Industries, by Robert Ozanne.
28. The Negro in the Longshore Industry, by Lester Rubin.
29. The Negro in the Apparel Industry.
30. The Negro in the Maritime Industry.
31. The Negro in Building Construction.

Major Comparative Studies of Negro Employment

Herbert R. Northrup, et al., *Negro Employment in Basic Industry: A Study of Racial Policies in Six Industries.* (Vol. I, Negro Employment Studies) 1970. $10.00.

Armand J. Thieblot, Jr., and Linda P. Fletcher, *Negro Employment in Finance: A Study of Racial Policies in Banking and Insurance.* (Vol. II, Negro Employment Studies) July 1970. $9.50.

Lernard E. Anderson, *Negro Employment in Public Utilities: A Study of Racial Policies of the Electric Power, Gas, and Telephone Industries.* (Vol. III, Negro Employment Studies) September 1970. $8.50.

Herbert R. Northrup, et al., *Negro Employment in Southern Industries: A Study of the Racial Policies of the Paper, Lumber, Tobacco, Bituminous Coal, and Textile Industries.* (Vol. IV, Negro Employment Studies) December 1970. $12.00.

Other Scheduled Books in Preparation

Negro Employment in Land and Air Transportation.
Negro Employment in Retail Trade and Service.
Negro Employment in the Maritime Industries.
Negro Employment in Selected Manufacturing Industries.
Negro Employment in Construction.

Mr. Rowan. I have the facts about the number of jobs held by Negroes in this industry, which until recent years employed only a few blacks, and I will point up the fact that if jobs are lost, the only recourse left for the displaced will be migration to the cities and further aggravation of our welfare problems.

THE NEGRO IN THE TEXTILE INDUSTRY

The decade of the 1960's witnessed the beginning of major changes in the employment of Negroes in the southern textile industry. At this time, a combination of factors, including a tight labor market and Government pressure, began to open job opportunities to both male and female blacks. The record of Negro employment in textiles in the late 1960's and early 1970's is impressive, particularly if it is compared to the whole period of 1890 to 1960, when blacks were systematically excluded from the industry, except in the most menial jobs.

Racial employment 1890–1960

Table 2 presents a statistical summary of the total employed person, by race and sex, for the textile mill products industry for the period 1890 to 1960.

(The table referred to follows:)

TABLE 2.—TEXTILE MILL PRODUCTS INDUSTRY TOTAL EMPLOYED PERSONS BY RACE AND SEX, 1890–1960

	All employees			Male			Female		
	Total	Negro	Percent Negro	Total	Negro	Percent Negro	Total	Negro	Percent Negro
1890	482,110	5,638	1.2	241,393	4,731	2.0	240,717	907	0.4
1900	597,059	2,744	.5	296,196	2,005	.7	300,863	739	.2
1910	898,992	11,333	1.3	488,928	9,099	1.9	410,064	2,234	.5
1920	961,668	24,763	2.6	490,333	17,506	3.6	471,335	7,257	1.5
1930	1,183,429	26,202	2.2	689,122	19,815	2.9	494,307	6,387	1.3
1940	1,170,024	24,764	2.1	692,353	21,286	3.1	477,671	3,478	.7
1950	1,234,020	44,640	3.6	709,950	35,130	4.9	524,070	9,510	1.8
1960	963,040	43,136	4.5	539,190	33,592	6.2	423,850	9,544	2.3

Source: U.S. Census of Population.

Mr. ROWAN. In both relative and absolute terms, the representation of Negroes in the industry was minor during most of this period. At the turn of the century, Negroes constituted less than 1 percent of all employees in the industry; while, as late as 1960, they constituted less than 5 percent. These figures clearly demonstrate the exclusionary aspects of employment policy in the textile industry for many years. Following the Civil War and reconstruction, textile employers conscientiously avoided hiring Negroes in the plants, since a large supply of cheap, white labor was readily available.

As long as employers were able to staff their operations with whites, Negroes were denied employment opportunities. While some change began to occur in the 1950's, the dramatic increases in Negro employment did not take place until the mid-1960's. New industry of all types moved into the South in the late 1950's and early 1960's, and this created alternative employment opportunities for both blacks and whites. Whites, in particular, began to shift into jobs that were more attractive than those in textiles leaving vacancies to be filled by blacks. This labor market phenomenon coincided with strong equal employment measures of the Federal Government.

Racial employment in the 1960's

Data in table 3 were derived from a comprehensive study of the Negro in the textile industry referred to earlier.

(The table referred to follows:)

TABLE 3.—TEXTILE MILL PRODUCTS INDUSTRY EMPLOYMENT BY RACE AND SEX, SOUTHERN REGION, 1964, 1966, AND 1968

	All employees			Male			Female		
Year	Total	Negro	Percent Negro	Total	Negro	Percent Negro	Total	Negro	Percent Negro
1964 [1]	78,177	5,285	6.8	49,390	4,814	9.7	28,787	471	1.6
1966 [2]	264,815	25,065	9.5	161,220	20,880	13.0	103,595	4,185	4.0
1968 [2]	271,245	36,413	13.4	161,405	26,790	16.6	109,840	9,623	8.8

[1] 1964 data include 15 companies and 138 plants.
[2] 1966 and 1968 data include the same 40 companies and 410 plants. About 40 percent of the industry's southern employment is represented in the sample.

Source: Richard L. Rowan, "the Negro in the Textile Industry," the Racial Policies of American Industry, Rept. No. 20 (Philadelphia: Industrial Research Unit, Wharton School of Finance and Commerce, University of Pennsylvania, 1970).

Mr. ROWAN. The 1966 and 1968 figures are revealing since they show the large increases of Negroes entering the textile industry in the recent past. Several important facts emerge from the statistical summary: (1) In regard to total employment, the number of employees increased by 6,430 (2.4 percent), but Negro employment increased by 11,348 (45.3 percent), which indicates that all of the net addition in employment in the plants studied resulted from Negroes entering the industry. On the basis of sex, total males increased by 185 (0.1 percent), while Negro males increased by 5,910 (28.3 percent); total females increased by 6,245 (6.0 percent) while Negro females increased by 5,438 (129.9 percent).

Data for South Carolina, shown in table 4, gives additional evidence of the growing importance of the Negro in the southern textile industry.

(The table referred to follows:)

TABLE 4.—TEXTILE MILL PRODUCTS INDUSTRY NONSALARIED EMPLOYMENT BY RACE AND SEX, SOUTH CAROLINA, 1940–68

Year	All employees			Male			Female		
	Total	Negro	Percent Negro	Total	Negro	Percent Negro	Total	Negro	Percent Negro
1940	92,725	3,724	4.0	61,072	3,555	5.8	36,653	169	0.5
1950	124,556	6,020	4.8	77,655	5,719	7.4	46,901	301	.6
1960	122,877	5,728	4.7	79,969	5,524	6.9	42,908	204	.5
1964	128,631	7,309	5.7	82,249	6,810	8.3	46,402	499	1.1
1966	138,225	13,997	10.1	90,484	11,429	12.4	47,741	2,568	5.4
1968	142,543	23,642	16.6	87,885	17,463	19.9	54,658	6,179	11.3

Source: Department of Labor, State of South Carolina, annual reports.

Mr. ROWAN. The relative overall position of Negroes in textiles improved considerable more than whites during the 2-year period from 1966 to 1968, and this trend appears to have continued into the 1970's.

Significance of the data

The statistics are necessay to place the employment situation for blacks in perspective, but what are their real significance for those involved? Blacks included in the numbers represent people who for years were denied opportunities to enter the mainstream of economic life of the region. This is changing, rapidly. Today, the Negro, who enters the textile mill, may be a person who has never worked before in an industrial setting. It is the beginning of a new way of life. The Negro female, for example, who has served heretofore only as a domestic is able to find a productive employment experience.

Our major concern before this committee is simply one of what happens to those Negroes who are now receiving, for the first time in their lives, an opportunity to enter a useful, productive life in the event any internal or external activity should eliminate their jobs. Most likely they would not find employment anywhere else; they would not appear in the frictional unemployment statistics as those shifting job location. They probably would appear in the category of the hidden unemployed among those who have dropped out of the labor market because no work was available to them. Any addition to the discouraged worker group should be avoided. Black people without jobs in the southern textile areas are likely to become part of the welfare rolls in the big cities or they may return to some unproductive agricultural pursuit.

The social, political, and economic environment in which people live in the South can benefit from the positive racial employment changes that are now occurring in the textile industry. People who work together have an opportunity to learn and understand each other. A mill owner in Alabama reported to the author: "One of the major byproducts of the Civil Rights Act, which forces us to integrate our plants, is that we have begun to understand people as human beings."

The prospects for the future are encouraging, but the final outcome will depend on the quality of the employer's effort and the continued availability of jobs.

A NOTE ON THE APPAREL INDUSTRY

Our study of the Negro in the apparel industry has not been completed but preliminary investigations lead to the same general conclusions as those set forth for textiles. Table 5 shows employment in the South Carolina apparel industry, by race and sex for 1940 to 1968, and it can be seen readily that Negro representation has increased considerably between 1960 and 1968. It appears that this trend will continue into the future provided total employment does not seriously contract.

(The table referred to follows:)

TABLE 5.—APPAREL INDUSTRY EMPLOYMENT IN SOUTH CAROLINA BY RACE AND SEX, 1940–68

Year	All employees			Male			Female		
	Total	Negro	Percent Negro	Total	Negro	Percent Negro	Total	Negro	Percent Negro
1940	2,880	197	6.8	343	67	19.5	2,537	130	5.1
1950	11,068	598	5.4	872	78	8.9	10,196	520	5.1
1960	28,113	1,821	6.5	2,426	284	11.7	25,687	1,537	6.0
1964	36,387	3,059	8.4	4,305	628	14.6	32,082	2,431	7.6
1966	40,581	6,160	15.2	4,952	1,033	20.9	35,629	5,127	14.4
1968	41,806	8,521	20.4	5,368	1,256	23.4	36,438	7,265	19.9

Source: Department of Labor, State of South Carolina, annual reports.

Mr. WATTS. Thank you very much for your statement.

Are there any questions?

Mr. Conable.

Mr. CONABLE. Is this trend likely to continue irrespective of any overall effects on the textile industry?

Is there likely to be a continuing shift?

Mr. ROWAN. In my judgment, yes.

Mr. CONABLE. It is still not majority employment in the industry, is it?

Mr. ROWAN. It is not.

Mr. CONABLE. But you feel that the shift that has so accelerated during the latter part of the sixties will continue for a foreseeable period of time?

Mr. ROWAN. Yes.

Mr. CONABLE. Of course, many of these same people have been released from other jobs by the agricultural revolution, have they not?

Mr. ROWAN. Some of them have come from agricultural and are now entering the industrial mainstream by the textile industry, yes.

Mr. CONABLE. Many of them you would conclude, were not employed at all unless they were employed on a comparatively low level agricultural basis?

Mr. ROWAN. I would say for the most part that is correct, in particular, the Negro female who has either worked in some kind of an agricultural pursuit or perhaps has worked as a domestic. She is making up a very important part of the employment picture in the textile and apparel industry in the South today.

Mr. CONABLE. What about the future? What about the quality of life of people in this type of employment? Is this likely to be upgraded? Are they highly represented by unions, for instance?

Mr. ROWAN. No, they are not highly represented by unions.

Mr. CONABLE. Has there been a consistent pattern of wage growth over the years both as a result of Government action and as a result of collective bargaining?

Mr. ROWAN. There has been some wage growth in the industry, but it is still a low-wage paying industry, textiles and apparel.

Mr. WATTS. Mr. Betts.

Mr. BETTS. Professor, relating what you have said to the question before the committee of imports, I assume you take the position, then, that this favorable trend toward increasing employment of Negroes would depend to a large extent on protecting domestic industry from imports, is that correct?

Mr. ROWAN. It depends in large measure, Mr. Betts, on some expansion of employment in the industry.

I would assume that any activity that would cause employment to decline, or even to remain relatively stable, would influence the number of blacks who go into the industry.

Mr. BETTS. And assuming that what our friends in the industry tell us, that industry is in danger from imports, you would naturally, then, favor some means which would protect the industry from these imports, to continue the trend of Negro employment, is that correct?

Mr. ROWAN. That is correct.

Mr. WATTS. Mr. Conable.

Mr. CONABLE. Professor, I would like to ask you this question: The source of your information has been entirely industry sources, has it not, or have you also corroborated the evidence they have given you with outside sources?

Mr. ROWAN. We have had some assistance where it has been possible to get it on a confidential basis from the Equal Employment Opportunity Commission and the Office of Federal Contract Compliance.

Mr. CONABLE. Was your study subsidized by the textile industry?

Mr. ROWAN. No; it was subsidized by the Ford Foundation.

Mr. CONABLE. And you acquired the subject in the usual way, through your own initiatives?

Mr. ROWAN. Yes. We submitted a proposal in 1964, I believe, and we received our grant in 1966. We have been working in these areas for the past 4 or 5 years.

Mr. CONABLE. Are the results of your study the central thesis of the book that is coming out next month?

Mr. ROWAN. That is correct.

Mr. CONABLE. Thank you.

Mr. WATTS. I would assume, in answer to a question that was put to you, that if this is the first industry in which they have been able to work, that the experience gained in that industry is going to go a long way toward qualifying them for different types of industry, would it not?

Mr. ROWAN. Absolutely, Mr. Watts.

Mr. WATTS. In other words, when you first step into any industry, you gain a knowledge of how to work with groups of people, how to operate machines, and so forth, that will lead you to better qualify yourselves for other types of industrial employment.

Mr. ROWAN. Yes.

Mr. WATTS. That is all. Thank you.

We did skip one witness, Mr. A. T. Berman. I don't know whether he has returned.

Is Mr. Berman present?

(The following letter was received from Mr. Berman in lieu of a personal appearance:)

TOBY BERMAN CORP.,
New York, N.Y., May 20, 1970.

Mr. JOHN M. MARTIN, JR.,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR SIR: Today, upon my return to Inwood, I found a notice of the time allotted me to appear at the hearing before the Committee on Ways and Means concerning import quotas, scheduled for Thursday, May 21st. Due to such short notice it is impossible for me to be present in person. However, I would like to make the following statement to the Committee in lieu of my appearance.

We are interested in receiving the import quota rather than have the exporting company receive it. If we are not granted the import quota, based on the years stated as a guideline, and it is given to the foreign countries, we will be put in the hazardous position of possibly having no merchandise for our customers. This may also cause the exporting companies to increase their prices and open their own businesses in the United States and to control and to gain a larger share of the profits for these foreign concerns. Therefore I beg this Committee to place some restrictions on the exporting country and/or manufacturer, requiring him to ship according to the base period, and to customers whom he supplied during that time. If we are left without sufficient merchandise then we would have nothing to stay in business with and would therefore be forced to close or to reduce our working force to a minimum.

Your consideration and evaluation of the above facts will be appreciated by many thousands of workers and hundreds of importers who have discussed this matter within the last few weeks.

Respectfully yours,

A. T. BERMAN.

(The following material was received for the record:)

STATEMENT BY HON. ROBERT L. F. SIKES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

H.R. 15052

Mr. Chairman; I have introduced H.R. 15052 which will assist a number of small American mills and their workers who are still making fine textile fabrics. The assistance is given by suspending import duties on two types of raw material that these mills must have:

1. It suspends import duties on all 100% spun silk yarns, not dyed (yarns wholly of non-continuous silk fibers, not colored.) Since 100% silk yarns are not spun in this country, no domestic industry or labor can be injured. The suspension, since 1959 of import duties on fine count spun silk yarns, has proved a real assistance in enabling these mills to obtain these raw materials at costs in line with those abroad. For certain apparel and decorative fabrics, they also require a variety of heavier all-silk yarns which this bill will enable them to buy at competitive prices.

2. It suspends import duties on raw silk, providing it is not further advanced, without restriction as to the package (skein, cones cheeses, etc.) in which it is imported.

Under the Tariff Act of 1930 and earlier legislation, raw silk in skeins has been on the Free List. Years ago raw silk skein winding provided jobs for thousands of women who were glad to have this rather tedious work. Today, the situation is very different. In the silk manufacturing areas new industries with automated equipment offer less demanding work that pays just as well. Silk throwing (yarn preparation) and all silk manufacturing are seriously handicapped by difficulty in getting skein winders. Enactment of H.R. 15052 will not reduce employment. It will enable all the available workers to be employed in throwing and weaving operations in which they can be more effective. The real problem that faces the workers and the mills is not that of saving a few jobs in one operation—skein winding—it is to try to enable what remains of the silk industry to survive and to continue to employ its workers.

Today, the situation of this little industry is even more difficult than it was when I introduced this bill in December. The extremely high cost of raw silk, as a result of fantastic prosperity in Japan, and the depressed condition of our economy in general and especially of the textile industry, have sharply curtailed the demand for more expensive fabrics.

If the measure is to be of any help, it will have to come quickly.

I have studied the matter and am of the opinion that, far from competing with man-made and cotton fibers produced in this country, domestic silk mills make a real contribution to the well being of American textile industry and to the consumption of domestically produced fibers. The textile and apparel industries need a wide variety of fabrics, of fibers, and of price ranges. The volume sale of medium and popular priced fabrics and garments is stimulated by origination and publicity created by "high fashion" designers and manufacturers for whom silk is still the fiber of ultimate luxury and exclusiveness.

It is important to the producers of chemical fibers, of cotton, and of wool and to our textile industry that American designers be able to continue to compete in providing this leadership. To do so, they need these small American mills that work with them in making new fabrics of luxury fibers.

Mr. Chairman, I sincerely hope that your committee will give this measure favorable consideration.

Further Statement by Hon. Robert L. F. Sikes, a Representative in Congress From the State of Florida

TEXTILES

Mr. Chairman: America's textile-apparel industry is a national asset far too valuable to be traded off to foreign producers. Yet plagued for years by low-wage imports, now pouring into the United States at unprecedented rates, the industry faces an uncertain future unless some workable way is found to limit the inflow.

The serious extent of the problem is reflected in the tripling of imports since 1965 to a current all-time record level of nearly 4 billion square yards a year. Industry employment has declined by 65,000 jobs since January of 1969. Government efforts to gain the cooperation of foreign countries in exercising reasonable restraints on their shipments to America have been ignored.

I am a co-sponsor of the textile-apparel-footwear trade bill. This measure calls only for reasonable restraints on imports so that foreign producers and domestic industries alike may have equitable access to the United States market. It is aimed at no particular nation. It does not require that imports be shut off or that fixed limits be imposed.

The legislation places emphasis on encouraging negotiated agreements, by not imposing specific limitations on those nations that enter into agreements with the United States. Present agreements and any negotiated before or after the bill is enacted will be honored.

Only those countries which refuse to negotiate agreements would be subject to specific limitations. These limitations would be set, by category, during 1970 to equal the average amounts of textiles, apparel and footwear that entered the United States in 1967–68; after 1970, the permissible level of imports would be adjusted up or down annually to reflect increases or decreases in domestic consumption.

The bill also includes new escape clause and adjustment assistance provisions which would make it easier for other injured industries and employees to achieve more effective relief than now available. It provides a framework for a long-range solution of the years-old import problem of the textile, apparel and footwear industries, as well as the deteriorating United States balance of trade. By leading to more evenly distributed international commerce, its effects would accrue to the long-term best interests of all nations.

Mr. Chairmna, I respectfully request that favorable consideration be accorded this legislation.

Statement of Hon. Wm. Jennings Bryan Dorn, a Representative in Congress From the State of South Carolina

Mr. Chairman, as one who is privileged to represent in Congress one of America's great textile producing districts, and as Secretary of the House Informal Textile Committee, I am honored to present my views on the Mills Textile Garment Footwear Import Bill. I had the honor of introducing this most crucial legislation, along with the great Chairman of this Committee, Mr. Mills. And may I add at the outset that those of us who have striven to promote the great American textile industry deeply appreciate the efforts of Chairman Mills. I am personally grateful for his recent visit to Greenville, South Carolina, the Textile Center of the World. And I am grateful for Chairman Mills' visit to my hometown of Greenwood, where he assured the textile community that if the disastrous flood of textile imports continued unabated action would be taken.

Mr. Chairman, the time has come when the Congress should pass legislation to save our textile industry from excessive low-wage imports. Such legislation has now been introduced, and I predict its early passage. Time has indeed run out and action will be taken by the Congress. Sixteen months of discussions and negotiations with our Japanese friends have proven to be fruitless. No concrete proposal to relieve the unfair pressure of imports on our industry has been advanced by Japan. The situation is growing daily worse with unemployment, curtailment, and part-time employment. We much preferred a voluntary comprehensive agreement with Japan covering all categories of imports including man-made fiber, staple and filament yarn. In view of Japan's favorable trade balance of more than one billion dollars and the injurious effects of skyrocketing textile imports on the future of our industry, we believed that Japan would be receptive to an agreement holding her imports to the present level plus a fair share of our annual market growth. This type of agreement would not cause Japan to lose one single textile job but, on the other hand, would guarantee the health of her textile industry and guarantee its reasonable growth. This fair, honest and sincere proposal has been rejected by Japan. The leaders of our Informal Textile Committee met here in Washington with the members of the Japanese Diet. We welcomed Mr. Sato to the United States. We did not press textile issues while elections were under way in Japan. We did not insist that relief for our industry be tied to the Okinawa question.

More recently, Secretary of Commerce Stans attempted to negotiate an understanding with a Japanese Mission to Washington. But Mr. Chairman, it is now crystal clear that the Japanese mission to Washington was an effort to delay and undermine the Mills Bill. In the Japan Times, Friday, June 5, it was reported that Minister Miyazawa was visiting Washington and that his visit "is held crucial to whether Miyazawa will succeed in blocking passage of the Mills Bill, the central objective of his visit."

Mr. Chairman, I commend Secretary of Commerce Maurice Stans for rejecting the ridiculous and incredible textile import proposals advanced by the Japanese proposal now clearly indicates that the Japanese came to Washington to delay action on the Mills Bill. Their Washington visit is now revealed as a continuation of their tactics of delay and procrastination so obvious since early last year. In the effort to protect our textile industry since the first Japanese voluntary agreement in 1957, we have had no one at the negotiating table who has manifested more determination and courage than Secretary Stans, nor have we had one more thoroughly knowledgeable of the import situation.

It is my understanding that the Japanese delegation proposed a one-year agreement, and Secretary Stans proposed five years. Mr. Stans was willing to negotiate the five years, but the Japanese were not willing to go beyond one year. Mr. Stans rejected a further Japanese proposal that the last 12 months become the base for her exports of textiles into the United States. This, of course, Mr. Stans rejected, as this unbelievable proposal would include the rise in textile imports into the United States while the issue was actually being negotiated. No proposal by the Japanese to cover footwear was advanced at all.

It is now clear that this latest Japanese visit was only designed to undermine and delay the passage of the Mills Bill, which is imminent. We must proceed with passage of the Mills Bill. We can tolerate no further delay. The Mills Bill is a liberal trade bill and is in the interest of fair trade and more trade between the United States and Japan. Again I emphasize that we must proceed with the legislation which would save our textile industry, the jobs of its more than two million employees, and preserve its vital role in the defense and security of our nation and the free world.

Mr. Chairman, at this point in the Hearing Record I would like to include a letter, which I co-signed in my capacity as Secretary of the House Informal Textile Committee, to the Honorable Hajime Fukuda, a Member of the Japanese Parliament. The letter expresses the seriousness of the problem and the difficulty in reaching bilateral agreement with the Japanese government in this area.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 19, 1970.

Hon. HAJIME FUKUDA,
House of Representatives,
Tokyo, Japan.

DEAR MR. FUKUDA: As the elected officers of the Informal Textile Committee of the United States House of Representatives, we are responding to your letter of March 1 concerning the problem of Japanese textile exports to the United States. We agree with your view of the urgency of the situation and of the need to take action promptly to resolve it. However, we are unable to agree with the approach suggested by you.

As you must know, the textile sector poses special problems for all mature industrial countries. In our case, the sector is so large and so important economically and socially that we cannot afford to remain indifferent to its fate. We must also remember in this connection the quarter million wool growers and half million cotton producers of the United States whose future depends upon the preservation of a vigorous textile industry.

The United States Government has made a sincere and good faith effort to negotiate a viable bilateral agreement to ease the pressures on our textile market. Our government has not urged upon Japan any arrangement which need cost her a single job. But these efforts have been rejected.

On numerous occasions in the past, the Government of Japan has felt it necessary to take steps in the area of economic policy which have been detrimental to U.S. interests. The United States has not retaliated, but circumstances have now changed dramatically.

You should know that Japan's position on the textile matter, as well as on other trade and investment issues, is profoundly affecting the attitude of the United States Congress toward Japan.

Your government, which has admittedly either negotiated restraints on various products with other countries or has permitted such countries to unilaterally impose quotas on your textile products, so far has refused to negotiate seriously with the United States.

Our own experience and familiarity with the situation in the United States industry has convinced us that excessive imports of textile and apparel articles are causing widespread damage and that the American textile industry and its employees are faced with a fundamental threat to their future.

At any rate, the proper GATT principle involved here is not the Escape Clause, as you suggest, but Market Disruption. It is on this latter GATT principle that the Long Term Arrangement for Cotton Textiles (LTA) has been successfully based since 1962. Furthermore, experience under the LTA has demonstrated conclusively that a comprehensive overall approach is the only effective one when dealing with such a highly diversified industry as textiles. As a matter of fact, the necessity for such a comprehensive approach has been recognized by our two governments as long ago as the U.S.-Japan cotton textile bilateral agreement of 1957.

Your expression of the allegedly "bitter experiences" of the Japanese textile industry with the Long Term Cotton Textile Arrangement is astonishing. U.S. imports of cotton textiles and apparel from Japan have increased from 235 million square yards in 1961 to 396 million in 1969. Total United States cotton textile imports have more than doubled during the life of the LTA.

Your point that not only Japan but a number of other exporting countries as well are contributing to the U.S. textile import problem is well taken. As the 1957 Japanese bilateral—then representing the largest portion of the U.S. cotton textile imports—preceded negotiation of the LTA, so Japanese bilateral controls over man-made fiber and wool textile trade with the U.S. should precede multilateral negotiations under GATT. Certainly, the multilateral GATT negotiation should follow closely upon conclusion of the bilateral.

We are pleased to see that you consider relations with the United States to be more important than those with any other country. We are without doubt your most important customer. In addition, at tremendous expense, we are providing for the major defense of Japan against outside threats. In the last quarter century we have witnessed with great admiration Japan's remarkable economic growth. We are proud of our cooperation in that fantastic progress.

It is particularly disappointing to us in light of this history that Japan has prolonged discussions of the textile question for almost one year without making a constructive counterproposal on the issue at hand. Unfortunately, we are forced to conclude that it will be necessary for us to deal with this problem directly. We hope that you will understand our position on this matter, but believe that the time has come when further discussion is pointless unless there is an immediate and responsive change in the position of your government.

Respectfully and sincerely,

PHIL M. LANDRUM,
Chairman.
CHARLES R. JONAS,
Vice Chairman.
WM. JENNINGS BRYAN DORN,
Secretary,
House Informal Textile Committee.

Mr. Chairman, I would like to include at this point in the record the lead editorial from The *State* newspaper. Columbia, South Carolina, of June 30, 1970. The *State* explains therein why passage of the Mills Bill will impose no foreign relations risk for this country.

[From the State, Columbia, S.C., June 30, 1970]

"IMPORT CURBS SHOULD NOT DAMAGE FOREIGN RELATIONS

"At long last, the Nixon administration has flashed the green light for textile import curbs. It has come not a moment too soon. American textile jobs are being washed away every day by the flood of imports from the Far East.

"It is therefore imperative that the House finish work on the bill, chiefly sponsored by House Ways and Means Committee Chairman Wilbur Mills, and that the Senate, which seems to prefer debates of limited purpose to substantive action, give the legislation priority attention.

"We can expect more speeches, of course, to the effect that this bill is protectionist, that it goes counter to America's long commitment to free trade. Perhaps it is, to an extent, but it must be remembered that the United States is about the only real free trader in the world today.

"New Hampshire Sen. Norris Cotton made this point most forcefully in a major speech in support of the Mills bill two weeks ago. 'The free flow of goods—free trade—should be our goal. At present, we do not have a free flow of goods. Every nation with whom we trade has, in some form and to some extent, barriers against American goods—tariffs, quotas, import licenses and so on. We alone raise no such barriers . . . Free trade must be a two-way street; otherwise it is not free trade.'

"There has been a good, solid, historic reason for America's big-hearted view toward international trade. For decades, the United States has been the world's economic and industrial Goliath. After World War II, we set out to rebuild the shattered economies of Europe and Japan. We could afford to take a generous view and we repeatedly gave up more in trade negotiations than we received.

"This attitude helped our friends and allies abroad to regain their economic strength. As strong foreign competitors appeared in virtually every industry, American Presidents were reluctant to risk damage to foreign relations by taking a stronger stand in trade negotiations, by administratively restraining imports undercutting U.S. industry, or by supporting legislation to do this.

"But, as Senator Cotton has said, 'the world of the 1970s is a very different world from the one we knew in the past. We can no longer afford to squander economic advantage for uncertain political or foreign relations gains.'

"The Japanese, who have raised the greatest hue and cry over the Mills bill, are in no position to charge the United States with protectionism. While Japan's own bustling industries have a well-protected corner on the rich home market, that nation has built up a $1.5 billion annual trade surplus with the United States, which of course poses a terrific strain on the dollar.

"Furthermore, the Nixon administration, and its predecessors, have negotiated in good faith with the Japanese over a long period of time in an effort to gain voluntary controls over imports of woolens and man-made fibers (items covered by the Mills bill). The Japanese have been unyielding, even after it was all but certain that they were forcing Congress' hand. When the last round of talks collapsed last week, the Administration had only one responsible course of action left—support the Mills bill.

"Senator Cotton believes this will impose no foreign relations risk. 'Rather, I suspect we will gain further respect from them (the Japanese). They are able competitors and they are known to respect strength in those they deal with in business and government.'

"The Mills bill will not by any means shut Japan and other Far East exporters of cut-rate textiles out of the American market. It will merely limit imports to allow the severely damaged American textile industry to recover. Furthermore, the Mills bill has a handy clause which will exclude from its provisions any country which negotiates voluntary restraints. It will be, in effect, a lever, a bargaining tool.

"We will be very surprised indeed if the Japanese or other nations attempt any serious reprisals as a result of this legislation. They need us and we need them. They must learn to sympathize with our problems as we sympathize with theirs. The relationship is too strong and the business too good to make a trade war likely."

Mr. Chairman, it was a great pleasure to be present when Secretary Maurice Stans endorsed the Mills Bill in testimony before this Ways and Means Committee on June 25. I commend Mr. Stans and I commend President Nixon for making this recommendation which will enhance early consideration of the Mills Textile Garment Footwear Import Bill.

As I noted before, it has been a long, arduous, frustrating period of negotiation with the Japanese since Secretary Stans appeared before the Informal House Textile Committee assembled in the Ways and Means Committee room early last year. It is my understanding that Secretary Stans has had literally scores of meetings with our Japanese friends to voluntarily resolve the import threat to our textile industry and its 2½ million employees. Mr. Stans has labored long and hard, beyond the call of duty these last 16 months to resolve this pressing problem in a manner mutually advantageous to both the Japanese and the United States.

While I regret that the Secretary did not recommend that footwear be included in the Mills Bill, I believe that the great Committee on Ways and Means will include footwear with textiles, as these industries are in a special category and the threat of low-wage cheap imports to them is critical.

With 253 Members of the House introducing the Mills Bill and a majority of the Ways and Means Committee introducing the Mills Bill, and now with the support of the Administration, I am confident of favorable consideration by the great Committee on Ways and Means, and overwhelming endorsement by this House.

I thank this great Committee for the opportunity to have presented my views on his proposal so crucial to the textile industry and to the Nation.

STATEMENT OF HON. JOHN P. SAYLOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman and Members of the Committee, I represent one of the nation's manufacturing centers; it is not the largest of such districts in the country nor is it the smallest. My Western Pennsylvania congressional district has a mix of heavy and light, big and small, old and new, labor-intensive and highly-automated industries. We are, in short, what might be called a typical American manufacturing community.

Across-the-board and to a man, the people of the 22nd Congressional District of Pennsylvania are justifiably concerned with their position in the economic scheme of things due to the growing influx of manufactured goods into the United States. That influx is not restricted to textiles and leather goods—it crosses the gamut of American industrial production.

Reflecting this concern and the broader, national concern of protecting the American workingman's livelihood, I have introduced fifteen bills in this Congress which have been forwarded to this Committee. The thrust of those bills Mr. Chairman, is to do mainly one thing; insure that the American workingman and American industry is not driven to the wall because of the theoretical and text book understanding of the real world of commerce, manufacturing and employment by a group of "free traders" masquerading as displomats in the United States Department of State.

The bills I have introduced, and particularly, H.R. 17498 which is a companion bill to H.R. 16920 introduced by the distinguished Chairman of this Committee, take a giant step forward in recapturing Congress' role in the area of international trade.

For more than a quarter of a century Congress has surrendeed more and more authority to the Executive Branch of the Government. Regarding trade matters, this capitulation to the Executive has been nearly total and close to irreversible. The State Department, heir and/or pretender to Congress' power to legislate in matters concerning international commerce, has used the power not to influence the economic and social improvement of our country, but rather for ephemeral diplomatic purposes. In effect, the deplomats have traded American jobs, fiscal stability, and national defense for what is alleged or assumed to have been, an "advantage" in the field of international politics, rather than the well being of the citizens of their own country.

That the State Department has obviously failed in these objectives is a painful matter of record. Even had the so-called strategy succeeded, there would have been no justification in exchanging economic sacrifice for an elusive international friendship. One brief example should make the point:

Today, while Soviet weapons hammer at our men in South Vietnam, while Soviet weapons are used in an attempt to destroy one Middle Eastern country and subjugate the others, while Soviet weapons are blockading all movements toward political liberalization in Eastern Europe, the State Department stubbornly refuses to recommend a program designed to curtail our growing commercial associations with the U.S.S.R. It even fosters imports of commodities produced behind the Iron Curtain. It fails to recognize that Communist Russia is our enemy and that we must make every possible move in the direction of reinforcing our defense posture in preparation for the always threatening showdown with the Soviet Union. Mr. Chairman, we do not improve our military and industrial strength by trade policies that tend to destroy or impede production here at home.

Turning now to the matter at hand—textiles and leather goods—we are faced with a different kind of enemy and a different kind of warfare than we face *vis-a-vis* the Soviet Union.

In the spirit of competition which built this country our domestic industries attempt to compete on an equal footing with free-world industries for markets. The big problem, gentlemen, is that the officials who have butchered the job of containing the expansionist policies of the Soviet Union, who illogically encourage the Soviets to undercut our various international policies, are the same ones who have botched the job of expanding American markets overseas and/or protecting American industries from unfair foreign competition.

It appears that the State Department is systematically and with malice aforethought, attempting to weaken rather than strengthen the domestic industries of the United States. The Department has allowed the United States to become the dumping ground for foreign products. Nowhere is this better illustrated than in our trade position with the Japanese.

Of all the world's nations, Japan is the most active and aggressive exporter and the most carefully protective importer. At the same time she floods American markets with her goods, she has the most restrictive trade regulations to protect her own markets. Japan's restrictions on U.S. goods are tighter than on the goods from any other nation or group of nations in the world. In 1969, we received $540 million worth of textiles from Japan, while we sold only $15 million to her. By comparison, Japan bought far more from the less developed countries, the European Economic Community and the European Free Trade Association than from the United States.

The major reason why import competition from Japan is so damaging to the American economic system is the drastic wage gap between U.S. and Japanese wages. The typical American textile worker earns $2.43 an hour; his counterpart in Japan gets 53 cents per hour and in Korea and Taiwan the figure is 11 cents per hour. Mr. Chairman, after all is said and done, what we are facing is competition from the sweat shops of the Far East! I will not advocate that the American textile worker lower his standard of living to keep his job—but that is exactly what the free traders are advocating.

Mr. Chairman, I know the Committee is under extemely heavy pressure by the free traders and most of the press to reject H.R. 16920 because it is termed "protectionist." The bill is not protectionist. The bill would not provoke retaliation from other nations—in fact, it gives both American and foreign producers an opportunity to sell more goods as the American textile market grows. The bill would not cause a rise in textile prices for the consumer. It does not eliminate import competition—it does regulate such competition to keep pace with the market in this country.

The most important part of the bill, in my opinion, is the provision for a "floating quota" on textile imports. During 1970, the bill would limit the imports of all textile articles and leather footwear to the average annual quantity that entered the United States in 1967–68. After 1970, the import level would be adjusted upward or downward depending on the size of the American market. This is the unique and sensible way to handle the problem of rising and industry-damaging imports.

In fact gentlemen, I strongly urge you to look into other areas of import-damaged industries in the United States with a view toward easing their burden with legislation similar to H.R. 16920.

Without making a case for every industry currently under unfair import attack, I would like to mention the problem of steel imports. Irrespective of the press reports and columnists, I believe the Committee has every right to believe that the Administration is getting behind your efforts to protect the jobs of the American steel workers.

Two years ago, the Republican candidate for, and now President, spoke in my home town on the subject of foreign trade, imports and the effect of imports—particularly steel imports—on domestic employment. Since that time the words of President Nixon tended to contradict the words of Candidate Nixon, however, I am pleased to note that recent statements of the President and his advisers are beginning to take on a more defensible point of view with respect to the protection of American jobs in the steel industry and other industries.

Speaking in Johnstown, Pennsylvania on October 17, 1968, Mr. Nixon noted that every million tons of new-steel imported into this country represented a loss of almost 8,000 job opportunities. Mr. Nixon said, and I heartily agreed then as now, that "America's status as the greatest producer of wealth and eradicator of poverty the world has ever known could not have occurred without steel—especially Pennsylvania steel."

Mr. Nixon also told the audience that he recognized the desirability of foreign producers participating in America's expanding economy but that it would be unrealistic not to recognize that our international trade and financial positions had been thrown out of balance. He also noted, "It would be unjust to allow the consequences of these actions to irretrievably injure American industry and labor."

During the past year and a half the Administration has carried out the domestic industry damaging policies laid down by Congress in the multitude of free trade acts. However, the reality of the domestic employment situation is finally beginning to make its weight felt on the Administration and there are good indications that the position stated by Candidate Nixon in 1968 regarding imports will determine the direction of future policies.

Unfortunately, we cannot throw over the free trade traces all at once but I urge the Committee to examine my bills, H.R. 3—to provide for orderly trade in iron and steel mill products, H.R. 3330—to provide for orderly trade in iron ore, iron and steel mill products, and H.R. 13766—to provide for the orderly expansion of trade in manufactured products, all of which are designed specifically to protect American jobs. Additionally, these bills if enacted would make a giant leap in the direction of Congress reasserting its constitutional right to regulate the flow of international commerce.

Mr. Chairman, I do not care in which form protection for our American industries and the employees represented therein may come. I do not believe it is necessary for the United States to resort to deception or circumvention in the formation of policies to prevent foreign products from overwhelming our markets. I look to this Committee for conclusive legislation that will give Congress an opportunity to create barriers against economic destruction of many American industries.

I would prefer that the Committee devise a blueprint for a single piece of legislation that will safeguard every industry on the list of victims of excessive imports. While I would support legislation accomplishing the same purpose on an industry-by-industry basis, I would prefer a bill that contains general coverage so that we can avoid controversies that might arise because of segmented and parochial interests. But most important, however this Committee approaches the problem of excessive imports, I plead for a reassertion of our Congressional responsibility in these matters.

There is no question in my mind about the need for the bill on textiles and leather footwear pending before the Committee. There is no question about the need for a comprehensive bill restricting the flow of steel imports into this country. There is no question about the need for legislation to protect numerous industries like glass, milk and dairy products now faced with foreign competition that is demonstrably unfair. The only question is whether or not the Committee will act in time to preserve the jobs and livelihoods of the families represented by our import-damaged industries. I believe the Committee will.

American industry and labor look to this Committee for the answer to their problems and this Committee represents the only hope for these industries and the people represented therein.

STATEMENT OF HON. JAMES R. MANN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. Chairman and Members of the Committee, I am appreciative of the opportunity to make this statement on behalf of H.R. 16920. The importance of this bill to my District, to South Carolina and to the United States is becoming more apparent with each passing day. I am delighted to note, however, that this importance is being recognized by the Members of the House of Representatives, a majority of whom, including myself, have co-sponsored what has become known as the Mills' bill.

I am privileged to represent the Fourth Congressional District of South Carolina, which includes Greenville, Spartanburg, and Laurens Counties. The area comprising my District is rather reliably reputed to have the heaviest concentration of textile industry in the world. In my lifetime, I have seen the area move from an agricultural economy to an industry-oriented economy and our growth as closely paralleled the development and expansion of the domestic textile industry over the years.

In 1969, over two-thirds of South Carolina's industrial wages were paid by the textile-apparel industry. In January, 1970, there were 424 textile plants in the State of South Carolina, employing more than 160,000 people. South Carolina's textile industry is modern. Its workers are productive. Its management is good. In other words, it is competitive and can hold its own as long as its competitors play by the same rules. Our rulers are a reasonable wage scale, based on America standards, workmen's compensation benefits, unemployment compensation benefits, and many other fringe benefits characteristic of American industry. Unfortunately, our country is permitting unlimited imports from competitors who don't play by these same rules. I am speaking primarily of Japan, Hong Kong, Taiwan, and Korea, none of which pay to their employees more than 25% of the wage rate that the American economy requires for a living wage.

On the national scale the textile-apparel industry is a nation's largest rural manufacturing employer. One of every nine manufacturing jobs in the United States is in textile or apparel. The industry employs over two million people and meets an annual payroll in excess of ten billion dollars. Many related industries are dependent upon the textile and apparel manufacturers for their livelihood. I speak of such areas as chemicals, fibers, packaging products, machinery manufcturers and transportation services. The national interest requires that our textile and apparel industries remain viable and capable of producing the vast amount of textile products that would be required in the event of defense mobilization.

Textiles are an economic cornerstone of this country, and a necessary cornerstone, but this cornerstone is being weakened by the fast rising quantities of foreign imports. During the last 15 months, the textile and apparel industries in the United States have found it necessary to eliminate 65,000 jobs while the consumption of textile articles was increasing. The reason for the loss of these jobs is that the increased consumption of textile articles in this country was supplied by foreign imports. As a matter of fact, the increase in foreign imports exceeded the increase in consumption, thereby damaging domestic producers. Four-fifths of these imports originated in Asia and consisted primarily of products manufactured from man-made fibers.

The United States has rendered remarkable economic assistance to various countries of the world. We aided in the rebuilding of the economies of many nations, particularly Japan, Taiwan, and Korea. These and other nations have enjoyed easy access to American technology, a privilege which has not always been reciprocated. We have seen our technological advantage shrink. Japan has benefited greatly from American technology and generosity, yet the Japanese maintain strict protectionist policies which shelter her industries from foreign imports. The United States imports one-fourth of Japan's direct textile exports, but the European Common Market imports only three percent of Japan's textile mill products. In 1968, the United States imported 51% of Japan's apparel exports, but the European Common Market Nations took only five percent. The Japanese maintain strict protectionist policies against foreign imports except for products which Japan cannot, or will not, manufacture. Last year the Japanese announced that their market for imports would be expanded and that restrictions would be dropped against many goods. However, when the list was made public it included such items as malt sugar, dried dates and crankshafts.

The United States last enjoyed a favorable trade balance in textiles in 1957. Since that time, the United States textile trade deficit has increased to $1.37 billion for 1969. Over one-third of the 1969 deficit, $525 million, consisted of a textile-apparel import deficit with Japan. The American textile industry enjoyed some protection under the long-term cotton-textile arrangement of 1962. However, this arrangement applied only to cotton, and the emphasis in international trade has turned from cotton to man-made fibers. This shift in emphasis has been visible for some time, but our domestic textile manufacturers have been unable to obtain any relief from these rapidly increasing man-made fiber imports.

One of the arguments against H.R. 16920 has been that the bill would raise the prices of domestically produced goods. During the decade of the 1950's, a period of comparatively low apparel imports, consumer prices for apparel increased only eight percent while the price of all consumer items increased 24%. In the period 1961–69, with imports increasing annually, apparel retail prices increased 22% and the price of all consumer items increased 23%. Despite the fact that retail prices did not increase as much as the average for all consumer items, domestically-produced textile sales in 1969 were .9% lower than in 1968. In addition, wholesale prices of all textile products have increased just one percent above the 1957–59 average despite a 58% increase in textile wages. During the same period there was a 13% increase in the all-industrial commodities index of the Bureau of Labor Statistics. Thus, it can be seen that the domestic textile industry has remained competitive and efficient in comparison with other industries in the United States.

It isn't necessary here, Mr. Chairman, for me to review the course of negotiations undertaken by Secretary of Commerce Stans. I feel that his efforts have been sincere, but I question whether or not he has been given full support by other high-ranking officials in the Nixon Administration. One notable exception would be the Honorable Armin H. Meyer, the United States Ambassador to Japan. I visited with him in Japan last year, and I believe that he has done all in his power to bring about meaningful negotiations between the United States and Japan. Repeatedly he has warned the Japanese that restrictive legislation will be passed if Japan continues its recalcitrance and refuses to enter into agreements voluntarily limiting its textile exports to the United States.

This now brings us to more recent developments. As the Committee is aware, Japan has representatives in this country at this very moment, and their apparent purpose here is to finally talk about negotiating voluntary agreements. We know why they have finally agreed to talk, Mr. Chairman. It is because Japan now recognizes that this Congress and the American people are determined to do something about the textile import problem. They are here, Mr. Chairman, because of the Mills' bill. They are here to see if they can't do something to sabotage the Mills' bill. It is my earnest hope that neither the Nixon Administration nor this Committee will allow these last-minute efforts on the part of the Japanese to divert us from our course leading to passage of this bill. Passage of the bill will not prevent negotiations. It will hasten negotiations, and a mere threat of passage has already hastened negotiations. Passage of the Mills' bill will provide guidelines to the Nixon Administration for the development of voluntary agreements.

Much argument has and will be heard that forced legislative import quotas will damage the political and economic relations between the United States and other countries. The Mills' bill provides for voluntary agreements by negotiation. Any country that wants to be fair about the matter may negotiate voluntary agreements with the United States, and then no involuntary quota could be imposed. A country that does not choose to be fair, a country that insists upon serving its own interests while disrupting jobs, investments, and markets in this country certainly has no right to complain that involuntary quotas are unfair.

It is my earnest hope that President Nixon and his representatives will not settle for some half-way measure that will not solve the critical problem of the textile industry. It is further my hope that the Nixon Administration will lend its support to our legislative efforts. It would be tragic if the Administration now entered into some weak agreement with the Japanese and used that agreement as the basis for opposing the type of legislation represented by H. R. 16920. The only way to play safe on that is for us to proceed with the passage of this bill, and I urge the Committee to report the bill out as quickly as possible, so that our colleagues in the House may pass it. I am confident that our colleagues in the Senate will do likewise. Only thus can we insure against the tragic consequences that threaten our economy.

DEPARTMENT OF STATE,
Washington, D.C., June 22, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives.

DEAR MR. CHAIRMAN: The Embassy of Australia has asked the Department of State to transmit the enclosed note for inclusion in the official record of the public hearings on trade legislation presently being conducted by the Committee on Ways and Means.

Sincerely yours,

DAVID M. ABSHIRE,
Assistant Secretary for Congressional Relations.

GOVERNMENT OF AUSTRALIA,
AUSTRALIAN EMBASSY,
Washington, D.C., June 16, 1970.

AIDE MEMOIRE

The Embassy of Australia presents its compliments and has the honour to convey to the Department of State the undermentioned views of the Australian Government.

We wish to refer to the hearings on Foreign Trade and Tariffs at present being held by the Committee on Ways and Means of the United States House of Representatives, and the consideration that is being given to Bill HR 16920 which proposes the imposition of quantitative restrictions inter alia on imports of textiles, including wool tops.

The Australian Government wishes to register its profound concern that such restrictive measures are in fact being contemplated. Australia is fearful of the inevitable adverse effects that quota restrictions on wool textiles entering the United States of America would have not only upon export opportunities for Australian wool products in the United States market, but also on world trade in wool textiles and Australia's future sales of raw wool.

Raw wool remains Australia's largest single export earner. Any restraints on the manufacture of wool textiles, whatever the reasons, must prejudice both the short and long term prospects for the marketing of wool. The United States Administration will be aware of the presently depressed prices being received for Australian wool, which currently are the lowest since 1947–48. The Australian wool industry is urgently examining this situation with a view to implementing suitable remedial action.

The United States Administration will be aware from previous Aides Memoire on trade matters that Australia is still heavily dependent on a narrow range of primary commodities for a large part of export earnings. Australia subscribes to the principle of multi-lateral trade and therefore does not seek an exact balance in the flow of trade with individual countries. However, over the past ten years Australia has incurred an aggregate trade deficit with the United States of about $US 3350 million. We do therefore seek a balance of opportunities to trade.

The Australian Government views most seriously matters which affect Australia's access to the United States market and prospects for a mutual expansion of trade between our two countries.

Import policies adopted by the United States for many of the commodities of major interest to us have severely curtailed the opportunities for the development of our export trade to the United States. These trade opportunities are now in danger of being further diminished by restrictive arrangements on the international textile trade initiated by the United States.

The seriousness with which the Australian Government views the present House Ways and Means Committee hearings is underlined by the fact that high tariffs and quantitive restraints already apply to Australian exports to the United States of wool, dairy produce, meat and sugar, which accounted for some 58% of our experts to the United States over the last three years.

Wool tops are an item of particular interest to Australia among the products named in the proposals before Congress to restrict imports of textiles. Australia is the major external supplier to the United States of this item. In 1968 and 1969, the United States imported Australian wool tops valued at $US 4.1 m. and $US 2.3 m. respectively, or 61% and 45% of all wool tops imported.

Although imports of wool tops into the United States have shown a rising trend they still only represent a small proportion of United States production—for example, 4% in 1967—and cannot therefore be considered to represent an important threat to the domestic United States wool combing industry.

Furthermore, Australia considers that restrictions on wool tops (and on imports of other wool textiles) would provide a further stimulus to the usage of synthetics in the United States of America and would thus run counter to the interests of United States wool growers and the United States wool textile industry, both of which are the beneficiaries of a wide range of domestic legislative enactments on these questions.

In the light of the foregoing, the United States Administration will appreciate the apprehension felt by Australia in circumstances where these additional restrictive proposals are being contemplated.

Australia recalls the position taken by the United States in seeking increased trade liberalisation and expansion in the Kennedy Round of the GATT trade negotiations and the reaffirmation by the present Administration of the goal of liberalisation of world trade.

It would be most unfortunate if the United States, the world's greatest trading nation, which initiated that great effort to liberalize world trade, should pursue a course that is in apparent conflict with those high aims of trade liberalisation.

The Australian Embassy avails itself of this opportunity to renew to the Department of State the assurance of its highest consideration.

DEPARTMENT OF STATE,
Washington, D.C., June 15, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: The Embassy of the Republic of Korea has asked the Department of State to transmit the enclosed memorandum for inclusion in the official record of the public hearings on trade legislation presently being conducted by the Committee on Ways and Means.

Sincerely yours,

DAVID M. ABSHIRE,
Assistant Secretary for Congressional Relations.

EMBASSY OF THE REPUBLIC OF KOREA,
Washington, D.C., June 9, 1970.

MEMORANDUM

The Committee on Ways and Means of the United States House of Representatives is presently conducting public hearings generally with regard to United States foreign trade policy and specifically with reference to legislative proposals embodied in H.R. 14870 and H.R. 16920. The Government of the Republic of Korea wishes to take this opportunity to express its views for the consideration of both the legislative and executive branches of the Government of the United States.

The concern of the Government of the Republic of Korea is directed primarily to H.R. 16920 and is prompted by the fact that as of May 20, 1970, more than 190 companion bills had been introduced in the House of Representatives. The Government of the Republic of Korea is most seriously concerned with the adverse impact which enactment of H.R. 16920, or similar legislation, would have on the economic development of the Republic of Korea and on relations between the Republic of Korea and the United States.

The Government of the Republic of Korea wishes therefore to call to the attention of the legislative and executive branches of the Government of the United States the following consequences of enactment and implementation of the referenced legislation.

I. RESTRICTION OF IMPORTS AS PROVIDED BY H.R. 16920 WOULD NULLIFY SOLEMN OBLIGATIONS OF THE UNITED STATES AND WOULD IMPAIR CORRESPONDING RIGHTS OF THE REPUBLIC OF KOREA

As is noted below, the limitation of imports of textile and footwear products from Korea to the United States would cause serious economic damage to the economy of the Republic of Korea. Such limitation and consequent damage would operate to frustrate the objectives of the Mutual Defense Treaty of 1954 between the Republic of Korea and the United States. Under the terms of that Treaty, the Republic of Korea has the obligations to develop and to maintain its defensive strength, including expressly the economic and political basis for the maintenance of its defensive capability. The imposition of unilateral restraints on imports of textile and footwear products from Korea would therefore be inconsistent with the correlative obligation on the part of the United States not to take actions which tend to frustrate the objectives of the Mutual Defense Treaty.

Further, application of the import restraints contemplated by H.R. 16920 would nullify or seriously impair several rights accruing to the Republic of Korea under the General Agreement on Tariffs and Trade. By virtue of Article XI of the GATT, the United States is under an affirmative obligation not to impose quantitative restrictions on imports of Korean products, including textiles and footwear. The implementation of H.R. 16920 would therefore contravene Korea's right under Article XI to freedom from such quantitative restrictions. Moreover, the application of H.R. 16920 to Korea would be inconsistent with the commitment of the United States under Article XXXVII, 1 (b) to refrain from applying increased duties or nontariff import barriers to products of particular export interest to Korea as a less-developed contracting party.

II. LIMITATION OF IMPORTS OF TEXTILES FROM KOREA TO THE UNITED STATES UNDER THE FORMULA OF H.R. 16920 WOULD ENTAIL VERY GRAVE CONSEQUENCES FOR THE CONTINUED ECONOMIC DEVELOPMENT OF THE REPUBLIC OF KOREA

The unprecedented rate of economic development which the Republic of Korea has attained in recent years depends for its continuation on an uninterrupted expansion of exports.

In consequence of Korea's limited supplies of exportable natural resources and limited availability of exportable agricultural products, significant export expansion can occur only in manufactured articles.

The participation of manufactured goods in total exports of the Republic of Korea rose from 18.2 percent in 1960 to 77 percent in 1968. Virtually the entire increase in real terms is accounted for by manufactured products, and virtually the whole of future export expansion must also be in manufactured products. Within the manufacturing sector, textile production is and will continue to be for a considerable period of time the largest single source of employment. As late as 1968, 85 percent of the employed labor force was engaged in agriculture and services. Only 14 percent of total employment was in manufacturing; and of total employment in manufacturing fully 29 percent was engaged in textile manufacturing.

Textile products comprised, during 1968, 16 percent of total industrial production and 39 percent of total manufactured exports.

During 1969, 50 percent of Korea's total exports went to the United States, and of Korea's total exports of textile products during 1969, 46.5 percent went to the United States. Of total textile exports from Korea to the United States, 90 percent consisted of wearing apparel and 91 percent of wearing apparel was produced from various manmade fibers. The rate of increase of textile exports from the Republic of Korea to the United States during the past three years has been highest in the apparel categories and especially in apparel from manmade fibers.

Under the formula by which H.R. 16920 would impose quantitative limitations on the importation of textile products into the United States, the base period for calendar year 1970 and subsequent years would be the annual average for the period 1967–1968 for each category. The application of this formula to exports from Korea to the United States woulld result in a cutback in the quantity of manmade fiber textile and apparel of more than 50 percent.

It is therefore evident that the implementation of H.R. 16920 would have a most serious impact on Korea's export expansion program and ultimately on the overall economic development of Korea.

III. H.R. 16920 AND SIMILAR LEGISLATION WOULD GRANT NO DISCRETION TO EXECUTIVE OFFICERS OF THE UNITED STATES TO TAKE INTO ACCOUNT THE SPECIAL CIRCUMSTANCES OF LESS-DEVELOPED COUNTRIES AND OTHER SPECIAL POLICY CONSIDERATIONS

The application of the textile quota formula contained in H.R. 16920, or any similar formula, would operate inequitably to penalize the Republic of Korea and similar countries which display rapid rates of economic growth in recent years, in comparison to developed countries which have already attained relatively high levels of textile exports to the United States. For example, as reported in the Daily News Record of May 1, 1970, the referenced formula would result in a reduction in manmade textiles from 1969 levels of 32 percent for Japan, 40 percent for Hong Kong, 53 percent for the Republic of Korea, and 62 percent for the Republic of China.

Further, while H.R. 16920 would authorize the President of the United States to negotiate voluntary restraint agreements with textile exporting countries, the legislation would afford the President no discretion to determine and exclude from mandatory quantitative restrictions such non-disruptive categories as silk and jute, and these categories of cotton, wool, and manmade textiles which prove to be non-disruptive or non-injurious. The referenced legislation, furthermore, would afford no discretion in negotiation to vary the quota formula to accommodate the special needs of less-developed countries, or to accommodate special policy considerations of mutual interest both to the United States and to the Republic of Korea, such as mutual defense requisites.

The Government of the Republic of Korea sincerely hopes that the foregoing clarification of the probable consequences of enactment and implementation of H.R. 16920 or similar textile and other import restricting measures will receive full and careful consideration by the interested members of the Government of the United States.

STATEMENT OF I. LEONARD SEILER, EXECUTIVE DIRECTOR, SCHIFFLI LACE AND EMBROIDERY MANUFACTURERS ASSOCIATION, UNION CITY, N.J.

Mr. Chairman, Members of the Committee: In my capacity as the Executive Director of the Schiffli Lace and Embroidery Manufacturers Association of Union City, New Jersey, the official trade association for some 300 manufacturers of embroidery and others in the allied trades, and on my own behalf, I want to express my industry's deep and serious and concern with the irreparable harm done to our industry by imported laces and embroideries and to urge passage of legislation such as H.R. 16920 or H.R. 17196.

SUMMARY

We support prompt enactment of H.R. 16920 and/or H.R. 17196 because:

1. A very large portion of our operating costs is unionized labor and we cannot compete with low labor cost foreign competitors.
2. We enjoy no technological advantage over low-cost foreign competitors and so cannot offset great disparity in wage rates.
3. Despite the recent period of greatest prosperity in U.S. history, our volume of sales has, in fact, decreased because of increased imports of embroideries and wearing apparel made of embroidered fabrics.

4. We have witnessed the loss of almost all foreign markets and now see the loss of our own American market.
5. Our plants with high capital investment are not convertible to manufacturing anything else and, therefore, a large number of families stand to suffer large, staggering losses.
6. Our skilled employees, who average about fifty years and earn a very liveable wage, will be thrown into the large reservoir of unemployed people already located in northern New Jersey, where our industry is highly concentrated.
7. We feel the small businessman is the backbone of democracy and should be afforded an equal opportunity to remain in business.

GENERAL INDUSTRY INFORMATION

The Schiffli industry comprises some five hundred individual manufacturing firms plus two hundred companies which supply our materials and process our fabrics. The bulk of United States Schiffli production is done within a one-by-six mile area of northern Hudson and southeastern Bergen Counties. The industry is the economic backbone of this important area. Not only are there thousands of people dependent directly on Schiffli for their livelihoods, but hundreds of retail and service establishments owe their very survival to the existence of the embroidery industry in the area.

The embroidery is produced on machines that weigh upwards of 10 tons and are made in 10 yard and 15 yard manufacturing lengths. The 10 yard size contains 684 needles and the 15 yard size contains 1026 needles, all of which can operate simultaneously if desired.

In addition to the manufacturing segment of the industry there are many processing plants engaged in dyeing, bleaching, finishing, cutting and supplying of embroidery thread and basic fabric, as well as designer studios and punching establishments. There is also a large group of embroidery merchandising companies known in the embroidery trade as "merchandisers" or 'jobbers."

Because of the great weight and size of the embroidery machines, they have to be mounted on a deep, reinforced concrete foundation and housed in buildings specially constructed or altered to accommodate them and once erected they are seldom moved except to leave the area.

Schiffli lace and embroidery is extensively used in the clothing industry for gowns, dresses, lingerie, leisure, at-home home wear, shoes, hats, blouses, handkerchiefs, gloves, baby clothes, handbags, coats and men's formal dress shirts and in the home furnishings industry for bedspreads, sheets, pillow cases, towels, aprons, curtains, drapes, tablecloths, scarfs and lampshades.

The Schiffli lace and embroidery industry produces the shoulder patches and insignia for the Armed Forces of the United States and is considered a defense industry by the United States Government. Even today when we are not at war, the Schiffli industry produces military emblems and insignia at the Government's request.

An outgrowth of the production of millions of embroidered cloth emblems and insignia for the armed forces of this country and its allied nations is the growing popularity of embroidered insignia and emblems for police and fire departments, industrial and sports uniforms and work clothes. Adult and youth organizations, like the Boy Scouts, rod and gun clubs and fraternal groups, also account for millions of embroidered emblems every year.

The total number of employees engaged in this small business industry is approximately 8,000, many of whom live within walking distance of their place of employment. The average age of the men and women employed in the embroidery industry is about 50. It is a family industry in the sense that in a great many cases whole families are employed in the industry and there are many instances of second, third and even fourth generations engaged in the industry. The most common form of embroidery plant, particularly in New Jersey, is the two machine shop.

The industry came into being before the turn of the century. Nearly all of the embroidery machines used today were manufactured in Germany and Switzerland, with a few in Italy and Japan.

It should be noted that more than half of the embroidery shops in operation own their factory building. This is undoubtedly a result of the specialized construction required for a Schiffli plant. The important fact here is that an embroidery manufacturer must make a very sizeable initial investment before his plant becomes operative. The average embroidery machine sells new for $75,000.00

and costs about $15,000.00 to install and is the largest capital investment of the manufacturing plants.

The concentration of New Jersey's embroidery plants in this area is an obvious necessity. The accessibility of New Jersey's Schiffli area to the New York garment center, the world's largest apparel market, is a definite advantage in selling. In addition, because of its location, the Schiffli area of New Jersey is able to keep in touch with up-to-the-minute trends in styling and provide the needed laces and embroideries quickly and efficiently. Needless to say, this type of operation requires not only the availability of the Schiffli machines but a coordinated industrial effort on behalf of yarn dealers, bleacheries, designers, punchers, thread and scallop cutters, textile suppliers and all those who are directly or indirectly concerned with maintaining a market for Schiffli.

Much is made in this country of the virtues of the small businessman. Every President in recent years has expressed the country's gratitude to the small entrepreneur with the vision to dream and the courage to pursue this dream. The vast industrial empires notwithstanding, the foundation of this country's economic greatness has been, and is, the individual businessman who shoulders the risks, bears the burdens of worry, insecurity, and smallness, yet who stubbornly clings to his dream of producing something that people will buy. The Schiffli industry, for better or worse, is comprised entirely of small businesses.

A typical manufacturing plant, consisting of two Schiffli machines, would require two watchers (principal duty is to replenish the spools of thread, watch for broken threads, and rethread the needles), two shuttlers (principal duty is to walk along the back or shuttle side of the machines and replace shuttles in which the bobbin thread is broken or exhausted), a piece-sewer (principal duty is to sew together on an ordinary sewing machine pieces of cloth 10 or 15 yards long which are to be embroidered on the Schiffli machine) and a mender (principal duty is to fill in free hand on a single needle embroidering machine the design which the machine failed to stitch because of a broken thread). In a two-machine shop the proprietor's duties are more than administrative. He actively leads and works with his crew of employees. Most of the members of the industry, employers and workers alike, come from embroidery families. Many are second, third, and even fourth generation in embroidery skills and know no other trade or skills.

One of the unique features of the Schiffli industry is that obsolescence of machinery is not a factor. The Schiffli embroidery machine used today is basically the same machine as it was 50 years ago. Many of the machines used today are as much as 50 years old and are still in first-class operating condition. Unlike almost all other industries the newest embroidery machinery is only 25% faster than the oldest comparable machinery.

OUR COMPETITIVE POSITION

Of paramount importance, no Schiffli embroidery machines are mnaufactured here and so the American embroidery manufacturers enjoy no technological advantage of newer and better machines than competing countries.

The domestic embroidery manufacturers compete closely with each other on prices. The industry also competes with hand embroidery from sub-standard areas in the world and with Schiffli imports from Japan, Switzerland and Austria. The domestic embroidery market is sensitive and varies at different times of the year in accordance with the season, the consumer demand, conditions in the textile industry and in the women's apparel industry and in accordance with economic conditions of the country in general. The market is so sensitive that a 10 per cent increase in foreign Schiffli could depress prices enough to cause American made embroidery to drop below cost.

We are a completely American industry. The Schiffli embroidery industry pays millions of dollars a year for our American labor buys millions of pounds of American made embroidery thread and millions of yards of American made fabric and pays millions of dollars for our industry services and supplies. The domestic embroidery industry pays American wages for American labor. It is many times more than the average wages paid for the equivalent type of labor in foreign countries.

A very large proportion of all of the New Jersey factories which represent some 80% of the entire American embroidery industry are in contractual relationship with Union Local Number 211, United Textile Workers of America. The domestic industry pays a living wage, hospital and surgical benefits for employees and members of their families, life insurance coverage, pension benefits, vacations, holiday pay, etc. Japan, Austria and Switzerland pay shockingly low wages in comparison to us. Family shops, child labor, and cottage labor (home work) result in even lower foreign labor costs.

Switzerland and Austria have always provided us with stiff competition but in recent years Japan and other Asian countries have become even greater competitors because they have increased their capacity tremendously and have a very large number of machines per manufacturing establishment. We could not hope to accomplish the same cost efficiencies of production as they do in their large machine shops when our average is only two machines per shop.

However, even if we could match their efficiencies, their rockbottom labor costs compared to our unionized workers' two and one-half dollars per hour and the fact that their costs for cotton, synthetic goods and cotton and silk yarns, and general business expenses is only a fraction of our costs, places us at a great price disadvantage in our own American market as well as in other world markets.

Besides embroidered yarn goods, low labor cost countries have been shipping embroidered blouses, children's dresses, brassieres, gloves and handkerchiefs, etc., in ever greater quantities to the United States, and unless some quota or higher tariff arrangement is enacted these quantities will continue to increase.

Japan's, Austria's and Switzerland's embroidery industries are enjoying prosperity. They do not need the United States as a market for their economic health. Since the American embroidery industry no longer exports practically any embroidery, the loss of any more of the United States market would mean great injury to the American embroidery industry.

The volume of the Schiffli embroidery industry during peak times is more than 100 million dollars per year. The industry now averages between 75 and 80 million dollars per year.

PRESENT ECONOMIC HEALTH OF THE INDUSTRY

The American Schiffli embroidery industry is now in a depressed condition due primarily to the current general weakness in sales of all women's apparel which is affected by tight money and the uncertainty of the fashion length women will accept.

Furthermore, in recent years, despite the explosive rise in the gross national product, the rising standard of living and increased demand for Schiffli, as a result of low priced imports to this country and to countries that were formerly our customers, American Schiffli employment is off and many companies have been forced out of business. Of late, it has been almost impossible for firms to earn a proper return on investments or even make a small profit.

One very important barometer indicating the poor economic health of the industry is the fact that there is no market for the sale of embroidery machines except for export to South America, Africa and even to Germany. Despite the high cost of dismantling and shipping, Germany, which manufactures Schiffli embroidery machines, has been buying machines here to be returned and operated in Europe, a fact which points up the difference in industry conditions between this country and the rest of the world. We do not have enough work to keep our machines operating and they cannot obtain enough machines to supply the demand for embroideries even though they manufacture the machines right there.

The constant loss of foreign markets for our beautiful product constitutes only part of this fierce competitive story. What really hurts our domestic embroidery industry is the lower prices at which the Japanese, Philippines, Swiss, Austrian, Italian and German embroideries are sold in this country. Their selling prices are far below domestic manufacturing costs and so there can be no competition. American efficiency counts for nought as far as low cost labor import competition is concerned. Our machines do exactly the same type of work in Union City as they do in Plauen in Germany, Vorarlberg in Austria, St. Gall in Switzerland, Tokyo in Japan and Manila in the Philippine Republic. Our workers do exactly the same thing as their workers except that because our labor relations are better and we are a little more considerate of our workers, ours may do it more slowly.

When it comes to the embroidery industry it is only wishful thinking to expect that freer world trade through international competition will spur the American Schiffli industry to higher productivity and greater sales potential. The backbone of this nation's industrial might has been our system of technological innovation applied to mass production whereby we are able to turn out vast amounts of consumer goods, employ a large labor force, which does not necessarily require a high degree of technical training or skill, and still maintain prime wage scales. This type of production is not applicable to all industries due to the limitations of machinery and the degree of skill or semi-skill required for certain jobs. In the Schiffli industry the machinery has remained basically the same over the past 40 years, machines are manufactured overseas and are the same ones used by foreign embroidery firms and, therefore, competition with foreign Schiffli manufacturers on a mass production basis is impossible.

An added handicap is low cost labor of countries like Japan and the Philippines and Switzerland's official protection of their embroidery industry. The protection that the United States provides for its labor force in minimum wage and other labor legislation plus the growing demands of unionized labor for higher wages, more fringe benefits and the like, make American labor costs the most expensive element in American production, far more expensive than the labor costs faced by industry in any other nation of the world.

Foreign countries with Schiffli machinery have adopted a policy directly the opposite of this country's. They have erected immovable tariff walls against our product, in order to protect their own Schiffli industry. They have provided government financial support for capital investment, training of employees, and marketing. I might add, a good deal of this financial support has derived from American monies, supplied through our often misdirected foreign aid program.

Sylvia Porter, in one of her articles the week of May 11, 1970, called attention to the fact that Japan was able to purchase our cotton with a loan at 6% from the Export-Import Bank, whereas borrowing costs for domestic firms run 10% or better and Japan herself charges the Export-Import Bank 7% on loans.

The contrast between European, Japanese and American Schiffli industry conditions is very evident. While Europe has been able to raise prices and is quoting six month deliveries, here in America machinery is standing idle, workers are leaving our industry, and unemployment rolls in the North Hudson area are swelling. According to the 1969 Switzerland Economic Survey by Union Bank of Switzerland: Order volumes in the embroidery industry registered a gain. Demand focused to an increasing extent on special articles and fashion items. The average price per kilogram of embroidery products therefore rose from approximately Fr. 95 in 1968 to more than Fr. 100 in 1969.

The shortage of labor prevented some embroidery mills from switching over to double shift schedules, which became necessary owing to the increased order volume. Since delivery terms consequently became longer, the embroidery industry lost orders from the fashion industry whose delivery dates cannot be postponed.

In 1969, domestic sales of the industry came to about Fr. 12 million. Total exports of embroidery, including embroidered fashion items, rose from Fr. 165 million in 1968 to an estimated Fr. 180 million in 1969 with approximately 35% going to the Common Market and about 20% to EFTA countries, and the rest going overseas to countries such as the United States.

Switzerland which probably has the highest standard of living and pay scale of all our competitors falls woefully short of our wage scales.

According to the Swiss Embroidery Trade Journal under the heading "Tariffs, Wages" pay scales for October, 1969, compared to our rates are as follows:

	Switzerland	United State
Male workers, per hour:		
Watcher, automat	\$1.08	\$2.71
Spanner	1.33	2.57
Shuttler	.82	2.26
Male employees, per month: Supervisor (Stickermeister)	430.13	[1] 2.96
Female workers, per hour:		
Watchers, automat	.88	2.36
Menders	.86	2.71
Shuttle girls	.76	2.26
Piece sewers	.84	2.41
Quality control girls	.85	2.16

[1] Per hour.

With up to 70% of the cost of production of embroidery the cost of labor, the exact percentage varying with the type of work currently in demand, one can see how unfair competition is for American manufacturers as compared to foreign Schiffli manufacturers.

In April, 1966, in northern New Jersey, 2624 workers in union Schiffli embroidery manufacturing plants were working more than 100 hours per month and entitled to Welfare Fund coverage, whereas in April of.this year, when only 80 hours per month were required for eligibility, only 2004 were working.

April, 1969, the figure was 2209
April, 1968, the figure was 2343
April, 1967, the figure was 2401

Thus, despite a growing economy, we have, without technological innovation, a rapidly decreasing work force.

The Census Bureau reports on the Schiffli Machine Embroideries Industry in the 1967 Census of Manufacturers showed the following compared to 1963, based on 608 establishments.

	1967	1963
Value of products shipped	99.6	97.4
Average employment	5,400	6,100
Payroll ... Million	$30.5	$30.5
Production workers man-hours ... do	10.4	11.9
Capital expenditures ... do	$0.1	$2.4

The fierce competition of low labor cost foreign manufacturers has discouraged capital investment in the embroidery industry during the past few years.

WHY SHOULD CONGRESS BE CONCERNED

The Schiffli lace and embroidery industry is a defense industry and has been so declared by the United States Government. It was the only industry that the Government could turn to whenever necessary for all the shoulder patches and insignia that the United States and the other Armed Forces needed. Today, we manufacture the NASA emblems.

It cannot be said that the Schiffli embroidery industry is an industry vital to the safety of the United States in the event of enemy attack but it is certainly true that shoulder patches and insignia and chevrons are one of the greatest morale factors to our fighting men and to the country in general during time of war and during time of peace. During World War II there were many instances when truckloads of emblems were rushed direct from the factories to waiting airplanes for high-priority shipment to Europe. From the standpoint of morale these emblems, insignia and chevrons are necessary and important and a constantly rising form of embroidery imports could certainly extinguish this source of a morale product.

Although we are the sole manufacturers of the emblems that have been used in all the armed services since the first World War, we do not seek assistance on the grounds of patriotism. During World War II, the entire productive capacity of the American Schiffli industry was placed at the disposal of the President of the United States, for as long as he wished us to serve him, despite the lure of attractive, very profitable civilian business. During the Korean War and present Vietnam conflict we are again voluntarily meeting all government requirements. Yet, it is not on grounds of past service to our country as a defense industry that we ask for relief. We purchase millions of pounds of American-made yarn and materials every year. We pay millions of dollars to American workers, and more millions for our industry services and supplies. Yet, it is not on the basis of dollars or numbers that we plead our cause. It is simply on the basis of what is right, what is just, and what is fair.

It is *right* that an American industry be given the same competitive opportunity in the American marketplace as a foreign industry. It is *just* that an industry that has poured millions of dollars and immeasurable amounts of creativity into our state and our country should not be forced to extinction as a by-product of our foreign policy. It is fair that owners who have invested their skill and capital, and workers who have invested their lives in perfecting their craft shall be given a fair chance to harvest benefits from their investments.

My industry can successfully compete with any other country's industry on the basis of style, quality, delivery, workmanship, originality, or any other qualitative measure. We welcome such competition, because it impels us all to stretch our minds and search for newer, more exciting design ideas. We cannot possibly compete on grounds of price when the starting points, the levels of wages, are so disparate. We ask only the fair chance to present our product before the eyes of the consumer. Let him or her make his choice, but let us not have the choice determined for him by the negotiated death of the American Schiffli industry which dates back to the late 1800's.

We are now faced with a drastic and insurmountable threat to our survival as an industry. Constantly rising imports will unquestionably plunge many, if not all, of our manufacturers over the economic precipice and into the valley of disaster. It is simple economics that a company paying its employees more than \$2.50 an hour cannot hope to compete with a foreign company whose employees earn between \$.80 and \$1.00 per hour. Certainly not when 70% of the cost of manufacture is the cost of labor! How, then, do we meet the competition from countries whose very wage scales are appalling to us? What steps in efficiency and cost control do we take to meet this unfair competition? Shall we run our machines faster? We cannot, because the machinery used in Austria, Germany, Switzerland, and Japan can run as fast, if not faster, than ours. Shall we reduce the wages paid to our workers in order to put us in a competitive cost situation? No respectable member of management or government would suggest such an answer; nor would any labor leader or worker consider such a solution. Do we, then, sacrifice quality to turn out a cheaper piece of work to sell for the same price as the import? The buying public would not stand for this; we, as manufacturers with pride in our skills and our beautiful product could not stomach such negative response and degradation of our art. As a last resort, should we lower our prices to a point below cost? Would any sensible businessman sell his product below cost except in the very short run and as a result of ultimate desperation?

The American Schiffli industry is not seeking to impede United States foreign policy or efforts for greater trade among nations. Neither do we try here to preserve an intrinsically uneconomic or useless industry through selfishness or chauvinism. We are fighting for our survival, a survival threatened by unfair low costs import competition. We are fighting for the preservation of thousands of jobs in six hundred factories directly involved in Schiffli manufacturing and the unknown thousands indirectly dependent on Schiffli for their livelihoods. If realistic import quotas are not imposed immediately, our industry will perish, and with its demise the book will be closed on the economic future of the North Hudson area. We have no wish to be a dimly remembered footnote in that book or have people ask:

Is this how a grateful country showed its gratitude, its faith in the so-called "little people?" Were the Small Business Committees of the Senate and House of Representatives mere facades? Was the Small Business Administration merely a paper agency, whose sole purpose was to provide a shoulder to cry on? Were the pledges of all our recent Presidents to protect and encourage the growth of small business meaningless phrases whose goals were achieved when the votes were counted?

The Schiffli embroidery industry is a large employing group in its area. General business conditions in the Schiffli Area depend on the business in the embroidery industry. Since there is such a strong link in the economy of the whole area of the industry, a weakening of the embroidery industry would do damage to the whole Schiffli Area that might never be repaired.

The loss of the embroidery industry would be irreplaceable to the economy of the towns in the area because of the impossibility of substituting other commercial enterprises for the hundreds of embroidery manufacturing plants. Owners of the embroidery manufacturing and processing plants and their families and the thousands of employees and their families are residents of Hudson and Bergen Counties, maintaining their homes in local dwelling houses and apartments and trading at all times with local merchants and shopkeepers. As a result, the property owners and businessmen have continuously derived substantial incomes that have greatly helped to support the preservation of their real estate and business interests.

If the Schiffli industry is made the sacrificial lamb for freer world trade then West New York, Union City, North Bergen, Guttenberg and Fairview will face the same disaster that New England textile towns sustained when the textile industry moved to the south. Schiffli machines are versatile in that they can embroider on anything a needle can penetrate (cloth, leather, plastics, etc.) but they can only make lace or embroidery. The machines and hundreds of specially designed buildings will close and stand as a memorial to a craft industry destroyed just to please foreign countries who already owe their economic rebirth to our government.

The amount of embroideries produced by the Schiffli industry, as well as the styles, type and quality, are strongly influenced by the dictates of fashion. Except for a few standard types, which have a more or less constant demand, there is little stability in styles. New patterns and designs are being introduced constantly, at great cost to the industry and when a particular kind of embroidery finds favor it may be sold in large quantities for a time until it suddenly gives way to another. Under such conditions, the business done by individual firms in the industry may vary substantially from one year to another. American Schiffli manufacturers have attempted to keep work crews intact and plants operating even if it meant small losses at the end of the year because it takes a long time to train good work crews. Surprisingly, management has been able to maintain an optimistic outlook and convince itself each year that "next year" would be an excellent year with Schiffli very much in vogue enabling firms to once again make a proper profit.

However, a failure on the part of Congress to act *now* to limit imports or raise apparel and textile tariffs would be the final cruel blow to a fight for survival. Thousands of skilled embroidery workers, the majority of whom are middle-aged, would be thrown out of work and forced to seek unemployment compensation. They will become a part of the hard core of unemployed of which the Schiffli area of New Jersey already has too many for they are in an age bracket which is not easily retrained nor can the plants be converted to other uses. They would also suffer an irretrievable loss in connection with the destruction of their current benefits derived from their employees' welfare funds, which include life insurance, hospitalization and surgical benefits, an out-patient clinic and a retirement program.

Statement of Card Clothing Manufacturers Association, Submitted by E. A. Snape, Jr., Chairman, Tariff Committee

SUMMARY

As a relatively small domestic industry, card clothing manufacturers have an important stake in the preservation of a viable domestic textile producing industry which is the principal market for their products. Conversely, the maintenance of this small industry is necessary to assure a reliable domestic source of supply of card clothing—essential to the operation of textile producing machinery.

Therefore:

1. The Association *supports* reasonable voluntary or mandatory limitations on the textile imports into the U.S.
2. We *oppose* any new tariff-cutting authority for the President either (a) to enter reciprocal negotiations, (b) to give compensatory concessions or (c) to eliminate any duty rates of 5 percent or below.

STATEMENT

This statement is filed on behalf of the domestic producers of card clothing through their trade association, the Card Clothing Manufacturers Association. The Association's members, seven companies, produce almost all the card clothing manufactured in this country. Only one company making the product is not a member of the Association.

We wish to go on record as favoring efforts within the Administration and within the Congress to put reasonable limitations on textile imports into the U.S. and we are opposed to any additional tariff-cutting authority being given to the President.

The making of card clothing is a small industry, both dependent and essential to the entire textile industry. Its sales in 1969 were about $4,250,000. We are dependent on a healthy American textile industry to buy our product, and although we have had our own problems with imports of card clothing, we have been a dependable source of supply, particularly in time of war.

IMPORTANCE OF THE INDUSTRY

Without card clothing, no cloth could be made from natural fibers, such as cotton or wool, or from spun synthetic yarns.

Card clothing can best be defined as a belt with metal bristles. The width of the belt and the distance between the metal bristles vary and depend upon the type of fiber with which the card clothing is to be used, and upon the stage at which the card clothing is to be used in the process of manufacturing textiles.

Card clothing is so-called because it is used to cover or "clothe" the parts of carding machines that make the first contact with fibers to be made into thread or yarn. Carding machines straighten, comb, and otherwise prepare textile fibers for spinning. Card clothing of a different kind is used on napping or brushing machines, which raise the ends of fibers in manufactured cloth.

The seven companies that make up the Association's membership are small companies. Four have plants located in Massachusetts. Three have plants located in Connecticut, Pennsylvania, and North Carolina. The decline in domestic production of the industry and amount of imports are given in the following tables:

	Square feet	Value		Square feet	Value
Domestic production:[1]			Imports:[2]		
1960	1,034,337	$5,381,654	1960	215,002	$527,234
1961	807,912	4,182,737	1961	163,183	261,988
1962	851,937	4,634,603	1962	88,891	246,377
1963	753,473	4,214,891	1963	97,490	339,026
1964	752,044	4,136,529	1964	60,145	175,172
1965	884,380	5,032,171	1965	53,907	171,783
1966	852,212	4,870,881	1966	100,012	360,746
1967	697,272	4,119,351	1967	73,895	318,860
1968	665,471	3,950,893	1968	56,181	229,565
1969	687,839	4,248,378	1969	92,308	302,264

[1] Source: Card Clothing Manufacturers Association.
[2] Source: U.S. Department of Commerce, Bureau of Census, FT 110.

A comparison of overage value per square foot indicates the competitive pressure from lower-priced imports under which the industry operates and explains why the U.S. card clothing industry entertains no hopes of exporting:

AVERAGE VALUE PER SQUARE FOOT

	United States	Imports		United States	Imports
1960	$5.20	$2.45	1965	$5.70	$3.19
1961	5.18	1.61	1966	5.72	3.61
1962	5.44	2.78	1967	5.91	4.32
1963	5.59	3.48	1968	5.94	4.09
1964	5.50	2.91	1969	6.18	3.27

The demand for card clothing is not great, as the figures given above indicate. Textile manufacturers must, however, have a continuous supply, both for new textile making machines, and to replace that on existing machines as it wears out. Demand is increased greatly during a military emergency. During World War II the card clothing industry was granted a AA-1 priority for its materials, and textile mills were granted AA-1 and AAA priorities to obtain card clothing. In the event of war, past experience indicates, the demand for card clothing in the United States would increase by more than 50 percent. These larger requirements would result from stepped-up production in the textile industry, and from conversion by many textile mills from one product to another—for example, conversion of a carpet mill to production of blankets would require insertion of a different type of card clothing into a mill's machines.

TARIFF CONCESSIONS

A comparison of the value per square foot of domestically produced card clothing with the value of the imported product (see the table above) shows that the domestic industry would be extremely vulnerable to further tariff concessions.

In spite of our petition to the Tariff Commission in 1964 to exclude card clothing, the Kennedy Round reduced by half the already limited tariff protection, as follows:

	TSUS Item No. 670.52 [1] (percent)	TSUS Item No. 670.54 [1] (percent)
Statutory Rate	20	45
Trade agreements rate before Kennedy round reductions	10	25
Kennedy round reductions:		
Jan. 1, 1968	9	22
Jan. 1, 1969	8	20
Jan. 1, 1970	7	17
Jan. 1, 1971	6	15
Jan. 1, 1972	5	12½

[1] TSUS Item No. 670.52 Card clothing not fitted or attached to carding machine or to parts thereof at the time of importation, made with round iron or untempered round steel wire.
TSUS Item No. 670.54 Same, made with tempered round steel wire, or plated wire, or other than round iron or steel wire, or with felt face, wool face, or rubber face cloth containing wool.

NATIONAL SECURITY

The importance of preventing any further erosion of the already lower price of imports stems from the fact that the product is essential to the textile industry *and* from the fact that the domestic card clothing industry could not be reconstructed if it were to disappear. While the industry's product may seem fairly simple as it is described, the machinery, personnel, and materials are highly specialized. Machinery to manufacture card clothing, called card setting machines, must be specially made. If existing machines were scrapped as a result of financial difficulties in the industry, they could not be replaced quickly from sources in this country.

Personnel to operate the card setting machines are also highly specialized. Training a man in the work takes from three to five years, and only persons who have the proper temperament can become competent in it. Loss of skilled personnel, or a decline in the entry of replacements as men retire, could not be overcome easily.

Materials used to make card clothing are also specialized and are available from very few sources. Only one source supplies the foundation materials for the belts, and only one or two supply the card wire. A decline in the card clothing industry would eliminate these sources of supply, and they could not easily be revived.

Because of the essential nature of the card clothing industry, because a domestic industry could not be reconstructed if it were to disappear in the face of increased imports, and because of the disastrous effect further tariff reductions would have on the domestic industry, we believe the national security demands that tariff reductions should not be allowed to result in the industry's demise or further weakening.

RECOMMENDATIONS

For the foregoing reasons we request that in its deliberations the Ways and Means Committee give earnest consideration to these recommendations:

1. The President shall not be given additional authority—either a) to enter tariff-cutting negotiations or b) to give compensatory concessions to countries inadvertently hurt by U.S. trade restrictions on other product imports.
2. Where an industry's production, or even the aggregate consumption of production plus imports—has been declining there should be no further tariff reduction, not even under the *de minimis* theory of removing tariff rates of 5% or lower, which TSUS Item No. 670.52 will reach on January 1, 1972.
3. Insofar as the overall demand of the card clothing industry depends upon the health of the American textile industry, we strongly support reasonable voluntary or mandatory quantity restrictions on textile imports.

Mr. JOHN MARTIN, Jr., JUNE 5, 1970.
Chief Counsel, House Ways and Means Committee,
Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: As chairman of the Impression Fabrics Group, I am enclosing a report which outlines the serious problems we are faced with due to a rising tide of imports of synthetic impression fabrics from Japan.

Not only are our individual firms endangered, but the entire state of technological art in the United States is threatened with extinction. Since our group provides all the raw materials needed to provide computer print-out, we believe that our industry should be aided so that our nation's business, governmental and defense industries will not be forced to rely upon foreign sources for computer print-out and future technology.

We strongly support HR 16920 and urge its most expeditious passage.

Very truly yours,

BOMONT, INC.,
J. A. SULLIVAN, Jr., *President.*

Enclosures:

This memorandum is submitted by the Impression Fabric Group, an informal association of firms who have common interests in the field of highly specialized technical textiles. A list of members of this Group is included as Appendix A.

The purpose of this memorandum is to acquaint the Government of the United States with the severe problems facing the Group member-firms due to a recent surge of imports from Japan, and a threatened inundation of such imports in the future. Also, it is hoped that through the thorough examination of this problem, appropriate remedies may be found and implemented in order to alleviate the problems we are faced with.

The firms listed in Appendix A are all manufacturers, finishers, jobbers or converters of synthetic fabrics which are specifically designed and produced for use as business machine ribbons, i.e. typewriter ribbons, adding machine ribbons, computer ribbons. The manufacture of these specialty fabrics is a highly technical and critical process requiring absolute precision in construction, weave and finish of the finest synthetic fibers. The difficulty involved in the manufacture of "impression fabrics" is best illustrated by the fact that only a handful of mills in the world are capable of efficiently producing this product. Also, there are only a few companies, all listed in Appendix A, that have the technology necessary for finishing and slitting "impression fabrics".

Impression fabrics play a critical role in our nation's business and military defense. Without them our economy would be forced to return to a handwriting system of paperwork, a thought which, under present circumstances, would be impossible to implement. Perhaps most important, however, is the fact that our computer technology would become inoperable without the print-out capability which is provided by synthetic impression fabrics. Other types of fabrics simply do not work on the high speed print-out terminals of today's computers, so that an absence of synthetic impression fabrics would be disastrous for our economy and our national defense. To reflect upon the consequences which would befall our armed forces and defense commands, without the ability to obtain high speed read-outs of computer process information, reinforces the fact the *synthetic impression fabrics must bear the defense-essentiality label.*

The Impression Fabrics Group members supply directly or indirectly all of the synthetic fabrics to all of the major manufacturers of computers and computer ribbons, including but not limited to: I.B.M., BURROUGHS CORP., LITTON INDUSTRIES, N.C.R., OLIVETTI–UNDERWOOD, HONEYWELL, CONTROL DATA, ADDRESSOGRAPH–MULTIGRAPH, SPERRY–RAND; additionally, and of more than passing interest, is the fact that the single largest user of computer and business machine ribbons is the U.S. Government and its agencies.

The Carbon Paper and Inked Ribbon Association is also highly interested in and concerned with the problems presented by increased imports of both synthetic impression fabrics and finished inked computer ribbons.

This Association is made up of most of the major manufacturers of inked business machine ribbons, carbon papers and general office supplies. These firms provide the research, technology, and manufacturing know-how required to produce a finished business machine ribbon from the uninked, slit fabrics which are supplied by the Impression Fabrics Group. The members of the Impression Fabrics Group, combined with the inkers of their fabrics, comprise the total U.S. industry of inked business machine and computer ribbons. Our interests are joint in respect to this memorandum to the extent that the overall market, and hence this industry as a whole, is being seriously disrupted and injured by Japanese imports of synthetic impression fabrics, and traditional, secure sources of supply are threatened with total extinction due to the severe market disruptions which are projected. Also, both inked and uninked fabrics receive similar tariff treatment under the current U.S. Schedules Annotated.

Broad-woven synthetic impression fabrics are generally entered under Section 338.30 (89) of the Tariff Schedules of the United States Annotated (1968) and are broadly classified as *Woven Fabrics of Man-Made Fibers (Other)*, current tariff rates are 17¢ per lb + 22½% Ad valorem. (See Appendix B).

Pre-slit, uninked and inked fabrics and ribbons are entered under Section 347.60 (20) of the Tariff Schedule, under the classification of *Narrow Fabrics: Of Man-Made fibers: Ribbons: Other* "Typewriter and machine ribbons". (Current rates are 17¢ per lb + 14% Ad valorem (See Appendix B). Finished ribbons also may be entered under Section 676.50; "*Typewriter Parts*" and section 676.52 *Parts . . . other* and may thus pass customs at reduced rates of duty.

Because of these broad and uncertain categories it is very difficult to accurately and officially calculate the amount of imports of synthetic impression fabrics and finished or semi-finished inked ribbons which are brought into the U.S. Market surveys however indicate a growing and dangerous trend toward a flooding of this market with low-priced imports which are sold at levels which cause severe injury to domestic producers.

Appendix C lists the industry consensus statistics concerning imports in recent years, which are now at the 2 million yard per year level. These figures are self-evident indications of a threatening intrusion of imports into the synthetic impression fabrics market which, in total, amounts approximately 20 million square yards per year. Future projections based on current information and pricing structures are indicative of a pernicious trend whereby domestic market disruption would be so severe as to effectively eliminate U.S. production of this nationally vital product.

Primary foreign competition comes from Japan, where, with past assistance from the U.S. chemical industry, sufficient technology has been developed to produce the two largest quantity fabric constructions on a level of quality which is commensurate with the U.S. production.

Competition from the Japanese in this field is particularly difficult to meet, since the exporters of fabrics from Japan concentrate only on the high-volume, mass-production items, leaving it to the U.S. suppliers to provide the low-volume expensively-produced specialty ribbons.

For example, the most widely used computer ribbon in the U.S. is a 20-yard long, 14" wide ribbon for I.B.M. 1403 printers. These ribbons are manufactured by all producers of inked computer ribbons, and are widely marketed through direct distribution, dealers, suppliers, etc. By concentrating on this particular ribbon, the Japanese reduce their waste, and accordingly, their price. The average U.S. Market price for this nylon, which goes into one of these I.B.M. printer ribbons, has been $31.00 per 100 yards. The *landed price* of equivalent Japanese fabrics is now being quoted as low as $26.30 per 100 yards, (*15% less*) and in several cases verbal assurances have been made by Japanese Traders to the extent that *any* price will be bettered in order to get the business.

Most Japanese production of synthetic impression fabrics has come from Toyo Rayon Co., a completely integrated production unit which, through subsidiary companies, produces and spins the yarn, weaves and finishes the fabric, and slits it to the proper widths for business machine and computer ribbons. This complete integration of production facilities, combined with Japanese labor rates, gives Toyo a marked competitive edge, which is hardly affected at all by the minor Tariffs which are applied upon entry into the U.S.

Within recent weeks it has been learned that another giant of the Japanese textile industry, Teijin Co., has entered our market in direct competition to Toyo Rayon which fact can only point to further degradation of prices.

It becomes a near impossibility for U.S. firm operating under U.S. laws to compete with giant foreign monopolies who avail themselves of predatory pricing and unfair practices in order to obtain business in the U.S.

There also exists in Japan the technology necessary to mass produce semi-finished inked ribbons for shipment to the U.S. and ultimate sale to anyone who can reel and box the inked fabric. A surge of imports of inked fabric not only would deprive the Impression Fabrics Group of its market but would further create a chaotic market situation in the finished ribbon field.

The present U.S. domestic synthetic impression fabric industry is finely balanced between a relatively few weavers, finishers, slitters and suppliers, all of whom service the inked ribbon industry by providing technology and new products to match the fast-growing computer and information processing industries.

In the Impression Fabrics Group are many relatively small companies employing from 20 to 150 workers, who are solely dependent upon the processing and sale of synthetic impression fabrics for their livelihood. The larger mills have substantial assets and personnel employed in the production of synthetic impression fabrics, and require such diversification of production and product to maintain well-balanced manufacturing units.

Should the market balance of our industry be seriously disrupted the inefficiencies and reduced returns on investment which would result, would definitely force the larger firms into other areas of endeavor and would cause the extinction of the smaller, more specialized firms, creating severe employment dislocation in each area of production and distribution. A glance at Appendix A, indicated the geographical diversity of the Impression Fabrics Group and although the total effect of employment dislocation would not greatly affect the total U.S. economy, the individual towns and cities would most certainly feel the impact of a few hundred workers added to the rolls of the jobless.

Should severe market disruption occur, not only would local employment problems result but the entire state of the technological art of business machine and computer ribbon production would be lost in the U.S. and our entire industrial, commercial, banking, governmental and national defense systems would be completely dependent upon foreign sources for their very existence. It is for these reasons of economic self-preservation and national interest that we seek relief from our government.

We believe the first step in implementing such relief would be the sub-classification and clarification of present applicable Tariff Sections to specifically include synthetic impression fabrics.

We therefore have respectfully requested the U.S. Tariff Commission to specifically sub-classify synthetic impression fabrics under the appropriate Tariff Schedule Section as follows:

"Fabrics made with man-made yarns, over 12'' width, broad-woven or finished, slit and prepared for inking, inked or in the form of inked ribbons, made from multi-filament yarns, having a thread count usually of no less than 200 threads per square inch, and no more than 320 threads per square inch, with a thickness less than .00075 inch".

We also have respectfully requested that the present subclassification found in Section 347.60(20) Narrow fabrics : Of man-made fibers : Ribbons : Other "Typewriter and machine ribbons" be amended to read:

"Narrow fabrics : of man-made fibers : Ribbons : Other
"Typewriter and machine ribbons, inked or uninked".

Precedent for such sub-classification may be found in Tariff Section 319.21 through 319.29 where cotton fabrics "suitable for making typewriter ribbon" were specifically sub-classified.

Furthermore, we *support, endorse and strongly recommend passage of HR 16920* and all identical bills which are before Congress.

The provisions contained in HR 16920 would limit the degree to which foreign sources could intrude upon, and disrupt our market, and would provide a modicum of market stability thereby assuring continued participation by a United States industry in the increasing advance of the information processing industry.

APPENDIX A

MEMBERS OF IMPRESSION FABRICS GROUP

Bomont, Inc., 1439 Broad Street, Clifton, N.J.
Burlington Industries, Inc., 1345 Ave of Americas, N.Y.
Buss Martin Co., 450 7th Ave, New York, N.Y.
Car-Ken Co., 2 Ackerman Ave, Clifton, N.J.
Dundee Mills, Inc., 2 Ackerman Ave, Clifton, N.J.
Edge Craft Process Co. Inc., 653 11th Ave, New York, N.Y.
Frank Ix & Son, 1450 Broadway, New York, N.Y.
Greenwood Mills Inc., 111 W. 40th St., New York, N.Y.
John Hoye Co., 801 Second Ave, New York, N.Y.
Reeves Bros., 1071 Ave of Americas, New York, N.Y.
Schwarzenbach-Huber Co., 470 Park Ave So., New York, N.Y.
Standard Products Corp., 856 Main St., New Rochelle, N.Y.
Textile Cutting Corp., 150 Fifth Ave, Hawthorne, N.J.
Textile Piece Dye Works, 451 5th Ave, Paterson, N.J.

STEERING COMMITTEE

J. A. Sullivan, Jr., President, Bomont, Inc., 1439 Broad St., Clifton, N.J.
F. Barning, President, Standard Products Corp.
L. G. Hommel, Vice Pres., Schwarzenbach-Huber.

APPENDIX B

338.30 (89) Woven Fabrics of Man-Made Fibers (Other) (Other)

1970	1971	1972
17¢+22½%	15¢+22½%	13¢+22½%

(1)

347.60 (20) Narrow Fabrics: Of man-made fibers:
Ribbons: Other "Typewriter and Machine ribbons"

1970	1971	1972
17¢+14%	15¢+12%	12¢+10%

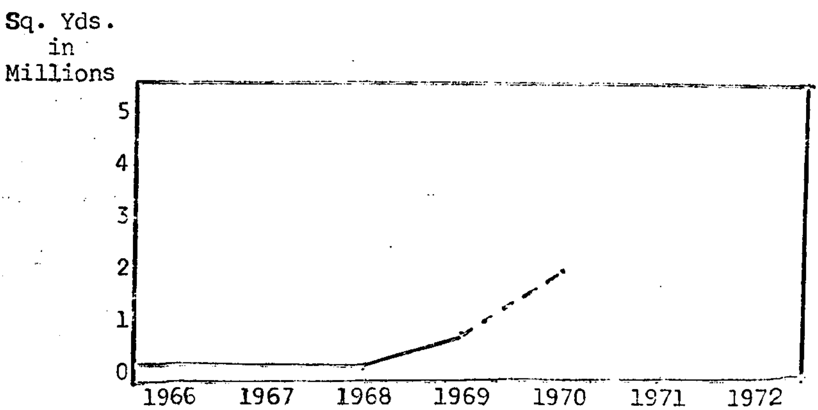
(1) Not over 12″

APPENDIX C

ESTIMATED IMPORTS OF JAPANESE SYNTHETIC IMPRESSION FABRICS

IN SQUARE YARDS

1968 and Prior	1969	1970-Year Projected
NIL	800,000	2,000,000



APPENDIX D

31.92 "Woven Fabrics, wholly of cotton: Suitable for making typewriter ribbon, not fancy or figured, containing yarns the average number of which exceeds 50 but not 140, the total thread count (treating ply yarns as single threads) of which per square inch, counting warp and filling, is not less than 240 and not more than 340, and in which the thread count of either warp or filling does not exceed 60% of the total thread count of warp and filling: Bleached, but not colored."

ASSOCIATION OF YARN DISTRIBUTORS,
East Providence, R.I., May 22, 1970.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MARTIN: We take this opportunity to put our organization on record with the Ways and Means Committee of the United States House of Representatives.

We have gone on record in the past in protest of runaway yarn, fabric and apparel imports into the United States and herein will omit reference to the statistical magnitude of the problem.

Excellence in the manufacture and distribution of food, clothing and shelter items has been a hallmark of all successful, peaceful cultures. In large part, the United States was built by hardworking laborers and investors in these basic industries, not by "concept" companies, filthy mail producers, unbridled protesters or economic theorists.

We have won many a shooting war and yet we are apparently willing to surrender the jobs of our citizens to the economic force of former enemies. Our economic folly threatens to cause millions of current and future Americans to become unemployed or under-employed casualties who will fail to live as proudly or as well as these foreigners who have been handed their jobs. This is no picture painting. In this land today, there are thousands upon thousands of once proud working fathers who are living in despair in the shadow of idled plants; worse still, their children are deprived of life and values as they ought to be. We don't have statistics to show all of the wasted or broken lives that are being lived.

The Textile Industry is one of the most fragmented industries, and more than most industries, investment comes from widespread sources and pricing is extremely competitive as shows up in the low industry returns on sales and capital. There is no shortage of domestic competition, although there has been a big shortage of federal grants (unlike many industries), fairness in cotton pricing to our overseas competitors, and control of past voluntary import agreements, just to mention a few slights.

Now we are looking for Congress to act and give us a sensible and fair program for textile and shoe imports. Voluntary agreements do not seem to work, even when we make them in good faith. Our last four Presidents have voiced good intentions but have failed to get the job done. Sympathy will not help the dead and although it is of some comfort to the ailing, a good doctor is better. Certainly, conditions which cause a steady stream of mill closings, bankruptcies and the half lives of those condemned to die are at least worthy of prompt attention and action. Only by a fair and final clarification of the rules of the game can a textile worker or investor receive a measure of justice.

Finally, our nation cannot raise only space age scientists, engineers and brain surgeons; our national strength depends upon a diversity of talent, not the least of which is that employed by people who produce our basic goods as opposed to services.

Our textile workers, executives and investors have struggled for years and neither we nor our country can afford to see our industry sacrificed, because in many, many cases there is no alternative employment for our skills, experience and machinery. These are the people who have participated in work-ins, fought, cursed and died at home and abroad to *raise* the American Flag over their endeavors. It is well to consider first-rate world goals and political niceties, but it is now time to act on behalf of first-rate Americans.

Sincerely and respectfully,

MARS J. BISHOP, *President.*

Statement of Howard C. Johnson, on Behalf of Certain Domestic Manufacturers of Knotted Fish Netting and Fishing Nets

The following statement is respectfully submitted to the Committee on Ways and Means in connection with its hearings on tariff and trade proposals, as announced by Chairman Mills on May 4, 1970. This statement is made in lieu of a personal appearance. In accordance with instructions of the Committee, a summary of the comments and recommendations contained in this statement has been included immediately following this page.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

This statement is made on behalf of the eight domestic manufacturers of fish netting and nets who account for over 85 percent of the total U.S. output of these items.

Nettings, and the nets made from netting, are the primary requisites of commercial fisheries. The U.S. fisheries, in addition to harvesting an extremely important source of protein food, perform a vital function in providing part of the nation's industrial oil supply.

Fish netting and nets made of cotton have gradually been replaced by netting and nets made of more durable synthetic materials. The long-term cotton textile arrangement of 1961 thus cannot exercise control over the deluge of imported Japanese fish netting and nets to the United States which has occurred over the past five years.

Japan, which produces about half of all fish netting in the world, has already managed to capture over 50 percent of the U.S. market for cotton netting, despite the long-term cotton arrangement. Already, she has increased her share of the domestic synthetic netting market from 9 to 22 percent over the past five years. Unless immediate action is taken, Japan will accomplish in the synthetic netting market what she has already shown she can do in the cotton netting market. The quota provisions of H.R. 16920 are needed to prevent the domestic fish netting industry from being driven completely out of business by Japanese imports of synthetic-fiber fish netting and nets. In addition, the escape clause revisions contained in H.R. 16920 should be enacted to afford ready relief from future injurious imports.

THE INDUSTRY

The eight domestic manufacturers of fish netting and nets for whom this statement is submitted (see attached list) account for almost all of the U.S. output of knotted fish netting, and for more than 85 percent of the output of all fish netting and nets.[1]

These producers are situated for the most part in small cities or towns located in Alabama, New England, Michigan, Tennessee, Texas, and Washington. All but one producer are small independent operators, making fish netting chiefly or exclusively and employing under 50 workers per plant. Total direct employment by the industry aggregates about 300.

Fish netting is made on large automatic looms that are efficient only when operating full time. Most of the industry works on a two or three shift basis, but rarely does any plant have all equipment in use at the same time. Currently the industry as a whole is operating at well under 50 percent of capacity, which keeps costs high.

Netting, made from vegetable or man-made fibers, and nets fabricated from such netting, are the primary requisities of commercial fisheries today. Without nets commercial fishermen do not fish. The vessels, boats, and other gear used by them are all auxiliary to the operation of the nets.

The U.S. fisheries have a vital part in supplying the nation's needs for protein food and for part of its industrial oil supply. The fish meal produced from nonfood fish and from fish offal is also a very important part of the food supplement in feeding poultry and livestock.[2]

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[1] Based on production data reported by the National Cotton Council of America.

[2] In 1969, U.S. fisheries provided 2.3 billion pounds of human food and 1.8 billion pounds of industrial products, primarily meal and oil. Source: Statistical Abstract of the United States, 1969.

Japan produces about half of all netting used in world fisheries.[1] U.S. manufacturers of fish netting are concerned with the serious impact of Japanese imports of netting (and nets fabricated therefrom) produced from man-made fibers.

Nylon and other synthetic materials are now the principal fibers used for making fish netting. Nylon, being resistant to moisture, mildew and rot, lasts as a net material about 4 times as long as cotton. The displacement of cotton by nylon has thus reduced the size of the market for nets and netting.

Labor represents about 30 percent of total costs of production of netting, and materials represent about 55 percent. Not only do the Japanese producers have a substantial advantage over U.S. producers in lower labor costs, but they also have an advantage in sharply lower material costs. Certain popular sizes of nylon yarn, the major constituent of nylon netting, are reportedly sold in Japan at one-third their price in the United States.

JAPAN HAS CAPTURED OVER HALF OF THE U.S. MARKET FOR COTTON NETTING

Japan, aided by the duty reduction in 1955, and by means of persistent price cutting early in the decade,[2] became well established in the U.S. market during the 1950's. No data are available on shipments of cotton netting by the domestic industry during this period. However estimates of production recorded by the National Cotton Council and by the companies represented here, indicate that from 1960–69 imports grew to supply as much as 70 percent of the market (see Appendix I). Japan has been the chief supplier.

The decline in consumption as well as in imports during the last decade, as indicated by the table, reflects the gradual displacement of cotton netting by netting made of synthetic fibers. In addition, the long-term cotton textile arrangement entered into by the United States and other countries in 1961 has had its effect on imports of fish netting and nets made of cotton. Despite these two factors in 1969, Japan exported 325,000 pounds of cotton fishing nets and netting, and of this total, 46 percent went to the United States.[3] Next to Burma which took 47 percent, we were her best customer.

IMPORTS OF SYNTHETIC FIBERS FROM JAPAN HAVE BEEN INCREASING SHARPLY

Fish netting and fishing nets of most man-made fibers were held dutiable under paragraph 1312 of the Tariff Act of 1930 as manufacturers of filaments, fibers, yarns, or threads of rayon or other synthetic textile. In 1948, pursuant to the General Agreement on Tariffs and Trade (GATT), the rates of duty provided in the 1930 Act were reduced nearly 50 percent, namely, from 45 cents per pound and 65 percent ad valorem to 27½ cents per pound and 35 percent ad valorem. In 1951, by reason of the Torquay protocol to GATT, the specific rate was reduced from 27½ cents to 25 cents per pound. In 1956 at Geneva, GATT, "gill nets or netting or synthetic textile" were carved out of this basket at no change of duty, namely 25 cents per pound and 35 percent ad valorem. The rates of duty on the balance of this paragraph (1312), including all other fish netting and fishing nets of rayon or other synthetic textile, were reduced to 25 cents per pound and 30 percent ad valorem.

Under the Tariff Classification Act of 1962 the rates of duty on gill netting or nets and all other fish netting or nets were averaged to produce a rate of 25 cents per pound and 32.5 percent ad valorem, which is the current rate. The provision was broadened in scope to include netting or nets of textile materials other than vegetable fiber.

Despite the presence of tariffs, the same pattern of regional market impact and price cutting which Japan used so successfully with cotton netting is strikingly evident as she now penetrates deeper and deeper into the U.S. synthetic netting market. Japan dominates the world as the chief supplier of fish nets and netting of synthetic fibers. Her world exports of such products in 1969 were at a rate nearly eight times the total of U.S. production (see Appendix III). The chart in appendix III shows Japan's tremendous export capability. With very little effort, she could wipe out the U.S. domestic industry simply by directing more of her exports to this country.

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[1] *National Fisherman*, June 1970.

[2] Average unit values of imports from Japan from 1951 to 1955 are: 1951—$1.08; 1952—$.94; 1953—$.91; 1954—$.89; 1955—$.79. Source: Bureau of the Census.

[3] Japan Exports, Ministry of Finance, published by the Japan Tariff Association.

Japan accounts for almost all of the imports to the United States of netting and nets of synthetic fibers (Appendix I). From 1964 on, she has steadily increased her exports to this country. Over the past five years imports from Japan have increased almost 200 percent and she now has over 22 percent of the domestic market. Unless there is some regulation of her exports into this market Japan will swamp the United States with imports and force out of business an industry which is necessary for defense and vital for the survival of our country in event of all-out war.

RELIEF FOR THE INDUSTRY

The fish netting industry asked for relief from increasing imports in 1968, when the undersigned testified before this Committee during hearings on trade legislation very similar to that under consideration now.

As the statistics on imports show, relief is even more desperately needed in 1970. Appendix II estimates the ratio of imports to consumption at over 25 percent, and the rate of growth is extremely alarming over the past five years.

H.R. 16920 notes the inadequacy of the long-term cotton textile arrangement of 1961 to cope with the growing volume of synthetic textile imports. Appendix I dramatically illustrates the truth of this assertion, showing how the decline in cotton fishnet imports has been more than matched by the growth of imports of synthetic fish netting, particularly from Japan.

Fishnets and netting come within the definition of "textile articles" as defined in Sec. 106(a) of the bill; pursuant to Sec. 106(c) of the bill, the appropriate "categories" into which fish netting and nets fall are described in Tariff items 355.35 and 355.45, as determined by the Secretary of Commerce.

The domestic manufacturers of fish netting and nets represented herein strongly support the quota provisions of H.R. 16920. The experience of the last five years has shown that tariff rates are not sufficient to control the increasing volume of imports; quotas must be established to bring about an orderly trade in textile articles. This is especially true with regard to articles of man-made fibers, such as nylon, which are not subject to the long-term cotton textile arrangement of 1961.

In addition to quotas, there is a definite need for a workable escape clause provision. Title II of H.R. 16920 represents a much-needed revision of the ineffectual trade adjustment provisions of Sec. 301 of the Trade Expansion Act of 1962. The present criteria for an affirmative finding by the Tariff Commission regarding injury in an escape clause investigation has proved too difficult to meet. Out of some 47 petitions for relief filed under Section 301 since enactment of the 1962 Trade Expansion Act, only 3 industry and 6 worker petitions have received an affirmative finding, and no firm or company petition has met the criteria. The difficulty has been in linking increased imports with previous trade agreement concessions, and further, in requiring that the increased imports be the major factor in causing, or threatening to cause, injury.

The domestic fish netting industry strongly supports the changes to the escape clause provisions presented in Title II of H.R. 16920. They, with the quota provisions of Title I of the bill, should enable this beleaguered industry to keep its head above the rising waters of imports.

DOMESTIC FISH NETTING MANUFACTURERS

Bayside Net & Twine Company, P.O. Box 951, Brownsville, Texas 75821.
Commercial Fishing Supplies, Inc., East Haddam, Connecticut 06423.
First Washington Net Factory, Inc., Fourth Street, Blaine, Washington 98230.
The Fish Net & Twine Company, 927 First Street, Menominee, Michigan 49858.
Hope Fish Netting Mills, Hope, Rhode Island 02831.
The Linen Thread Company, Indian Head Yarn & Thread, A Division of Indian Head Mills, Inc., Blue Mountain, Alabama 36201.
Nylon Net Company, 7 Vance Avenue, Memphis, Tennessee 38101.
Starr Net & Twine Company, Inc., 12 Summit Street, East Hampton, Connecticut 10624.

APPENDIX I.—FISH NETTING AND FISHING NETS: U.S. IMPORTS FOR CONSUMPTION, TOTAL AND FROM JAPAN, AND ESTIMATED U.S. SHIPMENTS AND CONSUMPTION, 1960–69

Item	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Of Cotton (1,000 pounds):										
Imports:										
Total	416	357	277	88	133	109	95	107	99	71
From Japan	320	258	234	70	110	62	67	83	92	58
Domestic shipments	1,650	1,163	784	411	363	352	261	119	46	30
U.S. consumption	2,066	1,520	1,061	499	486	461	356	226	145	101
Share supplied by imports (percent):										
All countries	41.8	46.5	45.9	26.0	39.6	34.5	26.7	47.3	68.2	70.3
Japan	32.1	33.6	38.7	20.7	32.8	19.7	18.8	36.7	63.7	57.4
Of synthetic fibers (1,000 pounds):										
Imports:										
Total	390	365	240	214	153	259	416	640	639	713
From Japan	372	311	210	200	148	251	398	561	548	662
Domestic shipments	1,650	1,734	1,800	1,850	1,800	2,159	2,344	2,252	2,230	2,260
U.S. Consumption	2,040	2,099	2,040	2,064	1,953	2,418	2,750	2,892	2,869	2,973
Share supplied by imports (percent):										
All countries	20.4	22.9	13.4	12.8	9.4	12.1	15.1	22.1	22.3	24.0
Japan	19.5	19.5	11.7	11.9	9.1	11.7	14.5	19.4	19.1	22.3

Source: Imports from official statistics of the U.S. Bureau of the Census; domestic shipments from National Cotton Council and data supplied by domestic producers.

APPENDIX II

FISH NETTING AND FISHING NETS: U.S. PRODUCTION AND IMPORTS 1960-69

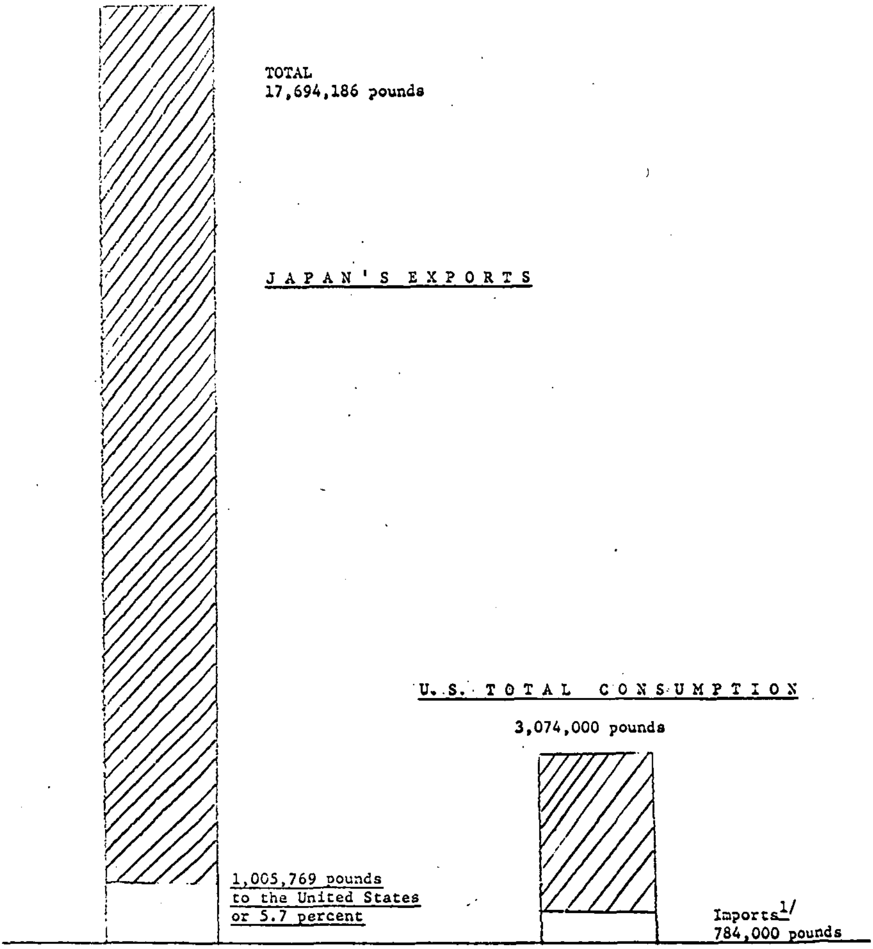
	1,000 pounds production	1,000 pounds imports	1,000 apparent consumption [1]	Ratio imports to consumption (percent) [2]
1960	3,230	806	4,036	20.0
1961	2,907	722	3,629	19.9
1962	2,584	517	3,101	16.7
1963	2,261	302	2,563	11.8
1964	2,153	286	2,439	11.7
1965	2,511	368	2,879	12.8
1966	2,605	511	3,116	16.4
1967	2,371	747	3,118	24.0
1968	2,276	738	3,014	24.4
1969	2,290	784	3,074	25.5

[1] Equals production plus imports. Shipments coincide very closely with production; exports are believed to be negligible.
[2] Estimated.

Source: National Cotton Council and U.S. Bureau of Census, except as noted.

Appendix III

Fishnets and Netting: Japan's Exports to All Countries and to the United States and U.S. Total Consumption, 1969.



1/ U.S. imports understated because of classification limitations.

Source: Official statistics of countries concerned.

THE UPHOLSTERY & DECORATIVE FABRICS ASSOCIATION OF AMERICA,
New York, N.Y., June 23, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

GENTLEMEN: Your committee welcomes information which may contribute toward your decision in attaining the best means toward the import quota bill, proposed H.R. 16920.

The members of our organization are comprised of jobbers to the interior designers. Our imported fabrics are practically all not competitive to the domestic market, and highly styled and fine quality, thereby upholding artistically fine standards in our home decorative field.

It appears that you could consider a separate paragraph to exclude importations of these artistic fabrics not obtainable in our domestic market.

We ask the privilege of presenting our facts potent to our statement, and helpful toward maintaining our quality market.

Sincerely yours,

PETER C. APEL, *President.*

WOVEN LABEL MANUFACTURERS OF UNITED STATES OF AMERICA,
New York, N.Y., May 20, 1970.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. MARTIN: We wish to present the following statement in support of Bill H.R. 16920:

Woven labels are currently manufactured by some 40 to 50 companies with plants located in 15 states. The annual volume is estimated at $27,000,000. According to U.S. Tariff Commission Publication #267, Schedule 3, Volume 6, dated October 1968, imported woven labels, primarily from Japan, accounted for 34% of the entire American market in 1966, the latest full reporting year.

During the past few years, the growth rate of our industry has lagged substantially behind the national average. This has been due to the accelerating rate of imports which has caused several old established firms to permanently close their doors. Leaders in our field today, while operating the most advanced looms in the world, find that the same looms are available and in production in other countries where the employees tend them at wages 70% to 80% lower.

Our industry does not consider itself expendable for the furtherance of world trade. We manufacture woven insignia for all the armed forces, by the tens of millions, as well as labels for armed service apparel. We suggest that a reasonable limit be placed on the importation of our product before there is further deterioration in the health of our industry.

Thanking you for all possible consideration, I am

Cordially yours,

MAX L. KAHN.

PHILADELPHIA TEXTILE ASSOCIATION,
Philadelphia, Pa., May 27, 1970.

COMMITTEE ON WAYS AND MEANS,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.:

STATEMENT ON FOREIGN TRADE

The following statement is made on behalf of the Philadelphia Textile Association representating approximately 70 firms actively engaged in the textile industry in the Philadelphia area by Robert E. Putney, Jr., President of the Association.

SUMMARY

The textile industry in the United States badly needs some form of protection from imports. The level of these imports is extremely large and growing at what seems to be an accelerating rate causing not only a lack of growth in the textile industry but in fact a decline in the level of employment.

Because our level of technology is no higher than that of other nations, we are able to be undersold in the domestic market solely on the basis of low relative wage scales.

Under present legislation it is extremely difficult, if not impossible, for the small firm (which is most hurt by these imports) to establish damage and, further, these are the firms least likely to be heard from in hearings such as this. For these reasons we support a limitation on the level of imports of textile items on some basis which will realistically protect the national interest and prevent low wage imports from driving the domestic producers to abandon the industry.

NEED FOR PROTECTION

Figures recently released by the Department of Commerce for the first quarter of 1970 indicate that the combined total of textile imports reached the astronomical total of 1,021,000,000 square yards which is one-third higher than the same period in 1969. This is the equivalent of almost five square yards for every man, woman and child in the U.S. and must of necessity be a sizeable portion of the total consumption. This is especially so in the fact that this excludes imports of clothing which have also tripled since 1960.

In dollar value this first quarter of 1970 import level amounts to $420,000,000 or 75% of the total 1960 imports. Extrapolated on an annual basis, this will bring 1970 imports to the $1,680,000,000 level or almost double the 1967 level. It is not hard to see why the total employment in the textile mill products group (2 Digit SIC 18) has shown very little growth. In 1958 there were 903,000 employees in the industry. This had fallen to 863,000 by 1963 and had risen to 931,000 by 1967—a performance which rates rather badly compared to our growth in gross national product. The change in the State of Pennsylvania is even more startling. While employment in all manufacturing has risen from a 1950 total of 1,480,000 to 1970's 1,549,000, textile product employment has shown a decline from 135,000 to 67,000.

TECHNOLOGY

It is a well known fact that we have no technological superiority in textile manufacturing over our competitors in Europe and the Far East. Manufacturing facilities equal to those in the U.S. have been and are being built in other areas of the world and there is no body of proprietary knowledge which gives us an advantage in manufacturing these goods.

The basis of competition therefore boils down to a matter of comparative wage rates alone. All other countries of the world are considerably below the U.S. It is solely on this basis that other nations can ship into the United States at prices below the domestic cost of manufacture. In the absence of import quotas or duties sufficient to counterbalance this wage rate difference, we can only look forward to a further dependence on overseas sources of supply of textile fabrics. We also expect a future decline in our ability to product textiles as well as a reduction in the number of jobs in this industry. As point in fact. two closings in the State of Maine were announced during the week of May 11th indicating the loss of over 1,000 jobs due to the closing of a sheeting operation in Biddeford and a woolen mill in Dexter.

Your Committee and the Congress as a whole has the burden of determining to what extent our domestic textile industry is expendable and how many jobs we can afford to give up in this line.

SILENT MINORITY

Although concentration in the textile industry has grown in recent years through mergers and acquisitions, the industry is still largely made up of small firms specializing in distinct segments of the total such as weaving, dyeing, finishing, yarn making, etc. Many of these firms find it impossible to make their voice heard because of the normal pressures of their business and because of the low margins which prevent hiring of lobbyists and in some cases because the associations to which they belong are reluctant to take a stand on matters of imports.

This is even more true of those small firms who have been forced out of business due to overseas competition. Little or nothing is ever heard from these firms and often they do not realize that their demise is a direct result of the burgeoning flow of imports. It seems therefore highly likely that this minority of firms forced out of business will never be heard from in hearings such as this and yet they are the ones who have already lost the most because of the growing flood of the wage imports.

WE SUPPORT A LIMIT ON IMPORTS

For the above reasons the Philadelphia Textile Association (itself unable to spend much time or money gathering technical data) supports a reasonable limit on the level of imports of manufactured items. It should be noted however that since we compete internationally we feel that we should not have to pay a premium on raw materials and hence have excluded imports of these items from our discussion.

We recognize the unique responsibility of your Committee to recommend to the Congress appropriate action and, particularly on the behalf of small business firms, urge a prompt direct limitation on levels of imports and a plan by which such imports would be permitted to grow no faster than our domestic industry.

ROBERT E. PUTNEY, Jr., *President.*

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., June 3, 1970.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR MR. MILLS: This letter sets forth the views of E. I. du Pont de Nemours and Company (Du Pont) with respect to some of the tariff and trade proposals presently under consideration by the House Ways & Means Committee. It is requested that this letter be made a part of the record of the present hearings of this Committee.

In June 1968 this Committee held hearings on certain tariff and trade proposals and at that time Du Pont's views were presented by its vice president, Dr. David H. Dawson. In particular, Dr. Dawson directed attention to the serious import problem faced by the domestic textile industry and expressed Du Pont's conviction that domestic man-made fiber producers, of which Du Pont is one, would be seriously and adversely affected should the Congress fail to recognize the domestic industry's serious import problem. Dr. Dawson expressed Du Pont's support for the domestic textile industry in its efforts to have the Congress enact appropriate textile quota legislation. Since that time, as you know, the textile import problem has worsened and efforts to deal with it on the basis of voluntary agreements with other nations have proved unsuccessful. Du Pont reafirms its support of efforts to have Congress enact appropriate textile quota legislation and, in particular, urges enactment of H.R. 16920 presently pending before this Committee.

In 1968 Dr. Dawson analyzed in great depth the impact on Du Pont of the Supplemental Agreement Relating Principally to Chemicals. Among other views, he stated that insofar as Du Pont is concerned implementation of the special Geneva agreement on chemicals will not substantially increase Du Pont's export sales nor importantly enhance Du Pont's competitive position in world markets.

In 1970 Du Pont updated its study on the effect of the supplemental agreement and reached the same conclusion it had reached in 1968. Thus, Du Pont still fails to understand how the United States, the domestic chemical industry and Du Pont will gain should the special agreement be implemented.

Only recently Du Pont's president, Charles B. McCoy, expressed Du Pont's views on current major international trade problems seriously affecting Du Pont. A copy of these views, presented at a Department of Commerce symposium held on May 13, is attached and it is requested that they too be made a part of the record.

Very truly yours,

SAMUEL LENHER, *Vice President.*

Enclosure.

REMARKS BY CHARLES B. MCCOY, PRESIDENT, E. I. DU PONT DE NEMOURS & CO., AT A MEETING SPONSORED BY THE U.S. DEPARTMENT OF COMMERCE, WASHINGTON, MAY 13, 1970

I am glad that this meeting is being held. World trade, with all its problems and opportunities, is inevitably a joint concern of government and business. We're the first to acknowledge its complexities and we thoroughly understand that many aspects of it have broad national implications and consequences. A chance like this one to exchange views and solicit each other's cooperation is a constructive step.

Although some experts may attribute special or technical meaning to the word "multinational," for my purposes this morning it simply means a company that makes and sells goods in many countries of the world, a definition that covers the activities of many people in this hall.

Although our international business is small by some yardsticks, Du Pont does qualify as a multinational company, not only because more than 20 per cent of our total sales, employment, and investment are outside the United States, but also because we run the business as a worldwide enterprise and look to non-U.S. markets as a major source of our future growth. We believe that more and more of the world's business will be done by multinational companies, whether their country of origin is in Europe, Asia or the Western Hemisphere. In Europe, Latin America, Canada and Japan we are increasingly facing able competitors who not only have sophisticated technology and products but also benefit from favorable taxation and other forms of assistance and encouragement from their governments. The so-called technological gap has all but disappeared, at least in most parts of the chemical industry, if, indeed, it ever existed.

It seems to me that world business is in something of a transitional stage, with the multinational company having reached maturity before law and custom and attitudes are completely ready for it. It is clear that the old, somewhat narrow interests that once shaped the philosophy of a large business enterprise have been broadened and, consequently, made more complex. We are no longer protectionists or free traders, nationalists or internationalists, importers or exporters, hard-money or soft-money people. We are, instead, businessmen who cope with conditions as we find them as we attempt to operate successfully within the widely divergent laws and policies established by many governments around the world. Our positions may not always seem consistent when measured by older—and perhaps clearer and more comfortable—catchwords, but we believe they are not paradoxical or contradictory when viewed against the backdrop of the world business scene.

Let me illustrate what I mean by two examples that also may suggest the kind of understanding and support we need from government.

The first involves the quantitative import restrictions on wool and man-made fibers, fabrics and garments imposed by European nations. These restrictions, which have been identified and catalogued by our own government, tend to deflect textile exports, especially from the Far East, into the United States. European countries, traditionally larger textile imorts than we, are now importing proportionately less, while the United tSates, the only major unrestricted market in the world for man-made fibers and products made from them, is taking in proportionately more.

This fact, plus calculated and determined exploitation of the U.S. market by Japan and others, has created a situation about which something must be done. Imports of man-made fibers and products have grown rapidly. In apparel, for example, such imports measured in equivalent square yards rose 62 per cent in 1968 and 64 per cent in 1969. Imports accounted for between 8 and 10 per cent of all U.S. consumption of man-made fibers and products last year. The textile trade deficit was $1.4 billion for 1969, compared to $1.1 billion the year before. And the situation has worsened in 1970.

If the scope of the present problem is clear, so also is the handwriting on the wall. Largely under Japanese leadership, the textile industry of Southeast Asia is expanding vigorously. Based on present patterns of trade, exports to the United States of apparel made of man-made fibers from Japan, Hong Kong, South Korea and Taiwan are expected to almost double by early 1971 as compared with 1969.

As you know, in Japan government and business are closely intertwined and national policy is deliberately planned and used to increase exports, with the Japanese textile industry one of the prime beneficiaries of that government support.

The United States textile industry, faced with this fact, must look to Washington for help. A sick textile industry, unable to plan its capital programs, inevitably means the export of some of the 2.3 million U.S. jobs now dependent on this business. Secretary Stans' diligent efforts in this situation to negotiate a solution in the form of an agreement for voluntary quotas are admired and appreciated. But, we are sorry to see, so far they have been unsuccessful.

Now, we conclude, the only solution is Congressional action limiting the quantities of man-made fibers and products that can be imported into this country. Therefore, our response in this case is to advocate the imposition of import controls, urging passage of the bill introduced by Congressman Wilbur Mills.

My second case centers around the difficulties created for the domestic petrochemical industry by the Mandatory Oil Import Control program. Because this program restricts imports of foreign petroleum, U.S. petrochemical manufacturers do not have access to the low-cost raw materials available to overseas chemical producers. The costs of petrochemical feedstocks are higher in the United States than in Europe, a serious implication for the international trade balance. In addition, the higher cost of feedstocks provides an incentive to locate plants abroad rather than in the United States. Both aspects of this problem were acknowledged in the recent report of the Cabinet Task Force on Oil Import Control and the Separate Report.

Du Pont's response to *this* situation has been to urge the *relaxation* and *removal* of petrochemical feedstock import controls.

In neither case does Du Pont's response stem from a protectionist or free trade philosophy. Rather, it reflects the fact that we must deal with things as they are in the real world—and we must have the understanding and support of government. In the long run, the actions taken stand or fall on whether or not they are in the best interests of the public.

In this connection, I think that industry thoroughly understands the need for negotiation in international trade matters. However, we are critical of bargains in which more is given—at our expense—than is received in return. The American Selling Price case is an example. Under a separate package negotiated at the time of the Kennedy Round, the American Selling Price system for customs valuation of certain chemicals would be eliminated and American tariffs lowered further in return for certain reductions in foreign tariffs. In our view the reductions proposed would offer little export opportunity in exchange for the sacrifices. It was simply a poor bargain.

We are now being told that ASP should be eliminated because of its great symbolic importance to our trading partners and in order to convince Europeans that the United States is really interested in negotiating the reduction of nontariff barriers. No concrete action by foreign powers is being proposed or sought as a direct response. This argument is not persuasive either. Nothing plus nothing still equals nothing.

The effect of foreign direct investment on the U.S. balance of payments, particularly in the case of a multinational company, is frequently discussed. We in Du Pont consider it important to correct the chronic deficit in the U.S. balance of payments. However, we do not think control of foreign direct investment is the right way to approach the problem.

During the past five years, while Du Pont has expanded its overseas investment very substantially, our export sales have increased annually. During this period, Du Pont's net positive contribution to the nation's balance of payments has exceeded $1 billion—the excess of total receipts from abroad, principally from exports, over funds from U.S. sources expended abroad, including imports and foreign investment.

It has been our experience that foreign investment stimulates U.S. export business. Many cases demonstrate that increased exports directly resulting from new overseas manufacturing facilities have exceeded the overseas investment. Possible displacement of U.S. exports by foreign investment is usually overemphasized, we think. In most cases, manufacture abroad is necessary to obtain or retain a market that will be closed to U.S. exports in any event. If Du Pont does not build the local plant, someone else will.

There seems to be widespread agreement in both government and industry that the existing controls on foreign direct investment are self-defeating and will have serious adverse effect on the U.S. balance of payments if continued indefinitely. Of more immediate significance, the foreign investment regulations discourage export sales since any increase in trade receivables from foreign subsidiaries—the natural consequence of increased exports—is considered to be a transfer of capital. There are special exemption procedures designed to accommodate these situations, but our experience indicates that, as they are administered, the U.S. exporter is penalized as a result of increased sales through foreign subsidiaries.

The foreign direct investment controls were introduced as a short-term measure to provide temporary balance of payments relief, and U.S. industry has generally complied by resorting to various expedients. It has been evident for some time that continuation of the program would involve serious problems, and most of us have proceeded with the belief or hope that the program would soon be terminated. However, it is now necessary to recognize some of these basic problems. One is the conflict between the forced repatriation of earnings versus potential tax penalties; another is the serious financial implications of continuing to borrow overseas while the regulations themselves restrict the ability to repay such borrowings. It is not feasible to develop sound financing and operating plans under these conditions. We are becoming increasingly concerned and believe may others are in the same position, particularly the multinational companies. We think it is now time to begin phasing out the program and to announce a definite schedule for its early termination.

Another major deterrent to increased U.S. exports is the punitive attitude embodied in U.S. tax law and administration, which not only fail to provide incentive for exports, but impose penalties, without parallel for any of our major foreign competitors. Many corporate taxpayers pay U.S. taxes on a substantial part of the earnings of foreign marketing subsidiaries from the resale of U.S. exports, just as though it were income earned by the U.S. taxpayer. Furthermore, the U.S. exporter is required to pay full U.S. tax on profits which, in reality, should be attributed to its foreign marketing affiliate. It is difficult to reconcile this situation with the government's stated interest in promoting U.S. exports.

I indicated earlier that we consider government inextricably involved with the affairs of a multinational corporation. Ultimately, much of our business success is dependent on the attitude and effectiveness of government in coping with the complex and difficult combination of international politics and economics.

I hope that out of this meeting and similar activities, we of the business community will take advantage of this newly opened communications route to tell you in government what we think and why.

I don't think that you will find us unreasonable or blind; we know that political realities are as demanding and binding as economic realities. We are prepared, and I think able, to compete successfully with producers and sellers in Europe, Japan, and other parts of the world, on the basis of technology, productivity, marketing skills, and other business yardsticks. What we need is a business environment in which we are not handicapped by factors beyond our control. Only government can provide that climate.

Statement of Robert C. Wilson, President, Commercial Products Group, North American Rockwell Corporation

SUMMARY

As president of a Group containing a division that is a leading manufacturer of textile machinery, I support H. 16920.

I am particularly concerned about looms which produce broad woven fabrics used in white goods and apparel. Our looms in place in the U.S. have declined from 370,000 in 1960 to 325,000 today largely as a result of steadily increasing imports of broad woven fabrics. As recently as 1966 we were producing 18,000 looms per year. This year the textile industry will purchase only close to 3,000 from us.

The knitting machinery segment of our business is also threatened as foreign imports of knitted outerwear using man-made fibers are increasing at an alarming rate.

Many national governments—Japan in particular—are working closely with their industries. In six major areas—volume, labor, material, plant and equipment, technology and government costs—U.S. industry is being outpaced by foreign industry-government policies and programs.

I suggest that liberalized and new policies involving depreciation allowance, export financing and the formation of a government-industry commission would be of significant interim assistance while we work toward an effective industry-government relationship in the U.S.

TEXTILE LEGISLATION (H. 16920)

Introduction

My name is Robert C. Wilson. I am President of the Commercial Products Group of North American Rockwell. One of the Divisions of the Group is a leading domestic supplier of machinery for the production of textiles. Thus our interests are closely related to those of the domestic textile industry. My comments will be in support of the provisions of House Bill Number 16920 that deal with the textile industry. On a more general basis, they will support the need for close coordination of government and industry as we face the international competitive arena of the 70's.

Textiles

In his statement of May 12, Secretary Stans eloquently depicted the plight of the U.S. textile industry as follows:

"The United States trade balance in textiles can be described in only the bleakest terms. As recently as 1961, we enjoyed an export surplus in textiles and apparel made from cotton, wool, and man-made fibers. This position reversed itself in 1962, and in each subsequent year the deficit of imports over exports has climbed rapidly. In 1966 and 1967 it was just over $500 million, in 1968 it rose to more than $800 million, and last year, it amounted to almost one billion dollars."

Robert C. Wilson

Others have already covered the textile and apparel industries. Thus my comments will be directed to textile machinery—and more specifically to the looms which produce broad woven fabrics used in white goods and apparel.

Loom population

Industry figures indicate that the total sales of loms in the United States has decreased steadily from approximately 22,000 in 1966 to an estimated 5000 in 1970. Our Draper Division is a major domestic producer of these looms. The current installation of new looms in this country is not adequate to maintain the existing loom population. For example, in 1960 there were 370,000 of our looms in place. Today there are only 325,000 in place, a reduction of some 45,000 looms. Some of this loss can be attributed to the fact that the newer looms have a higher productivity factor. However, the major factor is the fact that an increasing percentile of broad woven fabrics is imported.

As recently as 1966, we were producing 18,000 looms. Now the industry is buying at a rate of approximately 5000 per year. The loss of this loom volume has resulted in severe reductions in work force. These reductions are painful for the individuals directly involved. Perhaps of even greater significance are the long-term implications. Lower volume means higher costs for each loom produced. Since foreign loom manufacturers are enjoying increasing volume, their ability to compete grows too.

Knitting market threatened

A similar picture is developing on knitting machinery. Foreign imports of knitted outerwear using man-made fibers are rising at an alarming rate. Since 1968 imports from Taiwan have increased nearly 92%. South Korea's exports to the U.S. are up 54% while Japan's are up by 50%.

While voluntary restraint would be most desirable, it is evident that foreign textiles will gain an ever increasing share of the U.S. market unless controls are imposed. Reduced production in the United States means lower capital expenditures. This, in turn, means fewer machines produced in the United States and a reduced rate of technological innovation. Thus the future outlook for our textile and textile machinery industries is bleak indeed without controls.

Nature of international competition:

The factors that create the problem in textiles are not unique. They apply to a wide range of manufactured products—from steel to pocket radios. Our industrial base has been the source of America's strength and the envy of every other nation on earth. Unless we take joint government-industry action to preserve that strength, however, we will lost out to those countries where government and industry work together. Historically, many businessmen have felt that "the best government is the least government," and government seems to have eyed business as something to be controlled, regulated, and taxed. These attitudes must be a source of great comfort to our foreign competitors.

In assessing the gravity of the threat to our industry, we must not rely on history but rather must predict the future. It seems to be our nature to wait until almost too late before taking action—as in the case of environmental pollution. The signs were all there—but we failed to act soon enough. The signs of growing industrial non-competitiveness are all there. The consequences of being non-competitive are so grave that we cannot afford to disregard the signs.

Industry-government cooperation abroad

Many governments work very closely with their industries. England does a superior job of export financing; France protects her domestic industry; Spain closes her borders in deference to local producers. However, the classic example of industry-government cooperation is Japan.

Japan's economy has been growing at a rate of about 15% per year compounded. That means a doubling about every five years. However, her industrial sector has been growing at the rate of nearly 25% per year—or doubling nearly every three years. Granted that the Japanese are intelligent and industrious—this growth could not be sustained without very close integration of government and industry.

Major factors

The story of Japan's industrial surge is deserving of a much longer treatise than is possible here. However, the future implication of their fantastic growth—and the government support that makes it possible—is that Japan will only grow stronger.

If you take all of the major factors that will tend to make U.S. industry competitive—none will be more favorable in five years than they are today.

Let's look at a few of these major factors:

1. Volume.—The volume of U.S. industries is growing at a slower rate than that of competition. Foreign governments encourage mergers for economy of scale while ours forbids it. A classic example in a basic industry is Japanese steel-making where the two largest producers have just merged.
2. Labor.—Although Japan's labor costs are rising at about 12 percent per year, productivity is going up even faster with an absolute reduction in unit costs.
3. Material.—Japan has led the world in shipbuilding. The combination of deep water industrial docks and super ships enables her to shop the world for materials and deliver them at low cost.
4. Plant and Equipment.—Construction costs are substantially lower as are machine costs. In some countries substantial grants are available from the government which produce the required capital.
5. Technology.—The large technology lead that the United States has enjoyed since World War II has been sliding away. It is interesting to note that the cost of research and development is often lower in foreign countries than in the U.S.
6. Government Costs.—With the rapid growth of the industrial sector, the government costs per unit of production are probably going down.

American industry will be hard pressed indeed to face the "International Challenge." Without the cooperation and support of the government, it may not be able to do so.

Conclusion

The passage of House Bill 16920 will represent a tangible and effective evidence of support for our hard pressed textile industry. Perhaps of even greater significance is the indication to American industry that their government does understand the name of the competition game.

Although it will doubtless take a long time to develop an effective government-industry relationship, I suggest that the following actions would be of significant interim assistance.

Depreciation allowance

Since equipment and construction costs are much lower offshore, generous allowances should be made to encourage productivity increases.

Export financing

American industry should have government support to provide competitive financing on international markets.

Government-industry commission

A high level commission made up of key industrialists and members of Congress should be established for the express purpose of assuring the strength and viability of American industry in the highly competitive international markets.

Thank you for granting me this time to address the Committee.

Thank you for giving those of us in the textile industry this opportunity to air our views and submit our recommendations.

LUDLOW CORP.,
Needham Heights, Mass., May 20, 1970.

Re Public hearings on tariff and trade proposals.

Hon. WILBUR F. MILLS,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR SIR: We have considered requesting time to be heard by the Committee in order to present our position in regard to the lack of proper tariff or quota protection in respect to flax yarns and threads. It, however, appears to us that a short message can set forth the problem and save the Committee the time of listening and reading a long brief with pages of statistics attached to it.

Our Company, at its plant in Ludlow, Massachusetts, spins yarn from *imported* flax and most of this yarn is plied and sold as flax thread. There are a great many uses for flax thread in connection with the construction of electrical wire and cable, linen sewing thread for manufacturing military and domestic footwear, military equipage, shoe repair, linen lacing cords for assembly of electrical and electronic equipment, linen yarns and threads for armatures, stators, luggage sewing, jacquard twines, furniture and upholstery twines and threads, etc. As a matter of fact there are a very great number of uses for flax thread because of certain characteristics in respect to strength and lack of stretch. We are not discussing the woven flax products, practically all of which are *imported.*

Simply stated, imported flax yarns and threads* in 1960 accounted for 50% of the total United States consumption. Whereas in 1969 the *imported* flax yarn and threads accounted for over 60% of the total United States consumption. During that period the duties were decreased as follows:

[In percent]

	Duty in 1960	Duty in 1969
3050400	25	6
3050600	25	17
3051000	30	20
3160500	30	20
3162000	30	20

We believe that if protection is to be provided for any textile, shoe, or other product, the great loss of business to the increase of flax yarn and thread imports should be given first consideration. We ask that either a quota or increased duties be made applicable to the flax yarn and thread items included in the Custom Item Numbers shown below:

3050400 3160500
3050600 3162000
3051000

Very truly yours,

J. C. MAHONEY, *Vice President.*

BRIEF ON BEHALF OF THE DOMESTIC MANUFACTURERS OF COTTON VELVETEENS SUBMITTED BY HOWARD RICHMOND, PRESIDENT, COMPTON CO., INC.

STATEMENT

This brief is filed on behalf of the domestic manufacturers of cotton velveteens. These articles when imported are classified under Item Nos. 346.15, 346.20, 346.22 and 346.24 of the Tariff Schedules of the United States.

"Cotton Velveteens Should Be Made Exempt From *Any* Reduction In the Present Rate Of Duty—Through Trade Agreements, Through So-Called Compensatory Rate Reductions, Through Limited Special Authority of the President, etc."

Under Section 203 (a) of H.R. 16920 and through various staatements made by Administration officials, the President is seeking authority to further reduce tariffs through trade agreements for limited purposes and for so-called housekeeping purposes (compensatory rate decreases as a result of an escape clause action) etc. Whereas this provision may be necessary in order that the President can deal with our trading partners under GATT, it should not apply to and a specific exemption should be made for cotton velveteen fabrics.

In June 1956, the domestic velveteen industry filed an "escape clause" action with the United States Tariff Commission under Section 7 of the Trade Agree-

*Applicable Custom Item Numbers.

ments Extension Act of 1951. This action was entitled Escape Clause Investigation No. 49. On October 25, 1956, after investigation, hearings, etc., the Tariff Commission unanimously found that, as a result of previous concessions in duty rates granted through Trade Agreements, cotton velveteens were being imported into the United States in such increased quantities as to cause serious injury to the domestic industry. The Commission also found that substantial increases in duty were required to remedy the determined serious injury.

The findings and recommendations were sent to the President for his approval. However, the recommendations of the Tariff Commission were not adopted by the President. Instead, on January 22, 1957, President Eisenhower wrote to the Chairman of the House Ways and Means Committee and the Senate Finance Committee, as required under the then existing law, explaining why he did not follow the recommendations of the Tariff Commission. He stated:

"On December 21, 1956, I informed you that I had found it necessary to extend somewhat the period of my considerations of the United States Tariff Commission's report of its findings and recommendations with respect to imports of cotton velveteen fabrics.

"As you know, the Government of Japan on January 16, 1957 announced that it was undertaking a broad program for the control of its cotton textile exports, including cotton velveteen fabrics to the United States.

"In view of this action by the Japanese Government which will provide relief for the domestic industry, I have decided not to take action on the recommendations of the Tariff Commission in this matter."

That is where the matter rested until October 1963. By that time the Trade Expansion Act of 1962 had been passed and the President caused notices to be published and widely distributed to the effect that public hearings were to be held for GATT trade negotiations. All imported articles but those specially exempted from negotiation by the Trade Expansion Act of 1962 were listed for consideration.

Section 225 of the Trade Expansion Act of 1962 provides as follows:

"(b) During the 5-year period which begins on the date of the enactment of this Act, the President shall reserve an article (other than an article which, on the date of the enactment of this Act, was described in subsection (a) (3) from negotiation under this title for the reduction of any duty or other import restrictions or the elimination of any duty where—

"(1) Pursuant to Section 7 of the Trade Agreements Extension Act of 1951 (or pursuant to a comparable Executive Order), the Tariff Commission found by a majority of the Commissioners voting that such article was being imported in such increased quantities as to cause or threaten serious injury to an industry."

It was, therefore, the contention of the domestic cotton velveteen industry pursuant to the above-quoted section of the Trade Expansion Act of 1962, that perforce of the unanimous finding of the Tariff Commission in the "escape clause" proceeding instituted in 1956 under Section 7 of the Trade Agreement Extension Act of 1951, that cotton velveteen was reserved and, therefore, exempt from duty reduction negotiations. A hearing to that effect was requested before the President's Special Representative for Trade Negotiations.

The Special Representative did not agree with the contentions of the domestic industry and ruled that cotton velveteens were not automatically exempt from possible duty reductions under the above-quoted provision. The ruling was based on the fact that even though the Tariff Commission found that the industry was being injured and recommended duty increases, the President did not proclaim such increases under Section 7 of that Act.

However, in addition to Section 225(b) (1) of the Trade Expansion Act of 1962 (above-quoted) is found Section 225(b) (3) which states:

"(3) upon request on behalf of the industry, made not later than 60 days after the publication of such list, the Tariff Commission finds and advises the President that economic conditions in such industry have not substantially improved since the date of the report of the finding referred to in paragraph (1)."

An application was then filed with the Tariff Commission to declare that the conditions which gave rise to the initial finding by them under Section 7 did not substantially improve. After the submission of briefs, statistical data, investigation and hearings, the Tariff Commission(by a majority) found on April 22, 1964 no improvement in the economic conditions of the industry since the Commission's "escape clause" report.

Cotton velveteen was, therefore, by operation of the law placed on the exceptions list and no tariff cut was negotiated at Geneva.

It would appear contrary to the interest of Congress in promulgating Section 7 of the Trade Agreements Extension Act of 1951 (escape clause provision) and section 225(b) of the Trade Expansion Act of 1962 (reserved list provision) if a similar provision was not made in any presently contemplated trade law. The very purpose of those provisions is to help domestic industries which are seriously injured or threatened with serious injury as a result of increased imports. To render help to a domestic industry which qualifies under the law and then to remove such help when still needed to the same or even greater extent, could do irreparable harm to such an industry.

It is, therefore, strongly urged that any contemplated law pertaining to tariffs or trade have therein a provision to the effect that if any domestic industry previously qualified under Section 225(b) of the Trade Expansion Act of 1962, it should be exempt from reductions of duty.

"If Automatic Exemption From Reductions In Duty Is Not Extended To Industries Which Previously Qualified Under The Law It Would Be Contrary To The Intent Of Congress As Expressed In Prior Legislation."

As previously stated, we believe that it would be contrary to the intent of Congress to completely remove certain safeguards to qualified domestic industries and by so doing, render them unable to compete with imports. It is obvious that since the Tariff Commission found in the case of the domestic cotton velveteen industry that it was operated in a competent and economical manner and, therefore, recommended that they receive help (on two separate occasions) in order to compete with imports, the removal of such help would be a grievious error. If for the sake of granting to the President the further authority to reduce tariffs under his so-called "housekeeping" provisions or for compensatory purposes extended to the GATT members, after an "escape clause" action increased the duty on a particular commodity, a domestic industry whose product is unable to withstand such a reduction in duty is nevertheless reduced thereby injuring such domestic industry, then a provision should be made to exempt such industry in the first instance.

If only those industries which have previously qualified under the existing law were made exempt from the presently contemplated law, the President would still be authorized to reduce duties under his so-called "housekeeping" provisions without any qualified domestic industry being disadvantaged. We believe the situation is no better today in the case of the domestic cotton velveteen industry than when that commodity was "reserved" from the bargaining list under the Trade Expansion Act of 1962.

It is, therefore, respectfully requested that there be no reduction in duty for any purpose on imported cotton velveteen.

HOWARD RICHMOND, *President.*

STATEMENT OF CHARLES M. JORGESON, GENERAL MANAGER, TEXTILE DIVISION, THE B. F. GOODRICH COMPANY

My name is Charles M. Jorgeson. I am General Manager of the Textile Division of The B. F. Goodrich Company with textile plants located at Thomaston, Georgia and Exeter, Pennsylvania. My statement deals with the alarming rate of increase in textile imports over the past few years. My company supplies textiles for the rubber industry, as well as shoe fabrics for footwear and cotton yarns for both the knitting and weaving trade. There are 2,255 employees in the Textile Division of The B. F. Goodrich Company.

When the LTA (Long Term Agreement) on textile imports was negotiated several years ago, the specific objective was to achieve an orderly import growth rate of approximately 5% per year. This trade agreement was designed to share our domestic markets with emerging foreign nations.

During the early 1960's there was little growth in yarn imports, but the rate of imports in the last five years has been fantastic. The actual growth rate in imports affecting my segment of the textile business has been three to five times the LTA projection.

The LTA control procedures have failed to be effective. According to American Textile Manufacturers Institute, Inc. (ATMI) trade reports, and using the period 1961–63 as a base, and compare this with 1966–68 period, imports of yarn have increased 170% in this five-year period. During this same period the LTA formula should have allowed 5% growth per year. On a compounded basis this would be the equivalent of 27½%, or approximately 1/6 of the actual imports.

Yarn sales are highly competitive. A price variation of a fraction of a cent can mean the difference in winning or losing a substantial contract, but yarn imports priced up to 10¢ per pound less than domestic yarn has a profound effect upon the market. A domestic producer simply cannot compete against uncontrolled low-wage foreign imports.

It is difficult to understand why the trade policies of our government allow our domestic textile markets to be invaded with uncontrollable imports at prices which destroy jobs, markets, and the morale of the industry.

The manufacture of textiles is so basic to the economy of this country it is difficult to comprehend why a million jobs are in constant jeopardy because of seemingly lax international trade policies.

If the textile economy of this country is to grow, prosper, and offer continuing opportunities for the youth of our country, it is imperative that realistic textile import controls be instigated and properly maintained.

I am confident your committee will find proper ways to preserve the textile industry of the United States, and especially the cotton yarn and footwear fabric segment where I am involved.

Thank you for this opportunity to be heard.

CHARLES M. JORGESON.

CHENEY BROS., INC.,
New York, N.Y., April 13, 1970.

Hon. WILBUR C. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MILLS: As you know, I am associated with Cheney Bros. of Manchester, Connecticut, one of the oldest mills making fine fabrics in this country.

On behalf of Cheney Bros. and the few surviving small mills that produce silk fabrics, we have been trying to have enacted a Bill, H.R. 13528, introduced by Congressman Dent, which by removing the import duties from certain raw silk fibers and yarns not produced in this country, would help these mills to compete with fabrics from abroad. The same measure was introduced by Congressman Sikes (H.R. 15052). These bills would suspend import duties on: (1) raw silk in any form of package most suitable to present requirements (instead of only the skein form used 40 years ago in 1930), and (2) 100% silk spun yarns, regardless of size, if not dyed.

At the present time, when Congress is busy with so much important legislation, I would hesitate to ask your interest in this bill were it not that for these few small mills and their workers, this is the end of the line. During recent months a number of the silk mills have had to go out of business.

Yesterday, I was speaking with Mr. Paolino Gerli, who owns Cheney Bros., and he told me that within the past two weeks he had been visited by representatives of almost every one of the weaving mills—mills that have made the finest apparel fabrics in this country, to discuss their critical situation and ask if he couldn't help them to get orders.

These included such mills as Corlis Mfg. Co., Peter Moggio & Sons, Higrade Textiles in Allentown, Pa., Cands Fabrics in Catasauqua, Pa., and Newark Silk Co. in Wilkes-Barre. These are mills that are equipped and skilled in weaving silk and cannot efficiently change over to man-made fibers.

At American Silk Mills in Orange, Va., a year ago two-thirds of the 350 looms were running silk; now only 50 are on silk and 300 have been put on synthetics. A side line is the dyeing and finishing of cloth. Scola in Hawthorne, New Jersey, is working only two days a week. Others have turned to synthetics.

For these people, it is a last cry for help. If it does not come soon, they will be gone and this industry, with its long tradition in this country, will have disappeared.

During the years I served with you in the House, I was always impressed by your sense of fairness and your earnest desire to help American industry. And so, believing in miracles, but knowing that most of them do not just happen, I am hoping that this little measure will have your interest and that, without interfering with the major business of the House, a way can be found to get early favorable action.

Very truly yours,

ALBERT P. MORANO.

GREEFF FABRICS, INC.,
Port Chester, N.Y., June 24, 1970.

Reference: H.R. 16920.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

SIR: H.R. 16920 as it deals with "textile articles" appears seriously to threaten the future operation of any company engaged in the designing and distribution of quality decorative fabrics in this country.

We are a leader in this field and are obliged to import about 50% of our fabric ranges. This is necessary not because of any price advantage, but quite simply because much of the merchandise our customers require is not produced in the United States in the qualities and to the specifications demanded.

As a matter of fact, we have never looked upon ourselves as "dealers in textiles." We regard textiles simply as one means of artistic expression just as we do our wallcoverings and other related products.

It had been our impression from press reports that the quotas being considered were to be directed at volume produced merchandise which, because of lower foreign labor costs, has from time to time been sold in this country at prices which domestic producers did not care to meet.

Reading H.R. 16920, however, does not seem to bear this out. Rather it appears seriously to threaten a business such as ours which depends not upon price but upon artistic creativity and upon designs, colors, and qualities which, generally, we find domestic producers unwilling or unable to produce.

As I read it, and to quote from H.R. 16920, application of this bill to better grade decorative fabrics would result in "a substantial cause of serious (perhaps irreparable) injury" and "a substantial cause of unemployment or under employment, or a threat thereof."

I have never testified before a Congressional Committee, but, if hearings are to be held I should appreciate the opportunity of doing so.

Respectfully submitted,

THEODORE GREEFF, *President.*

STATEMENT OF HON. BILL NICHOLS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. Chairman, your committee is to be congratulated on your deep interest and concern over the situation facing the textile industry throughout America.

As you know, I came from perhaps the largest textile district in Alabama. In the Fourth Congressional District of Alabama there are twenty-nine textile plants now working on short-time which is partly caused by the continuing influx of cheap textiles from Japan and other low-wage countries. The textile industry in my state employs more then 42,000 textile workers and textiles rank as the second largest industry in Alabama. But more than this, Alabama textile mills have invested more then eighty-five million dollars in buildings and equipment in the last year and the annual textile mill payroll in my state exceeds two hundred million dollars annually.

Mr. Chairman, I grew up in a textile town and my first job was with the Avondale Mills Plant in Sylacauga, Alabama, where I worked in the packing shed and with the mechanics who overhauled textile looms and spinning frames. Short-time in a textile mill is spoken of as a "four-day week or perhaps, a three-day week". Every textile employee knows that under such a work week, bills have to go unpaid, and the grocery list has to be revised.

Two weeks ago, I received a distressing call from a city official from one of the small textile towns in my District. After more then fifty years in operation, and with better then 800 textile employees, the mill had come upon hard times, due in a large part to competition from cheap imported textiles. The mill president advised that unless refinancing could be forthcoming, he would have to suspend operations within a matter of a few days. I can visualize what this would mean to this small town whose total population is less then 4,000. It would be 1933 all over again, and these American textile workers, many of whom have been in the mill for ten, twenty and even thirty years would be on the streets without work. This is the only trade they know, and it therefore, becomes imperative that this Congress take immediate steps to protect this textile industry which is so vital to the economy of this nation.

Mr. Chairman, my people in Alabama are grateful to you for your introduction of this Textile Import Bill, and I pledge to you and your Committee my best efforts with my friends throughout the Congress in seeking its passage.

Mr. WATTS. The committee will adjourn until 10 o'clock in the morning.

(Whereupon, at 1 p.m. the committee adjourned, to reconvene at 10 a.m., Friday, May 22, 1970.)

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