PROHIBITING REDUCTIONS OF DUTIES IN TRADE NEGOTIATIONS ON TEXTILES

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 2920

A BILL TO AMEND THE TRADE ACT OF 1974

AUGUST 15, 1978

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PROHIBITING REDUCTION OF DUTIES IN TRADE NEGOTIATIONS ON TEXTILES

TUESDAY, AUGUST 15, 1978

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff (chairman of the subcommittee) presiding.

Present: Senators Ribicoff, Long, Talmadge, Byrd, Jr., of Virginia, Hansen, and Roth, Jr.

[The committee press release announcing this hearing and the bill S. 2920 follow:]

[For immediate release]

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
July 31, 1978.

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE TO HOLD HEARINGS ON S. 2920, A BILL TO PROHIBIT THE REDUCTION OR ELIMINATION IN TRADE NEGOTIATIONS OF DUTIES OR IMPORT RESTRICTIONS ON TEXTILES AND TEXTILE PRODUCTS

The Honorable Abraham Ribicoff (D. Conn.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee will hold public hearings on S. 2920, a bill amending section 127(b) of the Trade Act of 1974 (19 U.S.C. 2137) to prohibit the reduction or elimination in trade negotiations of duties or import restrictions on certain imported textiles and textile products. The prohibition would apply only to products which are subject to restrictions negotiated under section 204 of the Agricultural Act of 1956 (7 U.S.C. 1854). The hearings will be held at 10:00 A.M., Tuesday August 15, 1978, in Room 2221 Dirksen Senate Office Building.

Requests to testify.—Chairman Ribicoff advised that witnesses desiring to testify during these hearings must make their request to testify to Michael Stern, Staff Director, Committee on Finance, 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than Thursday, August 10, 1978. Witnesses will be notified as soon as possible after this cutoff date as to when and if they are scheduled to appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record of the hearing in lieu of a personal appearance.

Consolidated testimony.—Chairman Ribicoff also stated that the Subcommittee urges all witnesses who have a common position or share the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. Chairman Ribicoff urged very strongly that all witnesses exert a maximum effort to consolidate and coordinate their statements.

Legislative Reorganization Act.—In this respect, he observed that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their arguments."

Chairman Ribicoff stated that in light of this statute and in view of the large number of witnesses who desire to appear before the Committee in the limited time available for the hearing, all witnesses who are scheduled to testify must comply with the following rules:

1. All witnesses must include with their written statements a one-page summary of the principal points included in the statement.

2. The written statements must be typed on letter-size paper (not legal size) and at least 75 copies must be submitted to the Committee not later than the close of business on Monday, August 14, 1978.

3. Witnesses are not to read their written statements to the Subcommittee, but are to confine their five-minute oral presentations to a summary of the points included in the statement.

4. Not more than five minutes will be allowed for the oral summary.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Written statements.—Witnesses who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building not later than Tuesday, August 29, 1978.

95TH CONGRESS
2D SESSION

S. 2920

IN THE SENATE OF THE UNITED STATES

APRIL 17 (legislative day, FEBRUARY 6), 1978

Mr. HOLLINGS (for himself, Mrs. ALLEN, Mr. ANDERSON, Mr. BAKER, Mr. BUMPERS, Mr. ROBERT C. BYRD, Mr. DURKIN, Mr. EAGLETON, Mr. EASTLAND, Mr. FORD, Mr. HANSEN, Mr. HATCH, Mr. HATHAWAY, Mr. HELMS, Mr. McINTYRE, Mr. MORGAN, Mr. MOYNIHAN, Mr. NUNN, Mr. PELL, Mr. RANDOLPH, Mr. SASSER, Mr. SPARKMAN, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, and Mr. TOWER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Trade Act of 1974.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 127 (b) of the Trade Act of 1974 (19 U.S.C. 2137) is amended by inserting immediately following "section 203 of this Act": ", section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), insofar as such section relates to textiles and textile products,".

II

★★(Star Print)

Senator RIBICOFF. The committee will be in order.

This morning the Subcommittee on International Trade will have testimony on S. 2920. The bill would prohibit trade negotiations on textiles and textile products. This issue is of great importance, both to the domestic textile industry and the administration.

We will take your testimony this morning. Because of the large number of witnesses and our commitments on the floor, we have been required to limit the amount of time to each witness to make their statements.

Your written statements will appear in the record, as if read in their entirety.

I think Senator Hollings is on the floor with an amendment; Senator Thurmond is not here. Our first witness will be the administration panel: Michael Smith, Peter Murphy, and Arthur Garel.

Senator ROTH. Mr. Chairman?

Senator RIBICOFF. Senator Roth?

Senator ROTH. I would like to express to you my appreciation for your holding these hearings today. I find that they are very timely.

As just one member of this subcommittee. I would like to make it very clear that I believe that a healthy textile and apparel industry is essential to the health of this country.

As you well know, these hearings involve three interrelated industries: The fiber industry, the textile industry, and the apparel industry. That employs something like 2.5 million Americans.

Many of these Americans are women; many are minorities. They are in both large cities, inner cities, as well as in small towns and rural areas.

The United States has suffered massive import penetration on many apparel items. In turn, it has affected the health and prosperity of the fiber and textile segments of the industry.

I am deeply concerned that we maintain a viable, prosperous, textile and apparel industry. We cannot allow these industries to go down the drain. We cannot sacrifice them for the sake of developing countries or other industries. We have unemployment and poverty here, too.

Therefore, I think that these hearings today, are considered to be the best way to maintain a healthy and prosperous textile industry.

Senator RIBICOFF. Thank you. Senator Roth.

Mr. Smith, Mr. Murphy, Mr. Garel. You may proceed, sir.

STATEMENT OF HON. MICHAEL B. SMITH, MINISTER FOR TEXTILE NEGOTIATIONS, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ACCOMPANIED BY PETER O. MURPHY, INTERNATIONAL ECONOMIST, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS AND ARTHUR GAREL, DIRECTOR, OFFICE OF TEXTILES, DEPARTMENT OF COMMERCE

Mr. SMITH. Thank you, Mr. Chairman.

Before beginning, I would like to say that I am accompanied today by Mr. John Donaldson, assistant STR; by Mr. Murphy, my assistant; and by Mr. Garel and Mr. Levin of the Office of Textiles in the Department of Commerce.

Mr. Chairman and members of the subcommittee, we welcome this opportunity to report the administration's position on S. 2920. This bill, introduced by Senator Hollings, would amend the Trade Act of 1974 to broaden its list of mandatory statutory exemptions from tariff reductions to include textiles and apparel. Currently, the Trade Act exempts from negotiations only those items on which reductions in duties would threaten national security and those items where import relief action under section 203 of the Trade Act is in effect.

The administration is strongly opposed to S. 2920 for a number of reasons, which I would like to spell out in some detail.

First, it is important, I believe, to review what this and previous administrations have done to assist the U.S. textile and apparel industry to resolve its import problems. In 1961, the Kennedy administration successfully negotiated a short-term arrangement for cotton. In 1962, this was expanded into a long-term arrangement. In 1973, after three renewals of the LTA, the first multifiber textile arrangement was negotiated successfully, largely at U.S. initiative. In 1977, the MFA was renewed, again largely at U.S. initiative. Both the LTA and the MFA are unique. No other American industrial sector has been given such a GATT-approved exemption from international trading rules, and no other U.S. industry enjoys this form of protection—either now or over the past 16 years.

Second, we have negotiated under both the LTA and the MFA a wide-ranging series of bilateral import restraint agreements with the principal low-cost import suppliers. Indeed, more than 75 percent of all our textile and apparel imports are covered by these arrangements. Because of these agreements, since the first all-fiber agreements were negotiated in 1971 and 1972, imports from all sources have actually declined. The peak year is not 1977 or 1978 in terms of imports. The peak year was 1972, and annual imports since then have not matched that peak.

Third, on overall terms, our textile and apparel tariffs are the highest among developed countries, and the U.S. textile and apparel industry has the highest tariffs of any American industrial sector.

Hence, Mr. Chairman, our domestic industry now enjoys three levels of protection, either unique in themselves or greater than those of any other American industry—the MFA, the 18 bilateral agreements and 11 consultation agreements, and high tariffs. In addition, under section 503 of the Trade Act, the industry is exempted from the prospect of cotton, wool, and manmade fiber imports subject to textile agreements being granted GSP.

It is often asserted that textile imports have increased. As I indicated, this is not so, compared to 1972. Even ATMI, in its estimate for 1978, projects imports in 1978 at lower levels than 1972—6 years ago. It is also often asserted that hundreds of thousands of jobs have been lost by textile imports. Actually, since 1966, employment has declined by 76,400 and in 1978 has actually increased some 12,000 over 1977. And, the mill sector has enjoyed a surplus balance of trade for the last 4 years.

But import figures are debatable, and seldom convince anyone. More to the point is the question of whether the Government is responding to the legitimate requests of the industry. The American textile industry has, thanks to the Carter administration, more bilateral import restraint than heretofore, a renewed MFA, the offer of only very modest tariff reductions, and a commitment to help assure the long-term health and viability of the industry. It is unreasonable for this industry to ask for still further protection, for an exclusion from the MTN which no other industry sector has, nor has so vigorously sought.

In comparing textiles and apparel with other mandatory exceptions, it also should be noted that producers of items granted relief under other provisions of the Trade Act can expect that this relief will be temporary, to be used as an aid to adjustment to competition, whereas the textile industry has enjoyed protection for 16 years. The most recently renewed MFA is under study already for another renewal when it expires in 3½ years, and the major bilaterals just renegotiated have 5-year terms beginning January 1, 1978. We expect these bilaterals will continue after then.

As a result of these significant differences, the administration does not believe that textile and apparel items should be added to the list of mandatory exemptions. We support the view of the drafters of the Trade Act that decisions regarding textile tariffs, as well as other unspecified product tariffs, should be left to the discretion of the President.

I would like to take this opportunity to record our overall strategy in the MTN for tariffs affecting industrial products and show how textile tariffs fit into that strategy. I believe it will indicate that the administration has exercised its discretion reasonably and prudently, regarding textile and apparel tariffs.

The strategy behind our initial tariff offer was to encourage other countries to make equally significant offers and thus begin the negotiation process at a meaningful level. We did this with the full expectation that there would be adjustments downward in our offer if we did not receive reciprocity from our trading partners, which unfortunately to date we do not have. However, if we had not made a meaningful offer to begin with, our chances of gaining increased access for U.S. products in foreign markets would have been made much more difficult. An exemption for textiles and apparel could only encourage other countries to take similar action, not only on textiles but also on many other items of export interest to us, thus virtually nullifying the chances for a successful MTN.

Had the agreed Swiss formula for initial tariff offers been strictly applied to textiles and apparel, the average tariff on these items would have been cut by 60 percent. The United States chose not to strictly apply that formula to textiles. Under our initial offer, the average textile and apparel duty offer was reduced 25.5 percent, or less than half the called-for reduction. Assuming a 10-year phasing in of the duty restriction, the average apparel duty would be reduced about one-half a percentage point per year. The average mill product or nonapparel item would be reduced at less than 1 percentage point per year. This fall we will be entering the final stages of the negotiations in which further downward adjustment in our offer will be made. Due to the confidential nature of the negotiations, I am not at liberty to discuss our contemplated adjustments in open session.

Mr. Chairman, the administration has tabled a textile and apparel tariff offer in full awareness of industry's stated opposition but, equally, in full awareness that a successful MTN will depend on each trading partner's ability to limit to the absolute minimum the number of industrywide exclusions or exceptions. No other trading partner has refused to put textiles and apparel on the table, and we have good reason to believe that had we refused to place textiles and apparel on the MTN table, the chances for a successful MTN would have been complicated enormously.

Further, Mr. Chairman, the textile and apparel offer we did table was extremely modest in comparison with those for other industrial sectors. Textiles and apparel account for approximately 10 percent of dutiable trade, yet our initial offer in this sector accounted for more than 50 percent of the total exceptions and less-than-formula cuts for the entire industrial sector.

Thus, in order for the United States to meet the overall Swiss guideline on the tariff formula, we had to offer deeper cuts in other industrial sectors to balance out the lower cuts for textiles and apparel.

This bill, if passed, Mr. Chairman, would unleash similar demands from scores of other industries. The chances for a successful MTN conclusion—a negotiation being entered into as a result of the Trade Act passed by Congress—would obviously be seriously jeopardized. Our overriding national economic interest, as recognized by Congress, is the overall liberalization of international trade—not just the liberalization of trade into the United States but the liberalization of trade from the United States to other lands. We believe that our tariff offer fully balances the specific, legitimate needs of the domestic textile and apparel industry while meeting the overall objectives of the Trade Act.

Mr. Chairman, I would be pleased to take your questions.

Senator RIBICOFF. Let me ask you, on page 4, you have at the bottom of the page, "and the mill sector has enjoyed a surplus balance of trade for the last 4 years." What does that amount to?

Mr. SMITH. Just one moment, sir.

[Pause.]

Sir, in 1974 there was a trade balance of $106.7 million; in 1975, $320.8 million; in 1976, $228.9 million; in 1977, $92.5 million.

Senator RIBICOFF. How does that compare with the overall textile business that we are talking about here?

Mr. SMITH. The United States has a deficit in overall textile and apparel trade. The mill sector, through 1974, 1975, 1976, and 1977, had a surplus balance of trade; the apparel sector had a substantially larger deficit amount of trade.

Senator RIBICOFF. How much? What was the deficit there?

Mr. SMITH. The deficit, sir, in 1974, in apparel, was $1.76 billion; in 1975, $1.98 billion; in 1976, $2.82 billion; and in 1977 $3.17 billion.

The trade balance was, in 1974—the trade deficit was $1.65 billion; in 1975, $1.656 billion; in 1976, $2.593 billion; in 1977, a $3.078 billion deficit.

Senator RIBICOFF. So that the amount of surplus in one sector is infinitesimal when you put it against the entire textile business?

Mr. SMITH. Yes, sir.

Senator RIBICOFF. Senator Talmadge?

Senator TALMADGE. Thank you very much, Mr. Chairman. I want to pursue that a little further.

According to the staff document that I have here, Mr. Smith, our total trade deficit on textile mill products and apparel for the year 1976 was $2,832,100,000. It is estimated from 1977, $3,821,200,000. Is that correct?

So that has increased the deficit $1 billion in 1 year.

Mr. SMITH. Senator Talmadge, our figure which we gave to the chairman, the 1976 figure, shows a deficit of $2.593.4 billion and, in 1977, of $3.078.1 billion.

Our figures do not include linoleum, apparel of rubber or leather, and clothing donated for charity.

Beginning in 1968, glass fiber yarns are included. In addition, the textile exports include some monofilaments.

Senator TALMADGE. Do you have any idea how many jobs this $3.821 billion deficit translates into?

Mr. SMITH. No, sir.

Senator TALMADGE. Several hundred thousand.

Mr. SMITH. If there were no imports, one could make an assumption that some of those dollars would be translated into jobs.

Senator TALMADGE. Are the Europeans and the Japanese better traders than we are?

Mr. SMITH. Based on their performance to date, sir, I would say yes.

Senator TALMADGE. Is my information wrong, or is it correct, that imports are up 28 percent at the beginning of the multinational trade negotiation talks?

Mr. SMITH. One moment please, sir.

[Pause.]

Mr. SMITH. Our figures would indicate, sir, that U.S. imports of textiles and apparel for the first half of 1978, the first 6 months of 1978, were 24 percent higher than the same period a year earlier.

Senator TALMADGE. That is reasonably close to 23 percent, even by your own estimate. Who is in charge of seeing to it that we get into their markets?

Mr. SMITH. Well, in the Department of Commerce as the lead agency, sir, and we, in STR, are beginning to get directly involved. I have just concluded a 3½ week trip to the Far East where I have discussed the export situation with those four suppliers who are major suppliers to us, with the idea in mind, sir, that trade is a two-way street and it is time that they took in some more of our textile products.

Senator TALMADGE. What have you done to break up the European and Japanese cartels?

Mr. SMITH. What have I done myself, sir?

Senator TALMADGE. I did not get the response? What was it?

Mr. SMITH. Our concern that the United States in exporting certain textile products to the Far East is at a disadvantage with the Japanese trading companies who are much more adept, or have greater ease, in penetrating the Hong Kong, and Taiwanese markets, for example, than we have.

In my view, this mandates some sort of aggressive action on the part of American industry to get over there with people on the spot full time to offset this advantage which the Japanese trading companies presently enjoy.

Senator TALMADGE. Why do you not say, if you do not take our goods, or at least let us have a fair chance at your market, we will not take yours?

Mr. SMITH. Sir, heretofore, we have been keeping the textile restraint program as a program distinct and unique by itself. We have not tried to link the import restraint program with any other specific trade issue.

The message that we are trying to convey now, Senator Talmadge, to our foreign friends is that, while we do not wish to link, per se, our import restraint program with exports, there is, nonetheless, a reality here that you cannot expect the United States to be forever the recipient of these goods without getting some reciprocity in return.

We believe that the American textile industry can sell far more than it is selling now in the Far East and we are going to try to do everything we can within the Government to pursue this, to persuade the U.S. industry to take up more aggressive stands on this.

In this connection, Senator Talmadge, the ATMI has designated its first vice president, Mr. Morris Bryan, to spearhead from the industry side this sport of export drive. This is a move that Ambassador Strauss welcomes very much.

Senator TALMADGE. Will the current talks lead to a tariff bill that will solve the problems of imports and exports?

Mr. SMITH. I do not quite understand the question.

Senator TALMADGE. Will your negotiations solve the problem of imports and exports?

Mr. SMITH. We certainly hope that they will go a long way of solving the problem of imports and exports.

For us, we believe that we have a viable, effective import restraint program. What is missing is the other side of the equation—that is, the ability for the United States to get access into foreign markets, not just from a tariff point of view, but from a nontariff barrier point of view, where one country after another has certain barriers against U.S. textile exports.

Senator TALMADGE. If we do not increase our exports, our industry cannot continue to grow.

The Department of Commerce says we, as a nation, will only be growing at about 1 percent a year for the next decade. That is only a little less than 2 million people a year, while the world population is growing at nearly 60 million per year.

According to the Japanese textile news in June, Korean textile exports were at an alltime high—$659 million in 1976; $690 million in 1977: $750 million for a projection in 1978.

Does the bilateral agreement allow for a 9-percent growth from Korea to the United States?

Mr. SMITH. Senator Talmadge, the Korean bilateral agreement that was negotiated last month provides for no growth in the quota levels from 1977 to 1978. Thereafter, there is growth of, I believe, a 6.5 percent in the aggregate and in the three or four groups within that, but two-thirds, I believe, of the categories within the apparel group have growth rates in Korea of 3.9 percent to zero percent.

Senator TALMADGE. I feel that you have tried hard and, in most cases, our bilateral agreements have been as good as any. What can we do about making sure that they are implemented?

Mr. SMITH. Well, we feel, sir, that we have had problems in implementation but that overall, we believe that the implementation has been as effective as any other importing country's perhaps more so.

We have had, in the past, some problems in overshipments. We have remedied that, both in the bilateral agreement and in internal procedures within the Government by instituting a strict visa system for imports.

We have had some technical problems in moving from an old category system, which was the cause until December 31 of last year, to a new categories system, a simplified categories system this year.

But obviously, Senator Talmadge, the key to the import restraint program, to the effectiveness of the import restraint program, is to have an effective implementation program.

Mr. Garel heads the implementation portion of the program from the Department of Commerce, and has a very big job on his hands. We have to monitor some 2,100 or 2,200 categories and even more, from some 120 countries. So it is a full-time job, requiring close coordinations with Customs, Census, and Commerce and the other agencies involved.

It is not an easy problem, Senator. It is a complex problem requiring a great deal of human resources. We are moving into computer resources which hopefully be onstream in the relatively near future which should ease our problem.

But there are certain problems in implementation. We are monitoring 18-bilateral agreements covering, I guess, 4-some-odd billion dollars' worth of trade, with 106 categories within each 1 of those agreements, plus 11 consultation agreements, plus watching uncontrolled suppliers and new starts, and things like that. It is a big job, and implementation is the guts of it.

Once the negotiations are done on the bilateral agreements, they must be implemented.

Senator TALMADGE. Thank you, Mr. Smith.

Mr. Chairman, I have no further questions.

Senator RIBICOFF. Senator Roth?

Senator ROTH. Mr. Smith, under the MFA, I believe 1977-78 is supposed to be a year of no growth in imports. Why did we negotiate a year of no imports if import situation was so rosy?

Has there actually been no growth?

Mr. SMITH. Sir, in the negotiation of the bilateral agreements, there with no growth between 1977 and 1978, with the major suppliers, such as Hong Kong, Korea, and the Republic of China. Other agreements with smaller suppliers, less developed suppliers, did have an element of growth, even from 1977 to 1978.

Senator ROTH. I have heard rumors that imports have gone up as much as 30 percent.

Mr. SMITH. Imports, sir, for the first 6 months have gone up 24 percent. If you looked at the figures, the January increase over the preceding years, the year ending January 1978, as compared to the year ending January 1977, shows something in the neighborhood of a 40-percent increase, and gradually that has gone down, so that the year-ending June figure of 1978 is 5.7 percent, I believe, over the year-ending June 1977 figure.

There was a sharp increase in imports, especially for the first 3 months of 1978, sir.

Senator ROTH. It is my understanding that EC has some kind of overall or worldwide ceiling on imports. Is that correct?

Mr. SMITH. Well, the EC operates on a slightly different system than we do. They have what they call globalization, and they assume that the pie is so big, if you will, if you look at it as a pie, that the pie is so big and it can only grow by so much, and that they apportion it to the pie in certain ways.

The United States has never held the policy of globalization. In textiles, we have always had the policy of what is known as the cumulative concept, that imports can increase, but it is the cumulative effect that we worry about. And we do not have a pie concept like the community.

Senator ROTH. In effect, they have an overall ceiling on the amount of imports?

Mr. SMITH. No, they do not have an overall ceiling, sir, but they look at it from a global point of view—imports of all textiles.

Senator ROTH. What do you mean, they look at it from a global point of view? They put some limit on how much can be imported?

Mr. SMITH. There is no, to my knowledge, no total limit, to the size of the pie, if you will. As it was explained to me by my counterpart, they actually have what is known as the two gateaux theory.

They have a pie over here which is for the community and they have a pie over here which is for the rest of the world. The pie for the rest of the world can increase, but they judge it, and look at total imports from all sources, but they do not have, to my knowledge, a total amount that they allow in from the world and no more. They allow growth.

Senator ROTH. When they look at that second pie outside, they place some kind of limit, including some growth. Is that correct?

Mr. SMITH. Yes and no, sir. They do not control everybody under this global——

Senator ROTH. I am confused. Yes and no?

Mr. SMITH. They, from a consumption point of view, they have a total number of imports. They look at what the rest of the world is shipping to them, and if strictly applied, they take the wedges and sometimes redistribute the share according to each country. But there are many countries which the community does not have agreements on, and they are uncontrolled.

So the global concept they have really has a lot of holes, around the edge of the pie, if you will, for which there are no controls.

Senator ROTH. Do you think we might need to have an overall quota to handle all that comes in? We have a number of bilateral agreements. How do we handle CPR and some of the Communist countries?

Mr. SMITH. We have bilateral agreements, sir, with Romania, Poland——

Senator ROTH. What about China?

Mr. SMITH. Not yet.

We have rejected, Senator Roth, the notion of globalization. This has been the policy of the Government for a long time. To have a global policy in terms of a fixed limit for all imports from the world means that you end up in a very complex business of apportioning out, if you will, or cutting up the pie into the various wedges.

It is a very complex matter.

We felt we could handle the problem better by hitting each country by itself, which we have done.

Senator ROTH. I know that time is of the essence, Mr. Chairman. Let me ask one final question.

You oppose this legislation. You have made certain proposals, of course, in the multinational trade negotiations. How closely are you consulting with the industries affected?

Under the law we require that the various industries be closely consulted as to the effect and impact of the proposals. Are you maintaining close liaison with the textile, apparel and other industries? Also, with labor, as you are required under the law?

Mr. SMITH. We feel we are, sir. We have mandated what is known as ISAC's and LSAC's—Industrial Sector Advisory Committee and the Labor Sector Advisory Committee. They have met frequently with the agencies of the government involved and, of course, we have our own ongoing consultations with various members at very frequent intervals.

Senator ROTH. Well, I cannot emphasize too strongly that you maintain very close consultation with these groups. We will be asking industry and labor, if they are here today, whether or not they feel they are adequate.

I think the question we have for you if you disagree with this legislation is how are we going to protect an industry that is essential to this country under your proposal?

Thank you, Mr. Chairman.

Senator RIBICOFF. I would like to just follow up. I have just heard two phrases that I have never heard before—globalization and cumulative concept. I do not have a dictionary before me, but "cumulative" indicates more keeps piling up. "Globalization" means you put a limit on what comes in overall.

I mean, just the ordinary meaning of those words.

Now, I think that is the bottom line that we are dealing with. Would globalization be more meaningful by putting an outside limit on what is coming in, as against cumulative—it keeps on piling up on top of each other.

Mr. SMITH. Mr. Chairman, the words, perhaps, are not the best. In textiles, we often use a lot of words rather loosely. But the principal behind the international arrangement in textiles is the orderly expansion of international trade in textiles on the one hand, while avoiding market disruption, or the threat of it, on the other.

Now, we approach the requirement that there be orderly expansion, if at all possible in, if you will, like a chocolate bar, but a chocolate bar which grows this way—it expands, depending on the factors involved.

But we choose the cumulative concept because if we did not then a small country could come to us and say well, we only export 30 million yards. How can we be contributing to market disruption if you are taking in 5 billion yards?

Our response to them is the cumulative impact of imports which requires us to negotiate restraints, whether the supplier is large or small.

It is not global in the sense that there is not a fixed, finite limit to the total amount of imports that are allowed in.

With the Community—if I understand it correctly from the Community spokesman—they, too, allow for expansion, but they also, if you will, redistribute some of the wedges of the pie, the share, if you will, than we do.

But both trading entities, the European Community and the United States, say nothing of any other importer who has import restraints under the MFA is committed under the terms of article I of the MFA to the expansion of international trade in textiles. That means increases.

Senator RIBICOFF. Yes, but what is the total deficit of imports over exports in the European Community as compared with that of the United States?

Mr. SMITH. Sir, the latest figure I have is a 1976 figure which would indicate that the European Community was in deficit something like $1.5 or $1.6 billion.

Senator RIBICOFF. And what was ours for 1976?

Mr. SMITH. According to our figures, sir, $2.593 billion.

Senator RIBICOFF. Well, so we have a situation that we are in deficit more than the European Community by $1 billion, and so just on the figure, I like the sound of globalization better than I like the sound of cumulative concept.

I think there is something new added. I do not know about my colleagues, if they have heard those two terms before, but I have not. The economists that are here representing both the textile and apparel manufacturers and also the labor unions, I would appreciate receiving from you, on behalf of the committee, an analysis of globalization and cumulative concept, and the significance of this for the United States, because I think there may be something we can learn. I think the problem that you have, Mr. Smith, is this.

No great nation can allow the destruction of any basic industry, and you would have to say that the textile is a basic American industry. Now, we realize the interdependence of world trade, and I do not think that there is a witness here who will say that we are going to have to get out of the international trade business.

But the question comes, are we destroying a basic industry, and what do we do about it?

Now, the comparison of the European Community's deficit and ours—we ran a $28 billion trade deficit in 1977. The consequences of that deficit are reverberating now. We pick up the newspaper every day and see what is happening to the dollar, and part of it is due to that adverse trade balance that we have.

So we do have a very deep problem and this committee has a great responsibility when you bring the MTN agreement back to us to make some decisions.

We are going to have the responsibility up here of defending this on the floor of the U.S. Senate.

So the problem you have is what is on the bottom line, and I realize the problem here. To go along with the proposal in this bill may mean no MTN. It may mean the destruction of the entire trade negotiations.

But yet, we do have a responsibility to have an orderly trade policy in this country, and these adverse trade balances, especially in this industry as one of the basic industries, is a matter of great seriousness. And you have brought to us today a couple of terms.

I do not think we have always been very wise in our trade agreements. Now maybe we can learn from the European Community that globalization is a very intriguing term, and I would like the staff as well to make a study of this. I am willing to learn from anybody at any time, and maybe the European Community can teach us a few things that we have never learned.

Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman. I was in Japan in January of this year, and when we called attention to the disparity in exports from Japan to the United States as contrasted with those from the United States to Japan and the increasing and unabated problems we were having in balance of payments and the decline of the dollar, the typical response that we got from our Japanese friends was that our whole problem over here was energy. If we would get an energy bill passed, we would do away with our problems. They intimated that if we would come up with an energy program, the other trade problems and balance of trade problems, would fade away. I don't agree.

I want to read from the Oil Daily, Tuesday, August 1, 1978, and to quote Treasury Undersecretary Anthony Solomon. He said that the economy is headed for a long period of stability with modest growth, slowing inflation and less threat of job losses from Japanese imports.

I hope he is right. But most significant, I think, in this article from which I am quoting now, is this statement: "Total oil imports in 1977 were 3.18 billion barrels. For the first 6 months of 1977, imports were 1.640 billion barrels, compared with 1.450 barrels so far this year."

It goes on to point out that the U.S.-trade deficit has dropped because, primarily, of the decline in oil imports from the $2.2 billion deficit in May of this year to a $1.6 billion in June of this year.

In the New York Daily News, for Friday, July 28, a signed column by Louis Rukeystr states that Robert L. Marks of Siff, Oakley, Marks, Inc., a firm of independent economic and investment counselors in New York point out that oil imports this year did not increase as had earlier been predicted by the administration. Instead of being 4 percent or above, the increase in energy consumption last year was roughly 2 percent. And he also pointed out that that is pretty good for a year in which real economic growth was nearly 5 percent.

I call attention to these two stories to say that we are only fooling ourselves if we go along with the argument made that our problems stem from the lack of an energy policy. The law of supply and demand is still working and has brought about some diminution in energy consumption.

But we cannot get away from the fact that we have been plagued with a great amount of imports of manufactured goods from other countries, and specifically from Japan. And I know I have heard the distinguished chairman of this committee say to our Japanese friends and to our friends in Europe that we must either expect them to buy more from us, or we are going to buy less from them. I agree.

I think the American people are becoming very tired of our failure in trading policy to come to grips with that problem.

I listened closely to the questions asked by the Senator from Georgia, Mr. Talmadge, and I want to repeat again, do you have any specific plans as representatives of the United States in these trade negotiations to either see that we buy less from them, or that they must buy more from us?

Mr. SMITH. Senator Hansen, when the President made his address concerning inflation, one of the things which, perhaps, passed unnoticed—or less noticed—was the fact that he asked the Secretary of Commerce to put together a task force to develop an export policy which would try to address some of the problems that we are facing abroad in exporting.

That, in turn, was given to Assistant Secretary Frank Weil of the Department of Commerce and a task force was established and a report was compiled and submitted to the White House, I think around July 21 or 22, regarding a more vigorous national export policy.

It is very clear that that, of course, would include textiles. From a textile point of view, sir, it is quite correct that we must do more in the export side of exporting of textiles and apparel. There is a future out there. We know it—at least we believe we know it. We have been on the scene in a number of countries, and there is a demand for American products, which we feel, with more aggressive marketing and salesmanship by our industry, can be taken advantage of.

As to whether one tells someone that if you do not buy more, we will buy less, that is a larger trade issue, sir, which I am not competent to address. We have made it known to our major textile trading friends that, as far as we were concerned, in textiles, that we expected their nontariff barriers to be eliminated or reduced quickly; that we could not continue to have a trade deficit along these lines and these magnitudes that we have had without at least having an opportunity to sell our products over there. And I speak primarily of Hong Kong, Korea, Taiwan, Singapore, and Japan.

We do, however, feel—and I reiterate here—that there is a market there for the textile industry to go out and attack.

Senator HANSEN. I have talked with Senator Thurmond, who will testify very shortly that he wrote the President expressing his concern over the import of textiles, and over the fact that the imports were coming in at a much sharper rate than was reflected by the growth in the domestic industry. The administration responded that the purpose of the tariff reductions is to increase competition and lower consumer prices.

And I think we have gotten things all twisted up when we look myopically, as I believe is being done now, in considering the salutory effect that imports are going to have on domestic prices here and fail to consider, as I now charge is being done, and the effect it is having on jobs.

Thank you, Mr. Chairman.

Senator RIBICOFF. Thank you, gentlemen.

Gentlemen, there is no reason for you to stay at the witness table. I think you ought to be present throughout this entire hearing, because certainly what is being said here should have influence upon your thinking at the negotiations are coming to a conclusion in Geneva.

[The prepared statement of Mr. Smith follows:]

STATEMENT OF MINISTER MICHAEL B. SMITH, CHIEF TEXTILE NEGOTIATOR, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, EXECUTIVE OFFICE OF THE PRESIDENT

Mr. Chairman and Members of the Subcommittee: I am Michael B. Smith, Chief Textile Negotiator in the Office of the Special Representative for Trade Negotiations, Ambassador Robert S. Strauss. We welcome this opportunity to report the Administration's position on S. 2920. This bill, introduced by Senator Hollings, would amend the Trade Act of 1974 to broaden its list of mandatory statutory exemptions from tariff reductions to include textiles and apparel. Currently the Trade Act exempts from negotiations only those items on which reductions in duties would threaten national security and those items where import relief action under section 203 of the Trade Act is in effect.

The Administration is strongly opposed to S. 2920 for a number of reasons which I would like to spell out in some detail.

First, it is important, I believe to review what this and previous Administrations have done to assist the U.S. textile and apparel industry to resolve its import problems. In 1961, the Kennedy Administration successfully negotiated a Short Term Arrangement for Cotton. In 1962, this was expanded into a Long Term Arrangement. In 1973, after three renewals of the LTA, the first Multifiber Textile Arrangement was negotiated successfully, largely at U.S. initiative. In 1977, the MFA was renewed, again largely at U.S. initiative. Both the LTA and the MFA are unique. No other American industrial sector has been given such a GATT-approved exemption from international trading rules, and no other U.S. industry enjoys this form of protection.

Second, we have negotiated under both the LTA and the MFA a wide ranging series of bilateral import restraint agreements with the principal low-cost suppliers. Indeed, more than 75% of all our textile and apparel imports are covered by these agreements. No other American industry enjoys such a wide range of import restraint agreements—either now or over the past 16 years. And because of these agreements, since the first all fiber agreements were negotiated in 1971 and 1972, imports from all sources have actually declined. The peak year is not 1977 or 1978 in terms of imports. The peak year was 1972, and annual imports since then have not matched that peak.

Third, on overall terms, our textile and apparel tariffs are the highest among developed countries, and the U.S. textile and apparel industry has the highest tariffs of any American industrial sector.

Hence Mr. Chairman, our domestic industry now enjoys three levels of protection, either unique in themselves or greater than any other American industry—the MFA, the 18 bilateral agreements and 11 consultation agreements, and high tariffs. In addition, under section 503 of the Trade Act, the industry is exempted from the prospect of cotton, wool, and man-made fiber imports subject to textile agreements being granted GSP.

A brief comparison between market conditions in the textile and apparel industry, including the terms of import restrictions under the MFA, on the one hand, and market conditions of products granted import relief under section 203, including the terms of that relief, on the other hand, reveal some significant differences. These differences include: rate of growth in imports; import to consumption ratios; trade balances; duration of relief; injury vs. threat of market disruption criteria for relief and product specific vs. comprehensive application of relief.

Current items subject to import relief under section 203 include specialty steel, non rubber footwear, color televisions and citizens band radios. For the period 1972–1976, the quantity of these imports increased by the following percentages:

	Percent
Specialty steel	35
Nonrubber footwear	13
Color television sets	115
CB radios	2,030

During the same period the quantity of textile and apparel imports decreased by 17.6 percent.

Imports as a percentage of domestic consumption in 1976 of these items are as follows:

	Percent
Specialty steel	18
Nonrubber footwear	40
Color television sets	36.9
CB radios	89

At the same time the ratio of imports to apparent domestic consumption of textiles and apparel is approximately 11 percent.

Mr. Chairman, it is often asserted that textile and apparel imports have increased. As I indicated earlier, this is not so compared to 1972. Even ATMI in its estimate for 1978 projects imports in 1978 at lower levels than 1972—six years ago. It is also often asserted that hundreds of thousands of jobs have been lost by textile imports. Actually, since 1966, employment has declined by 76,400 and in 1978 has actually increased some 12,000 over 1977. And, the mill sector has enjoyed a surplus balance of trade for the last four years.

But import figures are debatable, and seldom convince anyone. More to the point is the question as to whether the Government is responding to the legitimate requests of the industry. The American textile industry has, thanks to the Carter

Administration, more bilateral import restraint than heretofore, a renewed MFA, the offer of only very modest tariff reductions, and a commitment to help assure the long term health and viability of the industry. It is unreasonable for this industry to ask for still further protection, for an exclusion from the MTN which no other industry sector has, or has so vigorously sought.

In comparing textiles and apparel with other mandatory exceptions, it also should be noted that producers of items granted relief under other provisions of the Trade Act can expect that this relief will be temporary, to be used as an aid to adjustment to competition, whereas the textile industry has enjoyed protection for 16 years. The most recently renewed MFA is under study already for another renewal when it expires in three-and-one-half years, and the major bilaterals just renegotiated have five year terms beginning January 1, 1978. We expect these bilaterals will continue after then.

Further, producers of other excepted items have had to show that imports were a substantial cause of serious injury or the threat thereof; the MFA and bilaterals under it are based only on the less-onerous test of market disruption or the threat thereof. Finally, the other statutory exceptions are product-specific in nature, while S. 2920 would exempt an entire industrial sector.

As a result of these significant differences, the Administration does not believe that textile and apparel items should be added to the list of mandatory exemptions. We support the view of the drafters of the Trade Act that decisions regarding textile tariffs, as well as other unspecified product tariffs, should be left to the discretion of the President.

I would like to take this opportunity to record our overall strategy in the MTN for tariffs affecting industrial products and show how textile tariffs fit into that strategy. I believe it will indicate that the Administration has exercised its discretion reasonably and prudently regarding textile and apparel tariffs.

The strategy behind our initial tariff offer was to encourage other countries to make equally significant offers and thus begin the negotiation process at a meaningful level. We did this with the full expectation that there would be adjustments downward in our offer if we did not receive reciprocity from our trading partners, which unfortunately to date we do not have. However, if we had not made a meaningful offer to begin with, our chances of gaining increased access for U.S. products in foreign markets would have been made much more difficult. An exemption for textiles and apparel could only encourage other countries to take similar action, not only on textiles but also on many other items of export interest to us, thus virtually nullifying the chances for a successful MTN.

Had the agreed Swiss formula for initial tariff offers been strictly applied to textiles and apparel, the average tariff on these items would have been cut by 60 percent. The United States chose not to strictly apply that formula to textiles. Under our initial offer, the average textile and apparel duty was reduced 25.5 percent, or less than half the called-for reduction. Assuming a ten-year phasing in of the duty reduction, the average apparel duty would be reduced about one-half a percentage point per year. The average mill product or non-apparel item would be reduced at less than 1 percentage point per year. This fall we will be entering the final stages of the negotiations in which further downward adjustment in our offer will be made. Due to the confidential nature of the negotiations, I am not at liberty to discuss our contemplated adjustments in open session.

Mr. Chairman, the Administration has tabled a textile and apparel tariff offer in full awareness of industry's stated opposition but, equally, in full awareness that a successful MTN will depend on each trading partner's ability to limit to the absolute minimum the number of industry-wide exclusions or exceptions. No other trading partner has refused to put textiles and apparel on the table, and we have good reason to believe that had we refused to place textiles and apparel on the MTN table, the chances for a successful MTN would be enormously complicated.

Further, Mr. Chairman, the textile and apparel offer we did table was extremely modest in comparison with other industrial sectors. Textiles and apparel account for approximately 10% of dutiable trade, yet our initial offer in this sector accounted for more than 50% of the total exceptions and less-than-formula cuts for the entire industrial sector. Hence, in order for the U.S. to meet the overall Swiss guideline on the tariff formula, we had to offer deeper cuts in other industrial sectors to balance out the lower cuts for textiles and apparel.

This bill, if passed, Mr. Chairman, would unleash similar demands from scores of other industries. The chances for a successful MTN conclusion—a negotiation being entered into as a result of the Trade Act passed by Congress—would obviously be seriously jeopardized. Our overriding national interest, as recognized by Congress, is the overall liberalization of international trade—not just the liberalization of trade into the U.S. but the liberalization of trade from the U.S. to other lands. We believe that our tariff offer fully balances the specific, legitimate needs of the domestic textile and apparel industry while meeting the overall objectives of the Trade Act.

Mr. Chairman, I would be pleased to take your questions.

Senator RIBICOFF. We welcome you, Senator Hollings. You are the principal sponsor of S. 2920 and your smiling persistence is the main cause of this hearing.

Senator HOLLINGS. Well, your good understanding and your friendship and good leadership are responsible—yours and also the members of your committee. We are really honored, Mr. Chairman, and indebted to you and the membership of this committee, because we know the crunch of legislation and concerns before you, with tax reform and all of the other many measures.

STATEMENT OF HON. ERNEST F. HOLLINGS, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator HOLLINGS. We know that you have heard us on the matter of textiles throughout the years, and we are fully aware that you, yourself have sponsored, long before I came to the Congress, measures of this kind. Senator Talmadge has been a Special Representative of the General Agreement Tariff and Trade Negotiations in Geneva, and Senator Hansen has been a leader in this field.

So each of you are far more familiar than I am, but I would like to try to bring just one perspective at this particular time. I apologize for not being here at 9:30, because Senator Roth and I and Senator Moynihan, who is also a cosponsor, have another measure on the floor.

I would ask unanimous consent, if the committee please, that my prepared remarks be inserted in the record.

Senator TALMADGE. Without objection, your entire statement will be included in the record.

Senator HOLLINGS. I will go to just a couple of things.

One, the basic industry, Mr. Chairman. When you were remarking upon the basic nature of this industry, I remembered, candidate Kennedy wrote in August 1960 that this was a critical problem. We had struck out before the Tariff Commission in June of that summer, and John F. Kennedy, as a Senator, was struggling with the flow of jobs overseas—manufacturing jobs in Massachusetts and New England and Connecticut, and the South.

But that is not the way things are determined. We have to have a hearing and decide it is a critical problem. And so, when he was elected, we had a Cabinet committee appointed under the old OCDM—the Office of Civil Defense Mobilization—to determine that textiles were important to our national security and they were being jeopardized by the loss of jobs. It was also found that textiles were fundamental to the economy and security of the country.

We had the Secretaries of State and Defense; we had the Secretaries of Commerce and Labor; and we had the Secretary of Treasury, Douglas Dillon. I remember we had sort of a sub-Cabinet committee at the time. Hickman Price, an old colleague of the distinguished chairman himself, Senator Long, and myself worked together, and we brought the witnesses. And we had not just a morning of hearings, but we had weeks on end of hearings in February, March, and April.

And, on May 7, 1961, President Kennedy announced his seven-point textile program. He found what? He found it was basic. And we look today and we find it is the largest manufacturing employer in this country of ours. One out of every eight manufacturing jobs is in textiles.

We found it, next to steel, second most important to our national security. And we found that it was in jeopardy and that jobs were flowing out—there was a hemorrhaging, an export of jobs, and not just of textiles.

At the time that we met in the Fish Room at the White House, and President Kennedy announced his seven-point program, I will never forget how he was trying to describe this. He said look, "We have been losing jobs," and he was giving all the statistical information, and he said, "We right now this year would break even on imports and exports for the first time." We have always had a balance of trade in favor of textiles up until 1961, but he says if this trend continues, it is projected as a result of these hearings that we will have a deficit of $200 million in the balance of trade in textiles alone, and he said we just cannot take that in manufactured goods, and suffer that kind of an injury.

Well, we look today and we have come down the road now to bring everything into focus, and we find oil is not the principal villain in this balance of trade. It is manufactured goods and other trade that is the major part of the deficit.

And we look at textiles alone and I think the deficit in 1976 was $2.6 billion. By last year, Senator Hansen, it had grown to $3.4 billion, and right here in the first 5 months of this year, we see a 76-percent increase in the importation of textile goods over the last year.

So, running at the present rate, it is going to be a $4.4 billion textile trade deficit. And it is projected in the economists reports of $5 billion. Well, that is jobs. Those statistics can impress some, but what impresses most is the fact that we have 375,000 textile workers in June of this year who are either out of a job or underemployed.

Now, we have come down in unemployment, and President Carter has made a magnificent record, creating, I think they say now, 4.3 million new jobs in America.

But when we sit there on the Budget Committee, Senator Long, we try to say, now, wait a minute. The reason we are runing this deficit is that we are trying to give some incentive and stimulus to the economy, and we had better continue with CETA and we had better continue with public works, and we had better have a little over here in countercyclical. And as we are trying to fill up the tub of unemployment, we have just to plug the thing up in textiles. It is flowing out faster than we can fill it up at the Budget Committee.

We are intentionally trying to put on a deficit on the one hand, trying to get the jobs, and on the other hand, all we have to do is plug this hole.

When we went over to the Secretary of Commerce to help her plug the hole, we found that she could not even answer the questions, and I say that most respectfully.

We said, look at the bilaterals and the lax enforcement. They said, well, how do you prove that? All we proved is that we are losing business and jobs with every one of our bilaterals. We found that they did not have the information in the Commerce Department over the many years to administer the bilateral agreements, and so now we are putting in $3 million in the budget so they can buy a computer and we can do like Britain and the European Economic Community and everyone else and come in and get that information, so we do not have to wait for 6 months—by then the injury is so damaging that it is futile to try to do anything.

We are trying all of these other things but, in the meantime, we find other difficulties—and I am being most respectful and in admiration, really, of my friend Ambassador Strauss. I love his personality, his character, and his talent, but I do not like his approach, his attitude, and his treatment of textiles.

There is not any question about it, he is taking this on as just—oh, like the old woman who lived in the shoe, I have so many troubles I do not know what to do, and this is just another one. If I can just pull Hollings along, pat him down and tell him I am going to look out for him, and if I can take care of Morris Bryan down there in Jefferson, Ga., and take care of the other good Democrats, and let the rest of the Republican textile people just suffer, that is enough.

That is exactly what we have been getting.

When we tell him, on the one hand, how serious it is, he says, "I am looking, I am working, I am looking." He says it really does not have any significance. But then when we put it on the table, it has all the significance in the world. It will destroy the trade negotiations.

The truth of the matter is that what we are asking for is what the Congress has already found and, just in the slip, did not provide in the Trade Act of 1974. We said there that when injury had been found under section 203, there is entitlement to escape clause relief under the export laws. As a result, we then eliminate them from any tariff cut rounds in negotiations.

So, color TV, footwear, CB radios, and specialty steel are not on the table in Geneva by congressional determination. Our only trouble was we did not wait until 1974 in textiles; we started in 1961, a decade ahead of that.

And there was not any Trade Act, obviously, in 1961. There was the Agricultural Act of 1956, under section 204, that we found injury and were entitled to the special treatment.

So we are simply saying in S. 2920 give us what has already been found and is really becoming worse and worse, and do not give us this conversation that I just heard a moment ago about how we have to be more aggressive in marketing and salesmanship. I heard that malarkey 16 and 17 years ago. It is like taking a man with a broken leg and saying, "Milk is good for the bone structure. It has calcium in it, and all you need do is drink milk and it will help your bone." We have a broken leg. We have to set this thing. We need emergency treatment to get it fixed. before we start running around looking for a quart of milk, or this nonsense about salesmanship.

You cannot tell me American businessmen are not aggressive. Some of them might have gotten fat, but they are struggling, and they are competing. And the only way they can compete—I want to tell you how competitive they are—is move to Japan. That is what they are doing.

I got a Christmas present. It was a handkerchief from the Philippines. I called up my textile friends and said, "My gosh, you moved"—he said, "Do not say anything to anybody." He said they do not know I am over there. Hide that handkerchief. They have gone to Indonesia. They are competitive. I know how competitive they are. I am losing them. I am losing them right and left.

We are going broke. Another mill in Greenville, S.C., closed last week. They are closing down right and left. We are going out of business. It is at the rate of $4.4 billion, Mr. Chairman. It is going to go to $5 billion, and I do not know what we have to do to get it off the table there and do not give us the political treatment about how we are going to be nice with you and we are going to look out for you. I do not want to be looked out for. I want to be excluded from Geneva. That is all.

Senator RIBICOFF. I am going to exclude myself from asking you questions because we have a very long witness list and we are going to be pretty busy on the floor, and I do not know whether we are going to have an opportunity for additional hearings and I have some very distinguished gentlemen who should be heard today.

Senator Long, do you have any questions?

Senator LONG. I just want to get one little word in here, and that is that this year we may have a $40 billion trade deficit. We are not talking about millions—a $40 billion deficit. Nobody is going to take our paper money after awhile because they will wonder about our ability or our sincerity about making it good.

Now, we are not going to let those people buy the whole United States. They are bringing money in here to invest it in just anything that looks like it might maintain its value for awhile. They are paying, in some parts of the country, big prices for farmland and other things. You are familiar with some of that.

But we are not going to turn the United States over to them to redeem that paper. We are not going to give our country away.

Before we do that kind of thing, we will have to do like the French did and just make the currency good by moving the decimal point over. They made 100 old francs equal to 1 new franc.

France did that, Senator, so now you do not have to carry as many francs around. You can keep up with the numerals on the currency.

But as long as countries want to do business—everybody is calling on us. The Japanese want us to buy less energy. And then somebody else wants us to buy less Japanese commodities. Everybody wants to balance our accounts by cutting down with the other guy, but for their account, they want us to buy more. So that the only way we will ever get this thing under control at some point is to say, look, I cannot do business with you.

We are not going to negotiate away our deficit because, as far as every one of these countries is concerned, that has a surplus in trading with us, our deficit is their profit. They are not going to voluntarily give it away. You are just kidding yourself to think you are going to get anywhere with this bad situation while you are doing all of that.

So if we are going to have to do something to keep the United States solvent with our balance of payments, we will have to move into some of these areas where we are importing things.

If I had my way, we would produce a great deal more energy, but you would not balance it even if you were producing all your energy. You would still have about a $20 billion deficit.

And we cannot produce that much energy in the short run. It will take time. That will take years.

So if you are going to try to keep your nose above the water and to reduce this deficit, you are going to have to do it in some of these areas where you can produce something, and that is, of course, one of the areas that you are speaking for here.

Senator HOLLINGS. That is right, Senator, and I appreciate it. I know the New York Times reported on July 5 that from January through May, the United States bought $19.1 billion in machinery and transport equipment from overseas, and $18.2 billion in manufactured goods. Energy came in third, at $15.9 billion. The first two categories are more than double the petroleum deficit. The figures updated through June are, respectively, $23.3 billion for machinery and transport, $22.1 billion for manufactured, and $20.6 billion for fuel.

Senator RIBICOFF. Senator Hansen?

Senator HANSEN. Mr. Chairman, I am a cosponsor of Senator Hollings' bill and I want to compliment him on his statement. I have long been concerned about the textile and the apparel import problem, not only on its merits, but because of the importance of the textile industry of this country to the many woolgrowers in my own State of Wyoming.

Wool production, as recently as 1977, provided the livelihood for more than 6,000 persons in Wyoming and their families and the people who are dependent on them to purchase supplies, equipment, feed, and so forth.

Now I also recognize the importance of the textile apparel complex to the economy of the United States as the largest single employer in manufacturing.

I also want to compliment you, Senator Hollings, on another point you made, and that is that while these changes that are being proposed in the textile and apparel tariffs would be catastrophic, the fact is that this industry is already in deep trouble.

Thank you for a very excellent statement.

Senator HOLLINGS. Thank you very much.

[The prepared statement of Senator Hollings follows:]

STATEMENT OF SENATOR HOLLINGS

I appreciate the opportunity which the Subcommittee has accorded me to appear this morning to tell the Committee why I introduced S. 2920, why 32 Senators have already joined as co-sponsors, and why I think this is urgently needed legislation. I know the current legislative session is getting late. I know we have a full calendar before we adjourn. But I also know that unless action is taken to pass this bill, together with the House, we, as members of the Congress, will be permitting irreparable harm to be done to 2.3 million textile and apparel workers located throughout the length and breadth of this country.

I introduced this bill and many of my colleagues have co-sponsored it with me because of the fact that the Administration is rushing headlong in Geneva to cut tariffs on textile and apparel products to the point where the future of this industry will be in real jeopardy. You will hear this morning from representatives of 15 industry and labor organizations in support of this legislation. They will be able to tell you first-hand of the problems they see arising out of the contemplated tariff cuts in Geneva. They will tell you of their efforts to try to persuade the Administration not to impose this terrible burden on the workers and firms in this industry. I ask you to listen to them carefully and take heed, because this may be our last opportunity to prevent a terrible wrong from taking place.

The situation thus far in 1978 is a good indication of what more will happen if tariffs are cut. What has occurred thus far in 1978 has taken place even before a single tariff on textiles and apparel has been cut in Geneva. In the first six months of 1978, the textile and apparel trade deficit was 70 percent above the deficit for the first five months of 1977. It is running now at an annual rate of $4.4 billion, $1 billion higher than last year. According to the Wall Street Journal, the U.S. textile trade negotiator said last week in the Far East that he estimates the textile and apparel trade deficit this year will reach the astronomical figure of $5 billion.

In the first five months of this year, apparel imports increased 25 percent above the level of a year ago. Fabric imports were up 35 percent. Yarn imports were up 25 percent. These are staggering figures. They tell us what is in store for this industry if the Administration goes ahead with its plans to cut the tariffs on textiles and apparel in Geneva.

There are almost 2½ million workers in this industry. They work in 29,000 plants throughout the country. Yes, we have a large concentration of these plants and these jobs in my state. They are the backbone of our economy. But let us not forget that apparel and textile plants are located in every state in the Union, and that metropolitan areas of the Northeast, which can ill afford more unemployed, also have major concentrations of these plants. Over a quarter of the workers in this industry are minorities: blacks and hispanics. Almost two-thirds are women. The industry employs people who may not be able to get jobs easily in other industries. Where would the 330,000 cotton farmers and the 100,000 wool growers of our country be without the textile and apparel industry? Sad to say, import levels today have displaced 400,000 American jobs. Still, the textile and apparel complex is the largest employer of manufacturing labor in the United States. It accounts for one of every eight manufacturing jobs. This industry, clearly, is the linchpin of a large part of this country's economic growth and health. S. 2920 will help keep it that way.

Let me tell you what S. 2920 does and what it does not do. This bill corrects what I consider to be a major oversight in the drafting of the Trade Act of 1974. That legislation correctly exempts industries receiving import relief under the "escape clause" from tariff cuts in the trade negotiations authorized by the Act. We know that only five industries out of 31 to date which have gone through the "escape clause" procedure have received import relief. These are footwear, specialty steel, color TV's, CB radios, and ceramic tableware.

These industries generally have gotten their import relief in the form of orderly marketing agreements. What is an orderly marketing agreement? It is synonymous with the government-to-government bilateral agreements that exist on textiles and apparel under the Multifiber Arrangement (MFA). There are 18 such textile and apparel bilateral agreements or, as they say in the Trade Act, orderly marketing agreeements. Yet, the textile and apparel industry which has the same form of import relief, only through a different statute, Section 204 of the Agricultural Act of 1956, isn't automatically exempted from tariff cuts while the other industries are exempted. In this fair? Certainly not. It is neither fair to the workers and firms of the textile and apparel industry, nor is it fair and equitable trade policy. S. 2920 would correct this situation by providing for the exemption of textiles and apparel from tariff cuts just the way any industry which receives import relief under the "escape cause" is exempted. Let me emphasize, too, that S. 2920 is confined to textile and apparel products. It includes nothing else.

The theory behind the exemption for the industries receiving import relief under the "escape clause" is certainly sound. If an industry has been hurt so badly by imports, it does not make sense to compound that harm or to offset the import relief it has won by lowering tariffs and encouraging more imports of these products into the United States. So the theory is sound, but it should apply to all industries receiving import relief, not only to those receiving import relief under the "escape clause."

Mr. Chairman, since the Second World War, the United States has been on a binge. We have exported our jobs, our dollars, our technology. We have exported our economic preeminence, and we have been without a realistic trade policy for longer than I can remember. Here is an industry declared by the Defense Department to be the second-most important to our national defense—coming only after steel. And yet we allow plants to close, jobs to disappear, and we have opened the floodgates to a suffocating tide of foreign imports. And now, Mr. Chairman, comes the Administration with proposals for cutting tariffs! It is enough to make a mind boggle!

Our American textile industry can be completely competitive in a fair trade environment. It has modernized its facilities; its plant and equipment enable it to hold its own—if we don't completely stack the deck in favor of other countries. And that is what we have unfortunately been doing. To be free, trade needs also to be fair. But when foreign governments underwrite and subsidize and in dozens of ways support their own home textile industries, then we must ask where the equity is. And when we are talking about low-wage countries to boot—with the Korean textile worker receiving hourly compensation of 55¢ while our textile worker gets $4.53—the situation becomes just about impossible. There are those who call it free trade. But all it boils down to is a head-in-the-sands economic policy whereby we give the freedom and others get the trade.

Let's head down the right road for a change. It makes no sense to spend billions to create jobs and then turn right around and pursue a trade policy that eliminates them faster than they can be created. No one else in this world is going to look after America's well-being. It's our job to do. We still have the chance, late in the day though it is. But if we keep going down the dangerous road of give-away and of cave-in to the one-sided trade policies of our competitors, then we court peril for our nation. And I say this not to be dramatic, but to express my very genuine concern. We pay all too little heed to our trade situation. We have proposals and initiatives and bills for just about every conceivable approach to cure our country's ills—but where is our trade policy, where are the policies to develop exports, where is the willingness to use some plain business sense to put in place the kind of realistic trade policy which America must have if it is to remain competitive and prosperous?

I ask the Subcommittee not to allow the textile and apparel industry to be the sacrificial lamb of the Administration in Geneva. I ask you not to allow this industry to be placed so much in jeopardy that the jobs of its workers and the future of the firms in the industry will be in serious doubt. I urge my colleagues on the Subcommittee to report S. 2920 favorably. I ask you to help me work for its passage before this Congress adjourns. I ask this of you in the name of fairness and equity. I ask this of you for the 2½ million workers whose future livelihoods depend upon what you do.

Senator HANSEN. May I ask unanimous consent that a statement by Philip Farrell on behalf of the National Woolgrowers' Association before this subcommittee be inserted in the record?

Senator RIBICOFF. Without objection.

Senator HANSEN. Thank you, Mr. Chairman.

[The material referred to follows:]

STATEMENT OF PHILLIP FARRELL, ON BEHALF OF THE NATIONAL WOOL GROWERS ASSOCIATION

I am Phillip Farrell. I live in Madras, Oregon, where my two sons and I have a diversified but very intensive operation, on which sheep play an important role on our family farm.

My statement is submitted on behalf of the National Wool Growers Association of which I am Chairman. The Association represents the 100,000 producers of raw wool in the United States.

We greatly appreciate this opportunity to testify in favor of Senator Hollings' bill, S. 2920, which would amend the Trade Act of 1974 to exclude textile and apparel products from consideration for tariff reductions in the Multilateral Trade Negotiations. We are pleased to note that this legislation is co-sponsored by 31 Senators representing widespread geographical support.

Wool is grown in all states of the Union, principally in Texas, California, the Rocky Mountain states and certain mid-western states, where its production is vital to the economies of these states.

We fully support testimony presented to the Subcommittee by the Northern Textile Association, the American Textile Manufacturers Institute, and other textile and apparel organizations.

The wool manufacturing industry in this country provides the only market for domestically-produced raw wool. Therefore, the welfare of the domestic wool textile industry is directly related to the welfare of our wool-growing industry. We strongly believe that further injury to the U.S. wool textile industry must be prevented. It is clear that a reduction in existing tariff levels on imported wool textiles and products will further damage an industry long characterized by heavy import penetration and by imports rising at the most rapid rate of any sector within the textile industry.

Statements submitted to this Committee have outlined in detail the long period of decline in the wool sector of the U.S. textile industry which began in the 1950's. I will not repeat these statistics here except to reemphasize that in human terms this decline has meant the loss of 34.600 jobs since 1958 in the broad woven textile mills alone. These are jobs provided by mills usually located in rural communities where the mill often constitutes the principal source of employment.

The serious nature of the wool import problem was recognized during the Kennedy Round when tariffs were not reduced on imported wool textiles and products. Despite the maintenance of those tariffs, import penetration of the wool textile market—i.e. woven wool cloth and apparel—has risen from 12% in 1962 to 37% last year. This is a situation which should not be tolerated.

It is important to note that Congressional enactment and extension of the National Wool Act of 1954 is based on the premise that the production of raw wool in this country is essential to national security. It is clear that the value of raw wool to our security will be meaningless unless this country maintains a capability to manufacture wool into useful textile products.

Under these circumstances, a reduction of existing tariffs would be unconscionable. We agree with Senator Hollings' observations that it is inconsistency of the worst kind to accord relief to textile goods under Section 204 of the Agriculture Act while, at the same time, undermining relief by cutting tariffs. Senator Hollings' bill, S. 2920, simply recognizes that textiles and apparel should be placed on an equal basis with other endangered products such as shoes, television sets, and stainless steel. We urge the subcommittee to act favorably and expeditiously on this vital legislation.

I would like to thank the committee for this opportunity to present our views.

Senator RIBICOFF. Our next witness will be Senator Strom Thurmond.

Senator Thurmond?

Senator THURMOND. Thank you very much, Mr. Chairman.

STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Mr. Chairman and distinguished members of the committee, I am pleased to have this opportunity to appear before the Subcommittee on International Trade of the Committee on Finance in support of S. 2920.

This bill amends section 127(b) of the Trade Act of 1974 to prohibit the reduction or elimination in trade negotiations of duties or import restrictions on certain imported textiles or textile products. I am a cosponsor of this legislation and I feel immediate action is imperative.

I want to repeat—I sincerely feel that immediate action is imperative to protect the textile and apparel industries from the growing onslaught of imports.

The textile and apparel industries are the oldest and largest manufacturing concern in the United States. They are vitally important to the economic health of our Nation. Declared by the Department of Defense to be the second most important, behind steel, to our national defense, the textile and apparel industries provide one out of every eight manufacturing jobs.

The textile industry employs nearly 1 million people. Another 1¼ million Americans work in apparel manufacturing. When all allied industries are included—manmade fiber, raw cotton and wool production, transportation, machinery and chemical manufacturing—nearly 3 million people rely on the fiber, textile, and apparel industries for employment.

Historically, the growth rate of the textile industry has been 4.5 percent annually. Economists predict that the industry will continue to grow until the year 2000 but will slow to about 3 percent annually. However, under the current multifiber agreement—MFA—textile and apparel imports into the United States are permitted to increase at a rate of 6 percent annually.

Presently, some 18 of the U.S. textile industry's bilateral trade pacts with other nations will expire this year, including those of the 4 largest exporters to the United States: Honk Kong, Taiwan, Japan, and South Korea. The industry is pressing for greater protection under the bilaterals, while the Carter administration is pushing for a 60-percent cut in tariffs over the next 8 years.

According to economic forecasters, if tariffs should be cut in half, we can expect a loss of some 500,000 U.S. textile and apparel jobs by 1990.

Additionally, the "ripple effect" of lost jobs in supplier industries, such as fibers, and less spending by those out of work, could mean more than 2 million jobs—I repeat, 2 million jobs—by 1990.

As you can see, Mr. Chairman, a tariff reduction of this magnitude holds serious implications to those employed in the textile and apparel industry, not to speak of other related industries.

On two occasions last year, I wrote President Carter: Once urging that the import growth rate be held to a rate no greater than the domestic industry growth rate; and second, to urge that tariffs not be cut.

The administration responded that the purpose of the tariff reductions are to increase competition and lower consumer prices. However, a recent Library of Congress study has shown that markups on import goods appear to be higher than on domestic products. In other words, the consumer does not necessarily get a lower price because of increased competition.

I think this was clearly brought out in the joint labor/industry press conference on textile imports held on June 29, 1978.

Mr. Chairman, it is the high and rising volume of textile imports with the resulting trade deficit, that is a primary cause of inflation. In the first quarter of this year, the overall trade deficit was $12.2 billion. The textile apparel trade deficit, which, in 1977 was $3.4 billion, is now running at an annual rate of $4.4 billion. We simply cannot bring inflation under control and stop the erosion of the dollar, if the United States continues to follow, in Geneva, trade policies of tariff reductions.

Mr. Chairman, I urge the subcommittee to act quickly on this needed legislation, S. 2920. We cannot continue to lose American textile and apparel jobs to imports, while giving no benefit to the American consumer. We must have a textile and apparel trade policy that works to reduce the trade deficit and strengthen the U.S. dollar.

We must act on S. 2920 during this Congress.

Mr. Chairman, in closing, I want to say that this is my 24th year in the United States Senate. Since I have been here, I have seen many changes take place in our country. But I want to tell you, textile and apparel imports have been a continuous problem.

I remember we have worked under the Eisenhower administration with this problem; we have worked under the Kennedy administration; we have worked under the Johnson administration; we have worked under the Nixon and Ford administrations; now we are working under the Carter administration.

Someone somewhere—and I would like to know who it is—does not seem to realize that the American textile and apparel industry must be protected. I do not know whether it is in the State Department—some say it is—or in some other place. But someone somewhere is not looking out for American interests. I hope this committee can put their finger on that point and eliminate the trouble.

In 1958, I was a member of the Subcommittee on Textiles of the Commerce Committee. It was chaired by Senator Pastore at that time.

The subcommittee traveled to New England and held hearings in New York, New Hampshire, and in the distinguished chairman's home State of Connecticut. We traveled down South and held hearings in North Carolina and South Carolina. Finally, we came back to Washington and held still more hearings. At that time, we found that mill after mill was closing due to imports.

The same situation is beginning to occur again.

As Senator Hollings stated, last week in my State, Mills Mill of Greenville closed. We are going to see one after the other close. What are we going to do with these people?

Are we going to let the foreign interests take over this country and destroy the jobs of the people in this country? Or, are we going to stand up for the people of this country first?

Why do we let goods from other countries come into the United States in mass style and take over our markets and our jobs? It only results in having to provide more welfare and unemployment benefits at the taxpayers' expense.

I think that we must first take care of American interests. I think that we must first take care of the American people. If this means stopping goods from coming into the United States, that is what should be done.

I think a good point was made a few moments ago by someone asking the question: Are foreign countries taking American goods, or just sending their goods to us? Why should we continue to allow their goods to come in, flood the markets, and destroy the jobs of our people?

Now, Mr. Chairman, I think the time has come for action I think it is imperative that we take action now—not next year, but now. Otherwise, we are going to see hundreds of thousands of jobs destroyed in the textile and apparel industries.

This not only means just the jobs in the textile manufacturing plants. It means in the sewing plants. It means in the apparel industries of all kinds.

Many women are now working in these plants. In fact, there are now more women than men in the sewing and apparel industries. All of these people are going to be affected.

I sincerely hope that this committee will give this bill favorable action. I have been amazed at the influence of the State Department in the past in showing more interest in trying to placate foreign countries than trying to take care of the people back home. I think America must be placed first, and I hope the committee will do this.

Thank you very much.

Senator RIBICOFF. Thank you, Senator Thurmond.

Next we will have a panel consisting of Mr. William Klopman, Mr. Shackelford, Mr. Hoffman, and Mr. Shapiro.

Gentlemen, you may proceed as you will.

STATEMENT OF DUKE SHACKELFORD, ADVISER, NATIONAL COTTON COUNCIL

Mr. SHACKELFORD. Mr. Chairman, I am Duke Shackelford. I am a cotton farmer and ginner from Bonita, La., and I am a member and advisor to the National Cotton Council, on whose behalf I am here today.

The council has joined the other organizations here today in support of S. 2920 because we know the future of the cotton industry in the United States is tied to our domestic market. All the cotton, or typically all the cotton consumed by the domestic mills is homegrown cotton. Our exports are important to us, and we could not do without them, but when our cotton is exported and when we import textiles from the same countries to which we export our cotton, we do not know what percentage of the textile imports into this country are manufactured from American cotton, because these countries import cotton from many other countries besides the United States.

I had a piece of information handed to me yesterday, that during the first 6 months of 1978, the cotton content of the textile and apparel imports jumped 33 percent from 1977 and was the equal to an annual rate of 1.8 million bales of cotton.

Now, I am no expert on foreign trade, but I know what 1.8 million bales is, Senator Long. That is equal to over three times the annual production of the State of Louisiana, and it is more than the production of most other States in our country.

We are interested in not being negotiated out of business. There are some who have said that with the multifiber arrangement in place, there is no need for concern about textile and apparel imports and no need for concern about tariffs.

We feel like tariff cuts are kind of like being born ugly—they are with you for the rest of your life. You do not get away from them.

But we would like to emphasize to you that we think what is at stake here is of major importance, not just to the textile mills and apparel factories of our country but to the entire cotton industry, beginning with the cotton farmer, those who supply his machinery, chemicals, money, labor, and many other supplies.

We feel like it is necessary that S. 2920 be enacted. We consider that it would protect our markets, protect American jobs, and give stability to American agriculture.

Mr. KLOPMAN. Mr. Chairman, if it is satisfactory to you, we would like to go through our four presentations.

Senator RIBICOFF. Please proceed.

STATEMENT OF WILLIAM A. KLOPMAN, CHAIRMAN, INTERNATIONAL TRADE COMMITTEE, AMERICAN TEXTILE MANUFACTURERS INSTITUTE AND CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BURLINGTON INDUSTRIES, INC.

Mr. KLOPMAN. I am William Klopman, chairman of the board of Burlington Industries and chairman of the International Trade Committee of the American Textile Manufacturers Institute. We have filed for the record a detailed statement of 15 fiber, textile, and apparel industry associations and labor unions with a strong support of S. 2920.

The four of us right here, of course, will briefly summarize the key points in the statement. We appreciate the opportunity to appear here today to present our views on this critical piece of legislation. We are here because our appeals to the administration to be exempted from tariff cuts have fallen on deaf ears.

Textiles and apparel are a national industry of 29,000 plants located in rural and urban areas of every State in the Union. We are the largest manufacturing employers of labor in America. Of our 2.5 million workers, 65 percent are women and 23 percent are minorities, precisely those Americans who may need the most assistance in today's economy.

Our suppliers are the hundreds of thousands of American cotton farmers, woolgrowers, fiber producers, and countless other manufacturers small and large of virtually every product made in this country. Whole communities are dependent upon the health of our industry and, in short, as we fare, so will a very large part of the American economy.

I am here to tell you that imports have been devastating to our industry—contrary to what Mike Smith said. In the past decade, they have doubled in size and increased their share of the U.S. market by 50 percent. During the first 6 months of 1978, textile and apparel imports were up 28 percent and probably now hold 24 percent of the U.S. apparel-related textile market.

This growth is appearing under the new MFA agreements which are supposed to restrain imports to a 6-percent rate of annual increase.

The textile-apparel trade deficit in 1977 was $3.4 billion. It was 70 percent ahead of last year in the first 6 months of 1978.

According to the Wall Street Journal, the chief textile negotiator, whom you recently heard, Mr. Michael Smith, has estimated that the 1978 deficit could reach $5 billion.

What has this import growth meant to our industry? The average for the 7 months ending July 1978, shows 346,000 textile and apparel workers were out of work, or on short time, as a result of this deluge, all before a single tariff was cut in Geneva.

Data Resources, Inc., has projected that the U.S. apparel market will grow at no more than 1.5 percent a year through 1985 but imports are projected to grow at a rate of about 8 percent per year. This suggests that we will have a direct loss in the industry of 400,000 jobs through 1985, even before any tariff cut. But the ripple effect of losses elsewhere in the economy, the number becomes even more staggering—1.4 million.

If tariffs are cut in half, DRI forecasts an additional 200,000 iobs lost in the industry with a total loss in the United States, including the ripple effect, of some 2.2. million.

This, in and of itself, is inflationary and should be unacceptable to Congress and the administration and the American people. The committee should not be misled by the administration's claims that only small tariff cuts will be made on textiles and apparel. An offer to cut these tariffs by 1 or 2 percentage points per year for 10 years means cuts of 40 to 60 percent from present tariff levels.

The Trade Act of 1974 exempts from tariff cuts industries receiving "escape clause" import relief—and these now include specialty steel, footwear, color TV's, and CB radios. The first three of these have import controls in the form of orderly marketing agreements. The textile-apparel multifiber arrangement is similar in nature but comes under section 204 of the Agricultural Act of 1956.

We submit that our industry, therefore, should have the same treatment in Geneva: exemption. Enactment of S. 2929 will accomplish this. We urge the committee to report it out favorably.

STATEMENT OF HERBERT S. HOFFMAN, PRESIDENT, M. HOFFMAN & CO., INC. AND SECRETARY, AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Mr. HOFFMAN. I am Herbert S. Hoffman, president of H. Hoffman & Co., Inc., and secretary of the American Apparel Manufacturers Association. The AAMA represents manufacturers of all kinds of apparel, having an aggregate annual sales volume of approximately $20 billion, or 65 percent of the entire sales volume of the U.S. apparel industry. Apparel is the critical element in the industrial network consisting of fibers, textiles, and apparel, the largest manufacturing complex in the Nation.

I should like to summarize several key points in the joint statement of the 15 industry associations and labor unions which has been filed with the committee.

One: The fiber, textile and apparel sectors of the industry are inseparable. It has been suggested that the different sectors of our industry should be treated differently. We believe that this approach ignores the basic inseparability of the three sectors. A job lost to imports in the apparel sector is reflected in a job lost in the textile sector which in turn is reflected in the jobs lost in the fiber sector.

The U.S. textile industry cannot exist without a viable apparel industry, which is its major customer by far. Conversely, a viable domestic textile industry is essential to a healthy domestic apparel industry which otherwise would be at the mercy of foreign textile suppliers.

We fear that the tariff cuts contemplated on Geneva will have such devastating effects on our industry that the United States could once again find itself faced with an OPEC-type situation such as has plagued us with regard to oil imports. The apparel industry does not want to be dependent on foreign sources for its yarn and fabrics. At the same time, if the domestic apparel industry goes under, the domestic textile industry cannot survive.

We are inseparable economically. Neither fiber nor textile nor apparel tariffs should be cut.

Two: The impact of low-cost imports has been particularly serious with regard to apparel jobs.

Since 1969, imports have claimed over 100,000 apparel jobs. From a high point of 1,409,000 workers in 1969, apparel employment fell to 1,293,000 in April of this year. The men's and boys' tailored clothing industry alone has lost 43,000 jobs in the last 10 years, a third of its labor force. These declines are particularly dislocating for apparel workers because so many are located either in rural or in metropolitan areas where alternative jobs are just not available. Some 80 percent of the workers in our industry are women who do not have the flexibility to move to new employment opportunities.

Three: The increased imports of the post-Kennedy round period will surely be repeated if textile and apparel tariffs are cut in the multi trade negotiations.

Between 1967, the year in which the Kennedy round was completed, and 1972, the final year in which tariff cuts were phased in, textile and apparel imports increased by 140 percent from 2.6 to 6.2 billion square yard equivalents. During this period, the annual growth of imports was three times as fast as the growth of the domestic market.

We fully anticipate that if the administration goes ahead with its plans to cut tariffs on textiles and apparel in Geneva, we will have a repeat of what happened after the Kennedy Round. The distress to the textile and apparel industry will be so substantial that the economy as a whole could well suffer.

Four, there will be no consumer gains from tariff cuts. It has been suggested that the consumer will gain if textile and apparel tariffs are cut. We believe there is ample evidence to disprove this allegation.

A study by the Library of Congress on the actual price effects to consumers of lower-priced imports provided some evidence of what we in the industry have known for a long time—that, on the consumer level, there is little net price benefit resulting from imports. In hearings last month before the Ways and Means Committee, Subcommittee on Trade, a spokesman for the American Retail Federation acknowledged that in the event of tariff reductions on textile and apparel items there would be no resulting price reduction at the consumer level.

What we have found is that retailers take higher markups on imported goods than on domestically produced goods. This is why they are attached to imports.

We believe sincerely that if S. 2920 is enacted, it will not have an inflationary impact of any kind. This bill is not designed to add anything to the cost of goods, but rather to maintain the status quo. Furthermore, it is obvious that even without tariff reductions there are very large and increasing quantities of imports of textile and apparel products.

This bill will certainly have no limiting influence on either the intense competition from imports or the wide ranges of styles, quantities, and prices of imports which already exist today.

Five, S. 2920 sets no precedent for other industries to be exempt from tariff cuts. This legislation is clearly limited to textiles and apparel. No other industry has import relief today under section 204 of the Agricultural Act of 1956. All that the bill provides for is to add to the statutory basis for exempting industries receiving import relief from tariff cuts in Geneva, those industries receiving relief under section 204 of the Agricultural Act of 1956.

STATEMENT OF IRVING SHAPIRO, CHAIRMAN OF THE BOARD, THE DU PONT CO., REPRESENTING THE MAN-MADE FIBER PRODUCERS ASSOCIATION

Mr. SHAPIRO. Senator Ribicoff, Senator Long, Senator Byrd, Senator Roth, Senator Hansen, my name is Irving Shapiro. I work with the Du Pont Co. We produce manmade fibers that people consumed in manufacturing their products.

As I sat here this morning listening to the prior testimony and to the questions of the subcommittee, it seemed to me quite obvious that the members of the subcommittee know the facts. There is not any need for us to beat on you with all the numbers. You had long statements. We all have prepared statements.

But the fact is that if you sit back and ask yourself what this is all about, it is a simple proposition. There is not any basic dispute about the basic facts—we can argue about fringe numbers, but the basic facts are there.

The basic facts are that the deficit is increasing year by year. All three segments of our industry are in a degree of financial distress because of that fact. This is so, even though there are 18 bilateral agreements. It is so even though we have the current tariff structure.

And so the question, it seems to me, very simply has to be, given the degree of pain that we already have, why should tariffs be cut to create additional pain?

Now, as I asked myself that question and tried to be objective, the only answer I get is that there must be an overriding national purpose to justify destroying these industries. I do not know what the overriding national purpose is, and I have not heard any testimony from the Government people today that speaks to such an overriding purpose. And so I have to assume that there is not such a purpose and rather that the interests of the United States require that our three industries be kept healthy within limits.

I want to be careful to be precise in what I am saying. We are not talking about precluding imports. Imports are increasing on a regular basis. What we are talking about is the narrow question: As the U.S. market grows, shall we permit all of that growth to be absorbed by the importers, or should some of it be preserved for the domestic companies who provide the jobs for American citizens?

The issue is that narrow.

If you ask the question that way, it seems to me that the answer is fairly simple. Let me make one other point, and then we really would prefer to get to your questions.

I sit in a business that has to plan its plants 3 to 4 years in advance. And so, in 1978, we have to think about what kind of capacity will be needed in 1981 and 1982. We invest some $385 million a year in research and development.

The crucial issue we have to face today is, can we afford to build another textile fibers plant? Can we afford to put the R. & D. dollars into fibers that we have put in in the past?

The answer is that we cannot. As things stand today, we are at a standstill position. In my 27 years with the Du Pont Co., that is the first time I have ever seen Du Pont in the position where it was not planning additional capacity for its fibers business. And that fact arises simply from the fact that our customers are in distress and we are in distress, and one simply cannot be sure at this point in time whether we are going to be in this business in the future, or whether this business is going to be exported abroad.

That is the kind of an issue we have. I understand what the problems are for Ambassador Strauss. Nevertheless, the first question one has to ask is how much harm do we want to do to ourselves in order to carry forward this negotiation in Geneva?

I think that we are now in a situation in which all three industries are having something of a bloodletting and it does not make very much sense. We are talking about cutting tariffs in order to increase the bloodletting.

With that, I will subside, gentlemen, and we would be glad to take your questions.

Senator RIBICOFF. The phrases "globalization" and "accumulative concepts," does that mean anything to you four gentlemen?

Who is the expert on globalization?

Mr. SHACKELFORD. I am not. All I heard was that part about the pie, Mr. Chairman.

Mr. KLOPMAN. I do not believe any of us are experts. What we understand the EC has worked out is a global arrangement. What actually has transpired with the EC and the other countries it is dealing with has been, at this point in time, a secret. We have seen things that have come out in the paper, but the indications are that what they are attempting to do is put a number on the imports they are going to allow into their unit on an annual basis and the import growth, and then portion it out. That is what they called globalization. That is what Mike Smith refers to as the pie.

Unfortunately, we do not know anything more about it than that, but it is certainly, in our view, a very logical concept and something that, in time, I think we think we should go to.

Senator RIBICOFF. Do you know something about it?

Mr. SHAPIRO. Yes, Senator.

Our neighbor to the north, Canada, has a system of globalization, as well as Australia, in addition to the countries already mentioned today.

Senator RIBICOFF. You see, you have a very, very practical problem—whether you are going to have worldwide, international trade or you are going to have an orderly arrangement of exports or imports without destroying basic American industries. Whether we, in this country, ever had handled our trade policy properly, taking into account the bills between all these forces.

I do not think there is a single man sitting here who would say that we are going to put up a wall, and we are not going to export or import. We know that there would be a complete disintegration of not only the world economy, but the American economy.

But what intrigues me today is that the Government witness talks about the European Community's system and ours and it is strange, the staff has never heard it. No member on this committee has ever heard this before.

It would seem to me that we are being out-sophisticated in the whole international trade policy, and I am ready to learn from the Japanese, from the European Community, from Taiwan, from South Korea, wherever there is an edge I want that edge for the United States. My feeling is that within that term, globalization, comes a methodology that could be helpful to the United States.

That instead, all I know is cumulative means more. Maybe it does not—I mean cumulative means more, and if we are working on a cumulative concept, more and more is coming in, and I think the European Community, which has very good traders, and the Japanese, who are very, very good traders, have come up with a concept and a formula that I want Mr. Strauss to look at before he comes to any agreement in Geneva.

Because in that—I do not know, it may not be—but I have asked the staff to look into it, and I want your economists to give us a response and also the labor economists, to see if this is something that we should be addressing.

Mr. HOFFMAN. As you suggested, we will file a paper that will set forth all of the facts that we can gather. I share your view. I think our friends abroad have been shrewder in the way they have played the game than we have, and it is time that we learned from their experience.

Senator RIBICOFF. Senator Long?

Senator LONG. Mr. Shapiro, your name has been mentioned as a candidate for several high, important positions in this Government, partly because you are well-acquainted with businessmen and you look at this problem from all points of view. You have served as the head of the business roundtable. You communicate with the businessmen and hear their point of view.

In over 30 years here, I have looked at these trade problems and there is always something about it where it looks like there is something that must not be discussed; unless you have somebody out behind the shed and whisper in his ear, nobody is going to communicate what the whole thing is.

We cannot keep on running the kind of deficit we are running. We should talk to those people and say, either you buy more from us, or we are going to have to buy less from you. We can say that to the Japanese; we can say that to those who have the big surpluses—Taiwan and others trading with us.

Even if they do buy more from us, it seems to me as though the deficit is so tremendous that it is actually going to mean some of both in any event, if we ever get around to trying to strengthen our position. We will have to say you will not have to cut back so much on your exports to us if you will buy more from us.

I do not see how we can keep letting them have complete access to our market when we cannot sell them any more than we are selling now. If that is the case, then it would seem logical to me that if we are going to have to cut back on imports, we should have some say about the areas where we want to cut—wherever we could hurt our economy the least, how could we adjust to it best? And if that is the case, I think you make a very good case for this industry's saying, if you look at who the people are you are going to displace, these are some jobs that we ought to keep.

Is that how you approach it, or do you approach it with your business friends on some other basis when you are discussing this?

Mr. SHAPIRO. Senator, you and I are speaking the same language. Let me say two things.

First, I think we have tended to get into trouble because we have administered international trade by slogan. Somehow, the words "free trade" are supposed to be the answer to all problems and, of course, they are not. That is just the beginning.

One can agree that we want international trade, but one still has to analyze, on a case-by-case basis, what that means for this country, and what we ought to be doing. Let me illustrate my point by a very simple experience.

I visited Japan last fall and had an opportunity to visit the Prime Minister and the Deputy Minister invited me over to talk about international trade. I spent 2 hours with him, and we talked about the various problems, and they said their things and I said our things, and we never did get together.

But finally I said, gentlemen, let me take one simple case. Fuji produces X-ray film and brings it to the United States with a 6- or 7-percent duty. The DuPont Co. produces X-ray film and if we want to bring it to Japan, it costs us a 14-percent duty.

As an act of good faith, why do you not cut your duty to the same level as the United States and let us compete with Fuji?

And the answer they gave me was, Fuji is already taking care of the Japanese market.

That is literally the story, and that is the state of mind of our trading partners, and one has to bear that in mind when we bargain. I have great confidence in Ambassador Strauss, but I think sometimes he has so many pressures that he may neglect something that we are vitally interested in.

Senator LONG. Someone mentioned to me a discussion with a Japanese where he wanted us to obtain the concession to ship in our direction. In order to help him with it, he felt that they ought to make some concession to us, so they picked up some item and said, we will make a concession on that.

This person in America discussing it said, well, do you not understand that even if you made that concession we would not be able to ship one single unit in your country? He said, oh, yes, I understand. But you see, we are making a concession.

It seems it is in those areas that these people are talking to us. They make a concession. It is to be something that does not mean a thing, while they want us to make concessions in areas where we further expose our market and lose more jobs.

The answer to the whole problem, it seems to me, is that each nation would try to move toward having a balance of trade and a balance of payments. If every nation had a balance, the overall sheet ought to balance out.

What chance do you see for us to persuade the nations who have big surpluses to agree to that?

Mr. SHAPIRO. Senator, I do not know. Each nation is going to play for its own self-interest. That is the starting point. We might as well accept that.

That being so, we are going to have to bargain hard and I must admit I have trouble in understanding why Ambassador Strauss and his colleagues have any difficulty with our proposition, because all I am talking about is who is going to participate in the future growth of the market—not that we are going to preclude anybody, ban imports, but simply who is going to participate.

And we are saying, let them participate in part of the growth—we have no quarrel with that—but we ought to keep some of the growth for American plants and American workers too.

It seems to me so eminently sensible that I am simply amazed that someone with the commonsense that the Ambassador has does not see that right away.

Senator LONG. Thank you very much.

Mr. KLOPMAN. On that point, we have a textile trade deficit with Hong Kong of $1.1 billion as of the end of 1977. It is rather difficult to conceive how we could wipe out that kind of a deficit with Hong Kong.

Senator RIBICOFF. Senator Roth?

Senator ROTH. Mr. Shapiro, if I understand your testimony, in effect what you are saying is if American industry, the DuPont Co., for example, cannot share in the growth, then there is no incentive to spend money on research and development, money on new plants.

If that is the case—and I am sure it is—does that not mean, in a sense, our whole industry, our fiber, textile and apparel, becomes a dying industry because it will not keep up with new developments?

In a sense, we are talking about not only new growth, but maintaining what we already have as a healthy part of our industrial capacity?

Mr. SHAPIRO. That is absolutely correct, Senator.

I would point out, if you look at history, all of the important technological advancements in this area came from the United States. There are very few that you will find from the rest of the world. The people who are importing into this country are simply using technology that was developed here.

So that if we want to keep our industries healthy, there is a vital need to maintain the R. & D. operation, and yet, as a matter of commonsense, one cannot afford to do it unless he can see some freedom at the end to sell his products at a profit, and that is not what we have today.

Senator ROTH. I might say that this problem, I think, permeates American industry. We have, in other industries, exported some of our best know-all and found ourselves facing this kind of competition with no capital formation, which I think has got our country on a downward slide.

One of my concerns is the practical concern, assuming even if the legislation that is before the subcommittee today can be adopted by the Senate, and there may be a question as to whether it can or cannot, it has to pass the House, and ultimately that means it has to be signed by the President, unless there is a veto and it is overridden.

Those are pretty major barriers between now and October 7, the projected adjournment date.

So one of the questions that I have—I do not think it can really be answered here today—is that in addition to the people who are negotiating, who hopefully are listening to and understanding the dimension of this problem, what, if anything, do you think can be done in the trade negotiations that will insure a growing and healthy industry?

And that brings me to the second question, do you and the other gentlemen, feel that you are securing adequate information, adequate input, to our negotiators, that they fully comprehend and understand the problem?

I raised the question with Mr. Smith at the beginning. He says there is close consultation.

But if I understand you gentlemen, but either there is not consultation or the word is not getting through.

Mr. SHAPIRO. Mr. Klopman is our resident expert on that one. Let him start.

Mr. KLOPMAN. I want to point out that I am not the resident expert. I have not been consulted.

But we do have several members of the ISAC Committee here who had supposedly been consulted, and if it is all right with you, I would like to have Ms. Williams say a few words about the consultations.

Ms. WILLIAMS. I am a member of the Industrial Sector Advisory Committee on textiles and yes, our advice has been sought. We are permitted to file a general statement and then individual statements as to our position on tariff reductions.

Under our prior Trade Acts, industry was similarly consulted. There used to be hearings before the Tariff Commission and the Committee for Reciprocity Information.

Part of the complaint of industry in the past was that there was not a close enough liaison. Our advice, as I say, was sought.

The Government developed its program, developed its offer list without consulting us on what will be in that offer list. We heard about what the United States offered, when it tabled its offer in Geneva after the fact. So we were left with having done nothing more than what was done in previous times.

There are positions that have been taken by our negotiators with respect to offers of foreign countries, and these positions were taken, and then we learned about them. Our advice was not sought before the fact.

So, as far as seeking advice is concerned, some advice has been sought. I do not feel that I have been able to contribute but, let me put it this way, I do not feel that the aforesaid advice has been given that much more attention than advice that was previously given when there were the public forums of the Committee for Reciprocity Information and the Tariff Commission.

I find myself in an awkward position because I am now made privy to the U.S. offer list and to the offer list of other countries, but I cannot talk about them. So that, as far as my own reaction is concerned, that is where we stand. I feel great frustration.

Senator ROTH. I assume that the other negotiating partners know the same information. Is that correct?

Ms. WILLIAMS. You are talking about——

Senator ROTH. They have the same knowledge that you do?

Ms. WILLIAMS. The other countries?

Senator ROTH. Yes.

Ms. WILLIAMS. Yes.

The thing that puzzles me is that these offers are tabled in Geneva. Presumably, the information is available now for all countries so that everything is wide open as far as the countries are concerned, but it is kept quiet as far as anybody in the United States is concerned, except this select group of people on the committees.

Incidentally, I would like to qualify this. I am expressing my opinion and my experience. I do not know how other sector advisory committees do work.

Senator ROTH. Mr. Chairman, that always mystified me about secrecy. Generally the other side knows the full story and yet we impose a confidentiality among ourselves which, in turn, defeats the whole point of the advisory committees. So that it is self-defeating.

I think this is something that we ought to look into and see if there is not something we can do.

Senator RIBICOFF. You say you cannot talk about them. You know what the offer is. You have been able to convey, have you not, to Mr. Strauss and his staff your reaction and your analysis of that offer on behalf of the industry, have you not?

Ms. WILLIAMS. Yes, as can anybody else. I can react on a specific basis, the industry itself can react on a general basis. When the administration indicates there is a 25.5-percent offer of reductions being made, the industry can react to that.

I can react on a specific basis, but reacting specifically is not focusing attention on the necessity for this industry, that is general exemption.

Senator RIBICOFF. I know. That is why I am puzzled. When you sit down as an advisory group, you are not working in a vacuum. When you sit down with the American negotiators and you talk about the impact on the American economy, do you not, on the offers that are being tabled?

Ms. WILLIAMS. Yes, sir.

Senator RIBICOFF. And you do provide specifics, the impact on jobs, the impact on profits, the impact on research and development. You give that to our negotiators, do you not?

Ms. WILLIAMS. Yes, sir.

Senator RIBICOFF. They do have a factual basis from an industry position?

Ms. WILLIAMS. Yes, sir, they do.

Senator RIBICOFF. You, then, the advisory group, represent labor and management of your industry, right?

Ms. WILLIAMS. No, sir. We represent management.

Senator RIBICOFF. Labor has an advisory group so they can represent labor?

Ms. WILLIAMS. Yes.

Senator RIBICOFF. So the input does come from the industry and labor, of every sector. Is that not correct?

Ms. WILLIAMS. That is very true. That is what happened in the past as well.

Senator ROTH. Where does the confidentiality become a problem, that you cannot discuss beyond your own advisory committee with members of the industry?

Ms. WILLIAMS. That is right. I cannot get into the specific offers that have been made, what offers have been made with respect to particular fabric items or particular apparel items. I cannot get into that.

Senator RIBICOFF. Yes, but every sector of your three tiers has been able to present its point of view, has it not?

Ms. WILLIAMS. Yes.

Senator RIBICOFF. On each offer, so that our negotiators know the position and the reaction of labor and management on every offer? This becomes very important.

Did somebody say you were not sure?

Mr. KLOPMAN. Yes; I believe that Ms. Williams and the advisors speak to lower level members, not necessarily to the negotiators.

Mr. SHAPIRO. Senator, I think it is fair to say that Ambassador Strauss knows that all of us are unhappy with what is happening. He knows why we are unhappy, but we cannot get him to listen to us and agree with us. That is why we are here.

Senator RIBICOFF. This becomes very important. In other words, you mean to tell me, Mr. Shapiro, that you and your associates have been unable to tell Mr. Strauss what is bothering you?

Mr. SHAPIRO. I think we have told him as a matter of fact. Ambassador Strauss and I appeared on a panel together about 1½ years ago at one of the trade conventions, and at that time he expressed very clearly his understanding of what the problem was and what needed to be done. But as he goes about his duties, he has his own set of priorities.

Senator RIBICOFF. But now you are coming to the sticking point. The basic decisions are about to be made.

Mr. SHAPIRO. That is right.

Senator RIBICOFF. They are in the process of completion right now. And do I understand that, on the highest level, an industry like this has had no input in discussion as to the basic position that our negotiators are going to take, on the highest level?

Ms. WILLIAMS. At the highest level, sir, I think I would like to say that we have had no input to this extent. We deal, in our ISAC committee, with lower level individuals.

I was privileged to go to Geneva recently and learned that, in Geneva, they do not have copies of the documents that we have filed with the ISAC Committee here, with the whole sector advise on the program. I understand that there are over there some summaries of documents we have filed. These summaries, we have requested opportunities to review. We are denied the opportunity to review them.

So therefore, I cannot know that the specific advice we have given, or even the very general advice is going forward with the same force and with the same arguments with which we made those recommendations.

Senator RIBICOFF. Is Mr. Smith still in the room? Would you want to comment on this? This is a very disturbing testimony. If you have a basic industry and a basic labor group that has not been able to have its position presented except at the lowest level, and what assurance is there that this has reached the negotiator?

This is puzzling and disturbing. I would like your reaction to this.

Mr. SMITH. Mr. Chairman, I disagree very strongly with Ms. Williams' statement. The record will show how many ISAC No. 2 meetings there have been.

Senator RIBICOFF. What is ISAC No. 2?

Mr. SMITH. ISAC is concerned with textiles and apparel under the Trade Act for the MTN.

Senator RIBICOFF. What is 2?

Mr. SMITH. There are 27.

Senator RIBICOFF. This is No. 2?

Mr. SMITH. Textile and apparel is ISAC No. 2. There is a Labor Advisory Committee whose number I do not know offhand, but there is a similar labor committee, that there have been—I cannot tell you how many meetings, but there have been a number of meetings chaired by the senior staff member of the American Textile Manufacturers Institute.

The Labor Advisory Committee is, I believe, chaired at present by Murray Finley of the Amalgamated Clothing Textile Workers.

What I take exception to, Mr. Chairman, is that the position of the industry is not known at the highest level. If one were to look at Ambassador Strauss' schedule and log, if he keeps one—I am not sure he does, but if you look at his appointments that he has had over the last 1½ years, I would dare say that the textile industry has made its position known repeatedly to the U.S. Government at the highest level.

It is true that the ISAC works at a medium level, medium to high—not high in the sense of Cabinet officer, but medium level officials within the Department of Commerce, the Department of Labor, and STR.

Obviously, you cannot have Ambassador Strauss attending all 27 separate ISAC meetings. We do have a system where the views are made known.

What is key here is that the view of the key industries regarding tariffs is different from the Government, the executive branch. It is different. We know what the position is, as I said in my statement. The industry is adamantly opposed to tariff reductions in textiles and apparel and we have said—in my statement I say that we accept that, we know that, but for other reasons we felt that we had to put textile and apparel tariffs up on the table, at least initially.

The advice which the industry has given the original ISAC report, ISAC 2 report, was that they wanted no tariff cuts in textiles and apparel and that, in essence, was the statement. It was one paragraph long, which was the advice they gave to the U.S. Government. That advice has not changed in 3 years.

But I cannot accept the fact that we have not consulted with them. We have consulted with them.

We went to the textile industry in the ISAC 2 years ago and asked them if we had to put textiles and apparel up on the table, would you please rate from—rank 1 through 4 as to what your priorities are, which must be absolutely sacrosanct, which could be given something, which could be given more, and which you did not care about. And the industry refused, absolutely refused in the ISAC No. 2 meeting, refused to respond. They accused the Government of trying to divide and conquer the coalition of textile management and labor. That was not the objective at all. We were seeking their advice. They refused to give us that sort of advice.

Their advice remained that they were against textile and apparel tariff reductions.

We have, nonetheless, tried to consult informally with various members of the textile and apparel industry, but in the ISAC No. 2, I think there are notes taken which are classified confidential, I believe. There are notes taken of the minutes of this meeting, which we would be pleased to provide to this committee.

Senator Roth. Mr. Smith, if I might just continue, we are not particularly interested, at least I am not, in who did what to whom, but where we go from here. Presumably the executive branch, Congress, and Labor, are all on the same team.

One of the questions I have at this time, you are beginning to make—I do not know the jargon—withdrawals. You are still in the process of negotiations. Is that not correct?

Mr. SMITH. Yes. I think the way the Ambassador characterized it when he returned from Geneva in July was we never really got into the negotiation, if you will, the withdrawal process, or whatever you have. At that time, we just did not get into it.

Senator ROTH. Going back to the point I was making earlier, of course, one approach is to go the route of this legislation, which, of course, would take it out of the hands of your office. This has many problems and complications, as I pointed out, far beyond those of the specific industry.

So what I was trying to suggest, what I was going to suggest, is that it seems to me that it is important that the industry itself take a hard look at the negotiations. You really have three industries involved here.

One of the problems, as I understand, there is not any cross-discussion, necessarily, between these industry advisory groups. You have one for the textile, one for the apparel, and I do not know what cross-fertilization there is in that area. But I have gathered that it may be inadequate.

What I am suggesting, Mr. Chairman, is that the industries affected should take a long, hard look at these negotiations to determine what the bottom line is, what they can accept, recognizing that they are not probably going to get everything they want, any more than any other industry, but what is necessary to make this, continue this, as a thriving, growing industry, and how can they be assured that their requirements are voiced at the highest levels.

The fact of life is, you have input through these advisory groups. By the time the advice gets summarized and goes up through the chain of command, goes over to Geneva, distance and other factors come into play. This dilutes the impact of the advisory group itself, as you were suggesting.

But what we were trying to make sure here today, at least I am, that this industry has, at the highest levels, a direct input on what is actually being negotiated. It is not enough, in my judgment, not enough for these people to have the opportunity to state what they want early in the game.

Let's face it, I can understand why early in the game nobody wants to make any compromises. No. 1, you have a lot of diverse interests, and we all know that, and different people are going to want different things. But now we are up against the crunch where some hard decisions are going to have to be made, and all I would suggest is that the mechanism be set up so these industries—which I think the Defense Department said are the second most important industries security-wise—have that input and that input be based on what the actual negotiating position is.

I do not know exactly how that is accomplished, but I think that has to be done.

Senator RIBICOFF. Senator Byrd, you have been very patient here. Do you have any questions?

Senator BYRD. Thank you, Mr. Chairman.

The problem has been placed in focus by Mr. Shapiro. I agree with his appraisal and that of the panel in so far as the effect on American jobs is concerned. I, personally, am not very much inclined to support legislation such as that introduced by Senator Hollings, but sometimes I think it is necessary to do so. And I have reached the conclusion that I am prepared to support this legislation, because I just believe that it is necessary if we are going to have available in the United States the jobs that the American people need. I have no questions of the panel, Mr. Chairman.

Senator RIBICOFF. Thank you very much, Senator Byrd.

Thank you, gentlemen.

[The prepared statements of the preceding panel follow:]

SUMMARY STATEMENT BY DUKE SHACKELFORD ON BEHALF OF THE NATIONAL COTTON COUNCIL OF AMERICA

I am Duke Shackelford, cotton farmer and ginner from Bonita, Louisiana. I am a member of and Advisor to the National Cotton Council, in whose behalf I am here today. The Council is the cotton industry's central organization, representing cotton growers, ginners, warehousemen, merchants, cooperatives, manufacturers, and cotton seed crushers. We welcome the opportunity to be here today to present our industry's views on the critical piece of legislation now before the Subcommittee.

We have joined with the other organizaions who are here today in support of S. 2920 because the future of the cotton industry of the United States is inextricably tied to the future of the U.S. textile and apparel industry. Domestic mills comprise the American cotton farmers' largest and most dependable market. Typically, U.S. mills consume some 60 percent of the nation's cotton marketing annually, and this seldom varies much from year to year. While our export markets is essential and we work constantly to strengthen it, U.S. cotton growers furnish almost 100 percent of the raw cotton used by American textile mills. Thus, when textile imports displace American-made textiles, products that chiefly contain foreign-grown cotton displace those made almost entirely from U.S. cotton. Countries supplying cotton textile imports into the U.S. in recent years, bought only about one-fourth of their cotton from this country and, of course, to the extent that man-made fiber textile imports replace cotton textiles, U.S. cotton is completely displaced. That is why the U.S. cotton industry has such an important stake in what happens to textile and apparel tariffs in the Multilateral Trade Negotiations.

It has been suggested by Administration spokesmen that the import penetration affecting the domestic textile and apparel industry has been small. Around 11 percent, I believe, was the figure stated by Minister Smith to the House Ways and Means Committee, Subcommittee on Trade, on July 10. I need to take issue with this number because imports of cotton textiles and apparel have been rising dramatically to the point that last year imports supplied not 11 percent of the domestic market, but almost double that level or some 1.4 million bale equivalents. At the rate imports are flowing into the country in 1978, our guess is that cotton textile and apparel manufacturers will be faced with an even worse import penetration this year.

If tariffs on these products are cut, we foresee even larger imports as pointed out in the joint statement of the fifteen organizations here today. We know from past experience with tariff reductions in Geneva that whenever these take place, the United States is faced with significant increases in imports of cotton goods. After tariff reductions in 1955 which reduced import duties on cotton cloth by about 27 percent, there was an upsurge in imports that eventually led to negotiations with Japan of the first cotton textile bilateral agreement. In 1967 the Kennedy Round lowered the tariffs on textiles again, this time by an average of about 21 percent. What we saw thereafter was a substantial increase in textile and apparel imports. I should point out that the phasing in of tariff reductions over a period of time, such as was done as a result of the Kennedy Round, does not offset the final impact of those tariff reductions.

To those who have said that with the Multifiber Arrangement in place, there is no need for concern about cuts in textile and apparel tariffs, I say the MFA is in effect for a limited number of years. It is now in its second four-year period. On the other hand, tariff cuts are in effect forever, unless some American industry is successful enough to win import relief under the "escape clause" provisions of the Trade Act of 1974. We know that only 4 industries out of 31 which have tried, have gotten import relief under the "escape clause". Thus, what harm is done to the textile and apparel industry in the way of tariff cuts in the current trade negotiations will not be undone easily, if ever.

Therefore, what is at stake here is of major importance, not just to the textile mills and apparel factories of our country but to the entire cotton industry, beginning with the cotton farmer and those who supply his machinery, chemicals, and many other supplies. It is necessary that S. 2920 be enacted to prevent irreparable harm to this entire complex which is so important to the growth and health of the American economy.

SUMMARY STATEMENT OF IRVING S. SHAPIRO, CHAIRMAN, DU PONT CO., ON BEHALF OF THE MAN-MADE FIBER PRODUCERS ASSOCIATION

I am Irving S. Shapiro, Chairman of the Du Pont Company. I am here today as spokesman for the Man-Made Fiber Producers Association. The Association represents companies which manufacture more than 90 percent of the man-made fibers produced in this country. Man-made fibers, in turn, account for more than 70 percent of all fibers consumed by American mills and apparel factories.

The joint statement filed with the Committee represents the views of the man-made fiber producers together with those of the other trade associations and unions which have endorsed the statement. From the point of view of the man-made fiber industry, there are certain important points which I would like to stress.

First, a healthy textile and apparel industry is essential to the health of the business I represent. As increasingly larger quantities of imported fabrics and garments enter the domestic market, utilization of existing man-made fiber production facilities declines and opportunities for future growth lessen. The alarming trend in this industry is illustrated by the following data.

The textile industry trade deficit was about 3.4 billion dollars in 1977 which accounts for more than 10 percent of the total U.S. trade deficit. Given the present loss of confidence in the United States dollar abroad, no segment of government should take any action which will result in an increase in this trade deficit. During the first six months of this year, textile imports came into the U.S. at an annual rate in excess of 7 billion dollars while our textile exports declined by 5 percent to 2.5 billion dollars. The textile trade deficit for the first six months hit an annual rate of 4.6 billion dollars which is 70 percent more than for the same period last year. Of course increases of this magnitude continue to adversely affect U.S. jobs.

A second point I would like to make is that imports have increased both from countries covered by bilateral agreements as well as those that are not. This clearly demonstrates that tariffs are essential in controlling imports. Trade concessions at this time can only worsen the current problem.

Man made fibers are even more dependent on tariffs than textiles since they are not effectively covered by bilateral agreements. This lack of quantitative restrictions is critical because fiber producers throughout the world have excess capacity. World capacity for non-cellulosic fibers, such as nylon and polyester, will exceed demand by 6 to 8 billion pounds. Excess capacity generally forces prices down to levels at which fiber producers operate at marginal or even unprofitable levels. This is borne out by the fact that, despite record inflation for the industry's raw materials and energy, the price index for man-made fiber and yarns is below the level it was in 1967. When prices are depressed, tariffs deter excessive levels of imports and provide support for domestic industry.

One positive step would be an exemption of textiles from tariff cuts now being discussed during the Tokyo Round talks in Geneva. If the Administration does not perceive the necessity of this much-needed exemption, we urge the Congress to provide it via speedy action on the Hollings bill (S. 2920). This action could be followed by others, including tighter enforcement of the Multifiber Arrangement, more effective enforcement of antidumping and countervailing duty statutes and negotiation of bilateral agreements with those nations not now covered.

My final point is that, in order to achieve employment stability and job creation, it is essential to have investment in modern production facilities and in new product research and development aimed at keeping American industry competitive in the global market. Presently, the fiber-fabric-apparel industry in the United States is competitive because of past investments based on sound business decisions about future requirements.

The future of the business I represent—the production of man-made fibers—depends on a healthy fabric and apparel manufacturing industry. In all truth, at this moment I cannot see how Du Pont or any other company in the industry can make a logical decision about significant investment in modernization or expansion of facilities in the United States. We also must question how long we can afford to maintain a high level of research and development in the face of continued signals from our government that the domestic fabric and apparel industry is being allowed to wither away.

JOINT STATEMENT OF 15 FIBER, TEXTILE, AND APPAREL INDUSTRY ASSOCIATIONS AND LABOR UNIONS

This statement is submitted by the following organizations:

Amalgamated Clothing and Textile Workers Union, 15 Union Square, New York, NY 10003.

American Textile Manufactures Institute, 1101 Connecticut Avenue, NW, Suite 300 Washington, DC 20036.

American Yarn Spinners Association, Inc., Box 99, Gastonia, NC 28052.

American Apparel Manufacturers Association, 1611 North Kent Street, Arlington, VA 22209.

Clothing Manufacturers Association of the USA, 135 West 50th Street, New York, NY 10020.

International Ladies Garment Workers' Union, 1710 Broadway, New York, NY 10019.

Man-Made Fiber Producers Association, Inc., 1150 Seventeenth Street, NW, Washington, D.C. 20036.

National Association of Hosiery Manufacturers, Box 4314, Charlotte, NC 28204.

National Cotton Council of America, Box 12285, Memphis, TN 38112.

National Knitted Outerwear Association, 51 Madison Avenue, New York, NY 10010.

National Knitwear Manufacturers Association, 350 Fifth Avenue, New York, NY 10001.

National Wool Growers Association, 1776 F Street, NW, Washington, D.C. 20006.

Northern Textile Association, 211 Congress Street, Boston, MA 02110.

Textile Distributors Association, 1040 Avenue of the Americas, New York, NY 10018.

Work Glove Manufacturers Association, 547R North Milwaukee Avenue, Libertyville, IL 60048.

SUMMARY

1. The fiber/textile/apparel industry makes a major contribution to the American economy.
2. Imports have been devastating to the industry.
3. Contemplated tariff cuts will aggravate the industry's import problem.
4. All segments of the industry have encountered high imports and deserve similar treatment.
5. Tariff cuts on textiles and apparel will worsen U.S. balance of payments.
6. Tariff cuts will increase unemployment.
7. Consumer gains from tariff cuts on textiles and apparel are a mirage.
8. Escape clause import relief cannot be expected to correct damage of tariff cuts.
9. The Multifiber Arrangement (MFA) is a helpful but inadequate import relief mechanism.
10. U.S. tariff cut offers at Geneva are substantial and damaging.
11. Codes of conduct will increase damage done by tariff cuts.
12. S 2920 can preserve a viable fiber/textile/apparel industry.
13. There is a clear analogy between escape clause relief and import relief under the MFA.
14. The Administration's opposition to S. 2920 is not well founded.

a. The MTN would not be jeopardized.

b. Other industries cannot use S. 2920 as a basis for similar treatment.

c. U.S. textile and apparel duties are not effectively higher than those in Japan and the European Community.

d. Export benefits of tariff cuts are illusory.

15. Legislation such as S. 2920 can make the difference.

The fifteen industry associations and labor unions submitting this joint statement in support of S. 2920 represent firms and workers engaged in the production and distribution of fibers, textiles, and apparel spread across this nation.

Some of these organizations are concerned primarily with the production of the primary raw material; with the processing of these raw materials; still others with their manufacture into a broad range of end-products. Their separate terms of reference may lead them to focus attention in different degrees to special areas, but one problem area is of overriding concern to all: how to maintain and expand the economic viability of the fiber, textile and apparel industry in the face of burgeoning imports. This problem receives priority attention by all organizations which may be directly or indirectly interested in the fiber, textile and apparel industry.

In this context, there has now arisen a new threat to the survival and growth of this industry emanating from the impending action of our own government in negotiating away at Geneva—through tariff cuts and concessions on international codes of conduct—the future of 29,000 textile and apparel plants and the jobs of 2.4 million workers.

It is for this reason that S. 2920, which would prohibit the reduction of elimination in trade negotiations of duties or import restrictions on textiles and textile products, must receive favorable consideration from this Subcommittee.

It should be noted that most of the organizations that are submitting this statement in support of S. 2920 also testified on July 10, before the Trade Subcommittee of the House Ways and Means Committee in support of a similar bill, H.R. 10853. In the course of those House hearings, several points were raised by various witnesses that are also addressed in this statement. However, the essential facts presented by us in that prior testimony are also incorporated in this statement since nothing has transpired to invalidate them or to change our urgent request for affirmative action on the bill before this Subcommittee, S. 2920.

Indeed, if anything, events which have transpired since the July 10 House hearing lend a new sense of urgency to speedy passage of this legislation.

The Ministerial Declaration issued in Geneva on July 13, 1978 relative to the progress made to date in the Multilateral Trade Negotiations gives us added cause for concern regarding the will of the United States to resist pressures for unjustified concessions on various trade matters. The Special Representative for Trade Negotiations, Ambassador Robert S. Strauss, reported to the Congress following his participation at the Bonn economic summit meeting and has given his impressions of accomplishments to date and of the trade issues that are still unresolved. His report, too, gives us a sense of growing unease over the full picture unfolding in the Geneva multilateral trade negotiations.

We fear that a train of events has been set in motion in Geneva by our government which, unless stopped by the Congress, will place our industry's future in serious jeopardy. The Geneva trade negotiations, according to all of the advice we have received, are targeted to cut substantially the tariffs in Schedules 3 and 7 of the U.S. Tariff Schedules which cover the products of the fiber/textile/apparel industry. Some of the international codes being negotiated today in Geneva could also spell serious trouble for our industry. We have appealed to the Administration to be exempted from the contemplated tariff cuts. Our appeals have fallen on deaf ears.

We are grateful, however, that the failure of the Administrations to respond to our appeals has not gone unrecognized by the Congress, as is witnessed by the introduction in the Senate of S. 2920 cosponsored by 31 Senators. Bills in the House similar to S. 2920, such as H.R. 10853, have been introduced by 180 members of that body, according to lastest count. That this legislation has received such overwhelming and geographically widespread support is a recognition of the major role played by the fiber/textile/apparel industry in the American economy.

The industry makes a major contribution to the American economy

Of the 29,000 textile and apparel plants in the United States, at least one is situated in every state of the Union, although there are concentrations in several of the metropolitan areas of the Northeast and in some of the more rural areas of the Southeast. The indusry is the largest employer of labor in manufacturing in the United States and its 2.4 million workers account for one out of every eight jobs in manufacturing. We provide jobs to people with a wide range of skills and to many who are considered disadvantaged in today's world. Twenty-three percent of our workers are minorities; 65 percent are women. The industry is the major customer of American cotton and wool growers spread throughout a large part of our country. The industry is an important customer of the chemical, transportation and machinery industries. We should also not overlook the stakes in the industry's future for hundreds of thousands of investors; there are some 177,000 shareholders in 21 of the largest publicly-held textile companies.

In short, ours is an industry clearly basic to the health and growth of the American economy. We are proud of the contributions our industry has made to the economy. We want to continue to make a growing contribution to the economic growth of our country.

Imports have been devastating to the industry

Despite the key role played by the industry in the economy, it stands at an economic precipice as never before in its almost 200 years of existence and service to our country because of rising quantities of disruptive imports.

Witness these facts:

The textile/apparel trade deficit in 1977 was a record $3.4 billion.

In the first six months of 1978 alone, the trade deficit was 70 percent ahead of the deficit for the first six months of 1977, and is running at an annual rate of $4.6 billion.

In the twelve months ending June 1978, the textile/apparel trade deficit was 48 percent higher than in the preceding 12-month period.

Imports now supply over 50 percent of the U.S. market for many important products of our industry. Cotton textile and apparel imports had captured 19.2 percent of the U.S. market in 1977. The import penetration for wool textile and apparel products was 30 percent.

Textile and apparel imports in the first six months of 1978 were 24 percent above the same period last year in yardage terms.

Apparel imports in 1977 were the highest on record. They were 21 percent higher in the first six months of 1978 than in the same period a year earlier.

The unemployment rate was 7.6 percent in textiles and 10 percent in apparel in 1977, compared to a 6.7 percent rate for all manufacturing. Although current figures have moved lower, imports have been growing so dramatically that 346,000 textile and apparel workers were still out of work or on short time through July 1978.

It is against this background and for the reasons which will be presented herein that we fifteen fiber, textile and apparel industry associations and labor unions have joined together to support S. 2920. We strongly urge this Subcommittee to report this bill out with a favorable vote.

Contemplated tariff cuts will aggravate industry's import problem

Strong debate exists among various public and private groups over the need for and advisability of tariff reductions on textile and apparel products. Yet, it is clear that the aftermath of substantial tariff cuts in textiles and apparel will certainly be a much greater influx of imports, a greater loss of jobs, and a deterioration of confidence and business in even the most robust segments of the fiber, textile, and apparel industry. Accumulating evidence from a wide range of studies documents the severe effects which could result from the MTN.

The liberalizing of tariffs on textiles and apparel would increase the already acute import pressure on the U.S. industry in several ways. First, it will be a boon to foreign suppliers in countries which are not, as yet, controlled by a bilateral agreement with the U.S. pursuant to the Multifiber Arrangement (MFA). Second, it will encourage foreign suppliers in countries which are controlled by a bilateral agreement with the U.S. to expand their actual trade up to the maximum allowed by restraint levels in those many cases where the restraint levels are not now filled. Third, it will increase pressure on the U.S. from our trading partners subject to controls under bilateral agreements to relax restraint levels, a pressure to which the U.S. has bowed time and again in the past.

When this anticipated increased pressure from imports resulting from tariff reductions is viewed in the context of recent trends in U.S. trade in textiles and apparel, the danger to our industry is quite apparent. According to the U.S. Department of Commerce, the value of U.S. imports of textile and apparel products in 1977 was far and away the highest on record, $5.9 billion, a 12 percent increase over 1976. U.S. exports of textiles and apparel in 1977 were also at record levels, but were still only 4 percent above 1976 levels. As already stated, the net result for the U.S. trade balance in 1977 was a record deficit of $3.4 billion. This astronomical deficit was a serious deterioration from the previous record deficit of $2.8 billion in 1976.

In terms of quantity, the import situation is equally serious. Expressed in square yard equivalents, the level of cotton, wool, and man-made fibers imports of textile and apparel products hit 5.2 billion square yard equivalents in 1977, the highest since 1972. Expressed on a poundage basis, 1977 imports were at an all-time high. More significantly, imports in the first six months of 1978 alone have been 3.1 billion square yard equivalents. This pace of imports is 24 percent above 1977.

This deteriorating trade situation, it should be emphasized, has occurred despite the fact that the GATT multilateral Multifiber Arrangement to control trade in textiles has been in existence since 1974 and was recently renewed for four more years. This deterioration has occurred after the recent strong commitment by the Executive Branch to get tough in bilateral agreements negotiated pursuant to the MFA. Worst of all, this deterioration in trade has occurred well before a single tariff has been cut in the MTN.

This is the answer to those who would suggest that the existence of the MFA and the 18 bilateral agreements negotiated under the MFA framework by the United States with supplying countries provide the industry with adequate safeguards against any expanded import pressures as a consequence of tariff cuts.

Clearly if the MFA and the bilateral agreements were effective instruments to provide import relief, the tremendous upsurge in imports that has occurred in 1978 would not have taken place.

Without the MFA and the bilateral agreements, import growth might very well have been greater but it has to be recognized also that they have proven to be inadequate as a solution to the problems of import impact in the domestic industry.

All segments of industry have encountered high imports and deserve similar treatment

Imports have grown notwithstanding the MFA and the bilaterals and this import growth has resulted in trade deficits not only for apparel where such deficits have been consistent, but also in textile mill products which had enjoyed a positive trade balance in the four years preceding 1978.

A view has been put forward incorrectly that imports have not increased but rather that they peaked in 1972 and have declined thereafter. This is manifestly in error.

First, the calculation measures imports on the basis of square yard equivalents. Imports measured on the basis of either pounds or value reached an all-time high in 1977.

Second, the use of 1972 as a base year for comparison distorts the picture of import trends. The year 1972 was the year of the highest demand for textiles and apparel and consequently a high level of imports. The justification offered for the use of 1972 as a base year is that the Multifiber Arrangement was negotiated in 1973.

By the same token, since multifiber bilateral agreements with the major Far Eastern countries were negotiated in 1971, logically the year 1970 should be regarded as the appropriate base year. Taking that base year through 1976, imports grew at a rate nearly double that of domestic consumption.

Moreover, although the Multifiber Arrangement was negotiated in 1973, it did not become effective until 1974 and the telling point is that imports in terms of square yard equivalents increased between 1974 and 1977 by 17 percent, and imports in terms of pounds increased by 36 percent.

It has also been suggested that because textile mill products had experienced a trade surplus in the 1974–77 period, this segment of the industry might be treated differently than apparel in the multilateral trade negotiations. Such a judgement can be faulted on several grounds.

First, the positive trade balance in textile mill products has occurred in only four of the last eleven years. Second, the extent of the positive trade balance has been declining since the peak in 1975. Third, it was wiped out in 1978 by virtue of the substantial increase in imports of textile mill products this year. In the first six months of 1978 imports of fabrics were up 37 percent and imports of yarns were up 13 percent over the same period a year earlier. Fourth, it should be pointed out that the position of imports and exports in these trade balance figures are not consistent. Imports are measured on the basis of f.o.b. values in the exporting country. U.S. exports, of course, reflect U.S. wholesale prices for the same commodity. The situation that exists is that most of the imports are of a low unit value and most of the exports are of a significantly higher unit value. If the trade balance figures were on a c.i.f. basis for imports, we would find that the degree of positive balance for the last four years would have been significantly reduced, if not eliminated. Even without such an adjustment, this positive trade balance has been eliminated in 1978. Fifth, virtually all imports of textile mill products replace domestically-produced textile mill products while the lion's share of U.S. exports of textile mill products are to markets where comparable production is not available. Finally, to suggest that textiles should be treated differently from apparel in the MTN ignores the basic inseparability of these two sectors. A job lost in the apparel sector is reflected in a job lost in the textile sector. The U.S. textile industry cannot exist without a viable apparel industry, by far its major customer. Conversely, a viable textile industry is essential to a healthy domestic apparel industry which otherwise will be at the mercy of foreign textile suppliers.

Tariff cuts on textiles and apparel will worsen U.S. balance of payments

The liberalization of tariffs on textiles and apparel will produce trade effects having profound adverse implications both for the national economy and this industry.

Such conclusions emerge from a recent study on the subject by the Brookings Institution, in which it is stated: "For the United States, Canada, and the EEC it is clear that the textiles sector is of primary importance to overall results for imports and, even more importantly, employment effects." One statistical table presented in the report showed "that the most dramatic effect of excluding textiles (from the MTN) occurs in the United States, where textiles would amount to fully one-third of the increase in total (U.S.) imports if included in liberalization. With textiles (and apparel) in the negotiations, a 60 percent linear cut would give the United States a negative impact of $1.4 billion on its direct trade effects." The study goes on to say that in the absence of liberalization of textiles, the effect of the MTN on the trade balance would be positive in the amount of $211 million. Thus, the inclusion of textiles and apparel alone in tariff liberalization contributes an estimated $1.6 billion to the U.S. trade deficit, based on the Brookings Institution estimates.

Furthermore, this estimated negative impact on the U.S. trade balance, as large as it seems, grossly understates the actual results of tariff cuts on textiles and apparel. These estimates are founded upon trade levels in 1974. If 1977 trade data were used, the deficit would be considerably higher.

Thus, by invoking its full tariff-cutting authority on textitles and apparel, the U.S. negotiating team in Geneva could single-handedly place an overwhelming additional burden on the already struggling U.S. fiber/textile/apparel industry. This does not mention the net negative impact on the overall U.S. trade balance, an impact which is undeniably inflationary. That the U.S. would cling to its insistence on offering substantial cuts on textile and apparel products in view of these facts is, to say the least, disconcerting.

From the straight-forward point of view of hard-headed negotiation, the inclusion of the textile and apparel sector in the MTN simply does not make any sense. Normally, negotiations require visible benefits to make them worthwhile to either party. Yet what does the U.S. gain by adding billions to our non-oil related trade deficit? In the first six months of 1978 imports of consumer goods of $23.4 billion exceeded oil imports of $19.3 billion.

Tariff cuts will increase unemployment

One direct result of these trade effects will be the adverse effect on employment. A study recently done by Data Resources, Inc. (DRI) on this issue estimated that the loss of jobs directly related to production of textiles and apparel would be over 200,000 by 1985 just as a result of a 50 percent tariff cut. Furthermore the ripple effects throughout the economy would be staggering.

Another econometric study performed by the Amalgamated Clothing and Textile Workers Union estimated that the direct employment effects of a 60 percent cut on only thirteen specific men's and boys' apparel products would be over 14,000 direct job losses and over 24 million man-hours lost. Extrapolating these figures to all men's and boys' apparel would result in an estimated 60,000 jobs lost. And these job loss figures do not include the secondary employment effects which would be considerable.

Even the Brookings Institution report has agreed in principle on the relatively harsh effects of liberalization on the textile and apparel industry, stating that "the inclusion of textiles in liberalization would raise the total number of jobs lost to increased imports by approximately 75 percent."

There is considerable difference in the actual estimates of the employment effects of tariff liberalization between the DRI and Brookings studies caused by major differences in the models used. While we strongly feel that the DRI model is much more comprehensive and realistic, it is nonetheless quite clear that the disruption to textile and apparel workers will be massive as a result of tariff cuts in the current Multilateral Trade Negotiations.

In reviewing employment trends in the textile and apparel industry, some Administration spokesmen have noted that employment in the industry has declined by "only" 76,400 over the last dozen years. It would be unfortunate were this to indicate an Administration view that such a decline is not of significance.

Through July 1978 there were 193,000 textile and apparel workers unemployed and an additional 153,000 workers on short-time. The industry joins with labor in expressing great concern for unemplopment and short-time of these magnitudes and is equally concerned with any suggestion that because 1978 employment increased over 1977 levels the employment situation in this industry is favorable.

In this context, reference should also be made to the cavalier assessment of employment losses resulting from tariff liberalization on textiles and apparel by one witness at July 10 hearings of the Subcommittee of the House Ways and Means Committee, who stated: "The annual net job loss would be less than one-tenth of one percent of employment in the industry. This rate is extremely small. . . . "

The employment loss estimates cited are grossly inaccurate and understated, but even if they were accurate we do not feel that it is possible to be cavalier about job losses of 76,000 or 41,000 or 17,000. We do not consider such losses of jobs in an industry as large as the textile and apparel industry to be "extremely small". In addition, the cost of adjustment assistance for these workers and the suffering these losses will generate are not small. As inadequate as adjustment assistance is, the costs of such assistance in all its forms will be borne by the U.S. taxpayer (who is the U.S. consumer) who will not benefit in other ways.

Referring to his study, that witness at the House hearings acknowledged that it did not adequately account for the serious damage to small communities in which entire plants are shut down. Mere attrition and adjustment assistance do not apply to this type of devastation, which as past experience has shown, will be the actual manner in which employment losses will occur.

The severity of the problem faced by any displaced textile and apparel worker is highlighted by a recent article in the Department of Labor's BLS "Spring Occupational Outlook Quarterly". The article reports that if projections of college enrollments are on target, about 2.7 million graduates will either enter non-traditional occupations, such as clerical and blue-collar jobs, or face unemployment during the period to 1985. This is the competition facing displaced textile and apparel workers whose median educational level in 1970 was only 10.3 and 11.5 years, respectively.

Consumer gains from tariff cuts on textiles and apparel are a mirage

One often-repeated argument in support of tariff cuts is that the gains to the U.S. economy from the increased trade will far outweigh the costs of unemployment and adjustment. This, in fact, was the major conclusion of the Brookings study. However, a more realistic appraisal prepared by Data Resources, Inc. shows that the U.S. economy stands to lose if fiber/textile/apparel tariffs are cut (see Appendix 1).

Excessive imports which damage our domestic industry leave the consumer and the nation worse off. Every consumer is also a taxpayer and must assume part of the social and economic costs borne by the community arising from import impact, i.e., reduced tax revenues as a result of loss of jobs and closing of plants, increased welfare costs for unemployed persons and all the social problems therefrom. There is also much evidence that low-wage low-cost imports are not reflected in lower prices to consumers, but simply mean higher mark-ups for importers and distributors.

Thus even where imported items might theoretically represent some saving to the American consumer, the reality is that the retailer simply takes a higher markup on imports so that the consumer does not benefit. The Library of Congress on July 19, 1977, submitted to the Trade Subcommittee of the House Committee on Ways and Means a *Study on Imports and Consumer Prices* which concluded that:

"(1) Markup ratios on imports (assuming that these are lower priced than equivalent domestic products, appear to be higher than those on domestic products since the aim of the retailer is usually to sell identical or equivalent products at the same or approximately the same price. The higher markup may, in part, be justified by sound commercial reasons (higher risk, less reliable delivery, more red tape, and et sim).

"(2) Higher markup ratios do not preclude, in certain instances, some benefit from the lower-cost import from being passed on to the consumer in the form of a lower original retail price of either the imported commodity itself (if sold separately from the domestic product) or the domestic-imported product mix (if the two types of products are identical and sold by the same retailer), or of a higher markdown from the originally set retail price. On the other hand, the available facts also suggest that in other instances the lower cost of imports does not result in any price benefits to the consumer and merely allows the seller a higher profit."

What this means simply is that the retail price to consumers for domestically produced textiles and apparel sets the price level to which import prices rise. Regardless of the import price at the landed value, the importer level, the "wholesale" level or the equivalent, the U.S. consumer often pays virtually the same retail price for a given product, whether it is produced domestically or abroad.

Thus there is a major fallacy underlying the assumption that the U.S. consumer will actually see any price reduction as a consequence of lower tariffs on textiles and apparel. Evidence of this reality was displayed during the July 10 hearings of the Trade Subcommittee of the House Ways and Means Committee, at which a witness representing the American Retail Federation acknowledged that in the event of tariff reductions on textile and apparel items, there would be no resulting price reduction at the consumer level.

Lower cost imports allow the retailer more leeway in pricing but the consumer rarely benefits. Using consumer diary data collected by the Market Research Corporation of America, a statistical study of prices charged for apparel garments at the retail level revealed that between 1974 and 1977 the average annual percentage increase in prices to consumers by retail establishments in the survey was greater for imported apparel than for domestic apparel. By category, domestic men's outerwear increased in retail prices by 7.7 percent but imported men's outerwear increased by 10.2 percent. Women's outerwear prices at retail increased 5.2 percent for domestic articles while the imported article increased by 7.1 percent. The difference in comparative price rises in boys' and girls' outerwear was even more pronounced. Lower-cost imports simply translate into high markups at the retail level.

The obvious implications for the long-term welfare of the U.S. consumeer are obvious. In the event of a collapse of sectors of the fiber/textile/apparel industry, there is no assurance that the resulting dependence on foreign sources of supply would lead to constant supply, reasonable prices, or reasonable quality. We certainly do not want to see a repetition of the oil price experience.

Grandiose claims for the welfare gains from trade are at best unfounded and are more likely grossly overstated. Historical data from the post-Kennedy Round of tariff cuts shows that between 1967, the year in which the Kennedy Round was concluded, and 1972, the final year in which the tariff cuts were phased in, textile and apparel imports increased by 140 percent, from 2.6 to 6.2 billion square yard equivalents. During this period the annual growth of imports was three times as fast as the growth of the domestic market. Yet during this same period, the consumer price index for apparel items rose by roughly the same magnitude as for food, fuels and utilities.

Furthermore, there are substantial costs to the U.S. taxpayer (who is also the consumer) from lost jobs. These costs include unemployment compensation, adjustment assistance, welfare payments, losses in corporate and individual income taxes, lost income to communities, and waste associated with the idling of productive facilities.

What does the U.S. stand to gain from all of this? We see little gain and much loss.

In fact, the record is clear on job losses due to imports already suffered by workers in textiles and apparel. Of the 92,000 workers who have applied for trade adjustment assistance in just three years, 50,000 have fully satisfied the Labor Department's tight criteria for certification that imports have been an important cause of the loss of their jobs. The program had paid out to these workers $40 million as of February 1978, and these costs continue to mount.

Aside from import growth and employment effects, it is clear that tariff cuts will allow imports to further undersell U.S. producers. U.S. producers must meet price cuts or lose business. Thus, the moderate profit rate of 4.5 percent on sales before taxes which textile industry earned last year would be seriously lowered. In 1974, 40 percent of U.S. textile companies as well as nearly 40 percent of U.S. apparel firms were already operating at a loss. Given the impact of increased costs, many of which are mandated by Government regulations, and further price cuts which will result from tariff reductions, many firms will be forced to fold. How long can an industry survive under circumstances of increased costs and reduced prices?

Escape clause import cannot be expected to correct damage of tariff cuts

It is illusory to assume, as indeed have some apologists for the severe textile and apparel tariff cuts offered by our negotiators in Geneva, that the Trade Act's safeguard provisions can come to the aid of firms and workers in these industries should the reduced tariffs lead to damaging import surges.

It is indisputable that the Trade Act, in its several import relief provisions has much scope and flexibility for remedial action. There is indeed a clear Congressional commitment in the Trade Act to provide, as President Ford said when he signed the Act into law on January 3, 1975, "greater relief for American industry suffering from increased imports." But, the promise has not been matched by the performance, simply because of the recalcitrance of the Executive Branch in implementing that clear Congressional mandate.

Congress theoretically made it easier for industries and their workers to secure import relief from injurious imports by liberalizing the criteria for such relief in the escape clause sections of the Trade Act. But, it also continued the President's authority to reject the International Trade Commission's recommendations for import relief because of the "national economic interest."

The laxity of statutory enforcement of the safeguard provisions of the Trade Act of 1974 is clearly indicated by the fact that only four U.S. industries out of 31 that have gone through the laborious process of petitioning the U.S. International Trade Commissions for import relief under the escape clause have actually received such relief.

Thus, we feel strongly, based on the record to date, that injury resulting from tariffs cut in the Geneva negotiations will not be easily remedied through resort to the escape clause.

The multifiber arrangement (MFA) is a helpful but inadequate import relief mechanism

Insofar as the textile and apparel industry is concerned, its vulnerability, as a labor-intensive industry, to low-wage foreign supply has long been acknowledged by the U.S. Government supply has long been acknowledged by the U.S. Government. In fact, action to safeguard firms and workers in this industry against disruptive import surges goes back 40 years to the Roosevelt Administration. The import problems faced by this industry led to the Short Term Cotton Textile Arrangement (STA), the Long Term Cotton Textile Arrangement (LTA), and more recently to the Multifiber Arrangement, now in its fifth year.

Under the umbrella of the MFA, the United States has negotiated 18 bilateral agreements designed to control the shipments of textiles and apparel in order to eliminate market disruption from such trade.

Notwithstanding its intent, it is clear that the MFA and the bilateral agreements negotiated under it have not been successful in containing the relentless upsurge in imports. The Multifiber Arrangement allows for an annual growth rate of 6 percent but, in fact, much higher levels have been apparent, particularly for apparel. Between 1967 and 1977, according to the Federal Reserve Index of industrial production, U.S. apparel output grew by only 2 percent per year and textile production grew by only 3.2 percent per year. On the other hand, the growth rate for textile and apparel imports in this period has been much higher. 7.2 percent. We think it is unfair to the industry and its workers that imports be allowed to grow faster than the growth of the U.S. market. This becomes particularly critical in the years ahead in view of anticipated lower growth rates for the domestic market.

The MFA is therefore a helpful but, to date, largely inadequate import relief mechanism, and its maintenance cannot be used to lull the firms and workers in our industry into a false sense of security in the face of the severe and unnecessary cuts in U.S. textile and apparel import duties which have been offered up for grabs in Geneva by our negotiators.

We note that the MFA has proven to be a highly inelastic arrangement in that whether or not the domestic market is contracting, and irrespective of the U.S. business cycle, imports are permitted to grow by at least 6 percent per year. Its weakness as an import relief mechanism, however, is also due to the liberal interpretation by the United States of the MFA's technical features, in terms of administration and enforcement.

In this regard, controlled suppliers are allowed flexibility through shifts among categories, borrowing from the following year's restraint levels, and carrying over of a portion of unused levels from one year to the next. This can increase ceilings for a category in one year by as much as 17 percent.

When ceilings are reached and goods are embargoed upon reaching the U.S. because many exporting countries do not effectively control their exports, the U.S. often relaxes the embargo, allows the goods to enter, and deducts the amout from the following year's ceiling.

More important is the fact that the MFA does not control all imports, and uncontrolled suppliers are not put under control fast enough to prevent them from gaining a significant portion of the trade before they are put under control. A major supplier of textiles and apparel to the U.S., the People's Republic of China, remains uncontrolled. The most we can glean from the Administration on this issue is that "it is on the front burner." It has been "simmering" in that position for a long time, while imports from the PRC continue to increase. It should be noted there are no overall ceilings under the MFA.

This point needs especially to be emphasized since the possibility of substantial increases in imports of textiles from exporting countries not covered by any bilateral agreement is a real danger as a direct consequence of any cuts in U.S. tariffs. Such signs will certainly be considered by foreign produ[illegible]s to enhance their sale sprospects in the vast U.S. market; thus tariff cuts will act as a magnet in funneling an even greater volume of uncontrolled shipments onto our shores.

The U.S. can take forceful action to control shipments from countries not covered by bilateral agreements. New agreements can be negotiated and unilateral action to restrain imports from uncontrolled sources can be taken. However, the record of Executive Branch foot-dragging on enforcement actions to date is hardly reassuring to our industry of any change in the future. Thus tariff cuts in textiles and apparel hold a real threat that uncontrolled shipments can lead to a disruption of the market despite the MFA.

An equally serious problem for the U.S. textile and apparel industry is the intense pressure from various quarters, both foreign and domestic, to increase restrain levels on controlled countries, which has led to acquiescence on the part of the Executive Branch in the past. If existing tariffs are cut, we can expect even stronger pressures to relax these controls.

It is well-documented that the restraint levels on textile and apparel products represents a substantial overhang above actual import levels, probably at least 30 percent in 1977, allowing many countries room for major increases in imports without violating any provisions of the bilaterals which are in effect. This is occurring even before tariffs are cut. If tariffs are cut the situation will obviously be exacerbated. The tremendous flood of imports thus far in 1978 could well reflect the impact of some of this overhang.

It is, therefore, wrong for advocates of tariff cuts to suggest thta the MFA effectively controls the majority of textile and apparel imports into the United States and that tariff cuts would impact only on a limited share of imports. In any event, the MFA is in effect for a specified number of years. However, tariff cuts are in effect idefinitely unless relief is provided under the "escape clause." As previously noted this has proven to be an ineffective procedure. Thus, what harm is done to the textile and apparel industry through MTN tariff cuts will not be easily remedied.

U.S. tariff cut offers at Geneva are substantial and damaging

In defending its advocacy of tariff reductions on textiles and apparel as part of the Multilateral Trade Negotiations, Administration spokesmen have resorted to arguments of marginal persuasiveness, including the rationale that the current import duties on textiles and apparel are high in comparison to those on other products; also, that under the U.S. tariff offer at Geneva, the average textile and apparel duty would be reduced by "only" 25.5 percent. They also note that the U.S. tariff offer woud involve a reduction of less than 1 percentage point per year for the average textile mill product.

The concept of averaging tariff cuts is misleading. Many key textile products will be cut by 40 to 60 percent under the U.S. offer. The average of a range from 1 to 50 may be 25 and the average of a range from 24 to 26 may also be 25. A reduction of 1 percentage point of a 5 percent duty is actually a 20 percent reduction. Recognizing that phasing in a 25 percent reduction over a period of 8 years actually amounts to more than a 3 percent reduction each year, the industry cannot tolerate this kind of a reduction considering the fact that in 1977 the average textile mill profit on sales before taxes amounted to only 4.5 percent.

The fact that duties on textiles and apparel may be higher than for other industrial products needs to be considered against the background of the structural nature of the extile and apparel industry as one of the most labor-intensive sectors of the economy. The present tariff level is necessary to minimize the adverse impact of the substantial wage differences between the U.S. industry and its major competitors. Average hourly compensation, including fringes, paid to apparel workers in the major exporting countries in 1977, according to Bureau of Labor Statistics data, were \$.94–.098 in Hong Kong, \$.38–.41 in Korea, \$.55–.57 in Taiwan, and \$2.11 in Japan. Textile workers received \$1.03–\$1.08 in Hong Kong, \$.48–.52 in Korea, \$.58–.61 in Taiwan, and \$2.86 in Japan. In 1977, the average hourly compensation for U.S. apparel and textile workers, including fringes, was \$4.38 and \$4.84, respectively, \$2 an hour (and as much as double in the case of apparel) above Japanese wages and many times higher than wages paid in Korea, Taiwan, and Hong Kong.

Administration spokesmen also have sought to assurage the industry's concern over tariff cuts by suggesting that the U.S. tariff offer in the MTN is conditioned on a "snapback" if the MFA or an agreement similar to it is not in effect. It is still not completely clear, that, indeed, the United States has made such a condition for its tariff offers at Geneva. However, even if it has, one should note that there are "snapbacks" and "snapbacks." At the end of the Kennedy Round a "snapback" provision was announced by the EEC to the effect that if the Long-Term Cotton Textile Arrangement or some similar arrangement was no longer in effect the duties which it reduced on cotton textile imports would be returned to their pre-Kennedy Round levels. The United States on the other hand, countered with a statement that it might "consider" similar action under such circumstances. If all that the United States offers is a conditional "snapback," experience tells us it has little long-term significance. Furthermore, the indlustry has repeatedly pointed out that the MFA by iself and the 18 bilateral agreements negotiated thereunder are far from sufficient in minimizing or eliminating disruption to the domestic market for textile and apparel.

Codes of conduct will increase damage done by tariff cuts

Reference was made at the beginning of this statement to the negotiation of several so-called international codes of conduct which give us much concern and still further compound the harm caused by the threatened tariff cuts. Specifically, we are concerned with the negotiations on codes for subsidies and countervailing duties, government procurement, and safeguard actions governments may take against injurious imports.

These codes of conduct aim at greater cooperation in world trade, but to implement such cooperation these codes must give promise of equitable enforcement by all countries, developed and developing alike. The draft negotiating texts for several codes of conduct at Geneva, however, seem to fall far short of such promise.

For example, in the new safeguards code now taking shape in the Geneva negotiations, it may be that any of the contracting parties to GATT would be entitled to apply import relief actions on a selective basis—that is only against selected products or selected countries which are adjudged to be the cause of injury. For GATT, this would mean a radical departure from its previous underlying principle of non-discrimination. Such a policy change has understandable attraction to a number of the contracting parties which have import sensitive industries and have experienced growing import impact. However, it should be emphasized that the United States already has the authority for temporary selective unilateral import relief actions under the "escape clause" provisions of the Trade Act.

Therefore, the U.S. gains nothing by supporting a selective safeguards code in GATT. On the other hand, from the viewpoint of the textile and apparel industry, such a code could seriously undermine the orderly marketing arrangements for textiles and apparel that have been so laboriously constructed by virtue of the Multifiber Arrangement (MFA) and the bilateral agreements the U.S. has negotiated under the MFA.

The possibility cannot be overlooked that, given a broadened safeguards code which allows unilateral and discriminatory action to alleviate import-related injury, some countries will now see no need for a separate mechanism to be maintained under GATT auspices which aims at regulating international trade flows specifically for textiles and apparel.

The U.S. must insure that any safeguards code which finally emerges in Geneva should not vitiate any of the special arrangements with respect to textiles and apparel. In summary, the safeguards code must not undermine those GAFT safeguards already in place for textiles and apparel under the MFA.

In the negotiations of a code on subsidies and countervailing duties, the U.S. is being pressed to require a finding of injury before a countervailing duty could be imposed on any imported item, whether dutiable or not. The U.S. is not now required under GATT rules to have such an injury test on dutiable products.

U.S. acquiescence, therefore, to extension of the injury test requirement means weakening our own countervailing duty statute. With all its inadequacies, this is at least of some marginal help to those U.S. industries such as ours which face growing unfair import competition arising from the subsidies which foreign governments grant to their producers and exporters.

In return for an injury-test requirement, foreign governments would agree to refrain from providing certain subsidies, although the developing countries would be permitted to phase in their "no subsidy" undertakings. What assurances would there be for effective and equitable international monitoring and enforcement?

It is intended that there would be established, as part of the code, an international dispute settlement mechanism under GATT auspices, but can we have any more assurance of success on this score than has been our sad experience with enforcement of GATT subsidy provisions in the past? GATT provides for recording of subsidy complaints and consultations to seek solution to these complaints, but the recommended resolutions have largely been ignored by the Contracting Parties.

Many countries use export subsidies as a device to promote their internal economic development. The textile and apparel industry in the United States has felt the debilitating effects of such subsidized unfair import competition. The Treasury Department announced two months ago that preliminarily it found subsidies to exist on textiles and men's apparel exported from Brazil, Uruguay, Colombia, Argentina, Taiwan, India, and the Philippines as a result of petitions filed by the Amalgamated Clothing and Textile Workers Union last October 31. Five additional countervailing duty petitions were filed on June 29, by the Amalgamated Clothing and Textile Workers Union with regard to the same products from Pakistan, Malaysia, Singapore, Thailand, and Mexico. A 19 percent countervailing duty has been in effect for some time on cotton yarn from Brazil.

To sum up, there is no basis for the U.S. to agree that a subsidy must injure a domestic industry in order to justify a countervailing duty. A subsidy is an unfair trade practice and successive Administrations have emphasized that international trade must be conducted by all governments on a fair basis. In any event the U.S. ought not to accept such an international obligation which weakens its own countervailing duty statutory provisions without first ensuring that there can be reciprocal effective implementation and enforcement of such an international obligation. Unfortunately, the record to date of the Treasury Department, which administers the countervailing duty statute, gives us no confidence that the U.S. would so implement and enforce its rights under such a code.

The code on government procurement also being negotiated in Geneva aims at the elimination of national government practices. The U.S. Government strongly favors this on the theory that U.S. industry is very competitive in many of the products bought by governments and thus U.S. industry has much to gain from the opening of foreign government procurement.

This may be true for some U.S. products such as those in the high technology area, but it will hurt the textile and apparel industry which is labor-intensive. An international government procurement code would make it extremely difficult for our products to compete against the low-wage production of countries of the Far East or even Latin America. We would lose U.S. Government procurement opportunities and at the same time not gain any sales advantages in foreign markets, due to our higher costs.

If non-discriminatory government procurement rules and procedures are to be negotiated, at the very least labor-intensive products such as textiles and apparel should be excluded from the coverage of the code.

S. 2920 can preserve a viable fiber/textile/apparel industry

It is for all of these reasons that we are deeply concerned as an industry over the Geneva trade negotiations. The Trade Act fortunately requires all of the international codes to be specifically approved by Congress before they can become effective. This is not the case, however, with the tariff reductions. S. 2920 is designed to deal with that problem.

We are struck by the fundamentally unfair and inequitable trade policy of our government which, under Section 127(b) of the Trade Act of 1974, exempts from tariff cuts those products which receive import relief under the "escape clause" or the "national security clause," but does not accord the same exemption to products receiving import relief under Section 204 of the Agriculture Act of 1956.

The theory behind the exemption provisions of Section 127(b) of the Trade Act with regard to industries receiving import relief under the "escape clause" and the "national security clause" is eminently sound. It does not make sense to extend import relief to an industry and then vitiate that import relief by cutting the tariffs on that industry's product. But if this theory is sound for footwear, specialty steel, color TV's, and CB radios, why isn't it equally sound for textiles and apparel?

Our industry received import relief in the form of orderly marketing agreements—the MFA and the 18 bilaterals. This is a recognized form of import relief under the "escape clause." So did footwear, specialty steel, and color TV's receive import relief in the form of orderly marketing agreements. These industries are automatically exempt from tariff cuts, but textiles and apparel are not. Is this fair? Is this equitable trade policy?

There is a clear analogy between escape clause relief and import relief under the MFA

It has been argued that escape clause import relief results only after extensive investigation by the International Trade Commission including public hearings with the findings of the ITC then subject to review by the Executive Branch. The textile and apparel industry submits that it, too, has been the subject of investigation and has received import relief as a result of review by every Administration beginning with that of President Eisenhower.

President Eisenhower directed the negotiation of the first cotton textile bilateral agreement with Japan.

President Kennedy directed the negotiation of the Short-Term and then the Long-Term Cotton Textile Arrangement.

President Johnson made an effort to negotiate agreements on wool textiles and directed the extension of the Long-Term Arrangement.

President Nixon directed the negotiation of bilateral agreements with key supplying countries covering wool and man-made fiber textiles and apparel and directed the negotiation of the MFA.

President Ford continued the policy of his predecessors.

President Carter directed that the MFA be extended and that existing bilateral agreements be made "tougher" and be enforced more effectively.

All of these actions were the result of intensive interagency review, study and discussion similar to the interagency review which takes place in escape clause cases. Import relief under the escape clause in the form of orderly marketing agreements is the same import relief under the MFA and the 18 bilateral agreements, which are also orderly marketing agreements. There is thus a very clear analogy between escape clause relief and MFA import relief.

It should be stressed that the Congress already has recognized the import sensitivity of the textile and apparel industry and the need for minimizing the adverse impact of imports on textiles and apparel subject to international agreements. In Title V of the Trade Act, Congress specifically exempted such products from zero-duty treatment under the Generalized System of Preferences. S. 2920 would represent similar recognition by Congress of the need to minimize the adverse impact of imports through tariff cuts in the Geneva trade negotiations.

The administration's opposition to S. 2920 is not well founded

a. *The MTN would not be jeopardized.*—We have heard and we have read various arguments put forward by the Administration on why S. 2920 and similar bills introduced in the House should not be passed. One argument put forward most vigorously is also the most specious and that is if this bill is passed it will kill the MTN.

Statements made by administration spokesmen are that failure to offer tariff reductions on textiles and apparel could "result in failure of the MTN," "nullify the chances for a sucessful MTN," and "enormously complicate the chances for a successful MTN."

On one hand the Administration tells the Congress and the industry that the tariff cuts on textiles and apparel will be small and, therefore, will not hurt the industry, and, on the other hand, it says that the failure to make these "small" cuts would jeopardize the successful conclusion of the MTN. This is an inconsistent line of reasoning. Furthermore, most of the imports of textiles and apparel into the United States come from the developing countries and from Japan. All of the reports which have appeared with regard to the trade negotiations indicate that neither the developing countries nor Japan have made any meaningful tariff offers in the field of textiles and apparel. Indeed, the developing countries are not even expected to make any significant contribution to the negotiations. Yet it is textiles and apparel on which the Administration seems to be basing many of its hopes that there will be a successful conclusion of the MTN. The textile and apparel industry sees no justification to be placed in jeopardy without any meaningful reciprocal action by the countries whose exports to us are the major problems for the domestic industry.

b. *Other industries cannot use S. 2920 as a basis for similar treatment.*—It is also argued that if textile and apparel products are excluded from the MTN, other industries would make similar demands to be so excluded.

The effect of S. 2920 is to limit the exclusion solely to textiles and apparel. No other industry would be able to meet the criteria established by S. 2920 which undoubtedly has been drafted to prevent the kind of "fallout" that this argument suggests.

c. *U.S. textile and apparel duties are not effectively higher than those in Japan and the European Community.*—In advocating tariff cuts in the MTN, Administration spokesmen also have stated that U.S. import duties on textiles and apparel are higher than those in Japan and the European Community.

Even if this is so on the average, it ignores the important fact that the basis for levying import duties is significantly different in the U.S. compared to the EC. The result is that the "lower" import duties levied by the EC result in the actual imposition of higher duties. The reason for this is that U.S. duties are levied on the invoice price of imported goods, f.o.b. foreign ports, exclusively of value-added taxes. On the other hand, when U.S. goods are exported to the EC, Common Market countries levy their import duties on the c.i.f. value, including U.S. taxes, and then add their value-added taxes. Even before the value-added tax is imposed on such goods, U.S. textile exports to France even with a lower EC import duty bear a higher total duty than the comparable French goods exported to the U.S. subject to a higher import duty. The addition of the value-added tax makes the difference even greater.

Japan, too, uses a c.i.f. basis for levying its import duties. What is worse is that virtually all foreign trade is in the hands of major trading companies with close connections to Japanese textile firms. The volume of imports, therefore, is often limited by "competitive factors" and the level of import duties becomes academic.

d. *Export benefits of tariff cuts are illusory.*—It has been suggested that our industry will benefit through increased exports if foreign textile and apparel tariffs are cut at the same time ours are reduced. This new game plan has consisted of efforts at all levels of the Executive Branch to convince the U.S. fiber/textile/apparel industry that its salvation lies in increasing exports. We simply cannot accept this as a reasonable, viable alternative.

As the evidence thus far presented indicates, it would appear to be the U.S. market which will be most opened by the MTN and the U.S. industry which will suffer the greatest negative impact from liberalization of trade in textiles and apparel. The U.S., by virtue of its relatively strong recovery from the recent recession, has already been shouldering an excessive responsibility for helping our trading partners out of their economic doldrums through an intolerably high trade deficit. The underlying forces now governing world trade are not going to miraculously turn around once the MTN is concluded, particularly not for our industry.

Legislation such as S. 2920 can make the difference

Under all of the circumstances which we have cited for this Subcommittee, there is no question that the fiber/textile/apparel industry now stands at a critical point in time. If tariffs on the products of our industry are permitted to be cut as the Executive Branch is now planning, we foresee substantial increases

in imports, an even greater trade deficit, reduced sales and production by American firms, more workers out of work, a serious reduction in profits, losses, and the closing of plants. Our industry and its 2.4 million workers want to continue to contribute in an ever-growing way to our country's economic growth and prosperity.

Legislation such as S. 2920 can make the difference as we come to the moment of truth. We urge the members of the Subcommittee to report it out favorably and to work for its passage at this session of Congress. It is our only hope.

Senator RIBICOFF. Mr. Wilbur Daniels and Mr. William Duchessi.

STATEMENT OF WILBUR DANIELS, EXECUTIVE VICE PRESIDENT, INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Mr. DANIELS. I am Wilbur Daniels, executive vice president of the International Ladies' Garment Workers' Union. I am here on behalf of the 330,000 members of our union, both in the United States and Puerto Rico, who produce women's and children's wear.

Had I appeared before this, or another, committee about 9 years ago, I would have referred to a membership of approximately 450,000 members. We have lost over 100,000 members in less than a decade, and our members continue to face the threat of losing more and more of their jobs as imports continue to rise.

And that, basically, is why we are here today to endorse S. 2920, introduced by Senator Hollings. Let's look at some of the facts.

In 1961, only 4 women's and children's garments were imported for every 100 made here in the United States. Last year, 34—34 out of 100—were imported, and that figure is substantially higher today.

In employment, this has meant that last year the number of production workers employed in all parts of our industry were about 15 percent below the 1969 peak, and by a happy coincidence, I have some of the figures for the State of Connecticut.

In 1950, in the apparel industry, in that small State, there were 27,500 workers employed in making apparel. In 1977, there were 11,000, a drop of 60 percent, and in the last 5 years, 36 percent of the workers who had been engaged in 1972 had been gainfully employed, not on welfare, paying their own way in Connecticut. Of those people, 36 percent did not have their jobs 5 years later.

These are, for us, disastrous facts, and to reduce duties further, as the administration proposes would be to accelerate imports and cause even further cuts in domestic production and, therefore, in employment.

In supporting tariff reductions, the administration makes the mistake of assuming that the multifiber arrangements and the bilateral agreements will check undue increases of imports, and that just is not so.

Reduced tariffs will inevitably lead to substantial increases in imports. To begin with, only 18 out of the 100 nations which export apparel to the United States have bilateral agreements. Cut tariffs, and the consequence is obvious. The countries not covered by such agreements will inevitably increase their shipments.

To the extent that there have been undershipments of imports in some categories, cut tariffs, and they will be encouraged to make up those undershipments.

Cut tariffs, and what appears to be corresponding tariff cuts abroad will be simply offset, as they have always been in the past, by new nontariff barriers, and our past experience has amply demonstrated that over and over again.

Cut tariffs, and tens upon tens of thousands of jobs in union factories and in nonunion factories, tens upon tens of thousands of jobs in the apparel industry will simply disappear from the United States.

Now, for which Americans? By and large, for workers with low educational attainment, members of minority groups, women, and hardcore unemployed.

One out of every five workers who typically make women's and children's wear simply failed to complete primary schooling and two out of three persons in our industry did not complete high school.

Blacks account for about 10 percent of those employed in our industry, and there is approximately the same percent of Hispanic American workers. This is a problem for older Americans. Older workers, as the census shows, account for about 42 percent of workers employed in the apparel industry.

It is not just a city problem. About 35 percent of the workers employed in making women's and children's apparel live in rural communities.

Some 80 percent of all workers are women, whose geographic mobility is obviously very limited.

These are precisely the groups in our labor force for which public policy is supposed to be designed to render assistance. But, in a fit of applied schizophrenia, the administration in its program of tariff cutting, can only destroy the hope of many of these workers. It has done so in the hundreds of thousands up until now.

Let them have their way in Geneva, and that simply will compound the felony imposed upon those parts of our work force which can least afford to bear the burden of unfair foreign competition, which is based primarily on unfair low wages.

If these cuts are permitted to go unchecked, there can only be further increases in imports, a bigger trade deficit, a sharp drop in production, a closing of plants, and many more workers tossed out of their jobs. Only a law such as 2920 can stop this disaster from overwhelming our industry.

Let me, if I may, refer to some of the points made by Mr. Smith. Apparel imports, despite his statement, have increased since 1972. The chart does not go down. There may be little zigzags—short-term zigzags—but the long-term trend has been strong and unremitting. No matter what Mr. Smith says, no matter what the administration says, imports in women's and children's apparel have simply been increasing, increasing, increasing.

Reference has been made to a short-term increase in employment in the first 5 months of this year. It has to be recognized as a short-term increase. In our own industry, the increase has been about one-half of 1 percent. But if you look at the long-term trend, the decline since the peak in 1969, 1970, has been basically unremitting.

Even if we go back to the prerecession year of 1974, we are now, despite the slight changes at the beginning of this year, which really represent a recovery, a small recovery from a recession, rather than a change in long-term trends, we are now about 8 percent below where we were in 1974.

Mr. Smith has also referred to tariffs in our industry as among the highest. That is literally not true. It may be true if you look simply at schedules. But, when you look at the way the tariffs are applied in our industry, you find that, for example, a garment of $100 made in France comes in here at $110.

When we send a $100 garment to France, it costs about $140. We have outlined, in our basic text, the manner in which that complex situation is handled, but the fact is that apparel tariffs are not higher in application and, in any event, we do need your basic help if there is to be anything left of our industry in the United States.

Senator RIBICOFF. Mr. Duchessi.

STATEMENT OF WILLIAM DUCHESSI, EXECUTIVE VICE PRESIDENT, AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, ACCOMPANIED BY ART GUNDERSHEIM, DIRECTOR, INTERNATIONAL TRADE AFFAIRS, AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

Mr. DUCHESSI. Mr. Chairman and Senator Roth, my name is William Duchessi, executive vice president of the Amalgamated Clothing and Textile Workers Union, and I am accompanied this morning by our director of International Trade Affairs, Art Gundersheim, and I also have appearing with us Stanley Nehmer, who is our trade consultant here in Washington.

I have a prepared statement which I would like to have put into the record.

Senator RIBICOFF. Without objection, your prepared statement and all supporting material will go into the record.

Mr. DUCHESSI. I would like to talk briefly, off the top of my head, about the importance of these hearings. As you know, we might have a lot of differences with our industry, but we are here as one, and have been together on this particular problem, because the jobs of our members are at stake, and even the jobs of those who are not members of our union are at stake, in one of the basic industries in our country. And so, on this particular problem, we see eye to eye with them on the threat that we are faced with.

We have seen our shoe industry wiped out. I lived in Connecticut—Windsor Locks—for a number of years. I serviced the big Bigelow-Sanford Carpet Co. for a number of years when we had tremendous trade problems in the carpet industry.

Just recently we saw the closing down of UniRoyal's rubber sneaker plant up in Connecticut due to imports, as I read it in the newspapers.

While testifying before the House a couple of weeks ago I was handed a note while I was testifying—and it was not prearranged—that Arrow Shirt had closed 2 of our factories in Minnesota with 500 jobs because of imports.

A company that we do business with in my hometown of Amsterdam, N.Y., a plant with 300 employees was going out of business last week. The employer at a press conference stated it was because of imports.

When we get hit, we get hit with 200, 300, 400, 500. It is not big news. It is big news in that community, where people are put out on the street.

You know, it is an amazing thing. When the big steel plants began to fold up because of imports, it became front page, banner stories with all kinds of news reports, and the top officials of our Government were shook up, because we are talking about 5,000, 10,000 people at one time.

But collectively, at the end of the year, if you see how many jobs are lost in our industry because of imports, collectively the figure comes to way beyond what some of the big steel companies, or even auto industries, have lost to foreign imports.

Now, let me say this to you, if I may. There has been an attempt recently to try to separate the textile industry from the apparel industry. You cannot separate these industries. They are intertwined.

On the synthetic yarn industry. If one goes down, the other two have to go down with it. You know, you cannot manufacture a shirt or a suit without fibers, so if you hurt shirts and suits, you are hurting the fiber industry, because there is no place to sell their fibers, and they are not going to be exporting overseas.

And if you hurt fibers, that compounds the problem, because then you are going to have to import fibers to manufacture what little shirts and suits we made in this country.

You know, we have a very rich history, the history of our unions, the two unions, Amalgamated Clothing and Textile Workers Union. Take a look at it.

It started in New York City when our forefathers, coming over from foreign lands, built this great industry. Then our children went into it. I am a product of the textile industry. I went to work as a carpet worker at the age of 14. My seven brothers and sisters, every one of them, came out of a textile plant in upstate New York, and we watched our industry go down through the years, and it seems that when we talk about trade, and we talk about we have to take care of our friends overseas in hearings of this kind the chairman and all witnesses will say that nobody in this room would say stop trade.

You know, it is not easy for men like Mr. Daniels and myself who represent people to tell our people at union meetings and conferences there is no way we can put a fence around the United States and say stop everything, because we are going to take care of Americans, so far as trade is concerned. We tell our membership that there must be trade, and they understand it.

But what they do not understand is why our Government officials do not want to listen to the cry that has been going on for a number of years, to protect us from being wiped out. We ran an ad recently, called "The Textile and Apparel Industry, an Endangered Species." I am afraid that that is what we are going to come to if this continues much longer.

I was happy to hear the chairman this morning state that nobody, whether it be a labor leader, a businessman or any right-thinking American citizen, politician, whatever you want to call him, wants to stop trade overseas. We cannot. We are part of one world.

But how do we compete with wages in Taiwan, in South Korea, in Hong Kong—and as a labor leader, I have been to these countries. I have visited some of these plants overseas. Paying 25 cents and hour, 30 cents an hour, 35 cents an hour—how do we compete?

In our industry, the textile industry, I think the average hourly earnings now are $4.20 an hour. And probably in men's clothing it is a little bit higher. In shirts, it is probably about $3.75.

And, by American standards, that is below the poverty level. But we cannot go any further at this moment in life. We cannot afford to throw our weight around and push our companies out of business. So we have to stand fast and argue with our membership against additional wage benefits which they so richly are entitled to; so they can live a good, clean, American life.

In conclusion, let me say this. I have heard the importers scream about—and some of our consumer friends—talk about imports keep prices down. Well, I live in this city, and about a month ago I walked into a department store, one of the largest department store chains in this city, with my wife and wanted to buy some cotton shirts for myself, and so we picked one out.

It retailed for $15—American made—it probably cost $7, $7.50 to make before the department store got it. It was retailing for $15. I walked over to another counter and looked at a bright shirt. It looked very nice. It was as good as anything we make in this country. I started to buy it, and my wife says, "You cannot buy that. It is made in Taiwan and you are a labor leader in the shirt industry." I said, "Well, I am going to buy it because I am going to be testifying before a couple of congressional committees, and I think we ought to once and for all put to rest this business that you can buy anything cheaper made overseas, in this particular item."

And so I looked—made in Taiwan, exported here, and what is the retail price? $16. It probably cost $2 to make in Taiwan.

I have a wife who is a sportswear buyer for another big chain of stores here. She is not a union official. I do not want to mention the stores she buys for, but I know what is going on. The markups are so tremendous on imported women's goods, men's goods, it is unbelievable what they are doing to the American public. It is a ripoff. A ripoff.

Now, here are two cotton shirts. One, made overseas, is priced higher than an American shirt, and all of us who have any sense knows that the wages and the conditions under which this shirt was made are not, by any stretch of the imagination, made under American standards. You can walk into any department store in this city—Woodies, the new store that has been opened up at White Flint, Bloomingdales. Take a look at those racks.

When you start looking at something made in Red China, a man's jacket, $95 or $100 and you know what wages are in Red China, and nobody has talked about that very much. We do not have any trade agreements with Red China, and that market is just opening up.

And if there is one thing that Red China has got, it's people—unskilled people—and they will learn to sew pretty fast and they will learn to make textile fabrics pretty fast. And once that floodgate opens, I do not know what is going to happen to our industry.

Mr. Chairman, this thing is so important to us that recently there was a press conference on the other side of the Hill. President Meany and Murray Finley, the president of our union, and a number of businessmen who testified here this morning had a joint press conference. President Meany came to it, and he said something that hit me very hard, and I think it bears repeating.

He said: "No longer is this free trade that we are talking about, all we are asking for is fair trade." And I think we are entitled to that as American citizens.

I hope that this committee in its wisdom helps us on this bill—and I know the timetable; I am a lobbyist on this Hill and I know what is involved.

I would like to take the last minute of my statement to present Art Gundersheim who represents us in overseas negotiations. He sits in on one of these committees that was talked about by Senator Roth, and with your permission, I would like to have Art Gundersheim give the committee his experiences with our trade negotiators.

Mr. GUNDERSHEIM. Mr. Chairman, there is instituted a system of advice from the private industry sector and the labor unions, both in terms of the international negotiations and the MTN negotiations. But the real question is, how much dialog takes place and how much listening takes place.

Ms. Williams talks about the fact that, in several instances, decisions are made and we are informed afterwards. That is essentially correct.

In a number of other instances, the industry has given very specific advice and the administration has chosen not to adhere to that advice and to take it—well, to take it into consideration, but basically to neglect it.

Particularly on the MTN negotiations, I must say on behalf of the workers, at least in our union, and so on, we thought it necessary to go outside of the LSAC advisory committee system to make our points of view known to the administration.

Senator RIBICOFF. I am just curious. Have you people ever heard of globalization and cumulative concepts? Is this——

Mr. DUCHESSI. You put something new in the American dictionary because the first time we heard it was this morning. I think it is something to look into. I am happy that you have asked our research people to get together some facts for the committee on this subject.

Senator RIBICOFF. All I can tell you, gentlemen, is that they may have the answer. I mean, there are a couple of wrinkles in these garments that could be ironed out here.

Mr. DANIELS. You iron them out, and we will give you the first union pressers card for a Senator.

Mr. DUCHESSI. We are always ready to break in a couple of Senators on the making of garments, particularly if it is to the benefit of our people.

Senator RIBICOFF. All I can tell you is that I have known your leadership and I have known your people forever, it seems to me, and I do not think there is a finer group of workers anywhere in America, and I do not think there has been more constructive union leadership, in every respect, than the International Ladies' Garment Workers' Union and the Amalgamated.

Now, I would suggest, Mr. Smith, that Mr. Strauss ought to have a quiet meeting in his office—not a convention or a mob scene—but I think that Mr. Daniels and Mr. Duchessi and a few representatives of the overall textile industry—let them choose them. I do not think you ought to have a mass meeting, but I think there ought to be six, seven, eight people sitting around a room quietly, for a discussion over this problem.

It is a big one. All you have to do is walk into any department store in this country in any town in this country to see it.

Now, this is an industry that is an endangered species, and before these matters are closed out in Geneva, I think this group of men and women ought to have an opportunity to discuss this problem with Mr. Strauss.

I think it is important enough, and I think Mr. Strauss will give this time. You can tell him that his request is from me, and I will talk to Mr. Strauss personally. But I understand he is out of the city now. He is expected back—I talked to him on the telephone on Sunday. I think he is due at the end of this week.

I will convey it to him personally, but if you are in communication with him, just tell him that I think he ought to sit down with these people as soon as he comes back next week.

Mr. DUCHESSI. Mr. Chairman, the officers of our union and management representatives, small committees, we have had a half a dozen meetings, with Mr. Strauss in the past. I will certainly, speaking for my union, impart to President Murray Finley and Secretary-Treasurer Jack Sheinkman your advice. We will try it again.

The problem is, he understands our position, but for some unknown reason—and I have known Bob Strauss, the Ambassador, for a long time politically. He is a wonderful guy. He has his mind pretty well made up. Somebody is making it up for him.

We will take another shot at him, but I think the most effective thing that can happen is if this piece of legislation should get off the ground, get passed, and if members of this committee who have listened to us this morning, impress upon Ambassador Strauss—or even the White House, because the shots are probably going to be called down there, too, eventually—the necessity of doing something to give us some relief to save this basic industry might be done.

Senator RIBICOFF. You gentlemen have known me for a long time, and I never kid about anything. You know, whether you agree with me or not, you always know where I stand. You may not like it, but you know where I stand.

To pass this piece of legislation, in my opinion, would mean the end of the MTN. Now, maybe it should be ended. I do not know. But I think we ought to be honest with one another.

You have made very, very substantial points today and this is a big problem. I think the whole world is wrestling. You are in the same boat today—when I say you, the United States or the European Community. They are suffering from the same things that you are suffering from. The European workers are getting it in the neck too.

All you have to do is go to France or go to England and you will find you have got exactly the same story. And you are competing with child labor. You are competing with 70, 80 hours a week. You are competing with wages of 25 cents, 50 cents an hour, no fringe benefits. I know what you are competing with.

As Mr. Hollings said, the American manufacturers and multinationals are over there and they have the organization, they have the equipment, they have the technology and people get trained awfully fast. I know what you are dealing with.

There is a basic problem, that you just cannot take a highly organized, developed society and expect that they are going to be able to compete with a developing society. Unfortunately, you are in an industry that is the most vulnerable to any developing society, because they can be trained the fastest, and everybody is in on the same market.

And I do think that here there is an identity of interests between the Americans and the European Community. As a matter of fact, the Japanese are going to start suffering, if they are not already, with exactly the same problem, because their wage rates are high, their fringe benefits are high, their standards of living are high, and they are getting it from their Southeast Asian neighbors, too.

So you do have a problem and, again, that word "globalization" becomes a very important factor, because globalization is a lot different to me than cumulative, and there is going to have to be some standard here where there is a limited market share without destroying a basic American industry—and I happen to think you are a basic American industry.

But I do think that there should be an impression on Mr. Strauss once again on the significance of what has taken place, with you.

Mr. DANIELS. Senator Ribicoff, officers of the ILGW have met with Ambassador Strauss and, indeed, with Mr. Smith, and we will be glad to meet with them again. May I suggest that while they have heard in the past, they have not listened, and perhaps action, even just by this committee, would make them more receptive to what you have termed the impressive points that we have made today.

I think it is a joint action in which your committee can be very helpful to us, as we go back to them.

Senator RIBICOFF. Well, I will assume the personal responsibility of talking to Mr. Strauss and tell him to sit down with you. I think there should be a discussion with you as this trade negotiation is coming to a close of what has taken place: The whole question of quotas and market shares and globalization. I think you made the point, or Mr. Shapiro made the point, that as the market share expands, how about a little piece of that action for American industry in that increased share. Not to freeze your share, but to give you a piece of it.

I think the great problem we have here in America today is the rate of productivity, and all I can tell you is that if DuPont is not increasing its research and development and its expansion in Delaware, a company which has lived on research and development from the very beginning to become one of the great industrial giants of the world, if they are stopping, it is a tragedy for the future of this country. Because if you are not getting the development from DuPont, where are you going to get it?

I personally will talk to Mr. Strauss, and it is not up to me to tell your industry who should be the representatives. It should be a small group. It should not be a mass meeting, gentlemen. It should be a small group of industry and labor leaders sitting down quietly with him to discuss the implications of all of this.

Mr. GUNDERSHEIM. Mr. Chairman, if I may add one small thing, certainly the meeting with Ambassador Strauss would be very important, but I must say, from our union's point of view, we fail to understand how exempting the textile and apparel industry would mean the end of the MTN, because our major problem comes from the Koreas, the Taiwans, the Hong Kongs, and the Singapores who are, in fact, not offering any major concessions in these negotiations nor, in fact, are even major participants. They are sort of sitting on the sidelines waiting for what happens.

Senator RIBICOFF. Yes; but your ear fails to catch an implication of what I said, and that implication is that the European Community and even the Japanese are riding in the same boat with you right now. So you have got an identity of interests by the industrial world, and while we should be helping the underdeveloped world, you cannot destroy the developed world and the industrial world, because that is the base.

So there is this identity of interests. You are right. They are not there as participants. And the Big 3—the United States, Japan, and the European Community—happen to have, of everything, the only identity of interests right here in what you are presenting today.

And they are all feeling it. So there is an opportunity to come to a basic understanding. That is the point that I am making here.

So it is not a question that you are fighting with the community and you are fighting with the Japanese over this problem. You are not talking about automobiles, television sets, or steel. You are really talking about where they are all getting pushed against the wall.

A couple of years ago, I was in Paris, talking to the Prime Minister, and the day I was there in the French Chamber of Deputies there was a debate going on. And one of the deputies held up a bikini—all the papers in Paris were full of what this bikini, that the French always had prided themselves on—was coming from Taiwan, and what it was selling for and putting the bikini business in France out of business.

So, you see, you are getting down to basics, now.

Mr. DUCHESSI. We understand the problem, Senator. As a matter of fact, our two unions meet with the Japanese counterparts every 2 years—every other year we meet. They were just here last fall. We will probably be going over there.

You are right. Their standard of living has gone up tremendously and they are as hard hit as we are. As a matter of fact—the first time, I think, it has ever happened—we issued a joint statement on trade that we both agreed to, here in this great city of Washington. We understand it thoroughly.

We have our meetings with our German counterparts and we meet with our English friends.

So we understand the problem that you have raised with us.

Senator RIBICOFF. Well, in other words, for the first time you have got a basic industry in jeopardy by the world trade leaders. And this is a problem of the Big 3. So before they take this stuff off the table, they had better have a little quiet conversation by themselves.

Senator ROTH. Mr. Chairman, I would just like to add that what you said represents my own thinking. I think it represents the thinking of the committee. So hopefully, this time when you go back and meet with the Ambassador—for whom I have great respect—he will understand that this is a matter of serious importance.

One of the things that I think is particularly bothersome is the point you make that many people in Government and many people in academic life look upon this as an industry we should let slip to underdeveloped countries to help them move up. I think your point is well-taken that many of our people who are without jobs, or just beginning to move up, and find their livelihood in jeopardy.

And I would hope that wiser heads in Government, in the executive branch, would prevail. As you say, what we seek is fair trade, as something different from free trade. As we grow, we expect to enjoy the benefits of that growth. Your industry does, and it should.

And I think one thing that ought to be made in your meetings with the Ambassador is that basically as far as the industry is concerned, using industry in the broader context, is that if we make concessions, we want concessions in the same industry. We are not interested in trading off this industry for something else.

So I think that is a point that ought to be underscored and made at that time, that this is a vital industry, both from the standpoint of employment and what it produces.

I would urge you, as I tried to urge the industry people who were just here, that as you go there, be ready to discuss the bottom line. Because they are at that point of negotiations. And if people do as the industry did, say, 6 months ago, and were unwilling to make any accommodation, it probably would be fruitless.

Mr. DANIEL. I would like to urge, Senator Roth, that we would be greatly aided by qiuck action by this committee in our talks with Ambassador Strauss and Mr. Smith. We have had those talks. We will, of course, take your suggestions and take them up very rapidly. But if we could look forward to equally rapid action by your committee, I think our talks with them would be that much more fruitful.

Senator ROTH. Well, as the chairman said, I think we will both be interested in making our position known to the Ambassador.

Thank you.

Senator RIBICOFF. Thank you very much.

[The prepared statements of the preceding panel follow:]

STATEMENT BY WILBUR DANIELS, EXECUTIVE VICE PRESIDENT, LADIES' GARMENT WORKERS' UNION, AFL-CIO

I am Wilbur Daniels, Executive Vice-President of the International Ladies' Garment Workers' Union, AFL-CIO. I speak on behalf of the 330,000 members of our union in the United States and Puerto Rico who produce women's and children's wear. In the past eight years our membership dropped by over 100,000, mostly due to imports. Our members continue to face the threat of losing their jobs as imports rise.

This is why our union endorses S. 2920 introduced by Senator Hollings, and similar legislation designed to exclude textiles and apparel from the tariff-cutting negotiations now under way in Geneva.

Given the present status of the textile and apparel industry in the United States it seems paradoxical, to say the least, that my colleagues and I should have to seek a legislative solution. But the Executive Branch has failed to recognize fully the disastrous situation facing our industry. We would have preferred that the Executive Branch had acted on its own initiative to exclude textile/apparel tariffs from further cuts. We are here today because we are left with no choice. Our very survival is at stake.

Let us look at some of the facts.

Between 1961 and 1977, imports of women's and children's apparel, expressed in equivalent square yards of fabric used in their manufacture, increased 770 percent. In five years—from 1972 to 1977—they increased by another 15 percent. Preliminary data for the first five months of 1978 suggest that imports exceeded the same period in 1977 by 25 percent. If this rate of advance remains through 1978, it would bring this year's imports to a level nearly 45 percent greater than in 1972.

In 1961, only four women's and children's garments were imported for every 100 made here in the United States. Last year, 34 were imported for every 100 garments produced in this country. The figure is substantially higher today.

For many specific items of women's and children's apparel, import penetration ratios significantly exceed the average. Here are some horrendous figures for 1977:

125 sweaters were imported for every 100 made in the U.S.

98 knit shirts were imported for every 100 made in the U.S.

56 brassieres were imported for every 100 made in the U.S.
55 coats and jackets were imported for every 100 made in the U.S.
52 raincoats were imported for every 100 made in the U.S.

These figures show that import penetration in many items of women's and children's wear approximate or exceed the penetration ratios in other products where findings of injury were made by the International Trade Commission and the President granted import relief under Section 203 of the Trade Act of 1974—in specialty steel, imports in 1976 amounted to 22 percent of domestic production, in non-rubber footwear 67 percent and in color television sets 58 percent.

While imports skyrocketed, domestic production suffered. The physical volume of output of domestic women's and children's apparel, though 2.5 percent higher in 1977 than in 1961, fell 13.2 percent below its peak in 1972. Employment of production workers, on the other hand, was 6.4 percent lower in 1977 than in 1961 and 15.2 percent under its 1969 peak. Man hours spent at work in the shops were 5.6 percent lower in 1977 than in 1961 and 16.1 percent below their 1966 peak. While employment and manhours in the first five months of 1978 did go up by about one-half of one percent, their levels were still 3.5 percent lower than in the same 1976 months, i.e. after the onset of the recovery from the severe 1975 recession and 8.2 percent lower than in 1974, the pre-recession period.

These are disastrous facts. It is thus beyond belief that the existing duties have even been considered for reduction. To reduce duties is to accelerate imports and cause domestic production and employment to decline. Only joblessness will tend to go up.

In supporting tariff reductions, the Administration assumes, of course, that the Multifiber Arrangement and the various bilateral agreements regulating imports of textiles and apparel will check undue increases in imports. This rationale, however, does not hold. Reduced tariffs will inevitably invite substantial increases in imports and subvert the very purpose of these agreements to check import levels and thus avoid market disruption.

Yet, market disruption will unavoidably occur. There is a considerable degree of undershipment which currently exists under the existing agreements—reduction of duties will stimulate an increase in the level of shipments to the detriment of domestic production and employment. In this connection it must be remembered that ceilings set forth by the bilateral agreements rise every year irrespective of conditions in the U.S. market. If prior year's shipments of specific products were lower than the permitted limits, their imports may increase by huge amounts even under the existing agreements. Besides, the level of imports may exceed the growth rate set forth in the bilateral agreements for specific products—exporting countries are given the right to shift imports from other categories where the demand was lacking and shipments fell short of the controlled levels. They are also permitted to "borrow" from the quotas set for the particular product from the previous and the following year. Besides, some product categories are only subject to consultation between the United States and foreign countries. In these instances, disproportionate increased in imports frequently are allowed following such consultations.

We must also remember that at the present time the United States has bilateral agreements regulating textile and apparel imports with only 18 out of the some 100 nations that export these products to this country. Duty reductions will induce countries not covered by bilateral agreements to increase their shipments. Countries not now exporting textiles and apparel to the United States will also be motivated to do so. Import growth will be further enhanced by financial subsidies and incentives already provided by many foreign countries to their producers including those who export. While technically, the United States could regulate such shipments under the provisions of the Multifiber Textile Arrangement, past experience demonstrates that the appropriate action, if taken, would come after much delay. In the meantime, uncontrolled imports would rise materially and add to market disruption and employment diminution in the United States. The situation is likely to be aggravated if U.S. duties on textiles and apparel were reduced.

Duty reductions on textiles and apparel by the United States, if they occur, are not likely to bring about an increase in exports that would minimize the negative impact such cuts would have on domestic employment and production. The likelihood is that tariff cuts made by foreign countries will be offset by a variety of non-tariff barriers, as was the case subsequent to the Kennedy Round of tariff negotiations. If some of the existing non-tariff barriers are eliminated in the course of the current Multinational Trade Negotiations in Geneva, new ones will be introduced as past experience demonstrates.

The likelihood of further rise of imports should duties be cut has been disregarded by the Administration. Instead, it sought to draw attention to the alleged fact that duties levied on textiles and apparel are too high and that therefore they should be cut. This is a spurious argument—the continued rise of textile and apparel imports testifies to the fact that U.S. duty levels are not excessive. Besides, time and again, other things being equal, textiles and apparel originating abroad land in the United States on more favorable terms than our goods can land abroad. This is due to the fact that many foreign countries raise their revenues by means of value-added taxes, while the United States primarily relies on income taxation.

Let me explain. Under the GATT rules sanctioned by the United States, imports from abroad are dutiable on their value exclusive of the value-added tax. No similar remission is made in the case of income taxes. Thus, our exports are subject to duties on their value including the income taxes levied by the United States. Besides, with a few minor exceptions, U.S. tariffs are levied on the invoice price of the goods exclusive of the value-added tax, while foreign duties are typically imposed on the c.i.f. value of our exports (i.e. on the invoice price of our exports inclusive of income tax plus the cost of insurance and freight needed to bring such goods to the foreign country) ; thereafter, such goods are subject to the value-added tax levied by the foreign country (it is computed on the landed value of American goods inclusive of customs duties and whatever other border tax may be in effect).

The way foreign-made textiles and apparel can land in the United States on more favorable terms than our products can land abroad, can best be illustrated by an example. Take the case of France which has a value-added tax of 17.6 percent. In the case of apparel and textiles which wholesale in the domestic markets for $100.00, such goods when exported are valued at only $85.03 (i.e. exclusive of the value-added tax of $14.97). When these goods arrive in this country, the duty is levied on only $85.03—it averages 23.9 percent and would thus be $20.32. The value of these French goods entering the United States, including duties, would be $105.35. To this amount, another $5.00 should be added to take account of the estimated cost of inward freight and insurance that is not dutiable. The landed value of French apparel and textiles would thus be $110.35 as distinct from the $100.00 at which these goods are wholesaled in the French domestic market.

On the other hand, when American apparel and textiles which wholesale for $100.00 in the United States are exported to France, they are dutiable at $100.00 plus the $5.00 cost of inward freight and insurance, i.e. on the c.i.f. value of $105.00. The average Common Market duty on apparel and textiles (of which France is a part) is 13.2 percent of the c.i.f. value. It would thus equal $13.86 and bring the landed value of these goods to $118.86, an amount which already tops the landed value of French goods in the United States. However, France thereafter imposes a 17.6 percent value-added tax on top of $118.86, thus increasing the landed value of American goods by $20.92 and bringing it to $139.78. This example tells but a part of the story since exports arriving in this country are likely to be priced at less than textiles and apparel of domestic origin (even though the benefits of such lower prices do not typically benefit the ultimate consumer).

I have used the example of France to illustrate the issue I have been advancing—that the United States deals with imports more liberally than does France. The French case, however, is not exceptional. Comparative landed values in the case of American exports to other Common Market countries or their exports to the United States are affected by the level of their value-added taxes (as of January 1, 1978, these ranged within the Community from a low of 8 to a high of 20 percent). Yet, in all instances, it is clear that U.S. exports to these countries fare worse than their exports to the United States. In the case of textiles and apparel wholesaled for $100 in the country of origin (assuming that the cost of freight and insurance would approximate $5 in all cases), the comparison of landed values for U.S. exports and imports is as follows:

Country	Value-added tax (percent)	Total landed value: U.S. exports	Total landed value: U.S. imports
United Kingdom	8	$128.37	$119.72
Luxembourg	10	130.75	117.64
Germany	12	133.12	115.63
Italy	14	135.50	113.68
Belgium	16	137.88	111.81
Netherlands, Denmark	18	140.25	110.00
Ireland	20	142.63	108.25

It must, of course, be realized that changes in the amounts of value-added taxes are fully within the province of individual countries to implement and modify. Thus, for example, Germany raised its value-added tax on January 1, 1978 from 11 to 12 percent.

As a matter of fact, the intense competition that exists in the apparel industry fosters internal discipline that keeps prices down and limits profits even in the absence of imports. Thus, from the end of the second world war through 1961, when imports had no impact or had a minor impact on the domestic scene, wholesale prices of women's and children's apparel declined 5 percent while wholesale prices of all consumer goods advanced by 17 percent. Since then through 1977, wholesale prices of women's and children's apparel rose 37 percent (compared with a 90 percent upswing in the wholesale prices of all consumer goods). Prices charged by retailers for women's and children's wear, however, rose in this period by 59 percent (even between 1947 and 1961, when wholesale prices were declining, retail prices went up). This was due primarily to a steady rise in retail markups, particularly on goods of foreign origin. The latter point was repeatedly made before the various Congressional and administrative bodies. It is also supported by the findings of the recent Library of Congress study made for the Subcommittee on Trade of the House Committee on Ways and Means (95th Cong., 1st sess., WMCP:95–43: Imports and Consumer Prices, July 19, 1977). It is also confirmed by statements made by retailers (such as the one made by the president of Allied Stores in an interview published in *Women's Wear Daily* on April 18, 1977).

I have previously indicated the degree to which employment of production workers in the making of women's and children's garments declined in the wake of import increases. Unavoidably, the situation will be aggravated if duties are further reduced. The various studies on the effect of tariff cuts on apparel worker employment agree that jobs will be lost even though they disagree on the numbers—the fact remains that these are jobs the nation can ill afford to lose.

Workers who are typically employed in making women's and children's wear are drawn from people with relatively low educational attainment, members of minority groups, women and hard-core unemployed. As the 1970 Census of Population shows, one of every five persons in the industry failed to complete primary schooling and virtually two out of every three persons did not complete high school; Blacks account for about 10 percent of those employed, those of Latin-American background 9 percent and American Indians, Japanese, Chinese and Filipinos around 1.5 percent. These figures are unquestionably higher now.

Other data complete the profile of the industry's workforce. Over 42 percent, as shown by the 1970 Population Census, were 45 years of age or over. Around 35 percent lived in rural communities. Some 80 percent of all workers were women whose geographic mobility is distinctly limited. Around one-third of the women are single, widowed, divorced or separated. Women employed in the industry are not casual workers; they work because they have to support themselves and their families. For every 100 women, as shown by a sample study made by the Women's Bureau of members of the International Ladies' Garment Workers' Union (U.S. Women's Bureau, Bulletin 239: Women Workers and Their Dependents), 64 percent had to support or partly support their children, husbands, parents or other relatives in addition to supporting themselves. More married women than those who were single used their earnings for daily living, irrespective of whether they were the sole earner in the family. Nearly one-third of the women supported at least one other person, one-fifth had two dependents and one-eights supported 3 or more persons.

Garment workers have few alternative job opportunities. For the most part, They are women with family ties which limit geographic mobility. Many persons come from the ranks of the hard-core unemployed. The industry itself is one of the largest employers of women, performing in effect a dual task—it provides the American people with a basic necessity and provides jobs for a huge number of persons who otherwise would be jobless. When employment opportunities are eroded by rising imports, many workers sorely in need of work who would otherwise work in making apparel are deprived of employment opportunities. This alone justifies the exclusion of apparel from any duty reduction, as well as any other measure federal authorities take to safeguard jobs in this field.

I must also share my concerns with you over some of the other matters being negotiated in Geneva. On the table are several international codes which if adopted could severely affect our industry and its workers just as surely as a tariff reduction would.

A safeguards code could undermine the MFA and the various bilateral agreements were it encompass the MFA. The MFA and the bilaterals are a completely separate agreement and should remain so.

There would also be a harmful effect if a countervailing duty and subsidy code were adopted. The U.S. is being pressured to accept a requirement that there be a finding of injury before a countervailing duty is imposed. This would mean unnecessary delay while the International Trade Commission conducts its investigation. The time and expense of defending the case would be a deterrent against such cases being filed. Such a requirement should not be negotiated.

A government procurement code is also being negotiated. Bidding on government contracts would be open to all suppliers, domestic or foreign. In our industry where wage costs play so prominent a role, our domestic manufacturers would be at a clear disadvantage against low-wage producers in the Far East or Latin America. There would clearly be no opportunity for compensating gains in producing for foreign governments. Were such a code to be adopted, at the very minimum a provision should be made for excluding labor-intensive products such as textiles and apparel.

Let me sum up. In the light of the Executive Branch's failure to exclude textile and apparel products from the tariff cutting negotiations now under way in Geneva, the only possible salvation for our industry is legislative action to accomplish this exclusion. This is what S. 2920 would do.

I urge its prompt passage.

STATEMENT OF WILLIAM DUCHESSI, EXECUTIVE VICE PRESIDENT, AND ART GUNDERSHEIM, DIRECTOR OF INTERNATIONAL TRADE AFFAIRS, AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL–CIO

I am William DuChessi, Executive Vice President of the Amalgamated Clothing and Textile Workers Union, AFL–CIO. I am accompanied today by Art Gundersheim, Director of International Trade Affairs for our Union. Among the half million members of our union are the workers who produce men's and boys' apparel and textile mill products. We are appearing here today to express our support for S. 2920.

In a way it is regrettable that it is necessary for the Congress to be concerned with this legislation which will put into law what the Executive Branch has the discretion to do. But the workers and management in the fiber/textile/apparel industry see no alternative at this time to Congressional action to exempt the products of our industry from tariff cuts in the Multilateral Trade Negotiations. We urge this subcommittee to report out this bill favorably and we call upon the subcommittee's members to work for its passage.

Our union, among other groups, had endorsed the efforts of the Administration to negotiate more realistic bilateral agreements on textiles and apparel with those foreign countries which supply the bulk of U.S. imports of textiles and apparel. We applauded the results of negotiations concluded earlier this year which brought about "together" terms intended to reduce the volume of imports into the United States. The new bilateral agreements, for example, with Hong Kong, Korea, and Taiwan provided no increase in 1978 quotas from the levels of 1977.

Unfortunately, our hopes that there would be, at the very least, a leveling off of imports have turned out to be ill founded. Not only has injurious import growth not been curtailed but imports have skyrocketed in the first five months of this year.

I. THE INDUSTRY IS INDIVISIBLE

One point which must be made at the outset involves the attempts by the Administration to consider the textile and apparel sectors of our industry as separate and distinct.

Our union is unique in that we are the only organization representing the industry which is able to speak for both the textile and apparel sectors of the industry. Our members are interpersed throughout both sectors, and we do not recognize as legitimate any separation of sectors of the industry in the context of the severe trade problems being faced by the entire industry.

Our membership is acutely aware of the dependency of jobs in either sector on the other sector. Jobs lost by workers in the production of apparel mean losses of jobs for workers who make yarn fabric which supply the apparel sector. We are not interested in saving the jobs of some of our members only to lose the jobs of other of our members.

II. RISING IMPORTS AND WORSENING TRADE DEFICIT HURTING U.S. LABOR AND INDUSTRY

Let me cite a few numbers for the Committee. Imports of apparel were up 21 percent in the first five months of 1978 over the same period of a year ago. Imports of fabrics were up 37 percent. Imports of yarns were up 25 percent. The tremendous growth in apparel imports this year follows the reecord high level of apparel imports of 1977.

In some of the most critical items of men's and boys' apparel, the increases in imports during the first five months of 1978 were shocking. Imports of sport coats increased 65 percent over the same period of a year earlier. Imports of trousers increased 69 percent. Imports of outercoats and raincoats increased 51 percent. Imports of shirts increased 19 percent. Imports of suits increased 13 percent.

Total textile and apparel imports in the five month period of over 2.5 billion square yard equivalents represented a level, if annualized, well ahead of the total for all of 1977 of 5.2 billion square yard equivalents.

The impact on the trade deficit in textiles and apparel is equally shocking. In the first five months of this year the deficit in trade of textile and apparel products of the three major fibers alone, i.e. cotton, wool and man-made fiber, was $1.6 billion or an increase of almost 84 percent over the $861 million deficit registered in the same period a year earlier. The trade performance thus far in 1978 follows a record trade deficit in 1977 for all textile and apparel products of $3.2 billion. This has been a major factor in the overall U.S. deficit in merchandise trade which through the first five months of 1978 was 79 percent higher than for the same period of 1977.

Now, it is finally becoming increasingly obvious to everyone, as increased imports affect not just our industry but many others as well, that the U.S. trade deficit cannot be explained away merely by oil imports. In fact, through the first five months of 1978, U.S. imports of oil amounted to 15.7 billion while imports of consumer goods, which include textile and apparel products, totaled $19.2 billion. More and more industries and workers are coming to learn of the injury that results from severe import penetration—and that our entire national manufacturing base is being undermined. The accelerating shift to a service economy is neither economically sound nor strategically wise.

The impact on jobs in our industry of these massive increases in imports of textiles and apparel has been most serious. Apparel employment had already fallen by 118,000 jobs between 1968 and 1977. Half of this decline in employment occurred since the first year in which the Multifiber Arrangement was in effect.

In the men's and boy's tailored clothing industry the decline in employment as a result of growing imports has been even more dramatic. For example, in 1967 the number of workers producing men's and boys' suits and coats totaled 130,700 jobs. By 1974, the first year of the MFA, employment in this sector of the apparel industry had declined to 102,600. Since 1974 employment has fallen even further to 87,900 jobs last year. Thus, this segment of the men's and boys' tailored clothing industry has lost some 43,000 jobs, a third of the labor force, over the last 10 years. In the first four months of this year, Labor Department data show that another 2,100 jobs were lost resulting in total employment as of April of only 85,800 workers.

Furthermore, it should be added that employment declines, although affecting certain regions more than others, are widespread throughout the country. It is not a question of lost jobs in some regions offset by increased jobs in others. Tables 1 and 2 attached to this statement show the changes in employment levels in 10 selected states during the period 1968 to 1977 according to the U.S. Department of Labor. As of 1974, these states contained 80 percent of all textile-producing employees and 67 percent of all apparel-producing employees.

Of the total loss in employment of 71,000 workers during the period in the textile sector in the ten selected states, 51,100 jobs were lost in the four Northeastern states while 19,900 were lost in the selected Southern and Western states. In the apparel sector, a total employment loss of almost 100,000 workers occurred in these ten states. In the Northeastern states 170,000 jobs were lost, while the Southern and Western states increased employment by 69,800, leaving a net decline of nearly 100,000 jobs. The remainder of job losses which occurred during this time was spread among many other states.

Clearly, Job gains in certain states have in no way compensated for the acute losses in other areas, a fact clearly evidenced by the overall declines in employment in the last few years.

The seeming insensitivity to trade-induced job losses is very disturbing to us, and seems contradictory in view of the appropriate and warranted emphasis that has been put on reducing unemployment by both Congress and the Administration. Recently, Ambassador Strauss in statements before the House Ways and Means Subcommittee on Trade, indicated that this administration does not write off jobs. In response to another question he stated that the effect of tariff cuts on the industry would be minimal.

Ambassador Strauss greatly underestimates the job losses resulting from tariff cuts. In an econometric analysis presented to the Executive Branch 10 months ago, our union forecast that for only 13 selected items of men's and boys' apparel, the tariff cuts being contemplated would cause a loss of 14,000 jobs. We extrapolated from this figure to all men's and boys' apparel and concluded that some 60,000 jobs were at stake in our sector of the apparel industry alone. That is the prospect our workers face from the Geneva negotiation!

III. THE MTN CAN ONLY WORSEN THE SITUATION

S. 2920 is the only hope left for the workers and firms in the fiber/textile/apparel industry. We have petitioned the Administration not to cut the tariffs of this industry. We have explained that it does not make sense, on one hand, for import relief to be granted to the textile and apparel industry through the Multifiber Arrangement and the 18 bilateral agreements negotiated under the MFA, and, on the other hand, to have that import relief vitiated by cutting the tariffs on the products of our industry. We have said to the Administration that the Trade Act of 1974 excludes industries which receive import relief under the escape clause or under the national security clause from tariff cuts in the Multilateral Trade Negotiations. We have said that if this philosophy is correct, which we earnestly believe to be the case, for footwear, color television sets, specialty, steel, and CB radios, it is also correct for textiles and apparel industry with its almost 2.5 million workers has a labor force substantially in excess of the combined labor force of the four industries which have already received import relief under the Trade Act and which are automatically excluded from the MTN.

Unless textiles and apparel are excluded from the trade negotiations we foresee increased imports from countries not now controlled under the MFA. As the Committee knows, there are no global quotas in place under the MFA. The history of controls on imports of textiles and apparel over the last many years has been that whenever a country's exports of textiles and apparel are controlled, importers seek out and find a new foreign supplying country. By the time the Executive Branch gets around to taking action to control such imports, the volume of such trade has reached disruptive proportions. Expeditious action has never been taken to limit imports from uncontrolled sources.

Furthermore, we foresee that imports will increase from countries already under control. This will come about either by relaxation of quotas as imports bump up against existing ceilings, or by the use of the substantial "overhangs" in the existing bilateral agreements which up to now have not been utilized. Here, too, the record of the textile import program has been that, under pressure from foreign governments, when imports have reached the celings specified in agreements with the United States, our government has asquiesced in relaxing the controls, overshipments are allowed to occur, sometimes charging the extra amount of imports to the following year's quotas.

A further problem, evidence of which recently appeared in an article in the Daily News Record, is transhipments and the sale and purchase of quotas between countries in order by bypass restraint levels (see Appendix attached).

The "overhang" problem is a serious one. Present ceilings under bilateral agreements provide for imports probably 30 percent higher than actual imports last year. That "overhang" would be fully utilized if tariffs are cut as contemplated by the Executive Branch.

We know from past experience that this will be the case. Immediately after the Kennedy Round was concluded imports of textiles and apparel increased substantially. Between 1967, the year in which the Kennedy Round negotiations were concluded, and 1972, the final year in which the tariff cuts were phased in, textile and apparel imports increased by 140 percent, from 2.6 to 6.2 billion square yard equivalents. This was an annual growth rate of over 19 percent. During the same period, U.S. production of these products grew less than 5 percent a year, which in itself was a higher growth rate than we have experienced historically in the textile and apparel industry.

And we also know from the sad experience of other industries that injury caused by imports is not easily rectified, notwithstanding the language of the escape clause of the Trade Act of 1974 and the intent of Congress when it wrote these sections into that statute. Certainly a record of import relief for only 4 industries out of 31 escape clause cases which have been concluded to date under the 1974 Trade Act is an abysmal one. The promises made in 1973 and 1974 when this language was being written never contemplated that only 13 percent of the escape clause petitions would result in import relief. Our industry and its workers cannot find any solace in the thought that errors made in Geneva negotiations can be corrected through the escape clause.

IV. THE MTN HOLDS LITTLE CHANCE FOR BENEFIT TO OUR INDUSTRY

The prospects of real benefit from large tariff cuts on textile and apparel products are poor indeed. Any "opening up" of the textile and apparel markets in Japan or the European Community which has been suggested by the Administration will merely create a greater opportunity for the major textile and apparel suppliers such as Hong Kong, Korea, and Taiwan, not the U.S. How can anyone believe that U.S. apparel products will out-compete these low-cost suppliers in the major developed economies of Japan or Europe when our own domestically-produced apparel products are having trouble competing here in the U.S. market? Increased exports for U.S. firms will not be a real possibility after tariff cuts.

Other more subtle factors are at work which will prevent real gains to the U.S. from substantial tariff liberalization. First, our major developed trading partners are simply unable to offer the same degree of concessions which the U.S. offers. This is due to the extensive use of the value-added tax by other countries, and the subsequently different method of calculating tariffs which results. Second, there is the notorious problem of non-tariff barriers (NTB's) which has and continues to prevent the expansion of U.S. exports. Those NTB's which might be eliminated in the current MTN can easily and readily be replaced by any number of other unforeseen and as yet uncreated NTB's. It would be very naive to believe that non-tariff barriers will miraculously disappear after the MTN.

The international codes on subsidies and on government procurement are of particular concern to us. We see no gain for the workers in our industry to allow U.S. Government purchases of uniforms and other clothing items to be opened to world-wide procurement when we know full well that we will never be able to sell American-made apparel on a competitive basis to any other market of the world because of the diffcernce in costs. At the same time we will be losing the important share of U.S. Government business which the domestic industry now enjoys.

The international subsidy and countervailing duty code is another point of serious concern. Our union filed eight countervailing duty petitions last November pointing out that exports of men's and boys' clothing and textile mill products from Korea, Taiwan, India, the Philippines, Argentina, Uruguay, Brazil, and Colombia were being subsidized by the governments of those countries. About two months ago the Treasury Department agreed with us on a preliminary basis that all eight of those governments were subsidizing these exports to the United States. In one case, Korea, Treasury found the amount of subsidy to be de minimis. But they announced preliminary affirmative determinations in the other seven cases. Six weeks ago our union filed five more countervailing duty petitions pointing out that men's and boys' apparel and textile mill products exported by Malaysia, Singapore, Pakistan, Thailand, and Mexico were also being subsidized by the governments of those countries.

Under the present statute it is not necessary for our union to appear before the International Trade Commission to show injury from subsidies on these products when an affirmative determination is made by Treasury. The time and expense involved in appearing before the ITC are so great that an injury test for this large number of petitions and the number of products involved, notwithstanding the subsidy practices engaged in by the foreign governments concerned, would be an impossible hardship on our union and its members. Injury clearly exists when unfair trade practices such as subsidies are engaged in by foreign governments. Yet the Administration is proceeding with a full head of steam to agree to an international code which would require injury before any countervailing duty is established. By then it will be too late to reestablish our closed factories and compensate for our workers' lost income, their lost health insurance, their lost pension benefits, etc.

We also understand that the countervailing duty code being negotiated in Geneva would allow developing countries a period of grace before they would be required to conform to the no-subsidy rules of the code. But it is exactly the developing countries which are creating the biggest problem for our industry. Accordingly, we are opposed to this code as now being contemplated, and when it is brought back to Congress for your approval we will make our views known to you in greater detail.

In summary, we see great necessity for passing this tariff cut exemption bill to minimize the overall negative consequences to this industry we see coming from the MTN negotiations.

V. THE U.S. POSITION IN THE MTN REFLECTS MISGUIDED GOVERNMENT POLICIES

One brutal fact which the workers of our industry have come to realize, a fact which is evidenced by the major tariff concession the U.S. may be offering on textile and apparel products and the U.S. stance on codes of conduct, is the U.S. policy of actively discouraging labor intensive industries in the U.S. and encouraging their development abroad.

Without the Administration saying so in so many words, we are confronted with an implicit decision that certain industries, including the textile and apparel industry of the United States, are to be considered expendable. We are being sacrificed for the sake of a free trade philosophy that is practiced by no other country in this world except the United States. We are being sacrificed without regard to the impact which our workers will bear.

The final result of such a policy on the economy as a whole, aside from the dislocation of hundreds of thousands of American workers, will be two-fold. First, we will become increasingly dependent on foreign suppliers for more and more essential products. Second, it will create an economy which will lead us away from the basic productive strength which underlies any truly healthy national economic system.

The irony of this policy, as well as of the major tariff reductions which could result from the MTN, is that the poorest and least advantaged portion of the U.S. labor force will be forced to make the most sacrifice. The rigid adherence by the Administration to free trade shibboleths will result in suffering to those least able to withstand it. Where does the Puerto Rican working in Manhattan, speaking almost no English, not having completed even high school, find a new job? How can the cotton farmer, whose family, home, and roots are in Georgia or South Carolina, move to Seattle, Washington or Schenectady, New York in the hope that a job may be available there?

VI. CONCLUSION

The trade figures for the first five months of this year already show what tremendous import increases can occur even without tariff reductions and even with the "relief" provided by the bilateral agreements negotiated under the MFA.

The firms and workers in the apparel sector of the textile and apparel industry have heard that the tariff cuts on apparel items will not be too bad. In view of the current state of our industry, we ask what tariff cuts are not bad? Certain sectors of the industry could be virtually eliminated by even partial cuts, which would merely be the straw that breaks the camel's back.

To workers who lose their jobs or firms which go out of business because of the MTN, the "cut" will be a full 100 percent—not 4 percent or 10 percent. And the effects will be most immediate and painful. You cannot "phase in" unemployment.

Despite our best efforts, the Executive Branch has not been persuaded to exempt the products of the textile and apparel industry from tariff cuts in Geneva. Only because our import relief—the MFA and the 18 bilateral or orderly marketing agreements negotiated under it—is based on Section 204 of the Agricultural Act of 1956, and not based on Section 127(b) of the Trade Act of 1974, are we fully exposed to damaging tariff cuts.

This inequity stands in direct opposition to the recognition by Congress of the import sensitivity of our industry, which led to the exemption of textiles and apparel from duty-free GSP treatment.

Our industry has borne an inordinate burden of import increases in the past. Nevertheless, our industry is being offered virtually as the major U.S. sacrifice to international trade in the current MTN. We feel that our firms and workers deserve more than this, and we urge you to act favorably and expeditiously on S. 2920.

TABLE 1.—APPAREL AND RELATED PRODUCTS (SIC 23), ACTUAL AND PERCENT CHANGE IN EMPLOYMENT LEVELS FROM 1968 TO 1977, SELECTED MAJOR STATES

	Actual change (thousands)	Percent change
New York	−92.8	−33.2
California	+29.4	+41.2
Pennsylvania	−47.6	−26.3
New Jersey	−18.9	−24.0
Texas	+17.5	+31.8
Massachusetts	−10.7	−19.7
North Carolina	+15.3	+21.8
Georgia	+2.8	+4.0
Tennessee	+2.3	+3.3
South Carolina	+2.8	+4.0
Total, selected States	−99.9	−10.3
Total, selected Northeastern States [1]	−170.0	−28.7
Total, Southern and Western States [2]	+70.1	+18.6

[1] Includes New York, Pennsylvania, Massachusetts, and New Jersey.
[2] Includes North Carolina, Georgia, South Carolina, California, Tennessee, and Texas.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 2.—TEXTILE MILL PRODUCTS (SIC 22), ACTUAL AND PERCENT CHANGE IN EMPLOYMENT LEVELS FROM 1968 TO 1977, SELECTED MAJOR STATES

	Actual change (thousands)	Percent change
North Carolina	−21.1	−7.5
New York	−15.6	−26.1
Georgia	+4.3	+3.7
Pennsylvania	−20.1	−28.9
New Jersey	−7.7	−25.2
South Carolina	−2.9	−1.9
California	+5.4	+58.0
Massachusetts	−7.7	−21.3
Tennessee	−4.3	−13.0
Texas	−1.3	−15.5
Total, 10 selected States	−71.0	−8.9
Total, selected Northeastern States [1]	−51.1	−26.0
Total, selected Southern and Western States [2]	−19.9	−3.3

[1] Includes New York, Pennsylvania, Massachusetts, and New Jersey.
[2] Includes North Carolina, Georgia, California, Tennessee, and Texas.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

APPENDIX

[From the Daily News Record, Aug. 8, 1978]

TAIWAN AGREES TO CUT EXPORTS OF ACRYLIC SWEATERS TO UNITED STATES

Taipei (Cable FNS)—Taiwan has agreed to a 4.5 percent rollback in exports of acrylic sweaters to the U.S. This will mean a reduction of about 1 million dozen sweaters this year.

The U.S., however, has agreed to let Taiwan shift almost 600,000 dozen knit shirts (Category 638 and Category 639) from its women's wear quota to men's items.

After five days of intensive and occasionally heated negotiations, both sides agreed to the over-all rollback of acrylic sweaters (Categories 645, 646).

Taiwan, the largest single source of sweaters to the U.S., was the last stop for the three-man team delegated to negotiate textile agreements between the U.S. and various Asian countries. Delegation leader Michael Smith came away "satisfied that the added restrictions on Asian exporters will give the U.S. sweater industry a breathing spell," equivalent to over one million dozen sweaters this year.

On the other thand, the director of Taiwan's board of foreign trade, H. K. Shao, told FNS he believed the cutback was "unfair." "Of course we are not satisfied, but if we do not accept the U.S. proposals, future consultations will suffer," he added.

Taiwan manufacturers were predictably angry at the cutback which comes on the heels of the previous six percent reduction. They claim that any further restrictions will force a number of local producers to shut down their factories for two months out of the year.

They also predict that black market quota prices, which now hover around $12 per dozen, will climb even steeper. A representative of a U.S. sweater importer suspected that the practice of purchasing quotas from individual factories in Hong Kong and South Korea will become increasingly popular, as quota prices there are reportedly about half of the going rate in Taiwan.

Other issues discussed included overshipping and misclassification of items, which Smith believes resulted largely from a misunderstanding on the part of Taiwan of complicated U.S. customs category definitions. Faulty classification of fishnets, for example, resulted in an overshipment of close to 100 percent last year. The problem was resolved by agreeing to deduct the excesses from the next four years' quota allotments . . .

Of the 16 categories which Taiwan overshipped last year, according to U.S. customs statistics, six categories will not be penalized (315, 318, 351, 604, 631, and 666). Another seven (340, 633, 637, 639, 647, 648, and 659) will be deducted from this year's quota, and three (634, 635, and 644) will be taken off the next two years.

One sensitive topic left unresolved was the problem of trademark piracy. Taiwan was notified that continued trademark violations could not be tolerated, and officials here were asked to enact stricter control measures. However, the Taiwan government's basis for legal action is apparently hampered by the fact that many of the large U.S. firms have not formally registered their trademarks in Taipei, Smith noted.

Taiwan officials expect the trademark question to be brought up again with U.S. trade representatives later on this month.

Senator RIBICOFF. Mr. William S. Cashel.

STATEMENT OF WILLIAM S. CASHEL III, PRESIDENT, BRASTEX CORP.

Mr. CASHEL. Mr. Chairman and Senator Roth, my name is William Cashel and I am president of Brastex Corp., New York City. I am accompanied today by our counsel, Beth Ring, of New York. I am appearing today on behalf of several American companies which import or distribute most of the Brazilian terry towels imported into the United States. These companies recently came together to form an "American Association of Brazilian Terry Products Importers." You should know that the United States is the world's largest producer of terry towels and that Brazil is the world's second largest producer.

I am unable to speak with authority on the complex patterns of international trade in textiles, but I do know the American market for towels and the impact which Brazilian towels have on that market. With respect to Brazilian terry towels, the proposed legislation being considered by your committee is wholly unnecessary, totally unjustified, and it represents the epitome of protectionism. We hope that the subcommittee will consider the facts which I am about to relate and prevent the passage of any legislation designed to restrain trade in an already concentrated, oligopolistic towel industry in the United States.

In addition, we believe that the subcommittee should be made aware of the abuses which are permitted under the existing Federal laws as they apply to international trade in textiles.

Brazilian towels are subject to import quotas and are assessed with U.S. customs duties at rates far above the average rates of duty assessed by the United States. These towels are sold either at or above the prices of comparable American products.

Senator RIBICOFF. If you will pardon me for a second, we have another panel here and there is a vote on. How much more do you have; 5 minutes?

All right, you go ahead. I would suggest that Mr. Chase and Mr. Brown, why do you not come back at 2 o'clock, because there is a vote going on and I will have to go for the vote and I will have to come back. Let's see if we can finish before the second bell, sir.

Mr. CASHEL. These towels from Brazil represent an almost insignificant share of the American market. The competitive American towel industry is very healthy and prosperous right now.

The American textile industry as a whole is highly competitive both in terms of price and design and it is comprised of numerous domestic and foreign competitors. However, this is not true with respect to the towel segment of the American industry. In fact, one major American textile producer has stated that, and I quote:

> The domestic towel market is dominated by four manufacturers with only three or four other domestic manufacturers in the market.

Accordingly, the American towel industry is dominated by four principal producers. We are unaware of any American towel producer which has complained of lost sales, declining profits, idle capacity, or price depression as a result of import compeittion from Brazil. In short, the United States is the largest producer of terry towels in the world and no American producer has complained of unfair import competition from Brazil.

Brazil is the world's second largest producer of terry towels. Over 13,000 Brazilian workers are employed in this industry which contributes importantly to Brazil's economic growth. The Brazilian Government does not own any part of Brazil's terry towel industry. However, Brazilian producers of terry towels are at a significant disadvantage in the world market since Brazil restricts the importation of cotton as part of its overall economic, social, and fiscal development program.

One of the principal reasons for this restriction is to provide employment in the vast northeast region with is one of the most underdeveloped areas in the world. As a result of this restriction on imports of cotton, the price of Brazilian cotton is often significantly higher than the price of cotton in the world's markets.

The disadvantage faced by Brazilian terry towel producers in the price of their raw material is overwhelmingly clear in the U.S. market. Imports of terry towels from Brazil have dramatically declined, while imports of towels from all other countries have very significantly increased. In fact, the United States imported 40 percent fewer towels from Brazil in 1977 than it did in 1974, while during the same period of time, the rest of the world increased exports of towels to the United States by more than 25 percent.

In 1976, the United States imported over 55 million towels. Only 2.2 million of these towels, or less than 5 percent, were imported from Brazil. In 1977, the United States imported almost 65 million towels, of which only 3.4 million were imported from Brazil. Further, the quantity of Brazilian towels imported into the United States in 1977 was almost 50 percent below the quota permitted by the Brazilian-United States Bilaterrl Cotton Textile Agreements.

In short, imports of Brazilian towels are hardly a threat to the American terry towel industry. Nonetheless, your committee is considering legislation which would prohibit duty reductions despite the fact that quota restrictions do exist and that Brazilian imports are relatively de minimis. Such action would be clear legislative overkill—it would be devastating to Brazilian trade without creating any appreciable benefit to the U.S. industry.

In addition, the Amalgamated Clothing and Textile Workers' Union included Brazilian towels in a countervailing duty proceeding which it commenced last year. As you are well aware, the U.S. countervailing duty law does not require an American petitioner to demonstrate injury to the domestic industry. We understand that the Subcommittee on Trade of the House Ways and Means Committee is very much concerned with the absence of an injury requirement and is presently compiling information on this topic. We are also aware that the entire question of countervailing duties is presently being negotiated in the multilateral trade negotiations in Geneva.

However, the mere fact that there is no injury requirement in the countervailing duty law does not mean that we have no remedy. We have already discussed this matter with the Antitrust Division of the Department of Justice and the Treasury Department. I am advised by counsel that the Treasury Department has, at a minimum, a legal responsibility to advise the public that it has at least considered the antitrust implications which will arise if countervailing duties are imposed on Brazilian terry towels.

We intend to bring this unnecessary attempt to exclude competition to the attention of the American consumer. In short, our message is going to be loud and clear; with respect to terry towels from Brazil, we intend to fight for the right to compete in the American market. We have always competed fairly and we intend to continue that practice, but we are not going to walk away from a market in which we have struggled to build a reputation for fairly priced, quality products.

I am very grateful for the opportunity to have been here today and I will attempt to answer any questions which you may have.

Senator RIBICOFF. Thank you very much. I have no questions.

We will take a chance, Mr. Chace and Mr. Brown. When the next bell rings, I will have to leave.

STATEMENT OF KENNETH V. CHACE, PRESIDENT, BERKSHIRE HATHAWAY, INC., ON BEHALF OF NORTHERN TEXTILE ASSOCIATION

Mr. CHACE. Mr. Chairman, my name is Kenneth V. Chace. I have with me Mr. William F. Sutherland of Northern Textile Association, president, and Doug Brown, a member of the board of governors of the Northern Textile Administration.

I understand that your time is limited, and I——

Senator RIBICOFF. Well, there is a vote going on on a bill that I am involved in, and I am going to have to go to vote, so when the next bell rings, I am going to have to leave, because that is the second call.

Mr. CHACE. We are obviously opposed to any reduction in tariffs. We are completely in accord with industry and labor.

I would like to talk briefly about my own company. We have been in New Bedford since 1889. We have survived that many years of manufacturing textiles continuously. We have seen 50 mills disappear. We have learned to run rayon, acetate, cotton, nylon, and all the fibers that there are and learned to live with OSHA and EPA. However, I do not think I can continue to live with a reduction in tariffs and the resultant effect of that upon our company.

Senator RIBICOFF. Your statement will go in the record as if read. You have heard the tenor of all the testimony, the comments, and I imagine you are in agreement with what your other collegaues have been talking about.

Mr. CHACE. Yes, completely so, sir.

Senator RIBICOFF. Well, thank you very much, and we understand that, and you also get the feel of the committee, too.

[The prepared statements of the preceding panel follow:]

STATEMENT OF KENNETH V. CHACE, NORTHERN TEXTILE ASSOCIATION

My name is Kenneth V. Chace. I am a Director and a former Chairman of the Northern Textile Association, 211 Congress Street, Boston, Massachusetts. Iam speaking for the Association. I am also President of Berkshire Hathaway, Inc. of New Bedford, Massachusetts and President of Waumbec Mills Incorporated of Manchester, New Hampshire. We manufacture man-made fiber and cotton blended fabrics.

I am accompanied by William F. Sullivan, President of Northern Textile Association. Our members are manufacturers of textiles located throughout the country but principally in the Northeast and primarily in New England. These operations use cotton, wool and man-made fibers to spin, weave broad and narrow fabrics, as well as to braid, knit and make felt products. They produce yarn and fabrics for apparel, home furnishings, health care products, industrial uses and recreational and sporting goods.

The members of the Association fully support the Hollings Bill which would remove textiles and textile products from the multilateral negotiations now in progress in Geneva. We support the uniform position of the textile and apparel industries, the fiber industries and the union representatives of the workers in these mills. This position and the reasoning for it has already been presented to you and it is not my purpose to take your time to re-state this presentation.

I would like, however, to cover three points.

1. A quick profile of the textile/apparel industry in the Northeast.
2. Two major problems with the MFA; and
3. Stress the importance of maintaining our present tariffs and of favorable action on the Hollings Bill.

PROFILE

The Committee is aware that the fiber-textile-apparel complex is national in scope. In the nine states of the Northeast—namely, the six New England states plus New York, New Jersey and Pennsylvania—the textile/apparel industry provides slightly over 633,000 jobs of which about 136,000 are in New England. In the nine states textiles and apparel account for 12.8 percent of all manufacturing employment. In an area such as this where manufacturing is a major source of income, this is indeed significant. The following table shows the breakdown by states.

NORTHEAST TEXTILE AND APPAREL EMPLOYMENT, NOVEMBER 1977

[In thousands]

	SIC 22 textiles	SIC 23 apparel	Total textiles and apparel	Percent all manufacturing: Textiles	Percent all manufacturing: Textiles and apparel
New England	69.0	66.6	135.6	4.9	9.7
Connecticut	11.5	10.9	22.4	2.9	5.6
Maine	9.5	3.5	13.0	8.7	12.0
Massachusetts	29.2	43.4	72.7	4.7	11.8
New Hampshire	5.2	3.2	8.4	5.0	8.1
Rhode Island	13.0	4.0	17.0	10.1	13.1
Vermont	.7	1.6	2.3	1.6	5.2
New York	45.2	186.1	231.3	3.1	15.9
New Jersey	24.0	59.8	83.8	3.1	11.0
Pennsylvania	50.1	132.4	182.5	3.8	13.7
Northeast total	188.3	444.9	633.2	3.8	12.8

I mention the size and diversity of the industry in this area only to emphasize the fact that the operations of the MFA and the outcome of the Multilateral Trade Negotiations are of real significance to these 633,000 people who work in this industry and to their families and those communities where they live.

The increasing levels of imports which began in the mid-1950's have been a major contributor to loss of jobs in our industry in the North. Employment in New England textile mills alone dropped from 138,000 in 1957 to 68,400 in 1977. In the last 10 years we have lost 26,000 jobs.

MFA

Now as to the MFA—we are glad that there is an MFA and a quota system in place. We were in the forefront of the effort to secure such a system beginning with the first cotton agreement with Japan in the late 1950's and then with the Long Term Cotton Arrangement initiated by President Kennedy. It was not until 1974 that the MFA was attained. In the meantime, imports of textiles and apparel grew to over five billion square yards and almost six billion dollars annually.

There are two major flaws in the MFA. First is that the MFA guarantees a minimum annual growth of 6% to imports. I stress the word "minimum" because, like any minimum, it is a floor, and is frequently exceeded. There is no maximum in the MFA. Industry and labor from the beginning urged that the LTA and the MFA be geared to actual changes in the U.S. market. Legislation requiring this was enacted by the House and reported by the Senate Finance Committee in 1970 but was stalled behind a filibuster on another matter and died.

The MFA is based on the assumption that the domestic textile and apparel industry will grow at a rate of at least 6% per year. This has not happened.

After 1973 the physical output of the textile industry declined and we have not yet attained the level of production and output that we had in 1973. Employment in textiles and employment in apparel are lower than five years ago.

A major change in the direction of our industry began just as the MFA came into being. Events proved that the assumption of annual growth was false. Unfortunately, that false premise was kept in the MFA and its renewal. In dollar terms, because of inflation, there is an appearance of domestic growth, but in terms of real growth—production and employment—there has been none.

In the meantime, quota levels have been growing at 6% or more compounded each year.

The second major problem with the MFA (as with the LTA) is that, with the exception of Japan, it is not applied to developed countries. This was the understanding when the LTA was created and was carried into the MFA. This means that a substantial amount of trade is not subject to control under the MFA or bilateral agreements.

TARIFFS AND THE MTN

We are disturbed by the 33% growth during the first four months of this year of imports over the same period a year ago. The following table shows that no segment of our industry has been spared from this rising surge.

U.S. GENERAL IMPORTS OF COTTON, WOOL, AND MANMADE FIBER TEXTILES

	January–April, million SYE		Percent change[1]
	1977	1978	
Three-fiber total	1,523	2,027	+33
Yarns	298	429	+44
Fabrics	380	524	+38
Apparel	728	925	+27
Made-up and miscellaneous	118	150	+28
Cotton, total	545	782	+43
Yarns	23	30	+30
Fabrics	217	338	+56
Apparel	239	336	+40
Made-up and miscellaneous	66	78	+19
Wood, total	34	44	+28
Yarns	3	4	+43
Fabrics	10	11	+9
Apparel	18	26	+42
Made-up and miscellaneous	4	4	
Manmade Fiber, total	944	1,201	+27
Yarns	273	394	+45
Fabrics	153	175	+15
Apparel	470	563	+20
Made-up and miscellaneous	48	69	+42

[1] Calculated using unrounded data.

The heaviest concentrations are in apparel. Every item of apparel imported displaces American fabrics. Cotton apparel imports are up 56%; wool, 42%; and man-made fiber, 20%. On top of these apparel imports which put our customers out of business as well as ourselves, fabric imports have risen 38%.

I will not belabor you with statistics. I know you have plenty of these. To those of us who are in the textile business, they are very real. They mean losses in sales and income. They mean layoffs and loss in employment. They mean hardship in the towns and cities where we are located. They remind us again of our colleagues who not so many years ago had viable and successful textile operations in our area and who have not survived to be here today. The high levels of unemployment and distress are living reminders that our industrial base in textiles has been eroded by a growing level of imports of fabrics and apparel and other textile products. These goods are produced under working conditions and for wages which we in America will not talerate.

This is not the time to encourage more imports. This is not the time to make matters worse. We urge this Committee, and through the Committee, urge Congress to intervene and to act favorably on the Hollings Bill.

There are some who feel that because of the MFA and a structure of quota restraints, the U.S. can reduce its tariffs and not increase unemployment or damage the textile industry. We respectfully submit that this is not the case. Our experience of the last 20 years has proven that tariffs are very important. The purpose of cutting our textile tariffs is to accelerate the rate of increase of imports. And this is exactly what will happen. This does not make sense as textile imports even with the MFA are growing while out output has been virtually static.

The fiber-textile-apparel complex is not only a big segment of the national economy and a major segment of the Southern economy, but it is also a major segment of the Northeast economy. The health of an industry of this magnitude in these metropolitan areas deserves the most serious consideration of our Government.

I need not pursue here other areas such as the cotton and wool growing states that depend on the well being of their customer, the textile manufacturer.

We are struggling, as we have in the past, with a very difficult situation. The level of imports, as it rapidly rises, worsens this situation and makes the issue more critical.

The Hollings Bill merely says to the Administration, "Don't make it worse!" This Bill asks for nothing more. It only asks that the Federal Government refrain from acting in a way which would cause more distress, more unemployment, more losses and more hardship. To us, this is a reasonable request.

There are many members of our organization, such as in the felt and other areas who have been seriously hurt as a result of cuts in the Kennedy Round and in earlier tariff negotiations. They would like to see us here today asking for a restoration of the protection which the former tariffs gave to them. We are not doing this. We are only asking that we not be hurt any more. We are asking that our investments and the jobs that we create not be handed over to investors in other countries and to workers in those countries. If some believe that we should exchange our textile jobs and investments to help other Americans export their products, I can assure you that the textile investors and the textile workers who have been the victims of a growing level of imports do not see it that way. We feel we are doing our share and have been doing our share in the whole post-war period. We urge this Committee, and through this Committee, the Congress to put a stop to offering tariff reductions which is just another way of offering our much needed American jobs and investments to others.

Thank you.

STATEMENT OF DOUGLAS C. BROWN, CHAIRMAN, WOOL MANUFACTURERS COUNCIL, NORTHERN TEXTILE ASSOCIATION

My name is Douglas C. Brown. I am Chairman of the Wool Manufacturers Council of Northern Textile Association and a Vice President of the Association, 211 Congress Street, Boston, Massachusetts 02110.

I am also President of Homestead Woolen Mills, West Swanzey, New Hampshire. I, along with my two brothers, own and operate three woolen system mills in New England: two mills are located in New Hampshire and one is in Connecticut. Together they provide over 700 jobs.

I am speaking for the members of the Council who are manufacturers of yarn and fabrics on the woolen and worsted systems. They spin, weave, dye and finish their fabrics and are located in New England, the Middle Atlantic states and in Oregon.

Our members include mills such as Pendleton in Oregon and Woolrich in Pennsylvania as well as many others in New England. Together we employ about 12,500 workers, more than half of the workforce of the wool broadwoven sector of the United States textile industry.

The wool sector of the United States textile industry has experienced a long period of decline which began back in the 1950's. Twenty years ago there were 57,300 workers weaving and finishing wool textiles throughout the country and as recently, as ten years ago there were 44,200 workers. Today there are some 22,700 workers—only one third of our former workforce. Production of woven apparel fabrics last year was about one third of what it was only 15 years ago.

EMPLOYMENT AND PRODUCTION, U.S. WOOL BROADWOVEN TEXTILE MILLS, 1958-78

	Total employment	Production of wool apparel fabric (million square yards)
1958	57,300	429
1963	49,600	450
1968	44,200	384
1973	28,300	166
1977	22,800	140
1978	[1] 22,700	NA

[1] 5-mo average.

Wool textiles—woven cloth and apparel—are the classic case of growing import penetration in the textile industry and demonstrate the two major weaknesses of the MFA, namely its built in annual growth and its limited coverage.

In 1961–1962 when President Kennedy initiated the Textile Program import penetration was about 12%.

Ten years ago import penetration had risen to 22%. Just before the MFA was made, it had reached 28%. Last year the penetration was over 37%.

All this time our production was getting lower and lower—down 16% since 1973 while imports rose.

Our Government and our negotiators are aware of this and have negotiated lower growth rates for wool textiles than for others. We appreciate their concern, but it does not alter the fact that any import growth in a declining market takes a bigger share and makes matters worse.

In the first four months of this year, imports are rising at an alarming rate. Wool textile and apparel imports are 28% above a year ago, wool apparel is up 42%!

This renewed surge began in 1976 and has been climbing for over 2½ years.

The second weakness of the MFA, namely that it is not applied to all export sources is particularly true in the case of wool textiles and apparel imports.

Last year, over 43½% of imports originated from the uncontrolled countries. This year it may exceed 50%.

This means that tariffs are of major importance to us. They are critical. It is no secret that the European Community and particularly the United Kingdom want our tariffs, established in 1960, cut and cut drastically. They even have a public relations campaign in this country to that effect.

In the Kennedy Round two wool items were cut. One a blended man-made fiber fabric containing 17% or more wool by weight and the other wool felt. Since then imports have risen 716% and 805%, respectively. Lower tariffs are intended to increase imports and they certainly do just that. In the case of textiles and apparel, imports increase without tariff cuts and increase even faster with cuts.

On behalf of the industry and myself, as a domestic manufacturer, we ask that matters not be made worse by reducing tariffs and that the Hollings Bill S. 2920 be reported out favorably as soon as possible.

Thank you.

Senator RIBICOFF. The committee will stand adjourned, and thank you for your courtesy.

[Thereupon, at 1:15 p.m. the hearings in the above-entitled matter were adjourned.]

[By direction of the chairman, the following communications were made a part of the record:]

STATEMENT OF SENATOR HOWARD BAKER, JR.

Mr. Chairman and distinguished members of the Committee, I appreciate the opportunity to reiterate my support for S. 2920 and urge that it be reported to the floor of the Senate without delay. Few, if any, major industries in this country have suffered the hardships experienced by the textile and apparel industry.

According to some estimates, almost 400,000 jobs have been lost in the last ten years to the ever-increasing influx of imports from the Far East. In that same time period, the value of textile and apparel imports has jumped from $1.5 billion to over $6 billion. This represents a 300 percent increase over the past ten years and a crippling of the domestic textile and apparel industry.

Our manufacturers simply cannot compete with low-wage foreign industries that are backed and subsidized by their government. For instance, in South Korea, the average textile worker is paid $.55/hour, while in this country he is paid $4.53/hour. Such disparities in the wage scale when combined with a favorable export climate created by their respective governments give a clear advantage to the foreign textile and apparel industries.

What is proposed in S. 2920 is not the imposition of protectionist barriers, but rather a defense of the status quo so that this problem will not worsen. Specifically, S. 2920 would amend the Trade Act of 1974 so as to include textile and apparel goods among those items not subject to tariff reduction.

It is necessary to take this step, Mr. Chairman, because of the size of the industry in this country and the gravity of the problem. It has already been stated that textiles and apparels constitute the largest employer of manufacturing labor in the entire country. It is a $70 billion-a-year industry.

In my own State of Tennessee, the textile and apparel industry employs over 150,000 people and pays hundreds of millions of dollars in local, state and federal taxes. However, the industry is struggling and desperately needs help.

For instance, in Chattanooga, the DuPont Company has a plant in which they manufacture nylon and Dacron polyester fiber. Although that plant employs around 3,700 people and has a payroll of over $60 million, more than 1,000 employees have been laid off in the past four years, or almost one quarter of the total employees at that plant.

Such statistics are typical of those available at other plants throughout my state. It is for that reason that I urge the Committee to seriously consider this measure and report it out favorably to the floor of the Senate.

STATEMENT OF SENATOR THOMAS J. MCINTYRE

Mr. Chairman, as a cosponsor of S. 2920, I want to express my wholehearted support for this bill, and to urge favorable action on it. This bill would exempt textiles from tariff cuts in the current multilateral trade negotiations, and is vital to the preservation of a major domestic industry and thosuands of jobs in the New England region.

The textile and apparel industry cannot afford to lose its current level of tariff protection. We have lost half the textile jobs in New Hampshire since 1965, and I do not want to see us jeopardize any further the 8400 jobs that remain.

Moreover, the level of imports is rising sharply even with tariffs at their present levels. In the first five months of this year imports have grown sharply—28% over the same period a year ago. The trade deficit for textiles and apparel is running at an annual rate of $4.4 billion, up 83% from last year. In these circumstances, Mr. Chairman, it is senseless to reduce tariffs. And it is inconsistent with previous Federal recognition of the industry's need for aid and action to help. Reduction of tariff can only lead to more imports, more unemployment, and more hardship for these unemployed workers and their communities. It is a spiral we have seen before, especially in New England, and we must not allow it to happen again.

Again, I strongly urge favorable action on this bill. It is a reasonable and moderate approach. It only requires that we hold the line on tariffs where there has been a clearly demonstrated, continuing need for protection.

STATEMENT BY WILLIAM JENNINGS BRYAN DORN, FORMER U.S. CONGRESSMAN, THIRD DISTRICT OF SOUTH CAROLINA

I am William Jennings Bryan Dorn, former United States Congressman from the Third District of South Carolina and now a tree farmer and raiser of beef cattle in my native Greenwood, South Carolina.

As a citizen and former state and national representative of the people of South Carolina, whose principal industry has been and is now the production of fiber, textiles and apparel, I have followed with intense interest the constantly worsening imports problem and its impact on the economy of our state and other parts of the nation.

I wish to commend Sen. Ernest F. Hollings on his sponsorship of S. 2920 of which I am in strong support.

For most of my 26 years as a United States congressman the inequities of international trade policies as they affect this nation's largest industrial employer was of chief concern. And this concern was shared—as it is now—by majority of my colleagues in the House.

It was this concern that led us to establish in 1961 the House Informal Textile Committee, which I served as secretary for more than a decade.

In June of this year this committee was reorganized into the Textile Caucus with a membership of 247 congressmen whose constituencies stretch across the length and breadth of this nation.

Of particular note to this committee is that the fiber/textile/apparel imports problem affects all regions. It is not a problem isolated to any one business or industrial segment. Directly or indirectly, it becomes everyone's problem.

There is not a state in this country that can escape the impact of these imports. From Maine to California, the 29,000 textile and apparel plants employ 2.5 million people of which 65 percent are female and 23 percent minorities.

Cotton, wool and man-made fiber producers, who rely on the U.S. textile industry for sales of nearly $7 billion a year, employ another half million Americans in every state.

Beyond these industries, are many others who rely on textiles and apparel for a substantial part, if not all, of their income.

The purchases of textile companies, alone, amount to more than $1 billion annually for building contractors and machinery manufacturers, $900 million for chemical and dyestuff industries, $500 million for paper products and $100 million for warehousing and transportation. And there are others, as varied as banking, printing and cornstarch, who need this vital market for the sale of their goods and services.

Of paramount importance are the expenditures of employees. Based on Labor Department statistics, the nearly $17 billion payroll of textile and apparel workers amount to purchases of approximately $3 billion for food, $4.6 billion for housing, $1.2 billion for clothing and upkeep, $3.2 billion for transportation, $1 billion for health care, and $1.7 billion for recreation.

I might add that these people also pay approximately $2 billion in local, state and federal taxes each year.

The Labor Department also has revealed that for the seven months ending in July 346,000 textile and apparel workers were out of work or on short time as a result of imports which now hold 24 percent of the U.S. apparel-related textile market.

One can only guess at the precise impact on other segments of the economy. But due to the size and distribution of the textile and apparel industries it is substantial, and cuts across all areas of employment.

The fiber/textile/apparel industry occupies a unique role in the economy. It contributes to the economic growth of the entire nation. It is absolutely essential.

As a resident of a state which employs more than 210,000 people in the fiber/textile/apparel industry I have read with dismay accounts, published by the Commerce Department, of the 28 percent growth of imports occuring in the first six months of 1978, despite MFA agreements which are supposed to restrain imports to an annual increase of six percent.

Compounding this dismay are reports that the U.S. has offered to cut, by at least 25 percent, tariffs on textiles and apparel.

An independent consulting agency, Data Resources, Inc., has projected that the U.S. textile/apparel industry will grow at no more than 1.5 percent a year through 1985, but imports are projected—and based on current levels I think it is underestimated—to grow at an annual rate of eight percent. This, says Data Resources, will mean a direct loss in the industry of 400,000 jobs through 1985, even if tariffs remain at their present levels. And, when you consider the importance of the industry to other areas of the economy, that loss escalates to 1.4 million jobs.

If tariffs are cut in half, Data Resources estimates there will be a total of 600,000 jobs lost directly in fibers, textiles and apparel and 2.2 million throughout the economy.

It is claimed that only "small" cuts will be made in textiles and apparel. But an offer to cut tariffs by only one or two percentage points per year over period of 10 years means an aggregate cut of 40 to 60 percent from present levels. Small these cuts may seem, but large they are.

With its current level of unemployment and need to create millions of additional jobs for persons who will be entering, or trying to enter, the work force, it is clear that the United States cannot afford to trade away such a basic and essential employer as fibers, textiles and apparel.

As one who has lived with the imports problem for many years, and who has seen its effects on the economy at close range, I urgently request that S. 2920 be reported out of committee so that it may be approved by the full Senate at the earliest possible date. The future of this nation's economy depends on it.

August 14, 1978.

Hon. Ernest Hollings,
Senate Office Building,
Washington, D.C.

Dear Senator Hollings: I wish to express my wholehearted support for your bill, S. 2920, and House Bill H.R. 10853, sponsored by Representative Holland. I, too, find the situation in the textile industry alarming.

Tariff reduction may sound attractive on the national level, but it would be ruinous to South Carolina. As you know, the nation's textile industry is centered here in the Carolinas; thirty-eight percent of our state's manufacturing workers are textile employees. Although we have made extraordinary progress over the last decade in expanding and diversifying our industrial base, South Carolina remains heavily dependent on textiles. Even a slight reduction in tariffs could mean the loss of thousands of jobs here. At a time when overall employment in South Carolina is rising steadily, employment in the textile industry has dropped 4.4 percent in the last year. This severe threat to jobs, and in turn the economy of our state, was clearly evidenced last week as another plant closed, the eighth in the Greenville area to shut down over the last 18 months.

The potential damage to the textile industry is not confined to our state, since this industry employs one of every eight manufacturing workers in the country, or about 2.3 million people.

Although I believe in free trade to bring the lowest possible prices to consumers, it sometimes becomes necessary to provide threatened dominant employers time to adjust to massive competition. This is such a time.

I urge the Congress to act responsibly and remove textiles from the current round of tariff reduction negotiations in Geneva until 1983.

Sincerely,

CHARLES D. RAVENEL.

STATEMENT OF CONSUMERS FOR WORLD TRADE

Mr. Chairman and Members of the Committee: Consumers for World Trade (CWT) is a newly-created organization formed by American economists, trade experts, consumer specialists and others to identify and protect the consumer interest in expanded world trade. This statement is presented to oppose S. 2920.

As stated in your announcement of hearings, S. 2920 proposes to exempt textile and apparel items from tariff cuts in the Tokyo Round of Multilateral Trade Negotiations. This would be accomplished by excluding from tariff-cutting authority items for which action has been taken under Section 204 of the Agricultural Act of 1956. Such exclusion is already provided in the Trade Act of 1974 for articles which have been subject to import restrictions under the escape clause or national security provisions.

Consumers for World Trade strongly opposes S. 2920 for the following reasons:

1. The textile and apparel industry is the most highly protected manufacturing industry in the United States.

Tariffs on textile and apparel items currently average about 25 percent on an ad valorem basis, with some duties ranging over 100 percent. The cost of these high tariffs is borne most heavily by low income consumers. As estimated by Norman S. Fieleke in "The Cost of Tariffs to Consumers," published in the New England Economic Review in 1971, tariffs absorb a 10 percent greater share of the budget outlays of low-income consumers than of middle- income consumers, and a 20 percent greater share of the budget of low-income consumers than of high-income consumers. This is because internationally-traded items weigh more heavily on the consumption patterns of lower income consumers, and because tariff rates appear to be higher on lower quality goods which are purchased more heavily by lower income groups.

In addition to a high tariff wall, the textile and apparel industry enjoys the protection of a "voluntary" restraint agreement among major supplying countries. The Multifiber Arrangement, as the restraint agreement is called, was concluded on cotton, wool and manmade products without any economic finding of injury or market disruption to our domestic industry, but again with a tremendous cost to the American consumer.

Because of the nature of these "voluntary" restraint agreements, foreign exporters are encouraged to ship higher priced items under quota to maximize their returns. The lower priced goods, often not produced in sufficient quantities domestically, are no longer readily available to low income consumers. This is particularly true of lower-priced imports of shirts and men's and boys' apparel. Imports of less expensive children's clothing have also been squeezed out of the market because of other problems inherent in the "voluntary" agreement.

The difficulty encountered in estimating the total cost to the U.S. consumer of this ironclad protection afforded the domestic textile industry is enormous. However, the most conservative estimates range in the billions of dollars.

2. All U.S. consumers have a stake in the successful conclusion of the Multilateral Trade Negotiations in progress to reduce trade barriers around the world. Liberalizing trade restrictions means less inflationary pressure on our economy, lower prices for consumers, and a wider variety of goods in the marketplace.

Since these negotiations are conducted on the basis of reciprocity, exempting textile and apparel products from tariff cutting authority would limit the ability of our negotiators to reduce foreign trade barriers and gain better access for U.S. exports.

Further, if textile and apparel products were excluded from the negotiations, what is to prevent other industries less insulated from imports from a seeking the same kind of "special treatment"?

Consumers for World Trade respectfully suggests that, instead of exempting textile and apparel products from the MTN, Congress insist that our negotiators offer the full 40 percent formula reduction on these items, so that they can exercise maximum leverage to obtain favorable terms for our exports.

STATEMENT ON BEHALF OF THE CORDAGE INSTITUTE, ROBERT J. KEEFE, EXECUTIVE DIRECTOR

As Executive Director of the Cordage Institute, I would like to voice our vigorous support of S. 2920 introduced by Senator Hollings which amends the Trade Act of 1974 to exempt textiles and textile products from tariff reductions in the current "Tokyo Round" of the Multilateral Trade Negotiations.

The Cordage Institute is a nonprofit association of principal rope and twine manufacturers of the United States who produce approximately 85 percent of the total U.S. cordage products employing about 5,000 people in sixteen states. Sales for 1977 were 62.7 million pounds of rope and twine. A list of members is attached to our statement.

The Cordage Institute has by necessity maintanied a philosophy on international trade that strongly encourages and supports fair trade—by necessity since natural fibers for rope are not grown in the United States but are imported as baled raw fiber or yarn and processed into finished products.

The basic object of the Institute is to retain a viable cordage industry to meet the nation's cordage requirements—agricultural, industrial, maritime and military. It is of vital interest to the nation that we maintain a solid manufacturing base in the United States for the production of both natural fiber and man-made fiber rope and twine.

This has become increasingly difficult with the onslaught of cheap textile products exported to the United States. If this is allowed to continue unchecked, a general weakening of the industry will occur. The natural fiber cordage industry was devastated by the reduction and repeal of duties on these products in the 1950's and our members are concerned that this will now be repeated in the synthetic cordage industry if tariffs are reduced.

Since 1950, the U.S. cordage industry has gone through a period in which imports of natural fiber rope and twine have gradually overtaken the U.S. market and have virtually destroyed the U.S. cordage manufacturing capability in natural fiber rope and twine. In 1950, there were 22 companies producing natural fiber rope from raw fiber with approximately 95 percent of the U.S. market. Today there is one company producing such rope from raw fiber. A similar situation has developed over the years in the natural fiber farm and industrial twine market. In 1951 the duty was removed from imported sisal farm twine and today only one manufacturer still produces such twine in the United States from 15 companies in 1950. The U.S. manufacturers' share of that market has dropped from 85 percent in 1950 to 8 percent in 1976. Attachments A, B, and C are tables summarizing what has happened to the U.S. natural fiber cordage production from 1950 to 1976.

Our concern with any further reductions in tariffs on cordage products is clearly warranted.

While the natural fiber cordage business was diminishing, the U.S. manufacturers continued the development of the synthetic fiber market. During World War II, when the natural fibers for cordage were impossible to obtain, the American cordage industry pioneered the substitution of synthetic fiber for natural fiber. And so, for the first time in the history of the cordage industry, the oldest industry in the United States, the development of suitable man-made fibers can eliminate total reliance on offshore sources for both raw materials or finished products. The direction of the industry is clearly one of greater use of man-made fibers, for there the future of the domestic cordage industry lies.

Since 1973, imports of synthetic cordage have increased dramatically. For example, imports of synthetic cordage of stranded construction (TSUS 316.6020) from the Republic of Korea are alarming. From 1973 to 1977, imports of this item rose from 28,518 pounds in 1973 to 1,365,923 pounds in 1977, an increase of over 4600 percent. Korean imports of stranded synthetic rope as a percentage of all such imports have also been increasing rapidly—from 4.5 percent in 1973 to 66 percent in 1977 (See Attachment D).

Raw material costs alone run close to the landed cost of polypropylene rope. Polypropylene resin is a basic petrochemical and our American petrochemical industry is the most efficient in the world. But in Korea, it is produced by a government-owned plant and the free market supply-demand relationships are thereby averted.

American cordage manufacturers also face much greater government regulation. Workplace safety regulations under OSHA, toxic substance controls, product liability, and energy legislation are adding to our competitive burdens—as are air, noise and water pollution abatement. While the cordage industry recognizes and supports the need for quality of life goals, we are facing these added costs to the detriment of our competitive position.

We pray that the Senate Finance Committee, and ultimately the Congress, will be responsive to the changing realities of trade. If the import duty is reduced or eliminated on synthetic cordage, the U.S. market will be flooded with imports, new domestic expansion will cease, and some present manufacturing capability will be abandoned. The result will be increased unemployment, increased outflow of dollars, and increased reliance on foreign sources of supply. The virtual destruction of the natural fiber cordage industry will be repeated in the synthetic cordage industry.

CORDAGE INSTITUTE

MEMBERS OF THE CORDAGE INSTITUTE

Regular members

American Cotton Yarns, Inc., 240 Shore Drive, Hinsdale, Ill. 60521, 312-654-3600.

American Manufacturing Co., Inc., P.O. Box 631, Honesdale, Pa. 18431, 717-253-5860.

Lafayette Rope Division, P.O. Box 52125—Oil Center, Lafayette, La. 70505, 318-837-9241.

Artcraft Braid Co., 39 Manton Avenue, Providence, R.I. 02909, 401-831-9077.

Blue Mountain Industries, Blue Mountain, Ala. 36201, 205-237-9461.

Bridon Cordage, Inc., 909 16th Street, Albert Lea, Minn. 56007, 507-377-1601.

Brownell & Co., Inc., Main Street, Moodus, Conn. 06469, 203-873-8625.

Cavnar-Johnson Cordage Co., Inc., P.O. Box 36, Prattville, Ala. 36067, 205-365-5416.

The Cordage Group, Division of Columbian Rope Co., Columbian Drive, Auburn, N.Y. 13021, 315-253-3221.

Exxon Chemical Company U.S.A., Twine Division, P.O. Box 3272, Houston, Tex. 77001, 713-656-0139.

The Hooven and Allison Co., P.O. Box 340, Xenia, Ohio 45385, 513-372-4421.

Jackson Rope Co., Division of Tubbs Cordage Co., P.O. Box 557, Reading, Pa. 19603, 215-376-6761.

Lambeth Corp., P.O. Box G-825, New Bedford, Mass. 02742, 617-995-2626.

Lehigh Cordage, 1929 Vultee Street, Allentown, Pa. 18105, 215-797-6470.

New England Ropes, Inc., Popes Island, New Bedford, Mass. 02740, 617-999-2351.

Nova Products, Inc., P.O. Box 116, Carrollton, Ga., 30117, 404-832-9086.

Samson Ocean Systems, Inc., 99 High Street, Boston, Mass. 02110, 617-426-6550.

Sunshine Cordage Corp., 7250 N.W. 41st Street, Miami, Fla. 33166, 305-592-3750.

Tubbs Cordage Co., P.O. Box 7986, San Francisco, Calif. 94120, 415-495-7155.

Wall Industries, Inc., Railroad Avenue, Beverly, N.J. 08010, 609-877-1800.

Special members

Canada Western Cordage Co., Ltd., 100-909 Beach Avenue, Vancouver, B.C., Canada V6Z 1E2, 604-681-3154.

Cordage Institute of Canada, 1080 Beaver Hall Hill, Suite 1002, Montreal, Quebec, Canada H2Z 1T6, 514-866-2081.

Doon Twines, Ltd., P.O. Box 158, Kitchener, Ontario, Canada N2G, 3Y2, 519-745-7391.

Affiliate member

Cordemex S.A. de C.V., Apartado Postal 1, Cordemex, Yucatan, Mex., 2-01-00.

Nonmembers contributing statistical data

Badger Cordage Mills, Inc., 193 North Broadway, Milwaukee, Wis. 53202, 414-271-2569.

International Harvester Co., Agricultural/Industrial Equipment Division, P.O. Box 15285, New Orleans, La. 70115, 504-899-5651.

Wellington Puritan Mills, Inc., P.O. Box 244, Madison, Ga. 30650, 404-342-1916.

Yale Cordage, Inc., Old Sparhawk Mill, Box 27, Yarmouth, Maine 04096, 207-846-9048.

Guelph Twines, Ltd., 50 Crimea Street, P.O. Box 125, Guelph, Ontario, Canada N1H 6J6, 519-821-9140.

Poli-Twine Corp., Ltd., 180 Bethridge Road, Rexdale, Ontario, Canada M9W 1N3, 416-745-9990.

HARD FIBER

[Units in millions of pounds]

Source		1950	1952	1954	1956	1958	1960	1962	1964	1966	1968	1970	1972	1974	1976
ROPE															
Imports:															
Philippine Republic		4.3	4.4	2.5	5.5	5.4	4.6	5.2	5.8	5.7	5.5	5.9	6.8	9.6	12.8
Portugal		(1)	(1)	(1)	(1)	(1)	.4	.4	1.2	1.8	1.8	3.0	2.4	.5	1.1
Mexico		1.3	2.5	2.1	2.5	3.0	3.5	3.3	4.3	6.1	6.8	5.8	10.3	10.8	7.1
Other		1.7	1.3	1.6	.9	1.9	1.4	1.5	1.7	2.5	3.5	3.7	2.8	.8	1.5
(A) Total imports		7.3	8.2	6.2	8.9	10.3	9.9	10.4	13.0	16.1	17.6	18.4	22.3	21.7	22.5
U.S. Producers:															
Commercial sales		107.2	109.0	83.3	101.5	82.3	67.0	64.4	46.8	62.9	47.2	35.0	29.7	27.7	22.1
Prison sales		1.0	.6	.6	.4	.3	.3	.3	.2	.2	.2	.2	.2	.2	.5
(B) Total U.S. producers		108.2	109.6	83.9	101.9	82.6	67.3	64.7	57.0	63.1	47.4	35.2	29.9	27.9	22.6
Total U.S. Market (A plus B)		115.5	117.8	90.1	110.8	92.9	77.2	75.1	70.0	79.2	65.0	53.6	52.2	49.6	45.1
Percent U.S. market—Imports		6.3	7.0	6.9	8.0	11.1	12.8	13.8	18.6	20.3	27.0	34.3	42.7	43.8	49.9
Percent U.S. market— U.S. producers		93.7	93.0	93.1	92.0	88.9	87.2	86.2	81.4	79.7	73.0	65.7	57.3	56.2	50.1
AGRICULTURAL TWINE															
Imports:															
Canada	16.8	30.2	28.7	27.6	24.4	20.8	24.6	25.6	37.4	18.2	14.0	6.6	1.8	.6	.1
Mexico	13.9	39.5	63.5	78.0	109.8	103.7	134.1	102.0	73.8	54.7	65.6	83.2	79.5	30.7	63.2
Brazil	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	14.8	14.0	25.4	27.7	54.6	37.5	80.1
Netherlands	(2)	2.0	16.2	21.7	27.3	16.9	22.6	21.9	33.6	30.5	25.9	21.1	11.2	8.4	
Portugal	(2)	(2)	(2)	(2)	(2)	14.3	36.3	36.2	47.8	48.0	42.2	44.3	76.9	32.5	18.5
Tanzania	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	9.3	18.3	15.5	15.4	19.8	9.6	40.4
Other	1.3	6.1	19.5	40.0	63.6	50.6	59.7	47.8	47.6	70.0	56.4	80.2	87.0	56.7	22.6
(A) Total imports	32.0	77.8	127.9	167.3	225.1	206.3	277.3	233.5	264.3	253.7	245.0	278.5	330.8	176.0	225.4
U.S. Producers:															
Commercial sales	161.5	144.0	135.7	91.3	76.0	56.2	66.3	63.4	70.4	39.8	27.2	20.0	35.1	16.9	20.0
Prison sales	21.2	18.0	16.9	16.0	14.2	16.0	15.2	11.2	14.0	7.6	4.0	1.3	0	0	0
(B) Total U.S. producers	182.7	162.0	152.6	107.3	90.2	72.2	81.5	74.6	84.4	47.4	31.2	21.3	35.1	16.9	20.0
Total U.S. market (A plus B)	214.7	239.8	280.5	274.6	315.3	278.5	358.8	308.1	348.7	301.1	276.2	299.8	365.9	192.9	245.4
Percent U.S. market—imports	14.9	32.5	45.6	61.0	71.5	74.0	77.2	75.8	75.8	84.2	88.7	92.9	90.4	91.2	91.9
Percent U.S. market—U.S. producers	85.1	67.5	54.4	39.0	28.5	26.0	22.8	24.2	24.2	15.8	11.3	7.1	9.6	8.8	8.1

INDUSTRIAL TWINE

Imports:														
Mexico	26.9	16.9	24.9	27.8	29.0	30.6	31.3	22.1	18 7	18.0	14.6	16.7	20.7	12.2
Canada	4.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Portugal	(1)	(1)	(1)	(1)	2.2	5.9	10.1	11.2	18.2	13.8	12.7	10.7	2.7	3.5
Other	2.0	.8	1.9	3.2	4.6	3.3	3.1	1.6	1.8	1.8	1.0	1.2	1.1	.5
(A) Total Imports	33.0	17.7	26.8	31.0	35.8	39.8	44.5	31.9	38.7	33.6	28.3	28.6	24.5	16.2
U.S. Producers:														
Commercial sales	35.0	18.2	20.3	22.5	18.3	16.8	16.8	15.0	7.3	3.4	2.6	2.3	2.3	1.6
Prison sales	.8	.4	.5	.6	.7	.7	.8	.8	1.0	1.0	.8	.8	.6	.2
(B) Total U.S. producers	35.8	18.6	20.8	23.1	19.0	17.5	17.6	15.8	8.3	4.4	3.4	3.1	2.9	1.8
Total U.S. market (A plus B)	68.8	36.3	47.6	54.1	54.8	57.3	62.1	50.7	47.0	38.0	31.7	31.7	27.4	18.0
Percent U.S. market—Imports	48.0	48.7	56.3	57.2	65.5	69.4	71.6	68.8	82.3	88.4	89.3	90.2	89.4	90.0
Percent U.S. market—U.S. producers	52.0	51.3	43.7	42.8	34.5	30.6	28.4	31.2	17.7	11.6	10.7	9.8	10.6	10.0

[1] Included in "Other" or no imports that year.
[2] Included in "Others."

Source: Cordage Institute.

IMPORTS OF MAN-MADE FIBER CORDAGE OF STRANDED CONSTRUCTION (TSUS 316.6020), 1973-77

[In pounds]

Year	Total imports	Imports from Korea	Korea as a percent of total
1973	633,935	28,518	4.5
1974	492,120	106,778	21.7
1975	1,527,264	216,118	14.2
1976	1,442,960	889,966	61.7
1977	2,080,077	1,365,923	65.67

Source: National Technical Information Service, U.S. Department of Commerce.

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.,
Washington, D.C., August 29, 1978.

Hon. ABRAHAM RIBICOFF,
Chairman, Subcommittee on International Trade, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The industry panel which appeared before the Subcommittee on International Trade on August 15 in support of S. 2920 appreciated the opportunity to present their joint views on this important piece of legislation of the members of the Subcommittee. They particularly welcomed your introduction of the question of globalization of import restraints versus the present practice of a cumulative approach to the problem. You asked us for our views on the matter and we are currently studying the pros and cons of a globalization concept with a view to an early report to you on the matter.

At the moment, however, we felt it desirable to convey to you and the other members of the Subcommittee some views relevant to this question.

1. Whether globalization or a cumulative approach is followed, the system is only as good as the willingness of those who administer the program to do an effective job of restraining textile and apparel imports to eliminate the market disruption which such imports cause. While globalization in the context of establishing a maximum level of imports would offer a degree of certainty, if the global limits were set too high this could be as damaging as an uncertain cumulative approach.

Examples of the problems created for the domestic industry through the administration of the import program include the following:

New starters are not controlled soon enough to avoid added disruption to the market. A major textile and apparel supplier, the People's Republic of China, still remains uncontrolled.

Ceilings are relaxed when imports reach their ceilings permitting embargoed goods to enter the U.S. despite the commitments undertaken by exporting countries to hold their exports to certain agreed levels.

Even when ceilings are not relaxed substantial overshipments have been permitted, particularly at the end of 1977.

The bilateral agreements permit annual growth in imports of at least 6 percent, more than double the growth of the domestic market.

In addition, flexibility provisions in the agreements permit as much as 17 percent or more increase in annual ceilings for specific categories.

2. A shift to a globalization concept will not take care of the current threat to the firms and workers in the industry through pending tariff cuts in the Geneva negotiations. It would take a considerable time for the Administration to shift its import program on textiles and apparel to a global system, even with the best intentions and complete willingness to do so.

Meanwhile the critical period facing the industry is now because of the Administration's intentions to cut textile and apparel tariffs in the Multilateral Trade Negotiations.

3. What must be recognized is that the import program is a combination of both existing tariffs and the Multifiber Arrangement with the current 17 bilateral agreements in force. The MFA was negotiated on the basis of existing tariffs. If the latter are reduced, the import protection inherent in the program will also be reduced.

Thus, reduced tariffs and an already ineffective MFA will make the import program of significantly reduced and possibly dubious benefit to the firms and workers in the industry. For these reasons we feel that S. 2920 offers the industry the only hope that an important part of the import program--tariffs—will remain intact.

Respectfully submitted,

W. RAY SHOCKLEY,
Executive Vice President.

STATEMENT BY GAIL T. CUMMINS ON BEHALF OF INTERNATIONAL APPAREL IMPORTERS ASSOCIATION, INC.

This statement in opposition to S. 2920 is submitted on behalf of the International Apparel Importers Association, Inc. (hereinafter referred to as the IAIA). The IAIA is an association of over 30 of the largest apparel importers in the United States whose members, collectively, supply retail stores in the United States with a substantial segment of all wearing apparel sold to the American consumer.

The merchandise imported by IAIA members is covered principally by item numbers 376.54–376.56 (rainwear), 380.00 through 382.87 (textile wearing apparel) and 772.30 (rubber or plastics wearing apparel) of the Tariff Schedules of the United States (TSUS), and the majority of this merchandise is currently subject to quantitative limits on imports, by reason of bilateral agreements negotiated by the United States and foreign governments pursuant to the provisions of the "Arrangement Regarding International Trade in Textiles" (MFA).

This brief is submitted in opposition to S. 2920, which would exempt textile and apparel items from tariff cuts in the "Tokyo Round" of Multinational Trade Negotiations. If enacted, S. 2920 would seriously undermine the United States' ability to negotiate a comprehensive multinational trade agreement in a manner beneficial to the entire country. Any "trade war" which might result if the Tokyo Round negotiations are not successful could only have an adverse effect on all American citizens faced with perhaps the most severe inflationary pressures in this country's history. If the United States is to win its fight against inflation and to negotiate a comprehensive trade agreement containing provisions designed to protect U.S. workers from unfair trade practices, it is essential that the grossly excessive tariffs in effect for wearing apparel products be reduced.

Moreover, an examination of the current regulatory scheme affecting textile imports conclusively establishes that the tariff cuts contemplated by the Tokyo Round could not possibly harm the U.S. wearing apparel industry.

The duty structure for textile apparel, as it presently exists, is artificially high, in both absolute and relative terms. For example, products classified in tariff items 380.04 and 382.04, TSUS, which provide for ornamented wearing apparel of man-made fibers are dutiable at the rate of 42½ percent ad valoreum. Ornamented cotton apparel products, classified in items 380.00 and 382.00, TSUS, are dutiable at a rate of 35 percent ad valorem. And ornamented wool apparel, classified in items 380.02 and 382.02. TSUS, is dutiable at 42½ percent ad valorem. Similarly, nonornamented knit cotton apparel, items 380.06 and 382.06, TSUS, is dutiable at a rate of 21 percent ad valorem. Many unornamented wool apparel products are dutiable at a rate of 37.5 cents per pound plus 32 percent, 30 percent, 21 percent, 20 percent, or 15½ percent ad valorem (items 380.57, 380.61, 380.06, 382.48, 382.54, 382.56, 382.58 and 382.63). And unornamented man-made fiber apparel is dutiable at 25 cents per pound plus 32½ percent (if knit) or 27½ percent (if woven) ad valorem (items 380.81, 380.84, 382.78 and 382.81).

While these rates are obviously high in absolute terms, their excessive nature is also shown when they are compared with rates on other products imported into the United States. For example, the majority of imported machines, which are classified in Part 4 of Schedule 6 of the Tariff Schedules, are dutiable at rates ranging from 4 to 7½ percent ad valorem. Foreign-made automobiles (classifiable in item 692.10, TSUS) are dutiable at 3 percent ad valorem. Thus, the duty rates on textile wearing apparel are in many instances over 10 times those rated which apply to other finished imported products.

Similarly, the rates applicable to apparel imported into the United States are substantially higher than the duty on similar merchandise imported into those nations belonging to the European Economic Community, in which duty rates on imported apparel products range from 10½ percent for babies garments to 17 percent for most textile wearing apparel.

The high rates of duty which currently exist on apparel are the result of strong pressures by protectionist forces in the domestic apparel industry. And not only are these rates no longer in line with the rates on most other U.S. imports and the rates which most other nations place on apparel products, but the U.S. rates are no longer necessary to protect the domestic apparel industry.

At present the quantity of apparel products imported into the United States is severely curtailed by quota limitations imposed pursuant to bilateral agreements negotiated under the MFA, securing for the domestic apparel industry what amounts to a protected market in which to sell its goods.

At the end of 1977, the United States had signed bilateral agreements with 18 major textile importing countries providing limitations on imports into the United States of most textile apparel items (See *The History and Current Status of the Multi-fiber Arrangement, January, 1978, USITC Publication 850* (hereinafter cited as ITC Report)). During 1976, imports from these countries accounted for 82 percent of total cotton textile imports, 53 percent of wool textile imports and 75 percent of man-made fiber textile imports (ITC Report at 39). And the effectiveness of these agreements in protecting U.S. apparel manufacturers is apparent inasmuch as many quota categories have been completely filled or almost filled during the course of recent quota years. For example, the quota on imports of woven cotton men's and boys' sports shirts (MFA category 46) from Hong Kong (which accounted for 45 percent of total imports of this product into the United States) was completely filled for the quota year ending on September 30, 1976, and the new Hong Kong textile agreement allowed an annual increase of only 3 percent for woven cotton shirts (ITC Report at 35). Thus, domestic industry cannot possibly be harmed by a tariff reduction on this article. Regardless of the reduction in duty rates on woven shirts, the U.S. importer will not be able to increase its share of the market, and any refusal to allow a tariff reduction on these shirts will only serve to increase prices for the U.S. consumer. The effectiveness of the MFA in protecting domestic apparel producers of other textile items is further established by reviewing the exhibt attached to this statement setting forth those MFA levels which were 85 percent or more filled during 1976 (ITC Report at C–70–C–71).

Inasmuch as the domestic apparel industry is more than adequately protected by these quota agreements, the maintenance of high rates of duty on apparel merely forces the U.S. consumer to pay higher prices for such merchandise than would otherwise be necessary. Moreover, the U.S. industry has additional protection in the many provisions of U.S. law—i.e., Antidumping Act, Countervailing Duty Law, etc.—which can be used to increase duty rates on apparel products when specific documented needs may arise.

Given the existing quota structure and those laws protecting American manufacturers from unfair trade practices, the U.S. apparel industry cannot reasonably conclude that they would be harmed by Tokyo Round tariff reductions. Moreover, the U.S. apparel industry cannot cite the existence of a trade deficit as a reason for enacting S. 2920. The difference in labor costs between U.S. and foreign manufacturing is not as significant as in the past and the bottom line cost of manufacturing and importing apparel from the Far East approximates the costs of manufacturing the same garments in the U.S. (See Daily News Record, Monday, June 26, 1978, at 6). The domestic apparel industry should attempt to decrease its own manufacturing costs and increase its export activity before taking steps which could adversely affect the American consumer and the U.S. importing community. For example, in its recent report on sweaters, the International Trade Commission noted that "U.S. sweater manufacturers have exhibited little effort to use U.S. Government agencies such as the Bureau of International Commerce to help them establish export markets for their good", while "In contrast, the three largest exporters of sweaters to the United States * * * depend heavily on their promotion centers."

(*Summary of Trade and Tariff Information*, Sweaters, USITC Pub. No. 841, January 1978, at 15). Thus a world-wide reduction in tariff rates for textile articles would help the U.S. manufacturing industry provided that industry spent as much time, interest and effort in exporting their products as they do in attempting to hinder the importation of apparel items into the United States.

Finally, with the severe quotas imposed on imported apparel products, the American apparel importing industry, which consists of American businessmen employing tens of thousands of American employees in the United States, needs reduced duty rates in order to remain competitive with U.S. manufacturers who are allowed to sell all the merchandise they are able to produce.

In summary, therefore, we submit that the domestic apparel industry is more than protected from imports by existing and contemplated quotas on imported goods. The high rates of duty on imported apparel are not lessening the plight of the domestic apparel industry, but are adversely affecting both the importing community and the consumer.

A reduction in the rates of duty at the present time would provide a badly needed stimulus to the importing industry without having a significant adverse impact on domestic producers. In fact, any stimulus to the apparel industry is likely to benefit the industry as a whole. Reductions in the rates of duty will almost certainly result in reductions in the price of the consumer. Such reduced prices may serve to reawaken consumer interest, not only in imports, but all production of apparel goods.

Accordingly, we request that every consideration be given to an across-the-board reduction in the rates of duty applicable to articles of textile wearing apparel, and that this Subcommittee vote not to approve S. 2920 which would exempt textiles from tariff reductions negotiated pursuant to the Tokyo Round.

TABLE 67.—MFA LEVELS WHICH WERE 85 PERCENT OR MORE FILLED IN SPECIFIED AGREEMENT PERIODS, BY COUNTRIES AND BY CATEGORIES

Country	Agreement period	Category	Unit of quantity	Agreement level (thousands)	Imports [1] (thousands)	Percent filled
Arab Republic of Egypt.	Jan. 1, 1976–Dec. 31, 1976					
Brazil	Apr. 1, 1976–Mar. 31, 1977	1–4	Pound	9,652	8,700	92.7
Colombia	July 1, 1976–June 30, 1977	19	Square Yard	1,000	1,412	141.2
		120	Number	125	119	95.3
		228	Dozen	48	66	137.3
Haiti	Jan. 1, 1976–Dec. 31, 1976	224	Pound	590	555	94.1
		229	Dozen	99	86	86.0
		231	do	16	19	114.4
		238	do	333	333	100.0
		239	do	231	211	91.2
Hong Kong	Oct. 1, 1975–Sept. 30, 1976	1–27, 200–213	Square Yard [3] Equivalent.	241,854	210,115	86.8
		22/23	do	38,110	43,877	115.1
		28–38 64–241–43.	do	54,614	55,373	101.4
		39–63,214–240	do	549,400	593,376	103.0
		41/42/43 and 62 (pt).	do	2,019	3,519	174.3
		45/46/47	do	48,575	49,695	102.3
		48	Dozen	24	36	152.2
		49/63	do	301	543	180.2
		50/51	do	4,584	4,964	103.3
		116/117 [2]	do	1,117	1,290	115.2
		218/219/224 (pt)	do	3,456	4,255	123.1
		221	do	1,115	1,256	112.7
		222	do	778	752	96.7
		237	Number	132	318	241.3
India	Oct. 1, 1975–Sept. 30, 1976	9/10	Square Yard [3]	47,857	46,664	102.6
		18/19	do	10,075	10,075	97.5
		26 (pt) [3]	do	44,079	42,002	95.3
		26 (pt) [4]	do	14,000	13,099	96.6
		28–38, 64	Square Yard equivalent.	12,000	12,000	100.0
		39–63	do	20,000	19,853	99.3
Japan [5]	Oct. 1, 1975–Sept. 30, 1976	200–213, 241, 243 (pt).	do	630,136	569,753	90.4
Korea	Oct. 1, 1975–Sept. 30, 1976	9/10	do	7,153	6,403	89.8
		18/19/26 (pt)	do	5,935	5,743	96.9
		22/23	do	3,917	3,680	93.5
		26 (pt) [4]	do	24,873	21,595	86.8
		31	Number	5,747	5,669	98.6
		39	Dozen pair	266	266	100.0
		43	Dozen	173	173	100.0
		48	do	24	36	152.2
		49	do	54	52	95.8
		54	do	84	84	99.7
		63 (pt) [6]	Pound	935	931	99.6
		64	do	1,957	1,762	90.0
		101–132	Square yard	14,704	13,421	91.3
		104	do	1,700	1,679	98.8
		116/117	Pound	517	499	96.4
		120	Number	356	356	100.0
		121	do	213	204	95.8
		209	Square yard	2,000	2,000	100.0

TABLE 67.—MFA LEVELS WHICH WERE 85 PERCENT OR MORE FILLED IN SPECIFIED AGREEMENT PERIODS, BY COUNTRIES AND BY CATEGORIES

Country	Agreement period	Category	Unit of quantity	Agreement level (thousands)	Imports [1] (thousands)	Percent filled
		210	do	1,170	1,170	100.0
		218	Dozen	829	769	92.8
		219	do	4,393	4,393	100.0
		221	do	3,018	3,018	100.0
		224 (pt) [7]	do	47	47	100.0
		224 (pt) [8]	do	44	39	88.9
		224 (pt) [9]	Pound	3,868	3,748	96.9
		225	Dozen	147	140	95.2
		228	do	965	859	88.0
		229	do	797	797	100.0
		235	do	1,599	1,574	98.4
		237	Number	168	168	100.0
		238	Dozen	231	231	100.0
		242	Pound	192	192	100.0
		243	do	1,282	1,333	103.9
Macau	Jan. 1, 1976–Dec. 31, 1976	46	Dozen	29	29	97.1
Malaysia	Jan. 1, 1976–Dec. 31, 1976	26	Square yard	6,475	5,549	85.7
		45/46/47	Square yard equivalent.	5,330	5,303	100.0
		64	Pound	233	250	107.3
Mexico	May 1, 1976–Apr. 30 1977	116/117	do	103	97	94.2
		225	Dozen	2,181	2,100	96.3
		228	do	137	154	112.1
		237	Number	156	143	91.9
		238	Dozen	1,036	1,008	97.3
		240	Pound	861	871	101.1
Pakistan	Jan. 1, 1976–Dec. 31, 1976	1–27	Square yard equivalent.	101,220	86,237	85.2
		9/10	Square yard	53,563	47,079	87.9
		22/23	do	6,314	5,682	90.0
		26 [4]	do	12,028	10,534	87.6
		28–64	Square yard equivalent.	23,626	25,543	108.1
		31 [10]	Number	15,017	15,017	100.0
		39–63	Square yard equivalent.	11,850	13,302	112.3
Philippines	Oct. 1, 1975–Sept. 30, 1976	39	Dozen pair	387	344	88.8
		42/43/62 (pt) [11]	Dozen	450	387	86.1
		51	do	100	89	89.2
		52	do	48	54	112.7
		54	do	94	87	92.9
		63 (pt) [12]	Pound	1,159	1,124	97.1
		64	do	217	431	198.1
		204	do	728	1,181	162.2
		214	Dozen	1,000	916	91.6
		219	do	326	302	92.5
		221 (pt) [13]	do	19	21	111.9
		223	do	300	292	97.3
		224 (pt) [9]	Pound	385	612	159.1
		224 (pt) [7]	do	100	100	100.0
		224 (pt) [8]	do	100	75	74.7
		225	Dozen	2,500	2,269	90.8
Poland	Jan. 1, 1975–Dec. 31, 1976	43	do	415	435	104.9
		48	do	20	28	142.3
		62	Pound	326	820	251.5
		63	do	152	257	168.8
Romania	Jan. 1, 1976–Dec. 31, 1976	34	Number	323	314	97.2
		46	Dozen	39	50	127.9
		49	do	92	81	87.6
		62	Pound	1,087	1,614	148.5
Singapore	Jan. 1, 1976–Dec. 31, 1976	15	Square yard	1,000	917	91.7
		31	Number	2,874	4,047	140.8
		219	Dozen	2,373	2,190	92.3
Taiwan	Jan. 1, 1976–Dec. 31, 1976	9/10	Square yard	40,185	34,815	86.6
		18/19	do	2,392	2,289	95.7
		22/23	do	4,312	3,664	85.0
		43/62	Square yard equivalent.	933	918	98.4
		45/46/47	do	15,168	14,810	97.6
		50/51	Dozen	777	751	96.7
		52	do	317	289	91.3
		54	do	56	54	97.2
		55	do	14	12	90.1
		60	do	48	48	100.0
		101–132	Square yard equivalent.	5,497	4,846	88.2

TABLE 67.—MFA LEVELS WHICH WERE 85 PERCENT OR MORE FILLED IN SPECIFIED AGREEMENT PERIODS, BY COUNTRIES AND BY CATEGORIES

Country	Agreement period	Category	Unit of quantity	Agreement level (thousands)	Imports[1] (thousands)	Percent filled
		125	Pound	950	864	91.0
		210	Square yard	2,000	1,837	91.8
		213	Pound	9,523	9,523	100.0
		214	Dozen	1,771	1,615	91.2
		219	do	5,303	5,052	95.3
		221	do	4,069	3,913	96.2
		224	Pound	10,769	9,703	90.1
		229	Dozen	388	407	104.9
		238	do	758	780	102.9
		243	Pound	897	896	99.9
Thailand	Jan. 1, 1976-Dec. 31, 1976	15	Square yard	1,000	979	97.9
		26[4]	do	2,300	2,478	107.7
		26/27[3]	do	4,400	4,100	93.2
		48	Dozen	14	15	107.0
		208	Square yard	1,000	1,422	142.2

[1] Import figures represent the exports that are shipped from a foreign country during the agreement period specified. However, some shipments may actually be imported into the United States after the specified agreement period.
[2] Wool sweaters.
[3] Excludes duck (all TSUS items in category 26, except TSUS items with prefixes of 320, 321, 322, 326, or 327 and common suffixes of -01 through -04, -06 and -08).
[4] Includes duck.
[5] Japan has no agreement limitation on category, group, or aggregate levels. Elimination was carried out in two stages. The first stage, effective Dec. 19, 1975, eliminated limitations on all cotton plus manmade fiber category levels. The second stage, effective Feb. 15, 1977, eliminated the remainder of manmade fiber limitations and all those on wool.
[6] Includes shoe uppers (TSUS items 380.3980 and 382.3380).
[7] Includes men's and boys' suits (TSUSA items 380.0420 and 380.8143).
[8] Includes other wearing apparel, knit men's and boys' coats, (TSUSA items 380.0402 and 380.8103).
[9] Other wearing apperal, knit. Includes all of category 224 except TSUSA items 380.0420, 380.3143, 380.0402, and 380.8103.
[10] Towels, excluding shop towels (TSUSA item 366.2740).
[11] Includes all of category 43 and TSUSA items 380.0027, 382.0002, 282.0026, 382.0605, and 382.0610 in category 62.
[12] Wearing apparel not knit, n.e.s.
[13] Other.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.—Data are compiled from Census reports through Feb. 28, 1977, except for the following: Brazil, through July 29, 1977; Colombia and Mexico, through June 30, 1977; India and Taiwan, through Mar. 25, 1977; and Romania, through Apr. 1, 1977.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AFL–CIO

The AFL–CIO supports S. 2920 to exempt textiles and apparel products from the negotiations now underway in Geneva. This bill will make a technical change to carry out the Congressional intent to reserve from such negotiations those products on which the President has taken import-restraining actions. Textile and appeal products clearly fall into this classification.

The bill amends Section 127(b) of the Trade Act of 1974 which directs the President to reserve from negotiations those products which are already subject to import restraints under Section 203 of the Trade Act of 1974 because import injury has been determined. Under this provision, for example, color TV sets, shoes, CB radios and specialty steel are reserved from negotiations. But textiles and apparel imports are restrained under authority of the Agricultural Act of 1956 and therefore not excluded under the Trade Act. S. 2920 extends 127(b) to include them.

Import injury to jobs and production in textiles and apparel is an internationally accepted fact. There is no rational dispute about it. Floods of imports of all types of textile and apparel products have cost jobs and production throughout the nation. Hundreds of thousands of jobs are gone and communities have been disrupted throughout the country. The potential for further displacement of a work force of about 2 million manufacturing workers should be a matter of serious concern.

Presidential action is in effect for textile and apparel products to prevent excessive import injury. Section 204 of the Agriculture Act of 1956 allows the President to negotiate agreements limiting imports into the United States of any agricultural of textile product.

An international agreement, the Multifiber Arrangement (MFA), has also been negotiated and accepted by nearly 50 nations. Under the provisions of the MFA, a country may restrain imports of textile and apparel products through the negotiations of Bilateral Agreements with exporting countries, or, where no agreement can be reached, through unilateral actions.

The U.S. has therefore negotiated under the Multifiber Arrangement (MFA) and Section 204 of the Agricultural Act of 1956 quotas to limit imports of textile and apparel products of cotton, wool and man-made fiber. These quota agreements have been negotiated bilaterally between the U.S. and 18 countries. Therefore, textile and apparel products meet the intent of Congress in Section 127(b) to reserve from negotiations those items which are subject to Presidential actions because injury has been found.

This bill should not be necessary. The provisions of Section 127(b) also allow the President to "reserve from negotiations other articles which he determines to be appropriate" taking into consideration information and advice concerning negotiations from the various agencies of government. Unfortunately negotiations from the various agencies of government. Unfortunately, however, the experience of the past few years in both Administrations has been a lack of concern for the import problems of American industry and jobs.

Since January 1975, when the Trade Act of 1974 became law, the United States has imported over $400 billion worth of merchandise. Only 13 cases have been decided under Section 201 of the Trade of 1974 which provides for investigation by the International Trade Commission to determine whether imports have caused injury to U.S. industry. Action 203, which provides for import relief, has been put in effect for only 4 cases—shoes, color TV sets, CB's and specialty steel. Only these industries have received positive action by the President. It is no wonder that the textile and apparel industries have come to prevent further injury.

This subcommittee is well aware that even in the 19 cases where injury has been determined by the Commission, remedies have not always been forthcoming. The most serious case reecntly was that of industrial fasteners where this subcommittee recommended action and where the problem was referred back to the International Trade Commission for further study.

The Congress has made its intent about import-sensitive industry abundantly clear. The Trade Act of 1974 exempted textiles and apparel items under international agreement from Title V preferential tariffs—zero duties on imports from developing countries. Thus, it did not intend that further injury be allowed to take place. The same exemption was listed for "import sensitive" manufactured products. But, as the inrush of imports from the low-wage areas of the world attests, the government agencies do not usually act in the national interest against injurious imports.

Estimates of potential job losses from tariff-cutting are, therefore, not necessary to demonstrate the need for passage of S. 2920. But as the subcommittee is well aware, there are estimates for job losses in apparel from a variety of sources. Data Resources, Inc., states that a 50 percent cut would result in a loss of 200,000 jobs by 1985. This does not count the loss from supplying industries.

American industry that has been injured is thus threatened with even further injury from tariff-cutting. This was not the intent of Congress.

Similar problems have arisen in other industries. Many members of Congress, for example, have urged action to exempt the steel industry from tariff-cutting under certain conditions. Despite the Administration's efforts, imports of steel in the first five months of 1978 have been 50 percent higher than in the same period of 1977, according to Commerce Department figures.

The New York Times recently highlighted the fact that manufactured imports are now a primary cause of the U.S. trade deficit. The attached copy of an article from the U.S. economy and on the dollar. The current disastrous situation is the result of administrative failure to protect the interests of U.S. jobs and production. $5 billion more imports than exports of manufactured goods in the first five months of this year is testimony to the cost that American workers and producers are paying.

For these reasons, the AFL-CIO urges immediate action on S. 2920. We also urge additional oversight on the on-going trade negotiations and on the need to carry-out and improve existing law.

[From the New York Times, July 4, 1978]

MACHINERY, MANUFACTURED GOODS REPLACE OIL AS THE TOP U.S. IMPORT

(By Richard Halloran)

DRAMATIC SHIFT SAID TO ALTER ADMINISTRATION STRATEGY FOR OBTAINING CONCESSIONS IN UPCOMING BONN TALKS

Washington, July 4—Imports of machinery and transport equipment and of manufactured goods, mostly from Western Europe and Japan, have overtaken oil imports as the biggest drains in the nation's expanding trade deficit.

This dramatic shift in the trade picture appears to be having an effect on the Administration's economic policies and the planned tactics President Carter will use to try to gain concessions from industrialized nations at the Bonn economic summit meeting later this month.

The change in the import pattern emerged after an analysis of trade statistics covering the first five months of 1978 released by the Department of Commerce last week. It showed that oil, once the nation's leading import item, had dropped to third place behind the now first-time category of machinery and transport equipment and the new second-ranking category of manufactured goods.

The change reflects the sustained American economic expansion, which has pulled in more manufactured imports, as well as the decline in the United States dollar, which has made imports more costly in dollar terms. The decline in oil imports, meanwhile, resulted from successful conservation efforts, especially by American industry, and public resistance to higher prices.

35.6 PERCENT INCREASE IN YEAR

According to the figures, from January to May, Americans bought $19.1 billion worth of machinery and transport equipment of all kinds including machine tools, electronic equipment including radios and televisions, automobiles, trucks, railroad equipment and ships, mostly from Europe and Japan. That was a 35.6 percent increase over the year-ago period.

In addition, the United States imported $18.2 billion worth of manufactured goods including iron and steel, nonferrous metals, alloys, plastics, instruments, medical equipment, bicycles and other items, again mostly from Japan and Europe. That was a 38.8 percent increase.

Altogether, the value of those two categories came to $37.3 billion, or 45.9 percent of all imports, more than double the $15.9 billion Americans paid for imported oil during the same period.

During the five months, the United States imported 1.2 billion barrels of oil worth $15.9 billion, down from 1.34 billion barrels worth $17.6 billion during the same five months the year before. In fact, oil imports have declined by 10 percent over the past year—the only import category to do so. The President and spokesmen for the Administration have taken little public notice of the change in import patterns—instead following the official line of emphasizing the size of oil imports in order to push the bogged-down energy bill through Congress.

Even so, Administration officials indicated that new policy decisions based on a revised assessment of the trade figures were taking shape.

OFFSETTING IMPORTS

One would be a modified strategy to reduce the trade deficit and to strengthen the dollar. It reportedly calls for holding the line on oil imports, reducing imports of machinery and manufactured goods and increasing exports to offset the cost of imports.

Second, the President, at the Bonn meeting, "will point to the fact that the energy ratio in our gross national product has gone down in industry and among consumers," a senior official said.

According to sources in the Administration, Mr. Carter will switch tactics then and tell the Europeans and Japanese that the flood of industrial goods from their countries, rather than oil, is causing the huge trade deficit in the United States, and thus the dollar weakness they deplore.

Leaders in West Germany, France, Britain and Japan in recent months have openly criticized the United States for the trade deficit and the dollar's decline, and have attributed them to excessive oil imports.

Officials here said that Mr. Carter, who has not taken issue with the criticism in an effort to persuade Congress to pass his energy bill, would urge the Europeans and Japanese to open more of their markets to American exports, focusing on hidden barriers to American exports. He was also said to be preparing to urge other leaders to stimulate their economics to absorb more of both their own products and the American exports.

But the President was further expected, as originally planned, to assure the other leaders that the United States would continue to hold down oil imports.

Senior economists within the Carter Administration cautioned that the trend to lower oil imports might be temporary, although several suggested that it would last for at least the rest of this year.

POLITICAL EFFECT UNCLEAR

"It's intriguing to speculate about what's been going on recently with oil," said William Cox, the deputy chief economist at the Department of Commerce. "We will have to see what happens during the rest of the year."

A study group appointed by President Carter to find ways to improve the nation's export performance, which has been lackluster for two years, is expected to make its recommendations known within a few weeks.

Politically, the effect of the changing import patterns on the President's energy bill is unclear. Mr. Carter has proposed taxes to increase the price of oil and thus slow imports, and has threatened to impose import fees or quotas if Congress fails to approve those taxes.

But Congress is reluctant to pass any new taxes in this election year, particularly with the tax revolt, and the Senate has approved a measure forbidding the President to impose oil import fees.

The trade deficit rose from $8.2 billion during the January-to-May period of 1977 to $14.8 billion for the comparable time this year—a stunning 79 percent rise. Imports of industrial goods accounted for most of that.

Senior Government economists explained that the United States' expanding economy partly accounted for the competitive drive of foreigners—their productivity rates were better than American rates, and thus they kept their prices down. Slow economic growth in Europe and Japan also forced more of their goods into export markets.

CHEAPER DOLLAR A FACTOR

But some of the import increase, ironically came from the cheaper dollar. Classic economics says that a devalued dollar is supposed to slow imports because foreign goods cost more.

Instead, Americans have been importing as much or more than before and paying higher prices. Some orders had already been placed. Finding less expnsive suppliers takes time, and Americans having grown accustomed to such foreign goods as Japanese cameras and West German cars, are continuing to buy them despite the higher prices.

Government economists contend that the import surge will not last, that eventually the higher prices will slow down the imports. But asked when, they replied with estimates ranging from a year to five years.

Compounding the trade imbalance has been a relatively poor performance in American exports. Exports of raw materials in the January-May period rose only 2 percent and chemicals only 5.3 percent.

But shipments of machinery and transport equipment, the biggest item in American exports, jumped 9 percent to $23.2 billion. Experts of manufactured goods were up 10 percent and, shipments of agricultural products, another export staple, rose 18 percent.

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"Major industrial country."

(d) For purposes of this section, "major industrial country" means Canada, the European Economic Community, the individual member countries of such Community, Japan, and any other foreign country designated by the President for purposes of this subsection.

SEC. 127. RESERVATION OF ARTICLES FOR NATIONAL SECURITY OR OTHER REASONS

19 USC 2137. (a) No proclamation shall be made pursuant to the provisions of this Act reducing or eliminating the duty or other import restriction on any article if the President determines that such reduction or elimination would threaten to impair the national security.

19 USC 2137. *Post*, p. 2015. (b) While there is in effect with respect to any article any action taken under section 203 of this Act, or section 232 or 351 of the Trade Expansion Act of 1962 (19 U.S.C. 1862 or 1981), the President shall reserve such article from negotiations under this title (and from any action under section 122(c)) contemplating reduction or elimination of—

Ante, p. 1987. (A) any duty on such article,

(B) any import restriction imposed under such section, or

(C) any other import restriction, the removal of which will be likely to undermine the effect of the import restrictions referred to in subparagraph (B).

In addition, the President shall also reserve any other article which he determines to be appropriate, taking into consideration information and advice available pursuant to and with respect to the matters covered by sections 131, 132, and 133, where applicable.

Annual report to Congress. 19 USC 1863. 19 USC 1862. (c) The President shall submit to the Congress an annual report on section 232 of the Trade Expansion Act of 1962. Within 60 days after he takes any action under such section 232, the President shall report to the Congress the action taken and the reasons therefor.

19 USC 1862. (d) Section 232 of the Trade Expansion Act of 1962 is amended—

(1) by striking out "Director of the Office of Emergency Planning (hereinafter in this section referred to as the 'Director')" in the first sentence of subsection (b) and inserting in lieu thereof "Secretary of the Treasury (hereinafter referred to as the 'Secretary')";

(2) by striking out "advice from other appropriate departments and agencies" in the first sentence of subsection (b) and inserting in lieu thereof "advice from, and shall consult with, the Secretary of Defense, the Secretary of Commerce, and other appropriate officers of the United States";

Hearings. (3) by striking out the last sentence of subsection (b) and inserting in lieu thereof the following: "The Secretary shall, if it is appropriate and after reasonable notice, hold public hearings or otherwise afford interested parties an opportunity to present information and advice relevant to such investigation. The Secretary shall report the findings of his investigation under this subsection with respect to the effect of the importation of such article in such quantities to the effect of the importation of such national security and, based on such findings, his recommendation for action or inaction under this section to the President within one year after receiving an application from an interested party or otherwise beginning an investigation under this subsection. If the Secretary finds that such article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall so advise the President and the President shall take such action,

Report to President.

and for * * *

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

The U.S. Council for an Open World Economy, representing no commercial interest, is a private, nonprofit organization engaged in research and public education on the merits and problems of achieving an open international economic system in the overall public interest.

The Council is here opposing legislation which would exempt from tariff reductions in the current round of trade negotiations those products subject to trade controls under section 204 of the Agricultural Act of 1956. The products currently so covered are textiles and apparel of cotton, wool and man-made fibers.

The statutory exemption of certain products from the trade negotiations was, at the outset, ill-advised. Such exemptions, and provision for executive exemption of other products, was in effect a revival of the old "peril point" exercise which in its own day was a farce. This discredited practice was discontinued in the 1962 trade legislation, but implicitly it still tarnishes trade-policy judgments in Congress, the Administration and the International Trade Commission. Government should be concerning itself with the problems of the nation's weaker industries, but doing so coherently and constructively. Exemption from trade negotiations does not meet this standard. Direct, deliberate concern with adjustment problems is the course needed. Exemption from the trade negotiations is a form of government assistance. To the extent that any trade-control assistance is needed, it is justifiable only as part of a balanced coherent policy of constructive assistance to a deserving industry whose problems and needs have been thoroughly diagnosed. Exemption alone tends to divert attention from the search for sound answers to these problems and needs.

Since products subject to trade regulation under the escape clause and other import-control measures stipulated in the Trade Act of 1974 are exempted by that legislation from the current round of trade negotiations, it would theoretically appear consistent with such exemptions to exempt section 204 products as well. However, such an exemption, if made at all, should have been made when the Trade Act was enacted. To do it now, at this advanced stage of the trade negotiations, would be highly disruptive, indeed a mischievous step, in addition to expanding the distortions of what is simply and simplistically a textile-trade-restriction policy and a far cry from the coherent textile policy—the textile adjustment strategy—that is long overdue.

The systematic renewals of the multifiber textile arrangement, without the framework of an industry adjustment strategy looking toward the earliest termination of this trade-control agreement, are distortion enough. Exemption of textiles from the trade negotiations, particularly at this late date, would not only magnify this distortion. It would have serious consequences for the effectiveness of the whole trade negotiation, threatening the benefits which the nation stands to gain from this round of negotiations. Another cost would be the weakened credibility of U.S. concern with the aspirations of countries which are not only less developed but whose raw-material resources are crucial to our country's economic viability—thus weakening U.S. leverage in urging these countries to be reasonable and responsible in their raw-material export policies.

Congress should reject the exemption bills, and instead of such measures ask the President to devise as quickly as possible (in cooperation with industry, labor and the affected communities) a coherent adjustment strategy, not only for textiles (which should be given a high priority) but for all products covered by special trade controls. An adjustment strategy calls for more than what "adjustment assistance" has come to mean under the trade legislation. It should include a reassessment of all domestic policies materially affecting the particular industry, to make sure that none of these policies unfairly impedes the industry's ability to adjust to increasingly freer foreign competition. For example, nearly 15 years ago the government corrected the two-price-cotton inequity which had placed U.S. cotton-textile production at an unfair disadvantage in international competition. How many other inequities are there? Let's find out and correct those that are found.

In short, instead of expanding the ill-conceived exemptions in the original statute, the government should apply to textiles as perhaps the top priority the adjustment strategy that should have been set in motion for all industries whose products are deemed exceptionally sensitive to foreign competition. This would show determination to address the real problems of these industries and set the stage for a new, more enlightened approach to these issues when the next round of trade negotiations is planned.

Statement of Michael P. Daniels on Behalf of the American Importers Association

Mr. Chairman, members of the Subcommittee, my name is Michael P. Daniels. I am a partner in the firm of Daniels, Houlihan & Palmeter of this City. This statement is being made on behalf of the American Importers Association, of 420 Lexington Avenue, New York City. The American Importers Association is the recognized spokesman for importer interests with a membership of over 1,100 firms engaged in importing. A substantial number of these firms are engaged in the importation of textiles and apparel which are the subject of this bill. We would be pleased to supply a membership list should the Committee wish to examine the composition of our membership. It is inconvenient, however, to attach such a list to our testimony.

We are opposed to S. 2920. We believe this legislation is based on a conceptual error; is absolutely unnecessary; represents a clear cause of overreaching on the part of the textile and apparel industries and their unions; would not be in the best interests of the United States in the Multilateral Trade Negotiations and if passed these exemption would be paid for by other industries in the United States. Ultimately this legislation would be paid for by the American consumer.

The conceptual error which I refer to is the attempt by the proponents of this legislation to draw an analogy between those products which are subject to import relief pursuant to Section 201 of the Trade Act of 1974 (and therefore exempt from duty reduction by virtue of Section 127(b)) and products subject to negotiations under Section 204 of the Agricultural Act of 1956 as amended.

The analogy does not bear close analysis. In 201 proceedings relief is only granted when there is a finding of injury pursuant to an extensive investigation by the International Trade Commission, including staff investigation, public hearings and the collection of evidence and data by questionnaire and other methods. Such findings are subject to review by the Executive Branch which includes the invitation of views by the Trade Policy Staff Committee and interagency deliberations up to the highest level of the United States Government.

In negotiations conducted under the authority of Section 204 there is no requirement for any public or investigative proceedings nor is there any criteria of injury or indeed any other criteria for such action.

United States action under Section 204 is governed by the Multifiber Arrangement (MFA) as extended. Articles 3 and 4 of the MFA are the provisions under which restrictive actions are taken. There are standards and criteria for taking action under Article 3 which governs unilateral action, but there are practically no standards for Article 4 action, which is the authority under which bilateral agreements are negotiated, and which governs all of the restraints taken by the United States. The administration has never, and apparently will not make findings on injury or market disruption prior to taking such Article 4 action. Indeed the characteristic of American action under Article 4 has been the so-called comprehensive approach which covers all textile and apparel products whether or not there is any evidence of market disruption relating to any particular product. This has been a result strongly desired by the American industry since they thereby obtain protection for products where there clearly is no market disruption involved at all. If American textile restraints were all by way of Article 3, and if the United States prior to taking Article 3 action made findings of market disruption pursuant to the standards and criteria of the Multifier Arrangement then perhaps there would be some analogy with Section 201 of the Trade Act governing safeguard actions. This is not, however, the way in which the United States operates its textile program. Therefore we believe that the attempt to equate 201 and Section 204 actions is indefensible.

It is ironic that in the Kennedy Round the textile and apparel industries were arguing against tariff cuts in the wool and man-made fiber sectors since these fiber sectors were not covered by the then Long-Term Arrangement on cotton textiles. In this round of negotiations they have reversed field and argue that because such arrangements are in place there should be no tariff reductions. The arguments advanced on behalf of this legislation then appear to be arguments of convenience and not of substance.

Even if the textile and apparel industries had a case for reduced reductions in duties from the formula approach agreed upon in Geneva or the exemption of particular products, this legislation represents an extreme and unnecessary approach to the problem. The Congress has set forth in the Trade Act of 1974 elaborate pre-negotiation procedures which have given these industries every opportunity to make their case and affect the final shape of the United States offer for duty reduction. These have included intensive investigation by the International Trade Commission and procedures before the Executive Branch of government. As members of an ISAC committee, representatives of these industries have helped develop and have been privy to the offers made by the United States and have had full opportunity to comment upon them.

Indeed, our understanding is that the United States offer in the textile and apparel sectors is substantially less than the 40 percent reduction agreed upon in Geneva as the general rule and there are a substantial number of exemptions of particular products in the United States offer. We further understand that this offer is currently under review for further withdrawals. It appears to us that the procedures of the Trade Act represent more than adequate protection for these industries. Based upon our knowledge of the United States offer this industry has effectively presented its concerns and obtained extraordinary special treatment.

There is a very weak case against duty reduction for this industry. The textile and apparel industries are the most protected and, in our opinion, overprotected industries in the United States. The 18 bilateral agreements which the United States has negotiated under the authority of the MFA cover the bulk of our textile and apparel import trade, and, as stated by the administration, "only 6 percent of United States textile and apparel imports are from less developed countries with which we have no agreement." These agreements are extraordinarily restrictive. Again, as stated by the administration, imports from countries covered by these agreements grew by an average annual rate of only 0.7 percent between 1972 and 1977. In addition to the bilateral agreements textile products are completely exempted from the provisions relating to the generalized system of preferences (GSP). Exactly to the point of the bill before the Committee, the textile and apparel sectors have the highest duty structure of any major industrial group in the tariff schedules. Attached hereto is Table 1 which shows the value of United States imports for consumption by traiff schedule by ranges of ad valorem equivalents. Table 2 shows U.S. imports for consumption by tariff schedule, and proportions dutiable in various ranges of ad valorem equivalents. An examination of the tables substantiates our contention that these industries have the highest rate of duty protection of any industry in the United States. These duty levels are also considerably higher than duties on textile and apparel products by the other principal importing countries, the European Community and Japan. Attached hereto as Table 3 is a comparison of textile tariffs as computed by the European Commission showing the ad valorem equivalent of the United States duties substantially above that of the EEC and Japan. In the distribution of imports by the level of duties a very substantial proportion of the United States textile products are in the higher ranges above 20 percent with practically all of the EEC and Japanese duties under the 20 percent range. The recent ITC study on conversion of specific and compound rates of duty to ad valorem equivalents shows extraordinarily high individual duties in the textile schedules ranging up to an advalorem equivalent of 122.8 percent for certain wool fabrics. The extremely low rates of duty existing in Japan and the TC have made this a difficult negotiation, since these countries are reluctant to reduce their duties further in the face of such extraordinarily high United States duties in these sectors.

Given these extraordinarily high rates of duties we believe that they should be subject to at least the formula duty reduction of 40 percent, a result which should be palatable to our economic interests, particularly since it is contemplated that these duty reductions will be staged over a long time period.

We believe that the Committee should bear clearly in mind that if this legislation is passed and the textile and apparel sectors are exempted from the Multilateral Trade Negotiations there is a substantial risk that the entire negotiations could fail.

It is also important to note that should this legislation be passed it will be other American industries who will pay the price. Under the rules in Geneva, exemptions made in one area must be made up by cuts in other areas so that other American industries will pay the price of greater exposure to import competition. The way we believe it will actually work in Geneva, however, is that withdrawals or derogations from the formula cut will be met with similar withdrawals and cuts on the part of our major trading partners and that it is not likely that these cuts will be confined to the textile area. Rather, we believe, withdrawals will be sought by our trading partners in areas of greatest interest to American exporters.

The question clearly before this Committee therefore, should it seriously consider this legislation, is whether it is worth sacrificing the interest of other industries with an export potential in order to grant such extraordinary protection to the textile and apparel sectors.

In the end the ultimate price of such exemption would be paid by the American consumer who has already faced rising prices for his clothes, a large item in family budgets.

I will not burden the Committee with statistics bearing on the performance of this industry or the pattern of imports into the United States in this statement. Should the Committee desire we would be more than pleased to submit our analysis of the available data.

For the foregoing reasons we respectfully urge the Committee to take no action on this legislation.

34-570—78——8

TABLE 1.—VALUE OF U.S. IMPORTS FOR CONSUMPTION, BY TARIFF SCHEDULE, BY RANGES OF AD VALOREM EQUIVALENTS, 1973

[In thousands of dollars]

Tariff category	Total	Duty free	Dutiable at—								
			0.1 to 5	5.1 to 10	10.1 to 15	15.1 to 20	20.1 to 30	30.1 to 40	40.1 to 49.9	50 or more	Dutiable but no AVE
1. Animal and vegetable products	8, 003, 459	3, 232, 339	968, 747	2, 949, 623	512, 764	159, 952	36, 950	36, 346	18, 064	25, 305	63, 369
2. Wool and paper; printed matter	3, 850, 536	3, 029, 721	211, 733	335, 527	28, 022	241, 886	3, 617	30			
3. Textile fibers and textile products	3, 358, 654	353, 294	32, 502	366, 959	298, 984	534, 625	650, 843	985, 455	135, 505	457	30
4. Chemicals and related products	6, 919, 702	1, 563, 445	4, 461, 698	205, 453	532, 388	127, 681	18, 575	177	51	1	10, 233
5. Nonmetallic minerals and products	1, 739, 070	744, 635	444, 704	118, 087	179, 632	77, 221	135, 477	15, 640	924	22, 750	
6. Metals and metal products	24, 498, 867	7, 235, 623	9, 879, 351	5, 969, 060	946, 119	110, 455	123, 990	15, 920	3	8, 277	210, 069
7. Miscellaneous products	5, 215, 681	392, 397	855, 518	2, 465, 855	556, 611	581, 348	267, 986	70, 773	3, 884	735	20, 574
8. Special classifications	1, 183, 893	1, 144, 321									39, 572
9. Temporary modifications	512, 457	90, 617				392, 393	14, 326	6, 536	2, 036	6, 549	
Total	55, 282, 319	17, 788, 392	16, 854, 253	12, 410, 564	3, 054, 520	2, 225, 561	1, 251, 764	1, 130, 877	160, 467	64, 074	343, 847

Note.—Published by the U.S. Senate, Committee on Finance, "Analysis of the Trade Agreements Program and the Trade Reform Act of 1973," June 1974.

Source: Compiled by the U.S. Tariff Commission from official statistics of the U.S. Department of Commerce.

TABLE 2.—U.S. IMPORTS FOR CONSUMPTION, BY TARIFF SCHEDULE, PROPORTIONS DUTIABLE IN VARIOUS RANGES OF AD VALOREM EQUIVALENTS, 1972

[In percent]

Tariff category	Total	Duty free	Dutiable at— 0.1 to 5	5.1 to 10	10.1 to 15	15.1 to 20	20.1 to 30	30.1 to 40	40.1 to 49.9	50 or more	Dutiable but no AVE
1. Animal and vegetable products	100	40.4	12.1	36.8	6.5	2.0	0.5	0.5	0.2	0.3	0.8
2. Wool and paper; printed matter	100	78.7	5.5	8.7	.7	6.3	.1	(1)			
3. Textile fibers and textile products	100	10.5	1.0	10.9	8.9	15.9	19.4	29.3	4.1		
4. Chemicals and related products	100	22.6	64.5	3.0	7.7	1.8	.3	(1)	(1)	(1)	.1
5. Nonmetallic minerals and products	100	42.8	25.6	6.8	10.3	4.4	7.8	.9	.1	1.3	
6. Metals and metal products	100	29.5	40.3	24.4	3.9	.4	.5	(1)	(1)	(1)	.8
7. Miscellaneous products	100	7.5	16.4	47.3	10.7	11.1	5.1	1.4	.1	(1)	.4
8. Special classifications	100	96.7									3.3
9. Temporary modifications	100	17.7				76.5	2.8	1.3	.4	1.3	
Total	100	32.2	30.5	22.5	5.5	4.0	2.3	2.0	.3	.1	.6

[1] Less than 0.05 pct.

Source: Table 1.

Note.—Published by the U.S. Senate, Committee on Finance, "Analysis of the Trade Agreements Program and The Trade Reform Act of 1973," June 1974.

TABLE 3.—COMPARISON OF TEXTILE TARIFFS

[In percent]

	EEC	USA	Japan
I. Average tariffs:			
All textile products:			
Not weighted [1]	9.6	16.9	11.9
Weighted [2]	10.1	21.1	7.4
Tariff headings subject to duty:			
Not weighted [1]	10.4	17.6	13.0
Weighted [2]	14.4	23.9	13.5
II. Distribution of imports by volume: Mfn origin—level of duties (percent):			

	EEC AH [3]	EEC DH [4]	USA AH [3]	USA DH [4]	Japan AH [3]	Japan DH [4]
0	30.0	-------	12.0	-------	45.0	-------
0.1 to 5.0	2.0	3.0	2.0	2.0	2.0	4.0
5.1 to 10.0	13.0	19.0	12.0	14.0	18.0	33.0
10.1 to 15.0	17.0	24.0	12.0	14.0	16.0	29.0
15.1 to 20.0	38.0	54.0	11.0	12.0	12.0	21.0
20.1 to 25.0	0.3	0.4	11.0	13.0	6.0	12.0
25.1 to 30.0			6.0	7.0	1.0	1.0
30.1 to 40.0			30.0	34.0	-------	-------
40.1 to 50.0			4.0	4.0	-------	-------

[1] Simple arithmetical average of rates.
[2] Mfn weighted average.
[3] AH = all tariff headings.
[4] DH = dutiable tariff headings.

Note.—Imports bearing zero duty ratings are almost entirely composed of primary products (but untreated wool is subject to tariff in the United States).

Source: European Commission.

STATEMENT OF KNITTED TEXTILE ASSOCIATION, HARVEY GELMAN, PRESIDENT

The Knitted Textile Association is the national spokesman for the knitted fabric producers of the United States. The annual output of this industry is valued at over $4.0 billion and last year it provided a livelihood for an average of 72,000 men and women.

This Association's members account for more than 80% of that production. The knitted piece goods which we manufacture is consumed for the most part by garment manufacturers in the United States. The portion of our output which is exported is relatively insignificant. We have not been able to penetrate foreign markets to any notable extent. Obviously, the future of the knitted fabric industry is dependent on the existence of a flourishing American apparel industry.

But apparel production in the United States is far from flourishing. It is under increasing pressure of imports which are displacing the American product.

The Knitted Textile Association is thus vitally concerned about the dwindling share of the market left for American garments. It considers that any tariff cuts either on knitted fabrics or on the end products made of knitted fabrics will accelerate the destructive trend already under way. Any such tariff reductions can only aggravate the attrition which imports have already caused under existing duties.

We urgently request that your Committee approve S. 2920, the effect of which would be to exclude all textiles and textile products from negotiations in the Tokyo Round. We wish to be associated with the statement which labor and industry representatives have jointly presented to your Committee in support of this bill. We ask that our statement also be made part of the record.

Imports of apparel of cotton, wool and man-made fiber in 1977 amounted to over 2.6 billion square yards. In the light of the estimate that approximately 40% of all apparel in the U.S. market is made of knitted fabric, and applying roughly the same proportion to imports, the seriousness of the impact of imports on the knitted fabric industry is too clear for question.

Apparel imports, moreover, have been mounting steadily. They came to a total of 1.9 billion square yards equivalent in 1974 as compared with the above-mentioned total of 2.6 billion last year. Moreover, if we project the increase of apparel imports in 1978 on the basis of the first five months' figures, another rise of approximately 25% is likely this year. This would be additional to the increase of 35% which has occurred between 1974 and 1977.

Meanwhile, knitted fabric production in the United States in the same interval, between 1974 and 1977, has suffered a decline of 16%.

Even if it be acknowledged that not all of the ills of the knitted fabric industry are to be attributed to imports, they have surely been a major factor contributing to the overcapacity and overproduction that have depressed this manufacturing sector and have caused several hundred firms to abandon production either through insolvency or voluntary liquidation. To cite the situation in the double knits, the largest sector of the industry, less than half of the double knit machines that were installed and in place five years ago are operating today.

Whatever other adversities have contributed to this decline, inefficiency is not one of them. The manufacturer of knitted fabrics in the United States is at least as efficient as any other in the world. His machines are of high speed, his organization is generally acknowledged to be superior. However, the knitted fabric industry will have no opportunity for rehabilitation if the apparel market it serves should continue to contract as imports take over an increasing share of American consumption.

Such a loss of market potential caused by imports is a discouragement to capital investment. Moreover, it should be noted that machinery acquired by American mills at high prices when new, are often disposed of at distress prices in mill liquidations and are sometimes sold abroad at prices far lower than those paid initially by American mills. Were tariffs on knitted fabrics to be reduced, this industry wouuld suffer not only through apparel imports but through fabric imports too made on these very machines in low-wage countries.

We therefore urge your favorable action on S. 2920.

Statement of the American Retail Federation

The American Retail Federation takes this opportunity to present this statement concerning S. 2920, now being considered by the Subcommittee on International Trade of the Senate Finance Committee. The Federation represents through its members, over 1,000,000 retail establishments that employ nearly 14,000,000 Americans.

The American Retail Federation urges you to take no action on S. 2920 for two reasons: First, such an action would interfere with the Multilateral Trade Negotiations and have a very adverse effect on international trade; and second, S. 2920 would have an adverse effect upon consumer prices in the United States.

The Multilateral Trade Negotiations are in their most critical period. After years of special study through Industry Sectoral Advisory Committee established by the Congress under the Trade Act of 1974, the United States has developed a balanced trade proposal. The textile industry has had the opportunity to make its views known through those advisory committees as have other industries. When the United States submitted its negotiating offers in January of this year it did so based upon the advice of the ISACS, the policy committees, information from the United States International Trade Commission, and from public comments filed with the Trade Policy Committee. In order to achieve a U.S. tariff reduction policy in a non-discriminatory manner, the Office of the Special Trade Representative established standards for determining which products would be negative exceptions to the tariff reduction formula finally agreed to in the multinational trade negotiations. These U.S. offers reflect a balanced approach to the international trade problems affecting all United States industries, groups and citizens. At this critical stage in the negotiations, an exemption for all products covered by the Multifiber Arrangement would certainly have an adverse effect upon the negotiations. It would also be a repudiation of the advisory system established by Congress in the Trade Act of 1974.

The second reason, which to retailing may be the very primary reason that S. 2920 should be disapproved by this committee, is the adverse effect which it would have on consumer prices. In this day of rising inflation, anything which adds to the cost of goods or limits competition will have an inflationary impact. The marketing techniques of the American retail industry permit the offering to the American public of a broad assortment of merchandise at reasonable prices. The prices of small or large retailers are generally about even, so that there is a good balance between these two categories of retailers, thus maintaining stiff competition. The American public benefits from that competition. The ability to broaden the offering of assortments of merchandise in style, quality and price becomes an important ingredient to a retailer.

Merchandise imported by retailers causes the prices of domestic goods to be lower than if there were more restrictions imposed upon retailing. United States consumers benefit from these lower prices. To withhold the Multifiber Agreement from the tariff reduction formula and tariff cuts of the Tokyo round would operate as a continuing or additional restriction on importing.

One of the options in dealing with inflation caused by the deflating dollar is to reduce tariffs. In recent years the deflating dollar has added substantially to the landed cost of imported goods, thus increasing the price to the consumer.

The use of both quotas and high tariffs on textiles and apparel as a protection to domestic industry limits the selection of goods available to the consumer and reduces competition.

Competition among manufacturers is just as important as competition among retailers, although this is not always recognized by the manufacturers and labor unions who would discourage importing. The presence of competition at every level of distribution is an important factor in reducing consumer prices.

At this time we urge this committee to allow the Special Trade Representative to continue the negotiations on tariff reductions without mandatory legislative exceptions such as those set forth in S. 2920.

STATEMENT OF THE FEDERATION OF APPAREL MANUFACTURERS, KURT BARNARD, EXECUTIVE DIRECTOR

I am submitting this statement on behalf of the Federation of Apparel Manufacturers (FAM). FAM is a federation of the following nine associations collectively representing some 5,500 manufacturers of women's and children's apparel: New York Skirt & Sportswear Association, Inc.; Apparel Manufacturers Association, Inc.; Affiliated Dress Manufacturers, Inc.; National Association of Blouse Manufacturers, Inc.; New York Coat & Suit Association; New York Raincoat Manufacturers' Association, Inc.; United Infants' & Children's Wear Association, Inc.; The Belt Association, Inc.; and Infants' & Children's Coat Association, Inc. FAM was formed in early 1977 to represent the women's and children's apparel industry. FAM has a vital ongoing interest in the trade policies of the United States. FAM's executive director is a member of the Apparel Industry Sector Advisory Committee for the Multinational Trade Negotiations.

FAM strongly urges the adoption of S. 2920, a bill to amend § 127(b) of the Trade Act of 1974 which would effectively exclude textile and apparel products from the tariff cutting negotiations. Legislative history indicates that such an amendment is clearly consistent with the original intent of § 127(b):[1]

Under Section 127(b) of the Committee bill * * * *any article which is subject to an import relief* * * * would be excluded from any trade negotiations * * *.

It is not disputed that the apparel industry is an import sensitive market. This is evidenced by The Multifiber Arrangement, the eighteen bilateral textile agreements, eleven consultative agreements, and the Trade Act's exclusion of textiles from being granted GSP (Generalized System of Tariff Preferences) treatment. To permit tariff reduction on apparel items would negate the very purposes of these efforts to protect the industry.

Tariffs for apparel items help to offset the competitive disadvantage suffered by domestic firms resulting from the tremendous wage differential between the United States and foreign countries in this area of production. The following are examples of 1975 estimates of hourly wages with which U.S. firms are competing: Mexico—56¢; Columbia—46¢; Costa Rica—41¢; Honduras—39¢; Jamaica—33¢; Trinidad and Tobago—58¢; Haiti—18¢; Philippines—15¢. Notwithstanding United States present tariffs, these wage differentials have encouraged increased imports of women's and children's apparel to a point where imports account for over 50% of certain types of apparel and 20% and more of many others.

Because of its labor intensive character in the United States, women's and children's outerwear is not in a position to look for expansion through export to foreign markets. In fact, as exemplified by the following table, the apparel industry is experiencing a negative trade balance:

[1] 1974 U.S. Code Cong & Adm News 7245.

	In millions
Apparel exports, 1977	$524.1
Apparel imports, 1977	3,694.7
Negative trade balance	3,170.6

In the United States, payroll alone equals approximately thirty percent of the value of shipments.

CURRENT TARIFFS HAVE NOT DETERRED IMPORTS

The current United States tariffs on apparel items have been insufficient to deter imports into the United States. The table below demonstrates the extent of import penetration into the domestic women's and children's clothes market.

	Percent change between 1961 and 1976		Import penetration as percent of domestic production	
	Imports	Domestic production	1961	1976
Coats and jackets	+4,400.0	+0.7	1.1	49.5
Dresses and suits	+582.4	−20.8	0.8	7.2
Blouses	+379.9	+12.1	12.7	54.2
Knit sport shirts	+3,284.6	+85.2	5.9	107.6
Sweaters	+1,790.2	−19.5	5.1	119.1
Skirts	+1,780.0	−26.8	.4	10.5
Slacks and shorts	+326.0	+171.3	25.8	40.6
Rainwear	+833.3	−19.1	5.5	62.9
Dressing gowns and robes	+360.0	−17.6	1.5	7.8
Nightwear and pajamas	+44.4	+36.0	2.4	2.5
Underwear	+1,211.8	−1.7	0.2	2.5
Brassieres	+233.3	+0.6	15.2	58.[illegible]

GEOGRAPHIC DISTRIBUTION OF APPAREL FIRMS

The geographic distribution of apparel firms is significant. More than sixty percent of hosiery, jeans, shirts, nightwear, men's suits, and underwear is produced in 5 to 26 states. On the other hand, more than 80% of women's and children's outerwear is produced in one state, New York.

In New York City, women's and children's apparel manufacturing accounts for about 150,000 jobs (down from over 200,000 eight years ago). It generates an estimated $100 million in direct and indirect state and local taxes. An estimated 100,000 buyers are drawn to New York City from stores in fifty states, filling city hotel rooms, cabs, restaurants, shops, theaters, and service establishments. Increased imports and corresponding decreased domestic production would thus have deeply depressed effects on an already economically troubled city.

THE RETAILER, NOT THE CONSUMER, WILL BENEFIT FROM TARIFF CUTS

Presently, the risks of buying abroad (e.g., tying up funds in letters of credit, difficulty of returning defective or wrong merchandise, lack of quality control, unreliable fulfillment commitments) have compelled retailers to turn to New York manufacturers for imports. The domestic manufacturer supplements the volume generated by his own manufacturing operation by doing importing and domestic distribution. This enables many manufacturers to stay in business in spite of imports. These manufacturers fill their customers' needs for lower-priced foreign goods and at the same time fill their needs for original American-made fashions.

Tariff cuts would be incentive for retailers to bear the additional risks in importing directly, bypassing the U.S. manufacturer-distributor. The tariff cut would be enough to compensate the retailer for the additional risks involved in importing directly.

The retail operating results published regularly by the Federal Trade Commission, in the SES's SK-10 forms filed by retailers, the yearly Cornell University studies of the discount department store industry and the supermarket industry, and the annual operating results of conventional department stores issued yearly by the National Retail Merchants Association reveal that inflationary pressures, combined with consumer sophistication, have prevented most retailers from fully passing their cost increases on to shoppers. They absorb some or many of the costs of doing business. Retailers severely need to enhance gross margin; tariff reductions are not likely to be passed on as savings to consumers. Retailers will apply the reduction to profits being eroded by escalating costs, from taxes to advertising, from utilities to rent, from merchandise to payroll, from interest rates to employe benefits.

It is not unreasonable to assume, moreover, that as the economic appeals to retailers of low-cost apparel imports, increase, quality control will slip. If this assumption is correct, consumers will pay the same as before, but for lower quality merchandise. Whether or not quality deteriorates, the United States manufacturer would be driven out of the manufacturing business and bypassed as an importer. The jobs he provides in either capacity would vanish as would the taxes he pays and generates indirectly.

In 1977, the Chairman of the House Subcommittee on Trade requested that the Library of Congress determine whether the presumed lower cost of imported products results in an overall lower cost to the American consumer. The Library of Congress concluded[8] that the markup ratios on apparel imports appear to be *higher* than those on domestic apparel products. Any lower costs of apparel imports within the United States accrue to retailers by way of higher profits, not to consumers by way of lower prices.

For all of the above reasons, the Federation of Apparel Manufacturers strongly endorses S. 2920.

TEXTILE DISTRIBUTORS ASSOCIATION, INC.,
New York, N.Y., August 8, 1978.

Re Senator Hollings bill 2. 2920.

U.S. Senate Committee on Finance,
Dirksen Office Building, Washington, D.C.

GENTLEMEN: The following is a statement, for the record, to the U.S. Senate Committee on Finance, submitted by Mr. Irving Kaplow as Chairman of the Board of the Textile Distributors Association, Inc. Mr. Kaplow is also President of the Greige Goods Division of Reeves Brothers, Inc.

We appreciate the opportunity which this U.S. Senate subcommittee has offered our Association in permitting us to submit this statement in support of Senator Hollings bill (S. 2920).

The Textile Distributors Association is the marketing trade association for those companies involved in the distribution of finished apparel fabric to the apparel manufacturing and retail trades. Our membership consists of approximately 180 companies, with individual sales volume ranging from less than one million annually to well over one hundred million. This Association takes pride in representing both small and large business.

Here are five hard facts which the Senate must accept as axiomatic in your deliberations on the Hollings bill:

1. An increase in textile and apparel imports is also an increase in unemployment with concomitant welfare costs and the major intangible costs which result from an enlarged poverty segment of society.

2. The textile and apparel industry is basically "small business". The largest manufacturer of textiles produces less than 7 percent of our total production. The average producer is relatively small, and this is even more true in the apparel industry. Small business in our industry represents a bastion of our industrial democracy, but will be the first business victim of increased imports and tariff reductions.

3. The textile industry resources will be crucially taxed in order to comply with various recent regulations relating to OSHA and environmental control. It is likely that dust and noise control alone will require annual investments in excess of the total annual profit of this industry.

Significant reductions in our tariff structure will make it almost impossible for our industry to make these major new investments.

4. The apparel industry represents major employment opportunities for minority population cities, such as New York and Los Angeles. There is no doubt that the loss of jobs in these industries in New York, for example, has contributed seriously to its financial crisis. Tariff reductions on textiles and apparel

[8] Subcommittee on Trade of the House Committee on Ways and Means, Library of Congress Study on Imports and Consumer Prices (July 19, 1977).

would undoubtedly lose jobs in New York and Los Angeles where minority groups need stepping stones in order to become secure members of our society. Furthermore, in other geographical areas, including almost every State in the Union, about 80% of textile and apparel workers are women and/or black and/or Hispanic people for whom such employment opportunities represent security.

5. Advocates of tariff reduction maintain that imports represent an antiinflationary influence. We are not aware of any definitive studies which so prove. On the other hand, there is very good evidence that the retail establishment sells import products at the same price level as domestic products, realizing as much as two to three times the mark-on. We trust that we will not be misunderstood on this score. Profits are very important, but let us clearly understand that imports are a good profitmaker and not a significant factor in reducing the consumer's cost of living.

We complete this statement by asking that the Senate contemplate whether there is a secure place in our society for the less skilled, the minority groups such as women, blacks and Hispanics, or whether such Americans become permanent members of a welfare class. If this country should reduce tariffs on textiles and apparel products, we will hurt these workers and we will hurt small as well as big business at a time when we need all our resources to maintain our market share.

Accordingly, for all of these reasons, the Textile Distributors Association strongly supports the passage of S. 2920, and we thank you for the opportunity to submit this statement.

Respectfully submitted,

IRVING KAPLOW,
Chairman of the Board.

STATEMENT OF EARL S. RAUEN, PRESIDENT, WORK GLOVE MANUFACTURERS ASSOCIATION

SUMMARY

The Work Glove Manufacturers Association is seriously concerned over the adverse impact on its firms and workers if the U.S. offer to reduce tariffs on textiles and apparel is implemented in the Multilateral Trade Negotiations. Such action appears inevitable unless prevented by the intervention of Congress through enactment of legislation such as S. 2920.

MTN tariff cuts in the fiber/textile/apparel sector would certainly result in a greater influx of imports, thereby aggravating the industry's serious import problem and further weakening the already ineffective import regulatory mechanism under the Multifiber Arrangement (MFA) and the bilateral agreements extant with major supplying countries.

Were tariffs to be reduced on cotton work gloves, it would represent yet another cruel rebuff at the hands of the Executive Branch for this industry, which has seen two separate petitions for import relief under the safeguard provisions of the Trade Act denied by the International Trade Commission.

The production of cotton work gloves is highly labor-intensive and Far Eastern low-wage supplying countries, including Communist China, have increasingly penetrated the U.S. market at the expense of domestic output and jobs. Imports in the first half of 1978 accounted for over 29 percent of the total market. This is an import penetration rate no domestic industry can long endure and yet survive. If tariffs on cotton work gloves were now to be reduced, it would spell the complete demise of this small industry. We hope members of this Subcommittee will help to prevent this tragic occurrence by reporting out favorably S. 2920 and working for its passage at this session of Congress.

I am Earl S. Rauen, President and Chief Operating Officer of Indianapolis Glove Company, Inc. I am also the President of the Work Glove Manufacturers Association, a trade association whose members account for the great bulk of the domestic output of cotton work gloves—an industry whose very survival is at stake if the U.S. duty on imports of this product is reduced as we believe may be in the offering at the multilateral trade negotiations at Geneva.

MTN tariff cuts would undermine textiles/apparel import safeguard mechanism

We, as one segment of the thousands of firms and almost 2½ million workers whose economic well-being depends on the viability of the textile and apparel sector in the United States, are seriously concerned that the U.S. offers to cut textile and apparel tariffs, if carried out, threaten to undermine irreparably the essentially fragile safeguard which now exists against disruptive import surges through the mechanism of the Multifiber Arrangement (MFA) and the 18 separate bilateral agreements negotiated by the United States with supply countries.

Our trade negotiators indeed have rationalized to our industries that, because of the existence of these special arrangements with regard to the international trade in textiles and apparel, any reduction in textile tariffs could take place without damaging increased import impact. Moreover, they suggest to the contrary that tariff cuts for textile and apparel items could convey benefits in expanding opportunities for U.S. exports of such items to third country markets.

Such rationalizations are both misleading and false. Multilateral tariff reductions in the textile and apparel area will not compensate sufficiently for our higher labor and material costs to enable U.S. exports to be competitive in world markets against the low-wage, low-cost, and frequently subsidized exports of developing countries.

Moreover, it is indisputable that the MFA and bilaterals negotiated under the framework of the MFA have not prevented damaging import growth at the expense of domestic jobs and output. The MFA and bilaterals permit imports to enter the United States at an annual compounded rate of 6 percent or more. Domestic output has simply been unable to keep pace with that import growth level. The result is that 1977 produced the highest level of imports for apparel, and a record textile/apparel trade deficit of $3.4 billion. Moreover, textile and apparel imports in the first five months of 1978 were 28 percent above the same period last year in yardage terms, with the textile/apparel trade deficit for the first five months of 1978 running at an annual rate of $4.4 billion.

Cotton work glove industry would suffer new blow

The foregoing comments have direct relevance to the growing adverse economic situation in the cotton work glove industry. Our small industry produces an item of apparel which, though embraced under the MFA and the bilateral agreements thereunder, is being supplied in our marketplace in ever increasing quantities from foreign sources.

In proposing a cut in the tariff on cotton work gloves, our trade negotiators in Geneva would be oblivious to the fact that our industry has been fighting a valiant uphill battle against disruptive imports of cotton work gloves. Cutting the tariff on cotton work gloves would constitute yet another cruel rebuff at the hands of the Executive Branch for this industry, which has repeatedly sought to attain a measure of import relief under the safeguard provisions of the Trade Act of 1974.

In this regard, a Section 201 (escape clause) petition to the International Trade Commission in 1975 covering all work gloves, including cotton work gloves, was rejected. When, in December of last year, the cotton work glove industry separately petitioned for import relief under another Trade Act provision, i.e., Section 406, to counter the severe disruption of the cotton work glove market resulting from rapidly increasing imports from Communist China, at prices no U.S. supplier could compete with, that petition too was denied by the International Trade Commission.

A major factor in the ITC's rejection of the escape clause petition was a judgment by Commission members that other industrial sectors in work glove manufacturing seemed to be holding up better against imports than did cotton work gloves. It is therefore ironic that in the subsequent Section 406 action, the Commission members appeared in agreement that cotton work gloves were being adversely affected by rising imports but, nonetheless, they could not agree that such adverse impact or injury could be specifically traced to rising imports from the People's Republic of China.

Spiralling import growth based on price competition already threatens cotton work glove industry

In recent years the most striking feature of the cotton work glove market has been the steady penetration of imports at the expense of domestic output. The fact is that domestic output has been unable to maintain even is proportionate share of total market growth. As the data given in the attached table show there has been at best stagnation for domestic output while imports have continued to capture a greater share of the market. Taking the two categories of cotton work gloves combined (woven and knit), total imports between 1970 and 1977 increased 291 percent by quantity while domestic shipments decreased by 12.4 percent. In this period, the overall import penetration rate almost quintupled.

The data for 1978 show imports of both woven and knit work gloves are continuing their relentless penetration of the U.S. market at the expense of domestic output. Total woven and knit cotton work glove imports amounted to over 4.2 million dozen pairs in the first half of 1978, compared to 3.1 million dozen pairs in the same period of 1977. With domestic output showing a much slower growth rate, imports as a percent of domestic shipments rose to over 41 percent in the first half of 1978 compared to less than 34 percent in the corresponding 1977 period. As a share of the total market, imports in the first half of 1978 accounted for over 29 percent, running well ahead of the level for the first half of 1977.

The competition from imports at the expense of domestic output is not a response to quality or durability but primarily is due to price competition, which has moved increasingly against domestic manufacturers because the work glove industry is heavily labor-intensive. This places the United States manufacturer at a decided disadvantage in competition with other foreign low-wage production, particularly countries in the Far East.

In the United States, Bureau of Census data show labor costs to be about 30 percent of the final cost of production, while raw material costs (i.e., cotton) account for about 55 percent of total industry shipments. The significance of heavy labor-intensiveness is that domestic cotton work glove production costs are substantially above foreign production costs in the major supplying countries. These are overwhelming the developing countries where wage rates are maintained at exceedingly low levels.

The wide disparity between U.S. and foreign wage rates has been substantiated by a study of the Office of Productivity and Technology of the Bureau of Labor Statistics. The study compared total hourly compensation of apparel production workers in the major exporting countries. According to the study, U.S. production workers in the apparel industry, taking into account all fringe benefits, had average hourly earnings of $4.38 in 1977, but by comparison, production workers in comparable industries in Korea earned $.38–.41; in Taiwan, $.55–.57; and in Hong Kong, $.94–.98.

In this connection, and particularly alarming to the domestic cotton work glove industry, has been the recent emergence as a heavy supplier to the United States market of the People's Republic of China. In just a few years time this country has come up from zero to take 2nd place, after Hong Kong, as the leading foreign cotton work glove supplier. For such a centrally planned economy, production costs have absolutely no bearing in final export selling prices.

U.S. policy in tariff cut offer is inconsistent with U.S. policy to support MFA

I have already eluded to the fact that the two categories of cotton work gloves, (TSUSA 704.4010 and 704.4510) are encompassed within the restraint categories specified in the U.S. textile import program.

Such import ceilings are a help in preventing excessive import surges from controlled suppliers—but not from an uncontrolled supplier such as the People's Republic of China. The MFA and the bilaterals thus are an inadequate import relief mechanism. On the other hand, but for the existence of the restraint categories in the MFA and the bilateral agreements, import impact in the domestic cotton work glove industry doubtless would be far more serious.

It is therefore illogical and inconsistent for the U.S. Government to accord a measure of import relief to cotton work glove manufacturers through the MFA and bilateral agreement mechanism and then to have that relief vitiated by cutting the tariffs on such products. Furthermore it must be noted that while the MFA has a four-year limitation, tariff cuts have indefinite duration.

The U.S. textile import program which is based on the provisions of Section 204 of the Agricultural Act of 1956 as amended aims at the orderly marketing of textiles and apparel. The 18 bilateral agreements that have been negotiated under the MFA by the U.S.—aside from their being negotiated under a different statutory authority—are no less orderly marketing agreements than those that have been negotiated pursuant to the "escape clause" of the Trade Act of 1974.

It is significant that cotton work gloves, as an apparel item, is accorded statutory exclusion (Section 504(c) of the Trade Act) with respect to the granting of zero duty treatment to developing nations under the Generalized System of Preferences. By such statutory exclusion, Congress explicitly recognized the import sensitivity of cotton work gloves along with other textiles and apparel products.

For these reasons the Work Glove Manufacturers Association strongly supports S. 2920 and other bills identical to it which would amend Section 127(b) of the Trade Act of 1974 by including import relief pursuant to Section 204 of the Agricultural Act of 1956 as a basis for automatic exclusion from tariff cuts in the current round of trade negotiations. Such action is absolutely essential in order to prevent the demise of this small but strategic industry.

Cotton work gloves are manufactured for a specific purpose, namely to provide basic hand protection or product protection in industrial, commercial, or domestic activity. In a real sense, cotton work gloves are a vital ingredient of the U.S. industrial process and continuing access to supplies of cotton work gloves are therefore essential to the national economy. It follows therefore that a healthy domestic cotton work glove industry is directly in the national interest.

Survival of cotton work glove industry is at stake at MTN's

Due directly to the impact of low wage/cost imports, there has been steady and continuous attrition of firms and workers in this industry. The 1967 Census of Manufactures showed this industry to comprise 174 establishments, 110 of which had 20 or more employees. Today, there are only 50–60 firms left employing about 8,000 persons.

Though a relatively small industrial activity by comparison with other U.S. industries, the manufacture of cotton work gloves takes on added significance by virtue of several distinguishing characteristics:

It is an industry heavily labor-intensive and the bulk of its workers are women or of ethnic minority group origin. The average age of workers is relatively high.

Manufacturing is heavily concentrated in southern and midwestern states and the jobs created in rural areas are factors of considerable local economic significance.

Closing of a plant means in effect permanent unemployment for the displaced individuals. They are simply not people who can transfer to other industries, because of age, geography or other factors.

The economic outlook for our firms and workers is already bleak by virtue of import price competition. Let us not further worsen that outlook by giving foreign suppliers an even greater competitive advantage in our market by virtue of MTN tariff cuts. The current tariff of 25 percent ad valorem provides some help to our manufacturers in competing against foreign supply. Reducing this benefit means the demise of firms and of jobs in this industry. The survival of our industry is at stake in enactment of legislation like S. 2920 which would enable automatic exclusion from tariff cuts in the current round of trade negotiations for a product like cotton work gloves.

Let me say in closing that I believe in the benefits of expanding world trade to stimulate economic growth. But this must be a shared and reciprocal endeavor, not one fashioned to stimulate growth in one country at the expense of another. The United States is relatively unique as one of the few remaining open markets in the world. Reducing tariffs for a product like cotton work gloves would have the effect of funneling still a greater volume of trade to this open market.

For products that are labor-intensive and come heavily from developing countries where producers and exporters benefit from extremely low wages and low production costs that are often enhanced by outright subsidies from foreign governments, the United States market is as much a magnet as is pollen to a bee. In the absence of measures to safeguard domestic industry against such unfair import competition, there can be only one outcome; plant shutdowns, job losses, and the eventual demise of the domestic industry.

We urge the adoption of S. 2920.

DOMESTIC SHIPMENTS AND IMPORTS OF COTTON WORK GLOVES

[In 1,000 dozen pairs]

Year	Woven (TSUSA 704.4010)				Knit (TSUSA 704.4510)				Total woven and knit			
	Domestic shipments	Imports	Imports as percent of domestic shipments	Imports as a percent of total	Domestic shipments	Domestic imports	Imports as percent of domestic shipments	Imports as a percent of total	Domestic shipments	Imports	Imports as percent of domestic shipments	Imports as a percent of total
1970	13,082	1,421	10.9	8.8	9,158	195	2.1	2.1	22,240	1,616	7.3	6.8
1971	13,049	1,035	7.9	7.3	9,101	192	2.1	2.1	22,150	1,227	5.5	5.2
1972	13,883	1,249	9.0	8.3	9,650	233	2.4	2.4	23,533	1,482	6.3	5.9
1973	14,009	1,690	12.1	10.8	10,874	802	7.4	6.9	24,883	2,492	10.1	9.1
1974	13,490	2,742	20.3	16.9	11,096	1,189	10.7	9.7	24,586	3,931	16.0	7.0
1975	10,003	1,672	16.7	14.3	8,473	837	9.9	9.0	18,476	2,509	13.6	12.0
1976	10,548	3,114	29.5	22.8	8,441	1,845	21.9	17.9	18,989	4,959	26.2	20.7
1977	[1] 9,794	3,437	35.1	26.0	[1] 9,694	2,888	29.8	22.6	[1] 19,488	6,325	32.5	24.5
1977 (January–June)	[1] 4,815	1,673	34.7	25.8	[1] 4,405	1,428	32.4	24.5	[1] 9,220	3,101	33.6	25.2
1978 (January–June)	[1] 5,130	2,533	49.4	33.1	[1] 5,117	1,689	33.0	24.8	[1] 10,247	4,222	41.2	29.2

[1] Based on WGMA survey of domestic producers representing approximately 60 pct of domestic shipments and adjusted to reflect the national total.

Source: U.S. Department of Commerce data.

Statement of George Vargish, President, National Knitted Outerwear Association

I am George Vargish and I submit this statement as President of the National Knitted Outerwear Association, an organization which represents approximately 625 manufacturers of sweaters, knitted shirts, swimwear and other knitted apparel, located in 37 states of the Union, all striving to preserve jobs for some 80,000 men and women who depend upon this industry for their livelihood. In addition, our Association has over 400 associate members in the various supply trades which supply our industry and which employ 40,000.

These jobs and the future of these firms are in jeopardy because of increasing imports and I, therefore, thank you for the opportunity of presenting this testimony in support of the speedy enactment of S. 2920.

The Trade Act now provides that where an industry is found by the United States International Trade Commission to have suffered or to be threatened by serious injury as a result of imports and the President decides that a remedy should be applied, he may invoke four types of relief. Among them he may negotiate orderly marketing agreements with exporting countries limiting their shipments into our market; and where he does so the articles affected are by statute automatically exempt from the Tokyo Round.

Textiles and Apparel have long been recognized as requiring such special treatment and have for years, therefore, been the subject of orderly trade agreements. The necessity for developing such controls on international trade in apparel and textiles has been acknowledged by the Congress under Section 204 of the Agricultural Adjustment Act as amended, and by its continuous interest in the textile import control program, by the GATT, by the major trading nations of the world as far back as 1961, and by successive administrations both Republican and Democratic since then. To withhold exemption from apparel and textiles which by our own and foreign governments have for so long been regarded as requiring orderly marketing agreements while allowing such exemption to cases approved by the U.S. International Trade Commission and the President is both illogical and inequitable.

It is a strange anomaly that any industry which is newly found to require orderly marketing agreements under the more limited procedures of the Trade Act is excluded from tariff cutting negotiations, while the textile and apparel industry whose need for such alleviatory measures rests on a much broader consensus of governmental and international authorities and of more extensive and repeated reapprovals is denied this same exemption. It is that anomaly which this Bill seeks to correct.

The facts surround the penetration by imports of our apparel and textile markets support the enactment of S. 2920.

The knitwear industry even under existing tariff rates is highly vulnerable to imports. Foreign sweaters in all fibers and of all types account for *more than half our domestic consumption*. Last year they reached a level of more than *three times what they were in 1966*. In that same period domestic production *declined by 25%*. Also in excess of *50% was the import penetration of our market for knitted shirts for women, girls and infants*. Other classifications of knitwear are rising and are similarly threatened.

It is obvious that no tariff cuts are needed for the further encouragement of imports. This industry has borne far more than its fair share of the import burden. What we desperately need is bilateral agreements that will better assure the survival of this industry and its jobs.

Last year imports of knitted outerwear in all fibers amounted to 286 million pounds net weight. This quantity exceeds the total number of pounds of yarns reported by the Bureau of the Census to be consumed by the domestic industry in the production of comparable garments.

Recently the U.S. Treasury in a preliminary determination found that seven countries are subsidizing significantly their exports of textiles and apparel to the United States.

If tariffs on knitted outerwear were to be cut the effect would be to encourage imports of competitive knitwear from Europe whose shipments to the United States have thus far been moderate compared to the heavy influx that originate in the low wage countries of East Asia. The danger is, moreover, that in the case of European suppliers the prospects of negotiating any bilateral restraining agreements such as those with countries of East Asia are for political reasons so remote as to be altogether nil.

Another disturbing factor now emerges. The Peoples Republic of China is beginning to import quantities of Acrylic staple from Japan. In 1975 they imported 8.3 million pounds. In 1976 22.4 million pounds and in 1977 32.9 million pounds with *5.1 million in December alone of that year.*

Shipments of sweaters from the Peoples Republic of China show the following growth pattern:

1975—5,602 Dozen.

1976—52,031 Dozen.

1977—128,504 Dozen.

The first quarter of 1978 the Peoples Republic of China shipped 24,996 dozen or a 22% increase over the same period in 1977. The excessive and destructive growth of shipments of our products were all accomplished despite the fact that the Peoples Republic of China did not enjoy the most favored nation tariff schedule.

Updated statistics as released by the U.S. Department of Commerce Bureau of the Census indicate that total imports for the first five months of 1978 are 28% *above the corresponding level of last year.* Any reduction of existing duty rates will accellerate the shipment of Textile/Apparel to the United States not only from countries with whom we have bilateral agreements but also those with whom no agreements have been concluded. On the basis of the above accellerated increase on imports the announced position of our Government to offer a 25.5 cut in tariffs on Textiles and Apparel will hasten the destruction of the Knitted Outerwear Industry.

The U.S. Bureau of the Census has released the U.S. Balance of Textile trade deficit for 1977 and the total was $3,078,000,000. As indicated in the past, we employ less than 10% of the total labor force involved in the Textile/Apparel Industry yet we had to absorb $1,503,000,000 of this total or about *50% of the total textile trade deficit for 1977.*

Removal of apparel and textiles from Multilateral Trade Negotiations would help prevent the further deterioration of our trade deficit that tariff cuts in this area could otherwise induce.

Tariff cuts can only serve to aggravate our textile and apparel trade deficit. They would, however, bring little benefit to the consumer as had been previously and repeatedly demonstrated. The lower the acquisition prices of imports to American retailers the higher is the markup they enjoy in their selling price to the American consumer.

In view of the serious decline in the number of establishments and reduction in the labor force of the Knitted Outerwear Industry, it is our position that our Government should adopt the policies developed by the EEC to insure the viability of the domestic knitting industry. We have had occasion to examine the EEC bilateral negotiated with Hong Kong, South Korea and Taiwan for the United Kingdom and the indications are that sweater quotes for 1978 total *2,977,000 dozen or 21% less than the 1977 shipments.* Compare this with the results of the bilaterals negotiated by the U.S. with the above countries and we discover that the reduction for our industry for 1978 is *less than 4%* from the above countries. The EEC's attitude is to preserve industry and jobs *not to export them.*

These are some of the reasons why the employers of the Knitted Outerwear Industry and the more than 120,000 employees whose jobs depend on the industry's survival want to see favorable action taken as soon as possible on the Bill here under study. We consider prompt action essential.