

Freer Trade in Textiles Changes Import Sources

BY BETTY JOYCE NASH

The end of textile quotas in the United States is rearranging textile production worldwide. The set of quotas known as the Multifiber Arrangement (MFA), aimed to keep domestic manufacturers from being overrun with competition, expired at the end of 2004. The total level of imports hasn't risen dramatically as a result, but the sources of the goods have been sharply affected.

Total U.S. imports of textile and apparel rose 6 percent in March compared to the same month in 2004. But imports from China, India, and Bangladesh rose by about 43, 31, and 45 percent, respectively. Meanwhile, imports from Mexico, Hong Kong, South Korea, and Taiwan fell sharply.

March is the first month from which meaningful data can be drawn, since it's the first truly quota-free month, according to Donald Brasher of Global Trade Information Services, Inc., a trade statistics company. He explains that the January and February trade data included goods shipped in late 2004, under the quota regime.

The U.S. Department of Commerce responded in May to heavy Chinese imports in some categories by placing "safeguards" on certain textiles from China, including cotton pants, shirts, and yarn.

It won't help domestic producers, Brasher says. "It is a total nonissue; it'll only come in from other countries," he predicts.

The fear of Chinese imports flooding the U.S. market is only the latest in a long line of import threats. The United States restricted Japanese textile imports after that country became the world's largest textile exporter in the 1930s. By 1960, the United States had limited imports from Hong Kong, Pakistan, and India, too. Twelve years later, the United States had agreements with 30 countries, and by 1994, 40 countries were affected, according to the Economic Research Service of the U.S. Department of Agriculture. As imports were restrained from one country, production moved elsewhere.

Pietra Rivoli, an economist at Georgetown University and author of *Travels of a T-Shirt in the Global Economy*, argues that the MFA hastened globalization.

"Each time a hole in the import dike was plugged by quotas — on cotton socks from China, say, or silk ties from Thailand — the effect was not to preserve U.S. jobs, but instead to increase the force of imports gushing in from other countries and categories," she wrote recently in *YaleGlobal*, an online magazine.

Textile industries in the United States have difficulty competing with countries where production costs are cheaper. Labor-intensive production moves from country to country. The garment industry gives poor countries a leg up in the quest for industrialization.

"What does a textile industry do for a country?" asks Brasher, who has helped establish textile manufacturing in Bangladesh and other developing countries. A lot, he says. Just consider the case of Manchester, England, a city that grew dramatically in the 18th and 19th centuries as textile production boomed there, and is now considered one of the birthplaces of the Industrial Revolution.

Many observers fear that the textile industries in poor countries can't compete with China.

Fifth District textile firms are continuing to shut plants. Springs Industries, based in Fort Mill, S.C., has closed six since last year. WestPoint Stevens' most recent cuts include 1,905 jobs in North Carolina, and VF Corp. is closing its Wilson, N.C., jeans plant in 2006, putting 445 people out of work. National Textiles shut its Greenwood County, S.C., plant in June, costing 390 jobs.

Some of the closings can be attributed to disappearing protections. But the quotas didn't save the domestic textile industry, notes Edward Gresser, director of the Progressive Policy Institute's Project on Trade and Global Markets.

"If you look at the quota system — it became effective in 1974 — at that time there were about 2.5 million people working in textile and apparel" in the United States, says Gresser. "Now there are half a million. It really wasn't very good at keeping jobs anyway."

By shedding workers, textile firms in the Fifth District hope to stay competitive. "It has been more intense than even our worst calculations," says Ted Matthews, Springs Industries' spokesman. He attributes the most recent six plant closings directly to the quota-free environment. Springs Industries is a 118-year-old, privately held textile company.

With vast new capacity worldwide, customers demand rock-bottom prices. World prices for the firm's key product lines, sheets and towels, have plummeted. "Admittedly, [Springs] will have a much smaller number of facilities than we have had historically," Matthews says.

While quotas may have delayed some job losses they've increased prices by 5 percent to 10 percent, according to the Economic Research Service. **RF**

Textile/Apparel Tally*

Overall	6%
China	43%
India	31%
Bangladesh	45%
Mexico	-11%
Hong Kong	-30%
S. Korea	-20%
Taiwan	-18%

*Textile and Apparel Imports, March 2005 over March 2004
SOURCE: Global Trade Information Services, Inc.