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Textile and Apparel Imports

“Made in Taiwan . . . Made in the Philippines . . . Made in Hong Kong.” More and more often we see these tags not only on cameras or television sets, but on the clothes we wear. American textile workers and the American economy are beginning to feel the pinch as American consumers begin purchasing more clothing made in foreign lands by foreign laborers working for as little as 20 cents per hour.

To combat this invasion of foreign goods, the industry has launched a campaign urging consumers to “buy American.” This, in turn, has touched off a debate among manufacturers, economists, and consumers. Here we present the facts behind this debate in an effort to help you make an informed consumer decision.

Why are we hearing so much about imports now?

In recent years, shipments of textile and apparel products from other nations have increased greatly in U.S. markets. Although there are many aspects to consider in this issue, American manufacturers are concerned by the growing volume of imported products. Industry leaders believe these imports hurt the sale of domestic products to American consumers. The graph,

“U.S. Apparel Market” (next page) indicates the trend in import shipments in recent years.

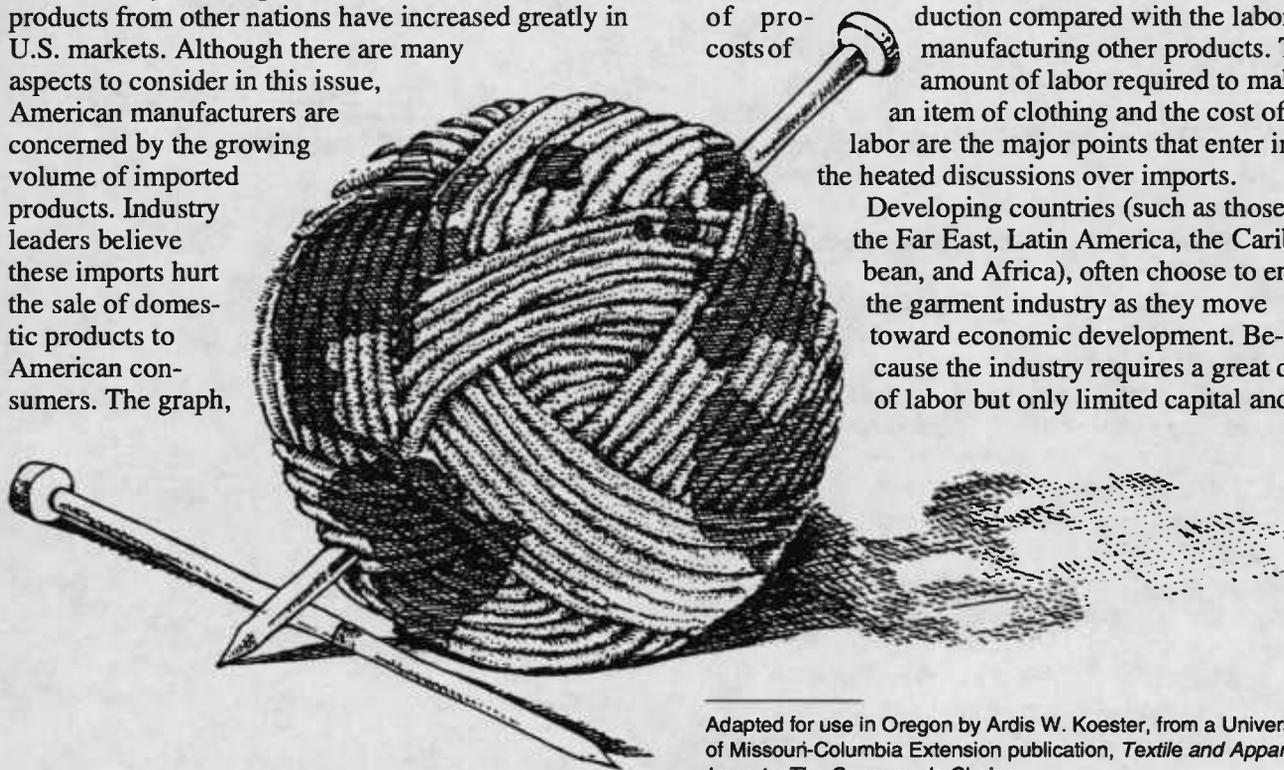
Because of this increase in imports, American manufacturers have expressed concerns for their industry.

Although this publication focuses on the textile and apparel industry, virtually the same situation—only magnified—exists for the leather/footwear industry.

Is the textile/apparel industry a special case?

The manufacturing of clothing, as a global industry, has characteristics that create special problems. Because the basic component used in manufacturing garments is limp fabric, many processes cannot be readily automated. Thus, it requires a great deal of human handling to assemble garments, making this a “labor intensive” industry. This means that labor costs account for an unusually high proportion of the cost of production compared with the labor costs of manufacturing other products. The amount of labor required to make an item of clothing and the cost of that labor are the major points that enter into the heated discussions over imports.

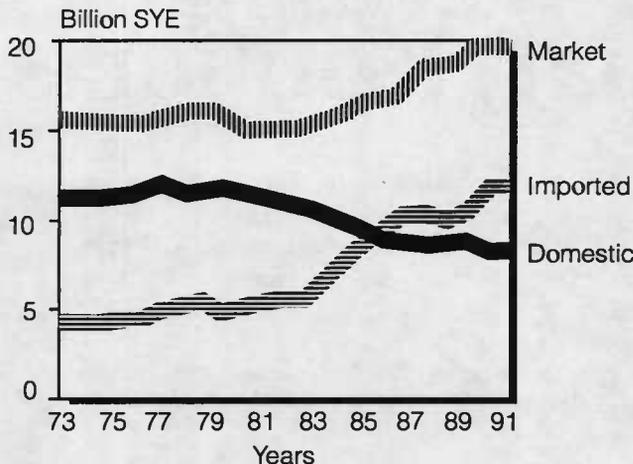
Developing countries (such as those in the Far East, Latin America, the Caribbean, and Africa), often choose to enter the garment industry as they move toward economic development. Because the industry requires a great deal of labor but only limited capital and



Adapted for use in Oregon by Ardis W. Koester, from a University of Missouri-Columbia Extension publication, *Textile and Apparel Imports: The Consumer's Choice*.



The U.S. Apparel Market



SYE = Square Yard Equivalent. All products are converted to this measure in order to make meaningful comparisons. Source: American Textile Manufacturer's Institute, NCCA, and the U.S. Department of Commerce.

technology compared to most other industries, apparel production often seems a perfect choice to the developing countries. Usually, developing countries have large numbers of people in need of work and willing to work for low pay. Similarly, they have little technology and capital in the early stages of development.

As recently as 25 years ago, only a limited number of nations competed for the global textile and apparel markets. The world market has grown little in recent years, but the number of countries producing textile and apparel products has increased greatly. Thus, because so many nations now produce textiles and apparel, competition for a share of the global market has become quite intense.

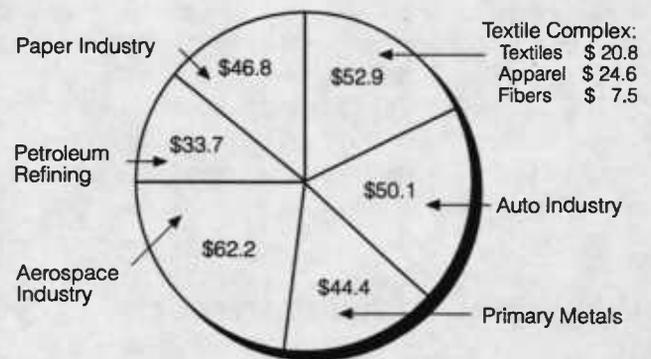
The international competition becomes even more dramatic because of the differences in wages paid to workers (see "Wages" graph, next page)—a major factor in the cost of the finished garment. In the poorer developing countries, manufacturers pay their workers as little as 20 to 40 cents per hour, compared to several dollars per hour (plus the costs of workers' benefits) in countries similar to the United States.

Textile and apparel manufacturers in the industrialized countries (the United States, major European countries, Canada, and Japan) are concerned about the increased competition. First of all, the wage differences make it difficult to compete. Second, the newly developing countries direct most of their products to the same markets the United States, Europe, Canada and Japan need to reach. Producers in many parts of the world view the U.S. market as the most attractive of all and have directed their products to this country. As might be expected, American producers have reacted with alarm.

What does the textile and apparel sector mean to the United States?

These industries are a major sector of the U.S. economy, employing more than 2 million people. One out of every 10 persons employed in manufacturing jobs in the United States is employed in a textile/apparel/fiber industry job.

The industry is particularly important to some regions of the United States and provides jobs to many persons who have few or no employment alternatives. The industry also is a major contributor to the U.S. gross national product, as shown below:



Billion Dollars, 1989 G.N.P.

Source: American Textile Manufacturer's Institute.

What does the textile and apparel industry mean to Oregon?

Many people are surprised to learn that Oregon has both textiles and apparel manufacturing. These industries represent diversification of industry. Textile and apparel manufacturing combined are the 17th largest manufacturing employer in Oregon. According to the most recent data from *County Business Patterns* (1989), published by the U. S. Department of Commerce, these industries employ the following number of jobs for Oregonians:

Sector	Persons Employed
Apparel	2,775
Textile mill products	700
Leather/footwear	434
Total	3,909

According to *County Business Patterns* (based on 1989 data), textile and apparel jobs generate \$55 million in Oregon wages annually. There are 27 companies employing about 700 workers who produce textile mill products. These include weaving and knitting mills and finishing plants. Oregon also has about 4,000 sheep growers.

Over 130 companies employ 2,775 workers who produce apparel and other textiles. The products include men's, women's, and children's apparel, outerwear, accessories, home furnishings, and miscellaneous textile products.

Twenty-three companies employ about 434 workers in the leather and leather products manufacturing category. These products include footwear, gloves, luggage, handbags, and other leather products.

What does this mean to the consumer?

Allowing an *unrestricted flow* of textile and apparel imports (free trade) may mean:

- Products made in low-wage countries may be available (but not always) at lower prices.
- Imports require domestic manufacturers to be competitive; hence, better values may be available to the consumer, even on U.S.-made products.
- More variety is available to the consumer.
- Consumers bear no costs in protecting a particular industry from global competition.
- Increased shipments of imports are likely to reduce U.S. jobs: costs of unemployment and providing public assistance funding may be passed on to taxpayers.

Limiting the flow of textile and apparel imports (a form of protectionism) may mean:

- Consumer prices may be higher due to tariffs and other costs associated with protecting the industry.
- Variety may be more limited because of restrictions on certain products from various countries.

What does this mean to the industry?

An *unrestricted flow* of imports may mean:

- The loss of our share of the market will hurt the U.S. industry.

Limiting the flow of imports may mean:

- Shielding the U.S. industry from the effects of imports will save jobs.
- The textile and apparel industry will experience fewer negative effects, but other industries may feel the pinch as other countries retaliate by not buying U.S. products or by imposing tariffs and quotas.

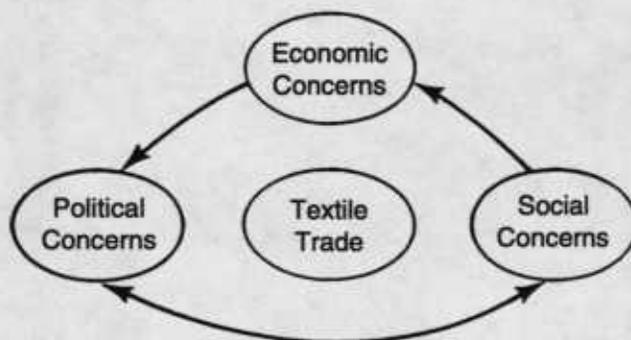
Labor cost comparison to U.S. dollars

Country	Comparison	Country	Comparison
Sweden	\$1.50	Uruguay	.18
W. Germany	1.36	Peru	.12
Canada	1.22	Malaysia	.08
U.S.A.	1.00	India	.07
United Kingdom	.84	Egypt	.05
Greece	.45	Pakistan	.04
Taiwan	.37	Sri Lanka	.03
Hong Kong	.25	Nigeria	.03
Mexico	.22	Indonesia	.02

Adapted from Werner International, 1989.

Looking at the broad picture

For policy makers involved in textile and apparel trade, deciding who can **export** products to whom—and who will **import** products from whom involves many complex concerns:



Trying to balance trade involves asking questions about these concerns:

Economic

Which nation's economy shall gain at another's expense? How can the interests of all industries be considered—e.g., if textile/apparel imports are restricted from a country, how might another industry be injured by retaliation? How can other countries, particularly developing countries, buy U.S.-made goods if they are unable to make money selling products they have the capacity to produce?

Political

What are the political costs and benefits of opening or restricting our markets? Can we afford to offend other nations by restricting their products?

Social

What are our obligations to help workers in poor, developing countries? What are our obligations to our own workers who may have few or no job alternatives?

How can consumers tell where a clothing item was made?

Consumers now have a way to tell where a garment was made. Earlier Federal labeling laws required that the country where the garment was made (country of origin) be identified for foreign-made items. Since December 24, 1984, manufacturers must label all textile and apparel items, including those made in the United States. They must place the label on the neck of a garment or in another easy-to-find place. Manufacturers may label small items, such as stockings, on the package rather than on the actual item.

If laborers in another country produced components or assembled the garment, the manufacturer must state this information on the label **for the previous stage** in the production process. For example, if a garment is made of fabric from another country, or was assembled in another country, that must be given. If a sweater is made of yarn produced in another country, that must be labeled as such, and so on.



The fabric for this garment may have been made and cut in the United States, but workers in Costa Rica actually sewed it together.



Extension Service, Oregon State University, Corvallis, O.E. Smith, director. This publication was produced and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. Extension work is a cooperative program of Oregon State University, the U.S. Department of Agriculture, and Oregon counties.

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A second labeling effort also may help consumers in identifying products. To help American consumers identify textile and apparel products made in the United States, the U.S. textiles and apparel industry has launched a major labeling and promotion campaign, "Crafted with Pride in U.S.A."

This labeling is strictly voluntary on the part of the manufacturer (but only for domestic products, of course); thus, some U.S.-made products are being identified with the "Crafted with Pride" label, but not all manufacturers are choosing to participate in this effort.



The voluntary industry-sponsored label shows this symbol.

Summary

As we can see, there is not an easy answer for the consumer. Becoming aware of the different views, however, will make it difficult for groups representing only one side of the issue to sway your thinking. Consumers should be aware of the broader issues so that a choice between a U.S.-made or a foreign-made product is an informed choice. Further, this publication has focused on the cost/price aspects of textile and apparel items. Because price is not the only consideration, consumers must evaluate the quality of products as well.

For further reading

Dickerson, K. and Hester, S. "The Purchase of a Shirt: International Implications," *Journal of Home Economics*, spring 1984, pp. 20-25.

Dickerson, K. "Consumer Perspectives: Imported vs. U.S.-Made Apparel," *Family Economics Review*, 1983, no. 3, pp. 13-16.

Dickerson, K. and Barry, M. "Family Clothing: The Economics of International Trade," *Journal of Home Economics*, winter 1980, pp. 35-39.

Dickerson, K. "Managing Textiles in the Global Marketplace," *ACPTC Proceeding: Combined Central, Eastern, and Western Region Meetings*, 1986, pp. 18-21.