REDUCTION IN IMPORT DUTIES ON APPAREL

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

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REDUCTION IN IMPORT DUTIES ON APPAREL

FRIDAY, JULY 13, 1979

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

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan presiding.

Present: Senators Moynihan, Long, and Chafee.

[The press release announcing this hearing follows:]

PRESS RELEASE NO. H-43

The Honorable Abraham Ribicoff (D., Ct.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee will hold a hearing on reductions in the rates of duty on imported textile and apparel negotiated under section 101 of the Trade Act of 1974 during the Tokyo Round of Multilateral Trade Negotiations. These tariff reductions may be proclaimed by the President without action by the Congress. Senator Daniel Patrick Moynihan (D., N.Y.), will chair the hearings. Witnesses representing the domestic textile and apparel industry and workers and the Administration will appear before the Subcommittee.

The hearing will begin at 10 a.m., Friday, July 13, 1979, in Room 2221, Dirksen Senate Office Building.

Written statements.—Persons who wish to present their views to the Subcommittee are urged to prepare a written statement for submission and inclusion in the printed record of the hearing. These written statements should be submitted to Michael Stern, Staff Director, Senate Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, July 27, 1979.

Senator MOYNIHAN. Good morning.

If the hearing room will come to order, I would like to express a very pleasant good morning to you all. As a New Yorker, I can only suggest that it is probably hotter up in Manhattan than it is down here, so that we cannot altogether regret our circumstances.

This is a hearing which has been called at the behest of the chairman of the Subcommittee of International Trade of the Committee on Finance, Senator Abraham Ribicoff of Connecticut. Senator Ribicoff called this hearing in response to testimony that was presented to our hearings on the MTN on Tuesday.

The testimony—both in favor and against the agreement by representatives of one or the other branch of the apparel industry—was accompanied by news reports in the New York Times and the New York Post. All of this called into question matters which needed hearing.

Senator Ribicoff saw that this could not be resolved in the initial setting and therefore asked that I chair a separate hearing. As a member of the Subcommittee on International Trade, I am happy to assume the Chair for this necessary hearing.

It should be understood by all that this hearing comes late in the day. For the MTN already won overwhelming approval in the House of Representatives on Wednesday; there were only seven dissenting votes. The measure was reported out of the Finance Committee yesterday and will be before us in time.

So, it seems proper that we begin the hearing with testimony from the Honorable Michael B. Smith. Ambassador Smith, as we have come to know him, has been the Chief Negotiator for Textile Matters of the Office of the Special Representative for Trade Negotiations; he is accompanied by Mr. Peter Murphy, International Economist, Office of the Special Representative for Trade Negotiations.

If I could make just a personal statement before going on, I would like to say that this is not a matter that is new to me. Many, many years ago in 1962 when President Kennedy sent forward his Trade Expansion Act of 1962—the principal legislative proposal of that year—it became clear that in order for it to be approved in the Congress, that there would have to be an arrangement on cotton textiles. A negotiating team was put together, and it was headed by a then-young Deputy Assistant Secretary of State, Michael Blumenthal, myself as a young Assistant Secretary of Labor, and a colleague from the Department of Commerce, Hickman Price.

We negotiated the first long-term cotton textile agreement—LTA.

I stayed very much involved with the implementation of that agreement in the years that followed. I served for several years as Ambassador to India where I saw the other side of it. Ten years later I saw the onset of the multifiber agreement—MFA—and have been much involved with those matters in the last 2 or 2½ years as a Senator. So this is an old concern and a very real concern of mine.

I have seen two things happen during these past 15 years. I think we have seen a stabilization of employment in this field in the country as a whole. But, it has been a very uneven one. The unevenness has been, in fact, the most conspicuous failure of the policy. In the city of New York we have seen a disastrous decline in the apparel industry; there has been a tendency from the beginning to associate at one and the same time textiles and apparel, and there has been a tendency in the administration to think about it in a way that if you did take care of the one, you would be taking care of the other. Frequently there has been an imbalance in the judgment of what really matters.

The textile industry represents the big mules from down South. The apparel industry has been seen to be fractionated as far as employers are concerned. When American business had already extracted every last ounce of concession out of trade negotiations, labor has tried to speak to a larger purpose—not always, I think, to its advantage.

I was just reading last night in a White House press release of March 22 that the President met with the textile and apparel industry. It said that President Carter and his Cabinet met today with representatives of the textile-apparel industry and unions to discuss—the unions only got into the text, not into the headline—the administration's textile program. It described all the people who would be there. It also noted that members of the Senate and the House from textile-apparel producing areas were present—a delegation led by Representative Hollings and Congressman Holland—no two people I admire more.

I was there too, you know, and some people from New York. I saw the union, represented by long established tradition. Rumor has it that we were around at least as early as South Carolina. You would not always know that in the minds of the people involved in these negotiations.

I would like to find out a little bit more about it.

Ambassador Smith, explain yourself, sir. You are very welcome to this committee, as you know.

Mr. SMITH. Thank you, Senator Moynihan.

Senator MOYNIHAN. You are aware of the charges that have been made. We would like you to speak to them, as well as you can.

STATEMENT OF HON. MICHAEL B. SMITH, CHIEF NEGOTIATOR FOR TEXTILE MATTERS, THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ACCOMPANIED BY PETER MURPHY, INTERNATIONAL ECONOMIST, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, AND VINCENT R. CLEPHAS, ASSISTANT TO THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Mr. SMITH. Thank you, Senator Moynihan.

I just would like to add one personal note. I am a career Government official. I have been involved in textiles now for 6 years. I have traveled across this world many, many times and I am involved only in textiles, no other commodities, so to speak.

When I use the word "textiles" by that I use it in the overall term—textiles and apparel.

I welcome this chance to testify before you this morning regarding the tariff reductions that the United States has negotiated on textiles and apparel, with particular emphasis on the reductions in the women's apparel area which have been the subject of several news articles and editorials over the past several days.

I hope the discussions that we have this morning will go a long way toward clearing up what we believe are misconceptions and distortions, especially in the New York Times article of July 5.

That article claimed that, contrary to Government statements made previously, that women's apparel tariffs would be cut 40 to 60 percent.

Again, Senator Moynihan, speaking on a personal note, I welcome this chance to testify before you because of your own personal contributions to the well-being of the American textile and apparel industry which are both well known and highly significant.

Your role in the successful negotiation of the long-term cotton arrangement made our job in 1974 and again in 1977 that much easier in the negotiation of the multifiber textile arrangement.

All of us in government who work on the textile problem just like all of those in the textile and apparel industry, the workers and the leaders, are grateful for your truly magnificent efforts.

Senator MOYNIHAN. You have become an Ambassador, have you not?

Mr. SMITH. Sir, I can remember when, as you pointed out, you were on the other side, when you were Ambassador to India—not on the other side per se, but when you saw the other side and the superb support we got from you during that time with India which was a crucial country to bring along on our negotiation of the MFA. I know that from personal experience.

Senator MOYNIHAN. Thank you, Mr. Smith. That is very kind of you.

Mr. SMITH. The situation facing the textile and apparel industry is indeed difficult and complex, as you know. The industry is under considerable pressure from imports, and this problem is most acute in the apparel sector where wage rate differentials between us and a good number of foreign suppliers have their greatest impact. Certainly in many product areas the difference in cost and production is so great that the existing tariff structure is little, if any, deterrent to the flow of trade from the developing countries. That is why the initial quantitative restraint program, established by you and Mr. Blumenthal in 1972, has been so important.

This program, as you know, was further expanded in 1973 to cover wool and manmade fiber, textile and apparel products and then, in March of this year, as you had alluded to earlier the administration announced a new textile program which, while consistent with our international obligations, pledged to deal still more effectively with the serious problems that the American textile and apparel industry faced to do so in a comprehensive fashion.

The key elements in the administration's textile program are an enhanced import restraint element, a commitment to assist the industry to develop exports and improve monitoring systems to assist in the assurance of orderly trade.

This program, while only a few months old, has already yielded some significant results. We have been negotiating with their principal low-cost suppliers to the United States regarding import surges which have been an element of great concern to all sectors of the industry.

We have taken unilateral action on certain apparel products from China after our negotiations did not reach a successful conclusion on a bilateral basis and we now have in place 18 bilateral agreements and two more are under negotiation.

We have taken unilateral action, again with two other countries, so that, all told, Mr. Chairman, we have, we believe, roughly 90 percent of import from low-cost suppliers subject to restraint.

The reason I emphasize this broad import restraint program is because it is essential, as we have recognized for the last 17 or 18 years, to the well-being of the textile and apparel industry as a whole and this program represents an ongoing commitment of the administration.

This very significant level of quantitative protection should not be overlooked when analyzing the possible impact of textile tariff reductions. Indeed, it could be stated for example, in the case of China, which does not enjoy column 1 tariff rates at this time, that the very, very high tariff duties in column 2 did not prove any barrier to Chinese exports of certain textile products to the United

States, especially in the apparel sector and that, therefore, we had to take unilateral action to control those exports.

In specific regard to the tariff matter, the United States at present maintains the highest textile tariffs of any developed country. When we entered into the MTN tariff negotiations, the average textile and apparel tariff in the United States was 23 percent; the average tariff in the European Community was 14 percent; the average tariff in Japan was 10 percent.

One of the major objectives for Japan and the European Community in the MTN negotiations, to say nothing of the developing countries, was to substantially reduce U.S. textile and apparel tariffs and bring them in line with the tariff levels prevalent in other developed countries.

At the same time, however, as we all know, the U.S. domestic industry and labor were strongly advocating no cuts at all for all textile and apparel products.

In view of these strongly conflicting views, the Government put forward its initial textile and apparel offer which would have reduced the average textile and apparel duty by approximately 26 percent.

When this was made known to our trading partners, they were extremely unhappy and we would be pleased to submit——

Senator MOYNIHAN. Would you say that once again, Ambassador? The first proposal was what?

Mr. SMITH. To reduce the average textile and apparel duty by approximately 26 percent.

Senator MOYNIHAN. That is, a quarter of the average or, 26 percent of 23 percent?

Mr. SMITH. That is correct, sir. Yes.

When this offer was put forward in January 1978 and made known to our trading partners they were extremely unhappy and we would be pleased to submit for the record an editorial appearing in foreign newspapers as to what they thought about the U.S. textile and apparel offers.

[The material to be furnished follows:]

PRESS SUMMARY MARCH 12, 1979

[Financial Times, Mar. 12, 1979, Front Page]

EUROPEAN TEXTILE INDUSTRY URGES TOUGH GATT LINE

(By Rhys David, Textiles Correspondent, in Manchester)

Textile industry leaders in Europe are expressing concern that the European Commission has allowed itself to be seriously out-negotiated in the GATT Tokyo Round talks on textile tariffs with the United States.

Warnings are now being given to national governments and the EEC authorities in Brussels that the Commission's over-eagerness to secure agreement with the Americans has enabled the U.S. to dictate the terms of the deal that is now nearing agreement after months of offer and counter-offer.

The industry claims that the effect could be to give the U.S., which will maintain far higher tariffs than the EEC countries, the chance to step up exports to Europe while continuing to protect heavily its home market.

The European industry had been hoping that the talks would lead to a much greater degree of harmonisation of textile tariffs bringing those in the U.S. much closer to the lower levels operated by the EEC. The U.S. industry's very strong lobby in Washington has prevented this.

Although the EEC has been prepared to make across-the-board cuts, those offered by the U.S. Government are selective and guaranteed to do the U.S. industry the least harm.

The latest U.S. offer was received earlier this month. Although the Council of Ministers meeting on March 5 asked the Commission to try to secure improvements, the authorities in Brussels are thought to regard the present deal as about as good as they can achieve. The Commission is thought to be reluctant to push the Americans any further because of the risks this might involve for the whole Tokyo Round.

Officials of Comitextil, the EEC textile trade association, met Viscount Davignon, the European Commissioner for Industry, at the end of last month to point out the likely consequences of accepting the U.S. offer but evidently failed to persuade him of the need for a tougher line.

The net effect of the U.S. offer, the industry in Europe is claiming, will be to reduce U.S. tariffs from 45 percent higher than European tariffs to 35 percent higher on average. Furthermore the U.S., in agreeing to this reduction, has demanded cuts in European tariffs on staple products such as manmade fibre fabrics where the U.S. industry is extremely competitive because of low oil feed stock costs and long production runs.

U.S. concessions have been concentrated on specific products—such as cotton dresses—where the scope for expanding European exports will be limited. The U.S. has bowed to pressure to reduce its very high tariff of almost 50 percent on wool textiles, but the tariff will still be in excess of 30 percent.

The European industry's concern was put strongly at the weekend by Sir Arthur Knight, the chairman of Courtaulds, who challenged the UK Government and the EEC Commission to demonstrate that despite appearances to the contrary the latest offers represented a balanced package for the EEC textile and clothing industry.

"Few outside our industry seem to understand how much more protectionist than ourselves the Americans are about textiles," Sir Arthur said. Presidential elections turn upon undertakings which are given to secure the Southern vote.

"How is it still that in the U.S. protection for textiles is consistently prized as a political good while in the EEC and even within our own Government a smokescreen of notions about overall advantages confuses argument about trading realities?" he asked.

Sir Arthur also drew attention to other assurances given by the U.S. Government to its textile industry in order to persuade it to drop its demand that textiles should be totally excluded from the Tokyo Round. These are understood to include special help with exports and renegotiation of some of the existing GATT Multi Fibre Arrangement agreements before they expire.

The Council of Ministers will discuss the issue further early in April when it will have a report from the Commission on whether further concessions have been made by the U.S.

Mr. SMITH. Indicative of their unhappiness that more than half of their requests for deeper cuts submitted by the other countries as a result of our initial offers concerned textile and apparel products.

At the same time, Senator, the domestic response was equally clear and firm. The Hollings bill to exempt all tariffs from the negotiations passed the Congress by a substantial margin.

While this bill was subsequently vetoed by President Carter, he committed himself to doing more for the textile and apparel industry and the new administration textile program, which I discussed earlier, was completed and announced.

Senator MOYNIHAN. Mr. Ambassador, I believe it would be useful if we had some of those comments for the record. Do not bother to send us too many from the Japanese press.

Mr. SMITH. We will not.

Since our initial offer and despite strong international pressures to the contrary, the United States has adjusted its tariff offers downwards significantly. The final resulting cuts are are follows.

The average textile and apparel duty will be reduced 21.1 percent from a 23-percent duty rate to an 18.2-percent duty rate.

The average duty for apparel, which is now 29 percent, will be reduced approximately 15 percent to an average tariff duty rate of 24.6 percent.

Further——

Senator MOYNIHAN. May I ask that we get this clear! That there is a difference between the rates, that this composite rate is that, in fact, the ad valorem rate imposed in the $1 million worth of textiles that came in. The total payments came to 10 percent of value.

Mr. MURPHY. That is correct. It is aggregate trade weighted average.

Senator MOYNIHAN. There is a difference between textiles and apparel, with the latter having a lower rate and a spread of 6.5 points.

Mr. SMITH. In addition, Senator, the first reduction in textiles and apparel will be deferred for 2 years. Rather than beginning January 1, 1980 it will be deferred until January 1, 1982 and then it will be phased in over a 6-year period.

As a result of all of this, the United States will continue to maintain significantly higher tariff levels than Japan or the community in textiles and apparel.

Recognizing, sir, that tariff concessions were necessary to conclude the MTN, the critical question then became how, and on what products, to make concessions? One of the obvious answers was to make a general, across-the-board, tariff cut.

It was concluded, however, by the Government and supported by the consensus of industry advisers, that it would be inequitable to treat all products equally due to the widely divergent differences in import sensitivity and with the knowledge that there was only limited scope for pulling back our offer, it was decided to place greatest emphasis on particular products most sensitive to imports.

To do otherwise would, in essence, be protecting the relatively well-off at the expense of the most sensitive products or least-well-off.

For example, the United States made a lesser cut on women's manmade fiber sweaters than it did on manmade fiber dresses. During the period 1972 to 1977, imports of women's manmade fiber sweaters increased 742,000 dozen, to about 7.5 million dozen.

In 1977, the import to domestic production ratio for these sweaters was 93.3 percent.

On the other hand, imports of manmade fiber dresses during the same period decreased 753,000 dozen to a level of 853,000 dozen in 1977.

In 1977, imports of dresses accounted for only 5.2 percent of production. Accordingly, the final duty reduction for sweaters was from 37.5 to 35, as compared to 17 for dresses.

Now, we recognize that there is a risk involved with reducing duties on any textiles and apparel items. However, when we were forced to make difficult decisions we opted to reduce least those products which had a clear record of import sensitivity and where tariff reductions would clearly aggravate an already serious situation.

Senator MOYNIHAN. Mr. Ambassador, if I may interrupt you to ask you to give me the proportion of women's manmade fiber dresses imported against the total produced domestically?

Mr. SMITH. Yes, sir.

What we call the imported domestic production ratio for manmade fiber sweaters first, in 1977, was 93.3 percent.

Senator MOYNIHAN. That suggests that just as many were brought in that were produced locally?

Mr. SMITH. Yes, sir.

Senator MOYNIHAN. 50-50 is about the way that goes?

Mr. SMITH. Yes, sir.

Senator MOYNIHAN. As against a 19 to 1 in dresses?

Mr. SMITH. Yes, sir.

Senator MOYNIHAN. Or 1 to 19 in dresses. I see.

So there is a domestic sweater market?

Mr. SMITH. Oh, yes.

Senator MOYNIHAN. To be protected?

Mr. SMITH. Yes, indeed.

Senator MOYNIHAN. Right.

Mr. SMITH. A substantial domestic market.

Senator MOYNIHAN. Industry, I should say, not market.

Mr. SMITH. Industry.

What we are trying to do there is prevent further erosion of that market.

So when we made these difficult decisions, there obviously was some give and take and where we had to make more significant cuts we tried to limit those cuts to areas where there is only the potential for a surge in imports rather than a clear and imminent adverse result. And furthermore, if a surge of imports were threatened to occur, or did occur, which we doubt, it will be addressed within the context of the new administration textile program which I discussed earlier.

Furthermore, Senator, indicative of your concern that the administration has set for the textile and apparel section of the MTN negotiations was a successful effort to include, as a part of our tariff position, a snap back provision that mandates that if the MFA or a suitable successor is not enacted during a lifetime of the tariff reduction staging, the tariffs will snap back to the pre-MTN levels.

This, in turn, signifies that the administration will press for MFA renewal and will continue its quantitative restraint program throughout this period. In addition, the United States excluded textile and apparel items which are covered by the Berry amendment from the Government procurement code.

Finally, sir, the Trade Act itself excludes from GSP consideration textile and apparel items subject to bilateral restraints and in the apparel sector, this is very important, because if the Trade Act had permitted GSP to be given to textiles and apparel, almost certainly the overwhelming portion of that would have been in the apparel sector.

Mr. Chairman, I would like to pass to you, if I may at this time, an informal spread sheet.

Senator MOYNIHAN. Before we get to these numbers, let me clarify what the "snap back" provision means. As I understand it, if the multifiber agreement is not renewed, not only would the tariffs go back, but the administration would propose legislation for quantitative restrictions. Is my understanding correct on that?

Mr. Clephas?

Mr. CLEPHAS. Yes, sir.

If we cannot renew the MFA, we would attempt to get some similar program established that is consistent with our obligations under the GATT and we also would bring the tariffs back in line. If the new system substantially matched the MFA, then we would have the option of continuing the tariffs at their reduced levels. If it were seen that that were not going to be the same kind of protection we have under MFA, then the presumption is we would go ahead and bring those tariffs back to the pre-MTN level.

It has that one element of discretion that I want you to understand, Senator.

Senator MONIHAN. Mr. Clephas, you have a superb reputation as a negotiator, but one aspect of that job is to be a little vague. Now, be a little clearer for us.

What happens if the MFA does not get extended or renewed at the end of these 4 years.

Mr. CLEPHAS. We will first seek to replace the quantitative protections of the MFA with some program of similar scope and have——

Senator MOYNIHAN. You mean a negotiated international program?

Mr. CLEPHAS. Not necessarily negotiated; it could be legislative.

Senator MOYNIHAN. You use the word "legislate."

Mr. CLEPHAS. If that should not be sufficient to meet where we were with the MFA, to give us the same degree of control, then we would go ahead with the revision of the tariffs back to their pre-MTN levels.

Senator MOYNIHAN. I just wanted to get that clear. That is a part of the snapback. The snapback does not just extend to reverting to the early tariff schedules. It could also mean we would impose rates through legislation.

Mr. CLEPHAS. We feel we are in better shape with a quantitative restraint program than we are with the previous——

Senator MOYNIHAN. Which we have found out.

Now, sir, some numbers.

Mr. SMITH. I have had the pleasure of dealing and working with Lazare Teper. In the 6 years that I have been involved in textiles I have learned one thing, and that is do not argue numbers with Lazare.

But this document I have given——

Senator MOYNIHAN. We will make this a part of the record.

[The material referred to follows:]

EXAMPLES of APPAREL PRODUCTS PRODUCED IN THE GARMENT DISTRICT OF NEW YORK CITY AND THE TARIFF REDUCTIONS

	TOTAL IMPORTS $ MILLIONS	TOTAL ORNAMENTED IMPORTS	EXISTING/MTN DUTY RATES ORNAMENTED	EXISTING/MTN DUTY RATES NON-ORNAMENTED	I/P RATIO
Mens Suit type coats					
cotton	31.-	1.8	35/21	8/8	42 -
wool	12.-	—	42.5/23	24/23	11.2
MMF	28.-	1.4	42.5/30	33/30	26.2
Mens Other Coats					
cotton	38.-	3.0	35/21	16.5/8 8/8	18.6
wool	10.-	.2	42/23	24/23	9.7
MMF	80.-	6.0	42.5/30	33/30	71.4
Womens Coats					
cotton	60 -	4.-	35/21	8/8	73.0
wool	16 -	.5	23	24/23	14.3
MMF	95	8.5	42.5/30	32/30	59.0
Dresses					
cotton	27 -	6 -	35/14	16.5/14	11.7
wool	8 -	.2	42/17	22/17	16.6
MMF	34 -	10 -	42/17	34/17	5.2
Playsuits					
cotton	14 -	2.2	35/14	16.5/8 21/8	21.9
MMF	8 -	3.2	42/17	34/17	22.1
Mens knit shirts					
cotton	52 -	4 -	35/21	21/21	13.2
MMF	108 -	10 -	42/35	37/35	115.8
wool	8 -	.1	42/17	24/17	20.2
Womens knit shirts					
cotton	100 -	15 -	25/21	21/21	63.4
wool					
MMF	220 -	27 -	42/35	37/35	72.3
M+B woven shirts					
cotton	112 -	12.5	35/21	21/21	53.3
wool	8 -	.1	42/23	24/23	41.5
MMF	179 -	15 -	42/30	33/30	42.0
WGI woven blouses					
cotton	84 -	17 -	35/16.5	16.5/16.5	148.6
wool					
MMF	55 -	5 -	42/30	33/30	28.8

	Total Imports	Total Orn Imports	Existing/Min Orna.	Existing/Min Non Orna		I/P Ratio
Skirts						
cotton	21.-	3 -	35/14	16.5/12		38.2
wool	8 -	.1	42/17	23/17		11.0
MMF	10 -	.4	42/17	33/17		3.9
M+B suits						
cotton		NO	CUTS - remains at 16.5			
wool	64 -	.1	42/23	24.4/23		22.0
MMF	26 -	1.3	42/30	34/30		14.7
Womens suits						
cotton		NO	CUTS - remains at 16.5			
wool	14 -	.3	42/17	23.7/17		20.3
MMF	23 -	3.5	42/30	34/30		8.1
M+B sweaters						
cotton	14 -	2 -	35/21	21/21		56.0
wool	33 -	.5	40/17	24/17		96.2
MMF	60 -	11 -	42/35	38/35		63.6
Women's Sweaters						
cotton		see above				
wool	79 -	1.8	42/17	24/17		418.9
MMF	214 -	8.3	42/35	37/35		93.3
Brassieres						
cotton	5 -	3 -	32/32	18/18		21.6
MMF	73.-	34 -	32/32	18/18		50.7
M+B trousers						
cotton	145 -	29 -	35/21	16.5/16.5		14.9
wool	18.-	.1	42/23	25/23		16.1
MMF	97 -	9 -	42/30	34/30		14.1
Women's trousers						
cotton	175 -	29 -	35/21	16.5/16.5		63.1
wool	9 -	.1	42/17	24/17		36.5
MMF	117 -	15 -	42/30	33/30		27.9
Dressing Gowns						
cotton	8.5	.1	35/14	16.5/8 9/8		31.2
MMF	4.0	.1	35/17	23/17		3.9
Nightwear						
cotton	20 -	.3	35/14	21/8 16.5/8 8/8		31.1
MMF	6 -	3.0	42/17	30.7/17		1.1

Mr. SMITH. This is an attempt of ours on relatively short notice to try to determine the apparel products which are at the same time produced in New York City and to indicate what the tariff reductions are. And I do not think it is too complicated.

The columns—column 1 is simply the total imports expressed in millions of dollars.

Column 2, that portion of total imports which are ornamented imports, if you will.

The third is the existing, versus the MTN duty rates, for ornamented as opposed to column 4, the existing versus MTN or negotiated duty rates for nonornamented.

At the end, the import to domestic production ratio.

These are the latest figures we can pull together. The IP ratios are 1977 figures pulled together in 1978.

If you would look at, for example, women's coats, the first page, line No. 13. It says, under the subheading, "Wool Coats: Women's Coats, Wool," $16 million worth of imports of which the ornamented imports were $500,000.

We reduced on the nonornamented portion of the duty from 24 to 23. That is spread over 8 years.

The women's—if you move down to column 34—women's knit shirts, manmade fiber, $220 million worth of imports of which ornamented accounts for $27 million. We reduced the ornamented rates to 32 from 35 and the nonornamented from 37 to 35. These products, they go on for two pages, shown.

We believe that these represent a good portion of the products made in the city of New York, as well.

Senator MOYNIHAN. Could I ask you about those wool dresses, because ornamented wool dresses comprise a relatively small amount of total wool apparel which we import. About $200,000?

Mr. SMITH. Yes, sir.

Senator MOYNIHAN. That is your fourth category down under dresses.

Mr. SMITH. Yes, sir.

Senator MOYNIHAN. And the sharp cut in the tariff was done partly because there is not much trade?

Mr. SMITH. That is correct, sir.

In addition, sir, to take this in context, the dresses, whether they are ornamented or nonornamented, come under our quantitative restraint.

Senator MOYNIHAN. Under quantitative restraint.

Mr. SMITH. Yes, sir.

With Korea, the category for dresses, for wool dresses, is a category as a whole that represents wool dresses whether they are ornamented or nonornamented. That has been the case for many years.

Senator MOYNIHAN. So that we are all clear about this, could I ask you about the IP ratio—import to produce ratio. When the ratio is 100, it is a 50-50 split. When it is on woven blouses, I see cut and woven blouses, 148.6. Three times as many are brought in as are domestically produced.

Mr. SMITH. One-and-a-half to one.

Senator MOYNIHAN. When it is as low as it is on women's dresses, wool at 16.6, that suggests 1/7 to 1. You have to help me. It is 1 to 6.5.

It does not make that much difference in the overall trade. Total import levels are at about $120 billion, are we not, Mr. Clephas?

Mr. CLEPHAS. Yes, sir.

Senator MOYNIHAN. That is going to be around 10 percent of GNP, is it not?

Mr. CLEPHAS. I do not think it is quite 10 percent GNP.

Senator MOYNIHAN. General levels of imports.

Mr. CLEPHAS. Seven or eight.

Senator MOYNIHAN. That would be in the range, the average rate of import—all right. Obviously, there are places where there has been huge penetration and places where there has been very little penetration. Any time we see an IP ratio of under 20, 20 or thereabouts, we are talking about small penetration, and then it moves upwards.

Mr. SMITH. I would make one further statement, sir.

In some categories, even where—in some product groups, even where there is relatively low import penetration, nonetheless, these are keenly sensitive to the United States, or to a particular industry.

I give you, as an example—if you will look on page 2 under men's and boys' suits—I recognize that the thrust of the discussion this morning is women's, girls' and infants' apparel—you will notice that manmade fiber suits, for example, for men and boys have an IP ratio of 14.7. Nonetheless, the suit industry in the United States is a very key industry, very labor-intensive, and one that we have taken extraordinary efforts, particularly in the wool area, to protect to the highest degree possible.

You will look on line 8 under men's and boys' suits. Wool: Total imports, $64 million; $100,000 worth of ornamented suits.

Of that, we reduced the nonornamented section, the overwhelming bulk of the wool suit trade from 24.4 to 23 over a period of 8 years.

Senator MOYNIHAN. That is not likely to be, in itself, significant.

Mr. SMITH. I would point out, again, sir, just as another example—for example, in playsuits, which is on page 1, lines 21, 22, and 23, there, for example, we did reduce manmade fiber playsuits from, in the ornamented place, 42 to 17; in the nonornamented, 34 to 17. As it sits, it has an IP ratio of 22.1.

At the same time, we would note that domestic production is up 28 percent since 1972 and imports are down 30 percent since 1972.

There was one area that we did have to make some give and take, some concessions, but it was one that we felt——

Senator MOYNIHAN. That you had some strength?

Mr. SMITH. Yes.

Senator MOYNIHAN. American style does that, does it not?

Mr. SMITH. I do not know, sir.

Senator MOYNIHAN. Something does it.

Does that conclude your testimony?

Mr. SMITH. We would be more than delighted to answer any questions that you might have.

Senator MOYNIHAN. Mr. Clephas?

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Mr. CLEPHAS. If I may, just a couple of points.

One is the success that you netted over at the House side for our trade bill I think was not an accident, nor do we have such a wonderful product for the world or this country in terms of the aggregate. It is because we worked very closely with this Congress and that was the result of the 1974 Trade Act, which said that we had to work hand in glove with the U.S. Congress and, moreover, with people from the industries and the consumers, agriculture and all, who had an interest in here.

So we had advisers, more than 1,000 of them in this process. In the industry area we had sectoral groups, one of which was on textiles and apparel. I sat in three, sector advisory committee No. 2, and a number of its members are here today. Because we worked with them, we think that we had their advice all the way along. The members are here. So that is the process that brought us to this 395 to 7 vote in the House.

Senator MOYNIHAN. When was that vote?

Mr. CLEPHAS. That was on Wednesday. It was on Wednesday, and the Senate was preoccupied with much weightier things at that time.

Senator MOYNIHAN. I was not preoccupied with weightier things. I knew it was on Wednesday.

Mr. CLEPHAS. That is the process that brought us to this point, and I think——

Senator MOYNIHAN. There was nothing more clear than that process was in place, and that the outcome is a tribute not just to the exceptional quality of the negotiations but to the legislation which began the negotiations. It does not mean it is perfect, but it does mean that everybody has had their day in court, and there was an extraordinary amount of cooperation.

Mr. CLEPHAS. You worked so closely with us on the implementing legislation, taking such good care, that having negotiated something, we did not come back and be in the position of not being able to do anything in this country.

Senator MOYNIHAN. Our guests and friends this morning are entitled to know that one of the reasons the bill passed the House so nicely, and that it will pass the Senate with the same kind of comfortable margin is that we already negotiated informally in these committees. It was not given to us, that had to be done. And we worked many months on it.

Mr. CLEPHAS. I think you are entirely right, Senator, in looking to see if there is an area that there is criticism, too, because we look to the future in anything additional we do.

Bob Strauss knows that. While he will be leaving the trade job, he will not be leaving town. He is going to have to see you a few more times. He looks forward to that. He wants to continue to look forward to it.

Senator MOYNIHAN. I am not sure he looks forward to it, but he knows it is coming. That formidable man, indeed, will not be leaving town.

I thank you gentlemen very much. I wonder if it would be an imposition on Ambassador Smith to ask him if he would stay until the end of the hearing, in case he might want to clear up some matters.

Perhaps Mr. Murphy. Mr. Clephas, you have other things to do.

Mr. CLEPHAS. I want to hear some of these folks, Senator.

Senator MOYNIHAN. That is very generous of you and I thank you for your testimony.

Let me say before we go that the public does not say its thanks very well. It is almost in inverse proportion to how well you do. If you have done a terrible job in Washington there will be a few people thanking you, if they are thinking you will leave.

Ambassador, you have done a superb job over the years and, being a career officer, you are supposed to take the blame, I suppose, and you will and you are going to take lots more, I have no doubt. But I would like to say that you have added to the distinction of the Foreign Service and it took them a long enough time to give you your present rank, but you fully deserved it.

I would like you to know that this committee thinks so.

Mr. SMITH. Thank you very much.

Senator MOYNIHAN. Now, Mr. Herbert Rickman, special assistant to Mayor Koch, New York City, who would like to speak. If you will come forward?

This is a special pleasure for the Chairman. Mr. Rickman and I were young men together in the Johnson administration when many of these things were going on and he has done us a great courtesy to come today. Mayor Koch could not be here, and so he sent the man closest to him to represent the city.

No one is more competent in these matters than Herbert Rickman, whose interests have been very much in the area of employment, particularly employment of the low-skilled and low-income people in New York City. He has been deeply concerned with their well-being in New York and with the well-being of the organizations, the trade union movement that has protected them and improved their circumstances so admirably.

As Mr. Rickman need not hear it from me. For all the efforts of the American Government, it is a fact that between 1969 and 1975, 400,000 jobs disappeared in the city of Manhattan below 59th Street—400,000 jobs! There is not a nation in Europe that would have allowed the possibility of such a loss of employment in its capital city of half that proportion. It would not have been allowed. It would have been thought a massive failure of policy.

It happened and it happened most emphatically to the apparel industry and it is our concern that it will not happen again. I know it is the mayor's, and I know it is yours as well.

I welcome you, Mr. Rickman, who is, of course, as we all know, a special assistant to Mayor Koch.

You have two colleagues. I would be happy if you would introduce them.

Mr. RICKMAN. Lance Michaels, a staff assistant of mine and David Lacker, a member of the staff of the New York City office in Washington.

Senator MOYNIHAN. We welcome you.

STATEMENT OF HERBERT RICKMAN, SPECIAL ASSISTANT TO MAYOR KOCH, NEW YORK CITY

Mr. RICKMAN. May I thank you, Senator, for your consistent support of our city and of the apparel industry which, as you know, is the premier industry of our city, and for holding this hearing today.

I appear here this morning because one of my functions on behalf of the mayor of the city of New York is the liaison to the apparel industry. I am not an international trade expert but I appear as a representative of one of the nation's leading manufacturing cities, a city that could be adversely impacted by the recent Multilateral Trade Agreements.

Our administration has made a major effort to be of assistance to all sectors of this industry in our city and we appear here in a supportive role, hopefully to help end some of the anxiety and the confusion that has developed within the past 10 days due to published reports that have appeared in the New York City newspapers.

At the outset, I would like to make it clear that New York supports the President's multilateral trade agreements. We are concerned, however, about the apparent confusion and the lack of details pertaining to the agreements, specifically the percentage reductions and tariffs affecting the apparel industry and the methodology used to formulate these reductions.

While it is agreed that a general liberalization of trade will benefit the United States, these benefits will not be without regional and local economic disparities. As pointed out in the background paper prepared by the Congressional Budget Office, certain sectors of the economy will benefit at the expense of others. Singled out as the industry likely to suffer most severely as a result of trade liberalization is the apparel industry.

The brunt of job layoffs thus will be borne disproportionately by semiskilled workers in manufacturing, urban areas of the Northeast.

New York City is the largest center of the Nation's apparel industry. The region produces 24 percent of the total U.S. apparel shipments. Our city employs approximately 150,000 garment workers, 12 percent of the nation's apparel employment.

The apparel industry is the city's single largest employer, accounting for 20 percent of New York's total manufacturing labor force.

Over the past decade, New York has experienced significant economic reverses. As you pointed out, sir, since 1969 we lost approximately 400,000 jobs and our unemployment rate remains 4 points above the national average.

Senator MOYNIHAN. The unemployment rate is currently 10 percent?

Mr. RICKMAN. Yes, sir.

Senator MOYNIHAN. Those 400,000 jobs are south of 59th Street, 600,000 jobs for the whole of New York City.

Mr. RICKMAN. Exactly.

Senator MOYNIHAN. One of the problems we have down here—as you know from your experience in the administration of President Johnson, is that the size of New York City is difficult to impress upon people. There are 13 States in the Nation that do not have the work force the size of 600,000, which is the number of jobs that we have lost over the last 7 years. You know it, and I know it. But try to persuade some of the people down here—I did not mean to interrupt you, but I did want to get that number in the record.

Mr. RICKMAN. Unfortunately, I must also say that New York's share of the Federal trade adjustment assistance, a program designed to help companies and their employees hurt by imports, represents 57 percent of the national allocation. We are not proud of this figure.

The city's economy is not only not pulling out of the recession that most of the country has been out of for 3 years, but given the dim national economic forecast for the remainder of the year, this recovery is precarious at best.

We cannot afford further erosion of our job base.

The critical issue before us today is the apparent lack of information and contradictory statements concerning actual tariff reductions for particular apparel products.

Figures released to the news media point to reductions ranging from 25 percent to 60 percent, with no clear listing as to what rates apply to what products.

Short of this information, which I have to acknowledge Ambassador Smith was most forthcoming this morning, but short of the testimony here, prior to mine, there has been no formal release of these lists. Only after the release can an intelligent evaluation of the trade negotiations be made and their impact on specific industries and localities be assessed.

Second, the use of 1973 base year import figures has been questioned. It is claimed—and I am certan that you will hear from the industry leaders that will testify after I do—it is claimed that since 1974 the composition of apparel imports have changed with the ratio of synthetic to cotton products increasing significantly.

Thus, it is argued that proposed tariff reductions would not reflect the current import picture and certainly not production in the city of New York.

Again, we ask that there be a clarification on this issue.

One final point. The Carter administration has boldly taken a number of steps to reverse past discrimination on the part of the Federal Government towards the nation's older urban areas. The President's urban policy directive clearly points to a commitment to revitalize our cities.

The multinational trade negotiations should be consistent with this policy. We were delighted to hear this testimony that was just offered by Ambassador Smith and I look forward to hearing the testimony that will be forthcoming from the representatives of FEN and, of course, the leaders of the International Ladies' Garment Workers' Union.

It is my hope—and we formally introduced this invitation to Ambassador Smith this morning—to appear in our city within the next week or 10 days to help allay the unusual anxiety that exists on the part of manufacturers, contractors, in every sector of the industry who have been in a period, again, of confusion and alarm because of the press reports of recent days.

In conclusion, Senator, we urge the committee, and you, sir, to solicit the release, the public release, of all relevant information necessary to resolve the alarm that was experienced in the industry in our city.

While the main issue may be one of international trade, an underlying issue of equal importance, Senator, is on the survival of our cities.

Senator MOYNIHAN. It surely does. It is about time someone said that the way you did, Mr. Rickman.

Ambassador Smith is in the room, of course, and I will ask him when he comes back if he will accept your invitation. I know he will, and you know that he is a friend of our city.

I would like to emphasize a point which you made so clearly. That is that the CBO study on the affects of this agreement made clear that the textile industry is the most likely to suffer most severely as a result of trade liberalization.

The jobs lost to the textile industry amount to 43 percent of all the jobs we are likely to lose from trade liberalization.

But then it goes on to say, that they will not be lost in textiles but that they will be lost in apparel.

Textiles, for all the talk, talk, talk, are actually exported from the United States, and it is apparel that is imported. I will be even more explicit. The next time the President has a meeting at the White House for the textile industry, I expect to have, if not me, someone like me, listed as present also, because I am on the International Trade Subcommittee of the Finance Committee. There are other Senators who are not and who do not serve on committees with specific legislative jurisdiction.

And it is time they understood that we are here. It is time that they understood something else, which is that the apparel segment of this industry is the one where the workers are protected by trade unions—a fact which gives that industry a claim on the Democratic administration—or if it does not make a claim on the Democratic administration, it ought to get the hell out of here and get an administration that will understand that and act accordingly.

Last year, while the very same industry was demanding that our negotiators exclude textile and apparel products from the tariff cuts under the MTN, it was also involved in the most angry and unyielding insistence on the Congress that there not be the slightest upgrading of the Federal laws that give workers the right to organize.

They were just as outraged by the idea that American workers might be represented by trade unions and bargaining collectively with their employers as they were that anybody might presume to import txtiles into the United States. They have exacted a very special relationship with this Government in large part because they have a higher level of generosity from other people than they necessarily deserve.

I, for one, mean to sit on this committee on International Trade as long as I stay in the Senate, and represent your interests. The only reason we survived at all is because we had a chairman of this committee who looked after people big and small. He has just arrived. I am glad to see you, Mr. Chairman.

This is a very good friend of ours, Herbert Rickman, special assistant to the Mayor of New York, who has just finished his testimony on the MTN.

Mr. RICKMAN. Good morning, sir.

Senator MOYNIHAN. We thank you very much, Mr. Rickman.

Mr. RICKMAN. Thank you, sir.

Senator MOYNIHAN. We are now going to hear a panel who consist of Mr. Eli Elias, president, if I understand it, of the Federation of Apparel Manufacturers; Mr. Kurt Barnard, executive director.

Now, gentlemen, Mr. Jerry Silverman. We welcome you.

Mr. Radley of the New York Fashion Counsel.

Matthew Love, who is President of the United Infants & Childrens Wear Association.

Mr. BARNARD. Mr. Chairman, before we commence, as you know, I did offer testimony before this committee the day before yesterday and I am wondering whether it would be appropriate for me to request that this testimony be made a part of the record of this hearing as well.

Senator MOYNIHAN. I am happy to do that.

Mr. BARNARD. I have copies of it here. I would be very happy——

Senator Moynihan: Mr. Barnard, if you would just hold for a moment.

[The prepared statement of Kurt Barnard follows:]

STATEMENT OF KURT BARNARD, EXECUTIVE DIRECTOR, FEDERATION OF APPAREL MANUFACTURERS

My name is Kurt Barnard, I am the Executive Director of the Federation of Apparel Manufacturers. On behalf of the 5,500 manufacturers of women's and children's clothing who are affiliated with 24 organizations and who provide nearly 170,000 jobs, I urge you to reject the package of Multi-Trade Agreements negotiated under the Trade Act of 1974 and now before this Senate.

The price our country would have to pay if you vote "yes" would be unbearable and cause very real economic harm coast to coast.

Permit me, in the brief span alloted for this testimony, to present to you two areas of grave objection to the agreements. Each alone raises the most serious possible questions about the wisdom of ratifying the proposed agreement. Together they should be sufficient to prompt this august body to reject them.

I will address the two areas of objection in the following order: First, from the point of view of damage to America's women's and children's apparel manufacturing industry, should the agreements be ratified by you; and, second, from the point of view of serious adverse consequences for our entire nation.

First, to the impact on the industry I represent. The Trade Agreements, negotiated largely in return for U.S. tariff cuts, open access to formerly unavailable foreign markets. The women's and children's apparel manufacturing industry, however, is unable to avail itself of such access. This was confirmed last December by the first in a series of studies commissioned by the U.S. Department of Commerce.

Nevertheless, deep tariff cuts on apparel, as revealed in a New York Times article on July 5, have been proposed by the Administration. This is a grave wrong, especially in view of the industry's enormous labor-intensiveness.

The STR's response to the revelations in the New York Times tends to create an erroneous impression, STR points to "trade weighted" tariff cut figures that are sharply lower than those cited by the Times.

Of course they are. They are based on imports and duties paid in 1976 when apparel brought into the United States was made mostly of cotton. Tariffs on these apparel items were then, and continue now, to be very low, and no significant tariff cut has been proposed for them. But because of the low tariffs, domestic makers of these items have been largely forced out of business.

But now, if you approve the package of Multi-Trade Agreements, the President will make deep tariff cuts on the types of women's and children's clothing still manufactured in the United States. This will destroy what remains of the industry and the jobs it provides.

Furthermore, the Trade Agreements assume the ability of domestic industries to mobilize capital and management sophistication to gain access to foreign markets. Large capital-intensive companies can do this. Smaller companies, like the 5,500 women's and children's apparel makers affiliated with the apparel manufacturers, cannot do this. Yet, thousands of other manufacturers, such as contractors and suppliers, wholly depend on these apparel makers, as do the tens of thousands of people employed by these satellite companies.

Now to the national and global considerations: The trade negotiations were conducted under provisions of the 1974 Trade Act, debated by economic realities drastically different from the realities and outlook today.

The oil crisis either had not yet broken on the world, and its shockwaves had not yet girdled the globe. Certainly, from 1970 until 1976 the U.S. exported about as much as it imported. In 1975 we even experienced a favorable trade balance. But that was the year when the tide of economic history began to turn against us. Last year's enormous trade deficit of $28.5 billion is due largely to petroleum imports and staggering apparel imports, with apparel accounting for over $5 billion.

From 1976 to 1977 the U.S. suffered a staggering increase in its fuel trade deficit of 35 percent, from $29.7 billion to $40.1 billion and our favorable trade balance of manufactured goods in the same period sagged a disastrous 53 percent, from $14.9 billion to $7 billion. And the Commence Department recently announced that our trade deficit in May of this year rose to $2.48 billion. There can be no question that the 1974 Trade Act, however well-intentioned then, is not responsive to the economic realities of today and the foreseeable future. It is obsolete.

How does all this tie together and what will it mean for the consumer?

The astronomic oil price increases from OPEC, likely to continue their upward spiral, are dealing devastating blows, not only to the U.S. economy, but to virtually all countries. Capital resources of developing countries as well as those of the highly developed countries are being drained away in return for oil. Consequently, while many countries may have agreed to easing trade barriers to U.S. goods, they won't have money left to buy anything from the U.S.—but you can bet they will not be slow in taking advantage of our reduced tariffs to flood us with their commodities, particularly apparel.

And how are we going to be able to continue to pay for our rising imports in the face of the OPEC invasion of our own treasury? I urge you, Mr. Chairman, to give this question your most serious consideration.

We all know that much weight is attached to the so/called Multi-Fiber Arrangement. That is supposed to limit each of the countries that subscribe to it to a maximum number of square yard equivalents of apparel and textile they can export to the United States. We also know that most of these countries have successfully circumvented MFA by transshipping their apparel via countries that do not subscribe to the MFA. U.S. Customs officials whom we have consulted say it is virtually impossible to identify shipments entering the U.S. in violation of the Multi-Fiber Arrangement.

Furthermore, a report prepared at the request of this Subcommittee clearly points out that "increasing U.S. reliance on imports from OPEC" will increase U.S. economic and political vulnerability. The study goes on to say that "lower-skilled U.S. labor groups may be subject to enduring and productively debilitating pressures as developing countries attempt to raise their share of world industrial production from its current 8 to 10 percent to roughly 25 percent by the year 2000."

As to savings for shoppers, let me assert once and for all that there are none. First of all, keep in mind that with every dollar we support for non-essentials, such as dresses, we cheapen currency beyond the devaluation that takes place because of dollars we must export for essentials, such as petroleum. Therefore, what may appear as a savings on an imported blouse in a store turns up as an extra bulge in the price at the gas pumps, the cost of electricity, and the grocery bill. Besides experience indicates if you vote "yes" on the agreements, most stores will apply the tariff cut to bolster their own profits, profits under intense pressure as more and more shoppers curtail their buying trips because of inflation, and because of the high cost of gasoline and the difficulty in getting the tank filled up at all.

In conclusion, Mr. Chairman, let us not forget that the presence of OPEC, and its extortionary practices, and structural factors such as indexing—including the cost of living adjustments, social security increases, fuel cost pass-throughs, and others—have demolished the theoretical assumptions that lead to the 1974 Trade Act. Skyrocketing prices of oil, the lifeblood of our nation and all other nations, have put what appears to be an end to the kind of marketplace on which classic economic theory is based.

We respectfully suggest that instead of a global give-away of our protective barriers when we need them most, we must think in terms of using America's bargaining power through bi-lateral agreements

Certainly, the fate of the women's and children's apparel manufacturing industry hangs on your vote and the vote of all your colleagues. Vote "yes" and this labor, intensive industry and the job it provides will be wiped out before the middle of the next decade. Vote "no" and you will have saved this industry and helped the entire American economy.

I thank you for this opportunity to appear before you.

Senator MOYNIHAN. Mr. Elias, it is the practice of the committee to call on persons in the order that they are listed on the witness list, and you are listed first. Perhaps you will describe how you would like the panel to proceed.

You have all the time you want, and we are happy to have you.

STATEMENT OF ELI ELIAS, CHAIRMAN OF THE BOARD, VILANO, AND PRESIDENT, FEDERATION OF APPAREL MANUFACTURERS

Mr. ELIAS. It is a pleasure to be here, Senator. I would like to trade seats with you because you have made our case so beautifully and so explicitly in detail that we are talking about our existence.

As the president of the Federation of Apparel Manufacturers and the president of the New York Skirt & Sportswear Manufacturers Association, I would like to talk about the single manufacturer and what are his worries and what are his pressures and what has he got to face, because the aggregate of the thousands of manufacturers employing hundreds of thousands of union workers who have just gotten through with the negotiated package guaranteeing them a rate of income to be able to live in these inflationary times, giving them the security of welfare and pension, which we believe is the American way.

Let us talk about the manufacturer, an entrepreneur, a self-made individual who has a myriad of problems. We have problems that are totally and absolutely unpredictable.

Now, those are the daily existence of our manufacturers. Add to it the June 5 editorial of the New York Times, and you have got a highly sensitive, and a very wary, man whose rugged individualism makes him cry and makes him very, very sensitive.

We talk about our trade as textile and apparel. You made a wonderful position. I would like to talk about apparel, period.

Senator MOYNIHAN. For the record, may I say that there was a New York Post editorial on July 8.

Mr. ELIAS. It is the New York Post that says you are fighting for your life; it is the New York Times that says you are going to wind up with 40 to 50 percent cuts.

Senator MOYNIHAN. That was a news story. They try to distinguish between editorials and news stories.

Mr. ELIAS. The New York Times had it on the 5th of July.

We have to take the adage, or the old saw, that says if the farmer up river, 10 miles away, has a flood and you shrug your shoulders, it is only a matter of hours before you have a flood and it is a very, very realistic view.

Let's talk about the flood 10 miles away of the sweatermen. Let's talk about the flood of the blouse man. Let's talk about the flood of our men who make jeans and make pants and make shirts.

We find that suddenly they are out of business, regardless of the percentage we have remaining here. You have to look to the conditions that they have to compete against those imports at levels that no American manufacturer can maintain his labor standards.

Let us talk now—we are 10 miles below river and we are faced with your Multinational Fiber Act and we talk about where you are making provisions for a very small part of the imports that exist today, but the flood is coming in and you are going to drop that rate of imports imported to 17 on tariff costs.

You are opening up a whole new area, for us to be very much concerned as to what will happen to the mainstay of our apparel business.

Let's talk about the fact that we have here a weighted average and when you take the hundreds of millions of dollars worth of jeans and denims and blouses and synthetics that there was no cut because they were down to 8 or 12 percent, and you add on the small percentages of dresses and you say that the average is 20.

Senator LONG. If I may interrupt for just a moment?

Senator MOYNIHAN. Please, Mr. Chairman.

Senator LONG. Some time ago in regard to shoes, I proposed to Bob Strauss that we simply work out a plan whereby we would have import quotas on shoes, simply assign the right to import under the quotas to the people who are manufacturing shoes in the United States, and leave it up to the shoe manufacturers to decide for themselves just how they wanted to handle that. If it had been done the way I was proposing, the shoemakers would have made more money out of it than they would making shoes.

Let's say it would cost you $20 to buy American shoes and you could buy imported shoes for $5. If we gave you the quota then you could market those $5 shoes that would compete with your $20 shoes. Then you would make more profit on those than you would make on the $20 shoes.

All right?

Now, how do I know that people can make money doing this? Because we used to do it that way with oil. Anybody who could get the quota would get rich.

So I was saying, why do we not assign these shoe quotas like we did under the old oil program? It worked very well until we started playing too much politics with it. You would make more money on the quota than you will on the shoes you are manufacturing, but the fact that you make the shoes is what gets you the quota.

Mr. ELIAS. Except, Senator, excuse the interruption, that is assuming that the manufacturer that is making those shoes is also bringing those shoes in at a $5 cost.

Senator LONG. What?

Mr. ELIAS. Assuming that the manufacturer who makes the $20 shoe is bringing in the quota of the $5 shoe. But when you get the $5 shoe being bought by the retailers in great numbers and excluding the manufacturer who can average a price, you have a $5 shoe at retail which you cannot manufacture and compete with in the United States.

Senator LONG. All I am saying is this——

Mr. ELIAS. There is a difference.

Senator LONG. Hold on just a minute.

All I am trying to say is this. I do not have the slightest doubt that you, sir, could explain your position and negotiate with these other producers about how you ought to cut this melon, but the way it stands now, you do not have any melon to cut. But if we assign the quotas, we ask the manufacturers to decide how these quotas ought to be assigned and we let you work it out. The quotas are assigned, and if you make an expensive shoe then you ought to be assigned a quota on those shoes that compete with your shoes.

As I say, if you assign the quotas the way you ought to assign them, you could make more money on the imported shoes than the ones that you are making. But the point is, the shoe you are making is the shoe that gives you the right to the import quota, all right?

Mr. ELIAS. You have the right to regulate that division between the quota and the rate of reduction within the country.

Senator LONG. It is simple.

Mr. ELIAS. That requires a different tack entirely. What you are saying is you are going to give us a mixture of product that is going to keep us in business.

Senator LONG. You are in the textile business.

Mr. ELIAS. The apparel business. There is a difference.

Senator LONG. If I were in the apparel business and the Government were going to allow apparel imports, I would say you ought to control the quota, all right? So you fellows are in the business of making the apparel. Then you divide the quotas up, the stuff that is coming in, you divide it up in whatever seems the fair way to do it.

If you make a suit and somebody brings in a suit that competes with that suit, if I were in your business, I would say fairness means I am entitled to have the quota for that imported suit assigned to me.

Mr. ELIAS. Your fairness is to be admired. Now I would like to put it in a fact.

Senator LONG. The point is, when you do it that way you will make more money on the imports than you do on the ones that you are producing here. I think, also, to be fair about it, you ought to cut your workers in on some of that profit.

Mr. ELIAS. They now get all of our profit; we have none left.

Senator LONG. I was not advocating that you be that generous.

Mr. ELIAS. Senator, we have no trust in our generosity. It is negotiated.

Senator LONG. It seems to me, then once you settle the point that the Government will assign the quota to the person who is making the product, if he is an idiot, he will turn it down.

Mr. ELIAS. I agree. You have a tremendously equitable proposition. The only thing is it is now in the talking stage and how can we put it into an effective working stage? That is what we are here for.

Senator LONG. Let me tell you the rest of it. When we were talking about doing exactly this with shoes—we do not make any shoes in Louisiana.

Mr. ELIAS. We will open a shoe plant in Louisiana.

Senator LONG. All right, then I will work a lot harder on it. But I am trying to solve the problem for the shoe people.

I got Bob Strauss to go in there and propose this thing. He came back and told me that he had proposed it, but that he did not get any takers on the other end.

Mr. ELIAS. I do not think that is quite the truth. There is nobody represented us at the other end. If we had had a representative there——

Senator MOYNIHAN. Mr. Elias, the chairman is referring to shoes.

Mr. ELIAS. I know.

Senator LONG. I proposed this with regard to shoes. Whoever the people were on the other end, they did not have enough sense to take him up on it. It is hard to help people if they will not do anything to help themselves. But they turned it down.

Frankly, my attitude is that anybody who turns down that kind of a proposition deserves to go out of business. He is just not smart enough to be in business in this competitive American system. You do not get all that many chances in this life.

So if you people decide you want to take this approach, I will help you push it.

Mr. ELIAS. Sir, we welcome you on our side with open arms. I would like to be on record that the Federation of Apparel Manufacturers is today the voice for the apparel business based in New York and employing union help who share in our profits and we are talking about our very existence. And at this moment as the voice of the apparel industry, the Federation is prepared to partake of any activity that will give them the chance to exist.

Senator LONG. Do you understand what I am talking about?

Mr. ELIAS. I understand you thoroughly. I admire your stand. I think it is absolutely—it is a chance to exist.

Senator LONG. Frankly, if I had my way, both you and your workers would all make more money. Your workers would not have to do a bit more work than they are doing right now and they would make more money at it.

Mr. ELIAS. I agree. Help us put it into effect.

Senator LONG. I am glad I dropped in. I am willing to help you, with one exception. Lousiana may have a problem one day when I will have to call on Senator Moynihan for some help.

Mr. ELIAS. The Ambassador gave a very detailed statement to this committee and Senator Moynihan really took it into its end column. I thought I was ordering Chinese food, column A and column B.

The fact remains, the one point that was very significant, that in China at triple the tariff that there were more goods brought in at one fell swoop so that the tariff depends on where it comes from, what standards it is made, what cost it is, and then and only then can we have a real prosperity in our industry.

We have to devise, in our opinion, a system that would be mutually beneficial between industry, labor and Government.

I understand the multifacted problems in negotiating the treaty. I negotiated a contract with the union and it is only 82 pages, so I know the international agreement must be huge.

We have here a mutually involved problem—survival of an industry—that I think we do not want to see threatened or killed.

I think that you have a tremendously important proposition that you have just outlined. I would like to see us have that kind of input.

Senator LONG. I would like to see someone, in my judgment, who has enough wisdom to understand this proposition. If you want to do it, I would be glad to help you.

Mr. ELIAS. One of the most important second facets of the economy of this country is that our retailers with suburban stores—and they are a quite high percentage that have outlying stores—have been, in the past 2 months, deserts. There has been no consumer action.

Senator MOYNIHAN. The energy problems?

Mr. ELIAS. There is no gas, no way to travel. So therefore, we have to have another problem we have to face as a Nation and as an industry—distribution of the product where it could be offered to the consumer at a fair price to keep our industry in business, to keep the imports coming under your plan, to keep all parties in business.

And I think that requires, in my opinion, a lot of insight and a lot of involvement at the Senate level.

Senator MOYNIHAN. Now you are talking Senator Long's particular subject.

Mr. ELIAS. All right, because he has got the oil quotas.

The only thing I honestly have is my last statement. I have a tremendous sense of welcome here. I feel that you are both very, very receptive. I would like for you to know that it is a grateful thing that I have. I have a feeling of gratitude that you have given us, as an industry, a chance to express our needs.

Senator MOYNIHAN. Thank you.

Before we hear from your colleagues, I would like to welcome my distinguished colleague on the subcommittee, Senator Chafee, who has been able to join us.

Senator Chafee is from Rhode Island and he tends to listen before he talks.

The next witness on our list is Mr. Silverman, Hon. Chairman here—we are given to honorables. I think you are honorary chairman.

Mr. SILVERMAN. At a certain age, Senator Long, Senator Chafee, we become honorable.

Senator MOYNIHAN. We welcome you, Mr. Silverman.

STATEMENT OF JERRY SILVERMAN, HONORARY CHAIRMAN, FEDERATION OF APPAREL MANUFACTURERS

Mr. SILVERMAN. Thank you.

I am here, of course, on behalf of the industry as honorary chairman of the Federation of Apparel Manufacturers.

A little bit of my background. I am a third generation New Yorker and I love that town. I am, at the present time, the PR director of the firm of Jerry Silverman, which I built, and now does approximately $25 million at retail.

I am a trustee of the Fashion Institute of Technology in New York. I am on the board of overseers of the school of design, former president of the promotional organization which we established in New York to promote the city and the apparel industry. It is the fashion capital of the world.

You remember Miss Bess Myerson was our director for a few years. She served as the $1-a-year man.

Senator MOYNIHAN. A $1-a-year person.

Mr. SILVERMAN. She is very concerned as well.

Senator MOYNIHAN. You could not be more right. It is one of the more extraordinary things that governments do not know about things like this; I do not suppose they should—but New York has become the fashion capital of the world. In the 1950's, when no one noticed, it became the center of art in the Western World.

We never know these things until they have happened. It is not an accident that it is the center of design, painting, and sculpture.

It is persons like yourself and the Parsons School who have added a great deal to it.

Mr. SILVERMAN. As you probably know there is more design talent in New York City on Seventh Avenue alone in buildings like 530 and 550 than exist in all of Paris, London, Italy, and the Orient combined. This is another factor that should be preserved.

What I would like to address my attention to today, because I know we are all hitting on the same facts, and it could be very redundant and dull, I want to talk a little bit about the history in a very short time of what went on with the jobs in New York that has already been discussed.

Going back to 1973, when we inaugurated the fashion capital of the world, there were over 200,000 jobs in our industry. Now you know the figure is down close to 150,000, a paralyzing and very disturbing thing for those of us who are in this industry, and naturally we are supersensitive to a situation like this where we really do not know all the details and we are, in a sense, rather confused about where we are going.

As you know, we have given up the jeans business. We have given up the cotton business. We have given up the pure silk business in dresses and in allied apparel because it really has been taken out of our hands by the imports.

Today, over $5 billion worth of goods is being imported into the United States in our area as opposed to an export of about $500 million. So the percentages are ghastly. The trade balance is 10 to 1. We know that.

Senator CHAFEE. May I interrupt with a question. You say you have given up the jeans business. I thought that was one of the strong points that we had?

Mr. SILVERMAN. You are right, Senator, but they are being made mainly overseas today. The greatest majority of them are being made overseas because they can produce them very inexpensively as compared with the United States.

Senator CHAFEE. I just read the article that said that Russians were equally looking for American jeans and one of these companies, Levi or something, was thinking of building a factory in Russia.

Mr. SILVERMAN. It is possible it will.

Senator MOYNIHAN. That is a point, to build the factory in Russia.

Senator CHAFEE. Where are the jeans that everybody is wearing, where are they made?

Mr. SILVERMAN. They are made in every country in the world. Every country in the world behind the Iron Curtain right now.

They are made all through the Orient, the Philippines, India, as well as the United States.

I do not know what the percentages are, really, but it is incredible.

Senator CHAFEE. It is the American companies that are making them? Levi, Wrangler—what are the three big ones? Levi, Wrangler——

Mr. SILVERMAN. Levi-Strauss, Blue Bell—the designer jeans are becoming very important, too. It is one way of ornamenting a basic item and for the status conscious Americans they like to have Calvin Klein on their behinds, and things like that.

Senator CHAFEE. They are made overseas?

Mr. SILVERMAN. In many cases, they are.

The Calvin Klein things they may be made in America, but it is a drop in the bucket. I am not going to argue that point.

Mr. Elias asked me to read this to you, a sentence here: "As part of Hong Kong's overall diversification program, one government manufacturing plant has expanded its operations to Sri Lanka to take advantage of the——

Senator MOYNIHAN It used to be known as Ceylon. The Prime Minister still calls it Ceylon.

Mr. SILVERMAN. They are planning a $10 million plant to make shirts and jeans for export. This is the way Hong Kong is moving.

In the promotion of New York City as fashion capital of the world, what we hoped to do was to stop the flood of import by keeping the retailers in the United States. We thought New York City was the prettiest and the best. We offered a creative background, an atmosphere in which creative people, retailers, manufactures, designers, could work.

There is no place, as you very well know in the world, that offers the creativity, the museums, the ballet, the theatre, the restaurants, the ambience, the stores that New York has. Somehow we probably did not make the right impression because our retailers kept going abroad to the whole world and the net result is, as I stated, $5 billion worth of imports this year. Next year it will be more, in all probability.

So naturally, with what is left of our business in New York City, which is practically confined today to a very few areas, to wit, manmade fiber and clothes. About 80 percent of the industry is making that kind of product today in dresses, children's wear and so forth.

And little wool dresses and skirts, that is where we are confining our business and naturally we are very concerned about protection under these circumstances, because with the attrition that we are going through with the increases in every direction—labor increases, manmade fibers—as you know, are petrochemical oriented, the net result is a rise there. We feel we will be completely put in a third rate position as far as the world is concerned, and naturally we are very concerned on that basis.

Talking for my own business, I think we that we make 90 percent of our goods today in those two categories, and naturally a $25 million business has to be fought for and protected.

I do not want to go any further. I know there are other people to talk about things.

As a manufacturer who knows New York and as a person who feels gravely for the industry, I do feel that this should be evaluated, thought about, and researched to a great extent and we would like to, again, extend our invitation to the Ambassador to New York to get into this in greater detail.

Thank you for hearing me.

Senator MOYNIHAN. Mr. Silverman, I took the liberty of accepting, on the Ambassador's behalf, the invitation.

There is one point we should keep in mind, here, that none of the changes that are provided in the MTN will go into effect for another 2 to 2½ years, so we have time in this matter and we will use that time.

Also, I will use the time this morning, because we have equally distinguished persons who are here to speak to us.

Now, let me see. I guess Mr. Radley, you are next, sir.

STATEMENT OF J. P. RADLEY, NEW YORK FASHION COUNCIL

Mr. RADLEY. Thank you Senator, Senator Chafee. I am Secretary-Treasurer of Trigere, Inc., a high-quality manufacturer for the last 30 years or so in New York and currently the president of the New York Fashion Council.

As you have observed, I begin to feel I am speaking for minority rights. The group of people that come under my wing are really the very top end of the New York apparel makers in terms of quality and in terms of the design that Mr. Silverman spoke about, and in terms of price.

Our main purposes have been rather similar to some of the other groups represented here today. The organization of our market dates, and, in general, anything that is going to make it more attractive and more econmical and more interesting for buyers from across America to come to New York City to buy their women's apparel.

Like most of the other people here, I only know what I read in the papers. I have not read terribly much because I have been in Memphis and Oklahoma until last night, so I have been getting all this in a very abstracted form.

But it does appear that what has been organized or negotiated or put down on the table under the trade negotiations in so far as they affect the apparel industry and as far as it is known are very alarming to those of us in this end of the business that I speak of.

We are alarmed because we do not know all of the facts. We are alarmed because we think—I guess I heard that the House of Representatives acted rather precipitously. Also, we are alarmed because there is certain talk about the numbers being banded about. Some people are right about the percentage cuts; some are wrong.

I think I know how to count, and I think that I know that you can come out with any kind of average that you want, but when you look at an average, you still have not looked at the whole picture.

If Ambassador Smith and his crew had decided to apply whatever the country who was going to succeed in the way of apparel cuts, uniformity in all categories, perhaps we would have understood that as an easy way out. Apparently, this was not done.

There are going to be selected cuts applied to different categories of apparel imports.

Apparently the lowest amount of decrease in tariff is going to be on the items that are of the highest proportion of imported units, or imported dollars, in this country. It does seem to be the polyester shirts and the jeans and the acrylic sweaters and the bathrobes that we long ago gave up, in large measure, to Far Eastern countries.

Precisely the thing that is going to suffer the deeper cut would seem to be an ornamented wool dress or suit. I should note wood braid is considered by U.S. Customs to be ornamented; therefore, it carries the highest rate of duty. It will not any more.

I have got to become a retailer in some sense and talk to you about how you have a sale. If you decide it is time to have a sale and clean out your merchandise, you figure out more or less what you can afford to give away and still be able to pay the rent. And you look at all your stock and say, we will cut this so much and that so much, to really get the public in there, you have some loss leaders.

I think we are being taken as loss leaders in the apparel industry in New York. If that is called leadership, and we are the loss, we do not like it and we are angry.

Senator MOYNIHAN. Mr. Radley, those are very clearly stated views. Let me say just two things about the approach which has been followed. It is an approach distinguishing between one category and the other for the purpose of minimizing the effect of the reductions.

Second, as Ambassador Smith said on the 1974 legislation, this has gone forward with the most careful involvement with industry in the negotiation.

Now, we may not have done as well as we ought to have done. We have time to discuss that, and we will. But I think I must speak for the competence—as I am sure you would be the first to concede—of the people who have been flying back and forth for the last 4 years between Geneva and Washington.

Mr. RADLEY. I am not questioning their competence. While we were not totally represented in ISAC, the ISAC did merge the textile people and the apparel people and those different segments of the apparel industry. Even though there are thousands of manufacturers in New York, it adds up to one little industry.

Senator MOYNIHAN. Perfectly good points. That is what we are here to hear about.

Now——

Senator CHAFEE. May I ask one question?

We have had an accounting of the decline of the textile industry in New York City from, I think, 200,000 to 150,000 that has taken place when you took over fashion world, which was what?

Mr. SILVERMAN. 1973.

Senator CHAFEE. In 6 years it has gone down 25 percent.

My question is this. Is some of that due to the fact that the apparel industry has moved, not necessarily overseas, as it has moved to Dallas and Los Angeles and places like that?

Mr. SILVERMAN. Not really, sir. The markets have moved, in part. There is a Dallas market and there is a Chicago market, but the manufacturing is very limited there. It is miniscule.

The great majority of manufacturing is still done in New York City.

I think that the problem is imports more than anything else. A $5 billion import figure speaks for itself.

Senator CHAFEE. Thank you.

Senator MOYNIHAN. Mr. Love?

I should say Mr. Love is the president of the United Infants' & Children's Wear Association, as well as president of his own firm.

We welcome you.

STATEMENT OF MATTHEW LOVE, PRESIDENT, UNITED INFANTS' & CHILDREN'S WEAR ASSOCIATION

Mr. LOVE. My name is Matthew Love. I am president of the United Infants' & Children's Wear Association. I beg your indulgence for the format of this presentation; notice of the opportunity to testify was unexpectedly short. I am grateful, however, for this chance and intend to present my best available information from my perspective as president of this organization and from my position, as well, as president of Matthew Love/Riegel & Dechter, a manufacturer of apparel, whose retail volume is approximately $15 million.

To begin with, we thoroughly endorse, in both of the capacities in which I am here present, the testimony delivered by Mr. Kurt Barnard, executive director of the Federation of Apparel Manufacturers. There is no doubt in my mind that his statistics and logic are accurate and that the American manufacturer—and his employees—will suffer serious damage if matters proceed other than as his testimony indicates.

Indeed, even the International Ladies' Garment Workers' Union, in a research report prepared on February 27, 1979, supports our point of view. Their statement, in that report, was to the effect that—

> Economic growth in the United States was kept in check not only by rising interest rates but also by imports which continued to surge despite the decline in the value of the dollar in foreign markets.
>
> As of last December, the value of imports exceeded that of exports for 31 months in a row. The deficit in volume of foreign trade in 1978 was an appalling $28.5 billion or $1.9 billion higher than in 1977.
>
> The continued invasion of the market by foreign goods, even before the contemplated tariff reductions now under review in Geneva, is a serious challenge to the Nation, its industry, and workers.

The underlining is mine, for emphasis. I would like, Mr. Chairman, with your permission, to have this report entered into the record. The page on which the statement appears is attached to this statement as appendix A.

Senator MOYNIHAN. Without objection, so ordered.

[The material referred to follows:]

Appendix A

Apparel Manufacturers Association, Inc.,
New York, N.Y., July 11, 1979.

Hon. Daniel P. Moynihan,
U.S. Senator, Russell Senate Office Building,
Washington, D.C.

Dear Senator Moynihan: Kurt Barnard has informed me of the hearings to be held this Friday in Washington concerning in part the impact of the proposed Tariff cuts upon the Ladies and Children's Apparel Industry. Unfortunately, I shall be in England at that time and although unable to participate personally, I would greatly appreciate your help in getting the views of our Association on the record.

The Apparel Manufacturers Association is the largest Association of manufacturers producing primarily dresses. Our businesses are New York City based and we manufacture in Massachusetts, Connecticut and New Jersey with most of our production coming from the states of New York and Pennsylvania.

Senator, the New York Post editorial of Monday, July 9th says it all. The "Average" apparel Tariff cuts reported by the news media and as commented upon by Ambassador Strauss and Sol Chaikin have *no meaning* in the real apparel world in which we live. Even worse—the implication of these gentlemen's remarks can be highly misleading to the reader or listener who does not understand that these "averages" have no validity in relationship to *current domestic* garment production . . . and that's what we should be focusing upon—current domestic production.

One dramatic example will make clear the prospective plight of our industry and our workers. The single largest category of dress production of our membership is in the category of man-made-fibers. It is estimated to be over 85% of our total production. If the proposed tariff cuts for this category as printed by the N.Y. Times are correct, and we believe they are correctly stated, then we are faced with the *maximum* tariff cuts permitted . . . in the area of a 55% to 60% reduction from existing levels . . . on items encompassing virtually all of our business!! This is a far far cry from the "modest reduction" impressions being advanced by Administration Representatives.

The Sportswear and Dress Associations are the two largest associations dealing with the International Ladies Garment Workers Union. We have met with the Union on several occasions to discuss the proposed tariff cuts, and have told the Union's chief officers it is our Industry's belief it would be a fatal mistake not to strongly oppose these drastic tariff cuts.

It is particularly important to us that the Senate Select Committee considering these matters understand it is our absolute conviction that what we are talking about is nothing short of the Survival or Destruction of a major American Industry.

We greatly appreciate this opportunity of being heard.

Respectfully,

Richard Rubin, *President.*

Mr. Love. Not in my paper, I am going to put something extra that I would like to insert here.

Eighty-five percent of the infants' and children's wear apparel manufactured in the United States is made of manmade fibers.

We cannot compete in natural fiber garments due to the large number of imports in the low-tariff category.

The International Ladies' Garment Workers' Union's research paper, dated February 27, 1979, acknowledges the U.S. Bureau of Census imports for consumptions figures will show that imports of cotton, women's and children's garments in the following categories—dresses, blouses, knit skirts, shirts, slacks and shorts, and playsuits, increased from 101 million garments to 293 million garments in 1978, an increase of 290 percent in 4 years, while synthetic imports on the above-mentioned categories for which we have high protective tariffs only went from 282 million imported garments in 1974 to 348 million garments in 1978, an increase of only 23 percent.

The proposed large tariff cuts on imported synthetic garments that account for 85 percent of the U.S. women's and children's domestic apparel production will be dealt a devastating economic death blow to our industry.

I will continue on.

I could offer—but they have already been offered—reams of statistics. I could talk about weighted averages, manmade fibers, average tariff cuts, multifiber arrangements which are not working, largely because they are circumvented.

I would rather talk about something else. If my business cannot compete and goes under, the loss will be in the area of employment of those who need the work most. Those who will go under with me will be blacks, Hispanics, women.

Remember, the Garment Center, as the ILGWU's report seems to indicate, is New York's largest private employer. And, it is of great economic importance to the rest of the country as well.

Those who need the work most will be hurt the most.

I am not—we are not—unsympathetic to the needs of Hong Kong, Korea, Taiwan, China. We are simply contending that the damage to the American apparel manufacturing industry, as a result of the tariff cuts, will be great, especially in terms of those who need the work most here.

Perhaps testimony should be taken from those who will lose their jobs. There seems little doubt that, if apparel manufacturers continue to fail, as they have failed in the past because of apparel imported from abroad at low-tariff rates, more damage will be done at home than abroad.

I would recommend that the apparel industry not be subjected to devastating tariff cuts and that a system be developed and enforced that will prevent countries from circumventing the multifiber arrangement. Neither of these solutions are enough; both are essential to the survival of our industry.

I thank you for the opportunity to have presented this testimony.

Senator MOYNIHAN. Thank you, Mr. Love.

When you say you could offer reams of statistics but will not, let me say that we will want your reams. This is something we have developed a data base on, and we take it very seriously. We will welcome your participation and will look forward to it.

Mr. Barnard, did you want to add anything? If you have some data there, we will make it a part of the record.

Mr. LOVE. These are the quotes that I made in different categories. I would like to present that.

I gave you the union's position paper, which I would like included.

[The material referred to follows:]

Research Department International Ladies' Garment Workers' Union

CONDITIONS IN THE WOMEN'S GARMENT INDUSTRY

ECONOMIC BACKGROUND

The performance of the American economy last year was uneven. It began on a weak note. The real output of goods and services in the first quarter of 1978 (i.e. after factoring out the effect of increasing prices) was marginally down from the last quarter of 1977, partly due to bad weather and the coal strike. The situation improved in the second quarter of the year when real output moved ahead 2.1

percent. The advance slowed in the third quarter to 0.6 percent. Despite the expectations of slower growth, the real gross national product advanced 1.5 percent in the last quarter of the year to a level 4.3 percent higher than in the same 1977 period. This was a relatively modest performance compared to the 5.5 percent advance a year earlier. It still left the country with some 6,000,000 unemployed, an additional half-million discouraged people who stopped looking for work because employment opportunities were non-existent in their communities, and over 3,000,000 persons who were on part-time due to lack of fuller employment.

Price advances accelerated. In the year ended December 1978, prices of raw materials at wholesale advanced 17.1 percent and finished goods 9.1 percent. The data released for January highlight a further 3.1 percent advance in raw material prices and 1.4 percent in finished goods, the largest monthly rise in over four years. This dramatic upswing brings into question the effectiveness of voluntary price controls instituted last October. While conclusive judgment is premature, it is significant that the Administration's economic advisers interviewed by the correspondent of the London Financial times "stressed that price guidelines were cosmetic and political only."

Prices paid by consumers moved up over the twelve months ended in December 1978 by 9.0 percent. Some of the upward push was generated by an 11.8 percent rise in the price of food. The cost of home ownership escalated 12.4 percent, with an average home selling for over $65,000. The cost of medical care, which has surged exorbitantly since the early seventies, moved up by 8.8 percent in the past year, a more moderate gain than heretofore. However, hospital charges began to escalate anew in the latter part of 1978. By way of contrast, prices of clothing for both sexes rose only 1.2 percent in the course of last year.

Interest rates, which renewed their advance two years ago, increased at a faster pace in 1978 under the impetus provided by Federal Reserve policies designed to bolster the value of the dollar abroad and to slow monetary expansion. As a result, the prime rate charged by banks to their preferred customers advanced from 6.25 percent early in 1977 to 7.95 percent in early 1978 and 11.75 percent in December. Since the end of January, a number of banks cut the prime rate to 11.50 percent. It is likely, however, that this decline is temporary. Significantly, the policies designed to boost interest rates had little if any impact on the course of price increases.

With the rise of interest rates, the cost of mortgage financing went up. This February, the interest on conventional mortgages approximated 11.6 percent and on mortgages guaranteed or insured by the federal authorities 10.6 percent. Even though many home buyers were not deterred by high mortgage costs, the number of private housing units started during the last quarter of 1978 was 0.8 percent lower than a year earlier—starts of one-family homes were down 2.3 percent even though multi-family units were 2.9 percent ahead. After discounting the impact of higher prices, investment in residential construction was 0.8 percent lower in the last quarter of 1978 than in the same quarter in 1977 (it was still 7.1 percent lower than in the first quarter of 1973, the prior peak). The supply of mortgage funds was shored up by new rules issued last June which enabled financial institutions to compete for deposits by the issuance of six-month certificates which paid interest rates tied to six-month Treasury bills. While this device made mortgage funds more plentiful, it also induced a rise in the cost of mortgage financing. Increasingly, this method of obtaining deposits became less attractive to financial institutions. The availability of funds for mortgages accordingly tightened. In the meantime, the market for houses also weakened to some degree.

Investment in non-residential structures, which lagged in the early recovery from the last recession, improved in 1978. In real terms, it was 12.7 percent higher in the fourth quarter than a year earlier, though still 0.2 percent below the prior peak which occurred in the third quarter of 1973. Non-residential investment in producers' durable equipment advanced at a slower pace—in the last quarter it was 6.4 percent ahead of a year ago. This slower advance is mostly accounted for by the continued abundance of idle facilities and equipment. Continued improvements in corporate profitability—after tax profits during the last quarter of 1978 are estimated to top 1977 by some 25 percent—failed to speed up investment.

Economic growth in the United States was kept in check not only by rising interest rates but also by imports which continued to surge despite the decline in the value of the dollar in foreign markets. As of last December, the value of imports exceeded that of exports for 31 months in a row. The deficit in the volume of foreign trade in 1978 was an appalling $28.5 billion, or $1.9 billion higher than in 1977. The continued invasion of the domestic market by imported manufactured goods, even before the contemplated tariff reductions now under review in Geneva, is a serious challenge to the nation, its industry and its workers.

Approximately two-thirds of the nation's output of goods and services is absorbed by consumers. Their ability to buy, however, was strained by rising prices and inadequate advances in personal incomes. To sustain their purchases, consumers had to significantly reduce their savings out of current incomes and rely to an increasing degree on credit. After the impact of higher prices is factored out, consumer outlays moved ahead only 3.8 percent in the course of the year ended with the last quarter of 1978 compared to a 4.8 percent advance a year earlier.

Senator MOYNIHAN. All right.

Mr. Barnard, would you want to add something?

We heard from you. We welcome you. We have learned a great deal from you in the last weeks.

STATEMENT OF KURT BARNARD, EXECUTIVE DIRECTOR, FEDERATION OF APPAREL MANUFACTURERS

Mr. BARNARD. Thank you very much, Mr. Chairman. I have very little to add.

There are two points that I wish to make at this time, with your permission.

No. 1, the damage that we are talking about as the Federation of Apparel Manufacturers, is prospective damage, not damage occurring today, not damage that has already occurred, but damage that we are deathly fearful of in the event that we are going to suffer the kind of tariff cuts that we are being told in the media will take place if the MTN is going to be approved by Congress.

The House of Representatives already has approved it, and if you have seen yesterday's Times—as I am sure you have—there were some rather interesting comments concerning the fact that the House acted without being shown at that time a full breakdown of the tariff cuts and why.

The Times said at the time yesterday that Congress acted hastily and speedily for fear that if the tariff cuts were known in their full entirety, many Congressmen would be besieged by their constituents with pleas of not to pass the act.

I would like to add one more point. Mr. Clephas said before that I am a member of the industry sector advisory committee. I owe you my membership on this committee, Mr. Chairman, and I am intensely grateful to you for it.

If it had not been for your intercession, Mr. Chairman, I would not have become a member of the advisory committee.

Alas, I became a member of the industry sector advisory committee only approximately a year ago, a little more than a year ago. I believe it was in April or May of last year.

The Federation of Apparel Manufacturers itself was only about a little more than 2 years old. The industry has had no voice in the past. If we had been perhaps represented as an industry on the industry sector advisory committee since 1974, when the industry sector advisory committee first came into being, perhaps we would have been in a position to do something about the impending tariff cuts that are threatening our industry, the lifeblood of New York City and New York State.

By the time I came to sit on the industry sector advisory committee, Mr. Chairman, the die with respect to tariff cuts was pretty much cast—cast, perhaps, in stone.

Senator MOYNIHAN. Mr. Barnard, let me say that I am glad you got there when you did, even if it was late.

Mr. Chairman?

Senator LONG. Let me just say this, Mr. Barnard. If my feeling about this matter is correct, unless we do something along the lines I have been suggesting here, you are not going to be able to survive even with the existing tariffs. Is that not right?

Mr. BARNARD. It is entirely possible.

Senator LONG. You know that they are producing that stuff in places like Korea and Singapore and Hong Kong, and places like that, far below your cost and that tariffs will not save you. If we are going to save you, we are going to have to take a somewhat different approach.

The people who are bringing that stuff in are bringing it in at a very low price and selling it at a much higher price.

I recall somebody who bought shoes in some country for $5, to complete with the $20 American shoes. You do not think he sold the imported shoe for $5 because he bought it for $5. He did not make it; he just bought it. He made a big profit in there.

What you people ought to do is come in and say, look, we have got a lot of workers we are trying to look after, and in wartime, if the shoes got cut off, you would be needing us. You ought to keep us around.

That being the case, let us make the difference between the prices of imported and American shoes. Assign the shoe quota to us, and we will just market the imports along with ours.

And if you take that approach I think that your industry could not only be saved, I think we could fix it up so you would make a bigger profit than you are making now.

Mr. BARNARD. You ought to be a retailer, sir.

Mr. LOVE. We have no way of controlling the retailer.

Mr. BARNARD. Senator Long?

Senator LONG. The point is this. If you play your cards right, you can get the quotas assigned, right?

Mr. BARNARD. The problem is it would not be general shoe importing that. It will be the stores. How do they get the quotas.

Senator LONG. What I am suggesting is a very simple proposition. First, you get quotas assigned.

Mr. BRADLEY. Who? The manufacturers?

Senator LONG. You get quotas assigned on the shoes coming in.

Mr. BARNARD. Who gets that quota?

Senator LONG. Hold on. Just assign the quota to the American manufacturer.

Once you get the quota assigned, then you people who are in the business of producing those competing products can say, give us a preference. Let us have the first shot at these imports. Assign them to us.

So you get the quota for the product you assigned to you.

Mr. ELIAS. Can that be legislated?

Senator LONG. I do not think it takes legislation.

Mr. ELIAS. It can be done in a free market? Your retailer is there as fast as you are. He is there ahead of you.

Senator LONG. We have the authority under the old law, and will have the authority under the new law, to put quotas on if we want to do it.

Mr. BRADLEY. It is not the existence of quotas, not a question of having the quotas, but who is going to use them.

What are we saying, retail stores do not have to go to our showrooms if they can go to Taiwan to buy the shoes themselves. They do not need us.

Senator LONG. When you assign a quota you can assign it to whoever you want to give it to.

Mr. BRADLEY. You are going to cut out the retail community from shopping in overseas markets?

Senator LONG. I would do exactly that.

Mr. BRADLEY. That is something else. Sears cannot go overseas; they have to come to us.

Mr. BARNARD. Senator Long, I think we are going to aid you in drafting this bill.

Senator MOYNIHAN. I am going to ask if Senator Chafee might not like to say something.

Senator CHAFEE. No. I have just been listening with fascination to this proposal.

Senator MOYNIHAN. So is Alexander's.

Senator LONG. There is nothing all that new about it.It has precedent, you know. That is exactly how we handled the oil import quota system.

Mr. LOVE. Going back to your original idea with the high, with the imbalance of the percentage, if you took a flat figure—let's say we know we have to do some tariff reduction—going back to your way of thinking, let's take all tariffs and not some 20 percent. The only thing you are disrupting, you are reducing our possible workforce, or our business, by 20 percent unilaterally.

What you have done here that we think that we do not know, but we have not heard specific import duties or other items.

You have affected possibly 50 to 60 percent of our business. This is where the problem is.

Whoever legislated this thing does not know how it is hurting this industry, our at-home industry as it exists today.

Senator LONG. All I am telling you now is if you have a quota system on some imports, then you give the manufacturers of the competing product the first priority to claim that quota. When you do that, he will make more money on the imports than he will on the products he is manufacturing.

Mr. LOVE. You are 100 percent right, but that will not keep our workers working either. We will be making money on somebody else's labor.

Senator LONG. Hold on one moment. You see, the way you earn your share of the quota is to produce a commodity here.

Mr. LOVE. You have a deal.

Mr. ELIAS. Conceptually it is absolutely perfect.

Senator LONG. Please understand, when I am proposing this to you, I think it should be done. I will support it. I will be glad to help you with it.

You should understand that the workers ought to benefit along with producers. The way it stands right now, the people who are making all the money are making a sort of windfall profit. They are making a ton by bringing something in from abroad at a very low price and making one tremendous profit on it.

They merchandise some of your products, but they are not making near as much on yours as they are on the imported things. If you do what I am thinking about, you would be the guy who is making the big profit on the imported article, as well as whatever you make on yours.

Mr. LOVE. Under your system, we would not lose one worker that way, because what you are doing, you are channeling the imports that now exist to the manufacturing level that we would be selling it to the retailer along with the products that we manufacture here. That does not lose a job, there is nothing wrong with that, and we would control it and make and equalize different things.

It is 100 percent right. If it could be done, beautiful.

Mr. ELIAS. Thank you.

Senator MOYNIHAN. Gentlemen, thank you very much. It has been a great pleasure.

We are now going to hear from representatives of the American Apparel Manufacturers Association; Mr. Carl Priestland, chief economist, and Mr. Ellis Merideth who is president and Mr. Stuart Boswell who is director of government relations.

Mr. MERIDETH. If I might, I am Ellis Merideth, president of the association. I just want to reminisce for just one second. You might recall the name. I wanted to reminisce—Higman Price.

Senator MOYNIHAN. Indeed.

Mr. MERIDETH. Quite a fellow. If he were in this room today, he would be right alongside the chair of Chairman Long saying "Bravo" because that concept was floated by Hickman Price in 1961. Maybe his time has come, Mr. Chairman. I am sure he would be very favorably disposed.

Senator LONG. I knew it made too much sense for me to have been the first guy who thought of it. It is the logical approach, in my judgment.

Mr. MERIDETH. It is an intriguing concept.

Senator LONG. Incidentally, it has been done before, as you know.

Mr. MERIDETH. Sure. In the oil business, as you said, sir.

Senator MOYNIHAN. I am sure the chairman remembers Hickan Price, Assistant Secretary of Commerce under President Kennedy. He was with Secretary Blumenthal and myself when we negotiated the Long-term Cotton Textile Agreement.

Mr. Merideth, would you like to start off?

STATEMENT OF ELLIS MERIDETH, PRESIDENT, AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Mr. MERIDETH. Mr. Chairman, since this is primarily a question of fact, and economic fact at best, since an economist is our key negotiator from the standpoint of our concerns, I will turn the bulk of our testimony over to him, but given the opportunity, I do want to commend you as always. Your sensitivity to the concerns of your constituents, you have been a good friend, and a concerned friend, of the industry for so many years.

I commend our friends in the Federation of Apparel Manufacturers for aggressively going out and trying to find out the facts. I think they have done a good job. That is what we are all after.

We have an awful lot to do, however, before we are done. I think we will see the bottom line, sir. We thank you for your help.

Senator MOYNIHAN. I like to hear that.

Senator Chafee, did you want to speak at this point?

Senator CHAFEE. No.

Senator MOYNIHAN. Mr. Priestland?

STATEMENT OF CARL PRIESTLAND, CHIEF ECONOMIST, AMERICAN APPAREL MANUFACTURERS ASSOCIATION

Mr. PRIESTLAND. Thank you, Mr. Chairman.

My name is Carl Priestland. I am chief economist for the American Apparel Manufacturers Association, the largest apparel manufacturers' association in the United States. In 1978, our members produced almost $20 billion worth of apparel approximately two-thirds of the total U.S. apparel output.

While we represent most of the larger apparel manufacturers in the United States, the majority of our membership is small, or medium-sized apparel manufacturers. We have members in 38 States. Our members produce all kinds of apparel for men, women, boys, girls, children, and infants.

Because of the broad base of apparel production represented by our members, AAMA's position was one of opposition to any tariff reductions on any apparel item. We supported the legislation offered by Senator Hollings and Representatives Holland and Broyhill which would have saved apparel and textile tariffs. As you know, this measure passed the Congress, but was vetoed by President Carter in 1978.

At the same time, we knew that the height of apparel tariffs made them particularly vulnerable to pressure for large reductions during the multilateral trade negotiations. Based on 1976 trade, the average tariff rate on all apparel was 29.3 percent, among the highest in the entire U.S. tariff structure.

Throughout the MTN, the industry sector advisory Committee on apparel and textiles was kept informed by our Government of developments in the negotiations. We did not agree with all the administration's actions, but we were told of them. And many of our suggestions received the Government's favorable consideration.

Eventually we were confronted with some hard choices. Since tariffs were going to be cut on a product basis, it was determined that AAMA's efforts would be best directed toward protecting those product areas with the greatest degree of import penetration. This was largely nonornamented apparel. In a nutshell, since determinations of tariff cuts were made on a trade-weighted basis, we placed our greatest emphasis on those areas where there was already a high level of imports.

The tariff cuts negotiated during the MTN for apparel on a trade-weighted basis are slightly under 5 percentage points. The reductions made reduced the 1976 average of 29.3 percent to 25 percent. Some apparel tariffs received full formula cuts, but these are on items that are not import-sensitive.

As we understand it, these tariff rates will be cut over an 8-year period, and no tariff cuts will take place during the first 2 years. Therefore, we will be half-way through the next decade before any significant changes in tariffs come about, even in those areas where there are full formula cuts.

Senator MOYNIHAN. Could you help me? I do not quite understand.

Mr. PRIESTLAND. It will be made over an 8-year period. For the first 2 years there will be no cuts. Thereafter, there will be a one-sixth per year cut in the tariff rates. There will be an adjustment of one-sixth each year for the last 6 years of the implementation.

Senator MOYNIHAN. You said the first 4 years. Did you not mean the first 2 years?

Mr. PRIESTLAND. Yes.

Another factor which influenced our considerations regarding tariffs was the President's pledge in his message accompanying his veto of the Hollings-Holland bill to prevent import disruption of the domestic apparel-textile industry. Shortly after that veto, the administration, working closely with industry and labor representatives, began developing an apparel-textile trade policy which was announced by the President at the White House on March 22, 1979.

I will not go into the details of that program except to say that it addresses all the elements making up our apparel import problem. Its provision for a global evaluation of imports and adherence to the multifiber arrangement principle of preventing market disruption are designed to prevent import surges and import dominance of particular markets.

We do not intend to downplay the importance of tariffs, but we do believe that apparel imports can be controlled better by quantitative restraints than by tariffs. We have only to look at China as an example. Our imports from China are subject to the 1930 tariff rates which are considerably higher than those given to most favored nations. Yet Chinese exports to the United States are growing rapidly at this time.

Senator MOYNIHAN. This action was taken this spring?

Mr. PRIESTLAND. This action was taken as of the end of May.

Senator MOYNIHAN. This was under the existing arrangement which will continue.

Senator Chafee is leaving because there is a vote. he will be back.

Mr. PRIESTLAND. The essential ingredient to maintain the viability of the domestic apparel industry is a tough implementation of the administration's program. The effects of the tariff cuts, we feel, can be held in check if this program is carried out.

That concludes my formal remarks. I do want to indicate one thing to correct the record on one statement made on jeans. There is a substantial amount of production in the United States. Jean imports last year were about 6 million dozen. We produced somewhere in the neighborhood of 30 million dozen in the United states.

I would like to submit a short note on that, if you have no objections.

Senator MOYNIHAN. I would be very happy if you would.

[The material referred to follows:]

PRIESTLAND ASSOCIATES,
Alexandria, Va., July 16, 1979.

Senator DANIEL PATRICK MOYNIHAN,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR MOYNIHAN: The enclosed table contains data on U.S. production and imports of jeans and dungarees. You requested this information in connection with the hearing on Friday, July 13.

If you need further information, please let me know. I am happy to be of assistance to you in this matter.

Sincerely yours,

CARL H. PRIESTLAND,
Chief Economist, American Apparel Manufacturers Association.

Enclosure.

U.S. PRODUCTION OF JEANS AND DUNGAREES 1967, 1972, 1977

[In thousands of dozens]

	1967	1972	1977
U.S. production:			
Men's	7,434	14,771	17,429
Boys	4,981	7,482	7,932
Women's	1,778	5,274	5,832
Girls	369	413	624
Children's	1,497	1,634	1,541
Total jeans and dungarees	16,059	29,574	33,358

U.S. imports—cotton jeans and dungarees only [1978—In thousands of dozens]

Men's and boys	2,975
Women's, girls, children's, and infants	4,842
Total imports	7,817

Imports in 1978 compared to domestic production in 1977 equals 23 percent.

Mr. PRIESTLAND. On the domestic production of jeans, the two major apparel manufacturers, Levi and Blue Bell, are net exporters of jeans, not net importers of jeans, to my knowledge, and we do produce a substantial number of jeans in this country.

Senator MOYNIHAN. As you know, I think, there is what economists have called the product cycle which takes place on things like that. A product is developed in the United States for a period. We export the product and finally a period comes when people are producing the same product overseas, and then do not buy from us, but export to us.

If we are vigorous enough in this thing, it is a wholesome cycle in the American economy.

I see your point. It is not tariffs, but a tough implementation of the quantitative agreements, in your view?

Mr. PRIESTLAND. That is right.

Senator MOYNIHAN. A tough implementation. I think that is the view of others.

Mr. Boswell, would you like to speak?

Mr. BOSWELL. No, thank you, Senator.

Senator MOYNIHAN. You are very kind.

In that case, if our guests will be patient with me, we have a vote on the Senate floor. I will have to recess for 5 minutes. It will not be more than 5 minutes, and then we come to an essential part of our hearing.

We are going to hear from Sol Chaikin, president, International Ladies' Garment Workers' Union and a man of national stature in the trade union movement and the industry; and Mr. Arthur Gundershein, director of international relations for the Amalgamated Clothing Workers.

If we are fortunate, Mr. Chaikin will ask Mr. Teper to join him at the witness table.

I will have to run to vote, but I will be back.

I would like to have you all know—and Mr. Chaikin to know in particular—that I am running off to vote against an effort to dilute the Davis-Bacon Act.

There will be a 5-minute recess.

[A brief recess was taken.]

Senator MOYNIHAN. Now we can say good afternoon.

I want to say that it is the distinct pleasure of the chairman to welcome this most distinguished panel headed by one of our most distinguished New Yorkers—Mr. Sol Chaikin. Like so many New Yorkers he had the good sense to come to the city rather than having the good fortune of being born there.

Mr. Sol Chaikin, president of the International Ladies' Garment Workers' Union, one of the most vigorous spokesmen for working people and their rights in this country.

I see Mr. Lazare Teper is here; Ms. Dubrow, vice president of the union; Mr. Gundershein, director of international affairs, Amalgamated Clothing Workers. I have not had the pleasure of meeting your colleague.

Ms. SMITH. I am Elizabeth Smith, director of legislative and political education for the Amalgamated Clothing Workers.

Senator MOYNIHAN. We welcome you.

Mr. Chaikin, it is yours.

STATEMENT OF SOL C. CHAIKIN, PRESIDENT, INTERNATIONAL LADIES' GARMENT WORKERS' UNION

Mr. CHAIKIN. Mr. Chairman, Senator Moynihan. I want to thank you for the opportunity that you have given to me and my colleagues to spend a few moments with the committee and particularly for the pleasure of sitting by and listening to some of the testimony that has preceded that which I will give.

I know that you will forgive me if I articulate our concerns in a fairly informal manner.

Senator MOYNIHAN. Please do.

Mr. CHAIKIN. Back in 1961 when you and Secretary Blumenthal and Hickman Price as younger people attempted to represent the best interests of those of us who were concerned with the wide-ranging textile, cotton, and apparel industries, our union became concerned with what we discerned as a small cloud no larger than a man's hand. That small cloud was the fact that, although we had a fairly thriving domestic ladies' and children's apparel industry, we could see some years down the road when there would be meaningful inroads into our domestic market by countries that were attempting to come onstream and to take their place in the industrial life of the world community. One of the gentlemen who early was becoming familiar with the facts and figures and problems which were then presenting themselves, was Dr. Lazare Teper, who was then, and continues to be, our research director. Through the years, he had served as official or unofficial adviser to succeeding generations of negotiators on behalf of the United States in this particular field.

Back in 1961, for every 100 pieces of ladies' and children's apparel made in the United States, 4 pieces were made overseas and came into this country. We welcomed the importing of these items, because generally they came as silks from Italy or prints from France, with their haute couture and fancy-designed apparel, or woolens and worsteds from Great Britain.

Our union, which then as now represents a broad-based membership in 38 States plus Puerto Rico and Canada, was anxious that the domestic industry become more creative, more competitive, more challenging.

We thought that the imports from these well-developed countries of Italy, France, and Great Britain, with the attendant publicity and hoopla about their foreignness and their esoteric design, would challenge domestic American designers. Indeed, they served that purpose to the extent that today, unqualifiedly, one might say that the heart and soul of innovative design, creative fashion design, lies on Fashion Avenue in New York City in the United States of America.

Senator MOYNIHAN. May I confirm what you said about the trade unions having welcomed that little bit of competition with the thought that what would happen has happened—competing on the levels of high fashion, we would be competitive, and we would successfully meet the challenge.

Mr. CHAIKIN. Senator Moynihan, during this intervening period, other things happened. One was that less-developed nations discovered that with a minimum investment, with very simple machinery, with managerial know-how, that was easily found, and with software easily transported, they could set up competing garment production almost anywhere in the world. Indeed, that is what happened.

As a result, from 4 pieces of apparel coming in from overseas for every 100 pieces made in America in 1961, we now come to 1978 where we find that more than 50 pieces of ladies' and children's apparel come in from overseas for every 100 pieces made in the United States.

Now, this is import penetration of an extraordinary degree, and it has occurred in spite of the fact that over the last 16 or 17 years our voice, powerful as it may have been in certain limited areas of the political life of our community, in spite of the fact that Dr. Teper has given unstintingly of so many of his waking hours, in spite of the fact that we have occasionally been voices crying in the wilderness—but often seeking out allies wherever we could find an important community of interest—that despite all of these things, our domestic market has been penetrated to an alarming extent.

As far as the textile, apparel, and clothing industries are concerned, many hundreds of thousands of jobs have been lost, not only because of this import penetration, but because as a result we were not able to add to the employment rolls what might naturally have been expected from the growth of the U.S. population over the last two decades and because of the higher standard of living in this country, so that some child might have an additional item of clothing, or some woman might have an additional garment or two hanging in the closet compared to her mother or grandmother before her.

There is no question about our credentials in this matter, Senator Moynihan. We have consistently, persistently, and forcefully represented what we believe to be the best interests of the workers of this country and, indeed, of our industry. In fact, we have always been somewhat concerned over the fact that this industry, strong though it may have been, profitable though it is on occasion, and full of voice as they have demonstrated here this morning, capable of giving voice to grievance, that those voices were stilled, that their presence was nowhere to be found, that their interest in this matter, although overriding to us, seemed to be of minimal importance to them.

I recall very well 2½ years or so ago when they sent many of the employers from New York City down to Washington at the invitation of this union to attend our leadership and legislative conference, and one of the most important items on our agenda was imports. We asked them to participate with us as observers in the manner in which we lobbied and the way in which we took up these cases, in which we set the agenda for our concerns over trade, particularly imports of ladies' and children's apparel. After that conference, I exhorted the employers to form an organization to give them an independent voice, an independent posture.

I said to them, simply and clearly, that I thought the way Congress is constituted, the influence of the employers and manufacturers and men of wealth might even be greater, in many ways, than the influence of organizations of workers. And I say today to you, Senator Moynihan, in their presence, that the formation of that employers' group was, I think, primarily at the urging and suggesting of the International Ladies' Garment Workers' Union.

We are happy to have them giving voice to their own concerns; that is the way it should be. When we talk in terms of garment workers, we mean some 400,000 garment workers who are located in 38 States in this country who make very many different items of children's and ladies' garments.

The employers you heard obviously speak to their own self-interests, as it should be, but I would have hoped that they would have had a broader gaged concern for the industry in this country, because self-interest, admirable though it may be, will occasionally serve to be harmful if it is so ego-centered as not to be concerned with other values and concerns that are of wider application.

We have recognized early on the fact that our only salvation for keeping a share of this domestic market for the hundreds of thousands of workers we represent is quantitative restraint or, in short, quotas, and we have directed all of our energy, all of our effort, in that area.

When the Carter administation came into office, almost its first concern was the renegotiation of the MFA and of the 18 bilateral agreements that flowed from the multifiber agreements.

We met with the President and with the Special Trade Representative and we found a large community of interest with other representatives of other areas of concern pertaining to textile apparel and clothing.

We, of course, have a long and abiding and cooperative relationship with our brother and sister unions, Amalgamated Clothing & Textile Workers. In truth, the late Milton Fried, their former chief economist and research director and our own Dr. Teper worked hand in hand for a number of decades.

Senator MOYNIHAN. They certainly did. We miss him.

Mr. CHAIKIN. And very effectively, I might say.

So there was a natural complimentary fit for the unions to cooperate together. When we reached out to a broader coalition, we were occasionally ill at ease with the fact that we had an important community of interest in this regard with some others, but where, aside from this issue, we were at loggerheads, at other times and other places.

I refer, for example, to the textile industry. When the textile manufacturer sees an item of ladies' apparel coming into this country, the only thought he has is that it is a piece of fabric that he should have woven in his own mill. When we see that same item come in, we say that is an hour's worth of labor that should have been given, and paid for, to an American worker.

But we had that community of interest and we got together with them and the representatives of the dyers, the spinners, the woolgrowers, cottongrowers, and the entire range of ad hoc interests zeroed in to the broad general question of textile, apparel, and clothing.

When this administration came into office 2½ years ago, we jointly approached them and told them of our troubles, that in spite of the 18 bilateral agreements, in spite of attempts at quantitative restraint, that more and more and a greater share of the domestic market was being eaten away by imports from unconscionably low wage areas overseas.

Let me add at this juncture that both the Amalgamated Clothing Workers and we have always been concerned about the developing nations and about the workers in those countries who are striving for an opportunity to lift themselves out of unspeakable and indescribable poverty. It was never our intention to build high tariff walls or to have the kind of quantitative restraints that would keep their products out of this country.

But by the same token, we were not so generous as to invite those products in to such an extent that we go out of business ourselves. So always we were concerned about striking a reasonable balance between maintaining work opportunity for the people we represent and, an opportunity for people overseas to see the products of their hands and hearts and minds coming to our domestic market, where they could be looked at, admired and, perhaps, bought and used.

And we always thought that that was a matter of negotiation, of accommodation, of discussion and argument and give and take and, finally, of decision.

We said to this new administration that, in the past, as we negotiated these things, we discovered that they were not quite working out in the way in which we had hoped they would, that the inroads that were being made were too wide, too far ranging and too deep, that the denial of work opportunities to American workers was now becoming more than just a passing interest, but was going to be a major item on the agenda, and not only for the textile workers, but for much of American industry across the board.

It was then that we began to pressure the President's Special Trade Representative and anybody to whom we could reach out, including yourself, Senator Moynihan, to an awareness of this problem and that negotiation of bilateral agreements is part of a tougher stance, to the end that the well-known generosity of the American community might be tempered somewhat, so that the rate of annual increment over and above the established quotas would more nearly reflect the annual increment of domestic demand, rather than a figure of 6.5 percent or 6.75 percent per year compounded, when domestic demand was only about 2 percent over any reasonable prior period.

Now, we received no help at all from the employers in New York City who are here represented during the last 2 years concerning the negotiation of the bilaterals and establishing quantitative restraints. If they missed the boat then as a result of their inaction—an invitation was extended to them to participate in the ad hoc committee that had been meeting fairly regularly to talk about items of mutual interest—we forgive them, and we hope they occasionally forgive us our transgressions.

We are not antagonists and we are not in an adversarial posture—but they come now to cast doubt on efforts made primarily during the past 1½ years that they have been in existence, and they come here now to confuse the effects of tariff reductions on import penetration.

The problem that they see in large part can be ameliorated not only by the quantitative restrictions that now exist, but by the application of the agreement that was reached between the President of the United States and the STR and this ad hoc group representing textile, apparel and clothing interests.

You were present and at the White House.

Senator MOYNIHAN. I was indeed.

Mr. CHAIKIN. In spite of the fact that your name was not mentioned in the Hollings release. You will recall I was present at the White House in spite of the fact that the union does not appear in the attention-getting first words.

Senator MOYNIHAN. Would you mind if I interrupted you just to say there would be no harm to put in the record that particular White House press release at this point.

[The material referred to follows:]

[Press Release No. 302—March 22, 1979]

OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, EXECUTIVE OFFICE OF THE PRESIDENT

PRESIDENT TALKS POLICY WITH TEXTILE/APPAREL LEADERSHIP

President Carter and members of his Cabinet met today with representatives of the textile/apparel industry and unions to discuss with them the Administration Textile Program. The program was defined in a policy paper after consultation with industry, labor and government agency officials.

Joining the President at the Roosevelt Room meeting were Special Trade Representative Robert S. Strauss, Secretary of Commerce Juanita M. Kreps, Secretary of Labor Ray Marshall, Assistant to the President for Domestic Affairs Stuart Eizenstadt, and other government officials.

Industry and labor representatives included Robert Small, Chairman of Dan River Industries and President of the American Textile Manufacturers Institute, John Woltz, President and Chairman of the Board of Quality Mills, Inc. and Chairman of the Board of the American Apparel Manufacturers Association, Murray H. Finlay, President of the Amalgamated Clothing and Textile Workers Union, and Sol Chaiken, President of the International Ladies Garment Workers Union.

Members of the Senate and House from textile and apparel producing areas were also present for the discussion, led by Senator Ernest Hollings and Representative Kenneth Holland of South Carolina.

FEBRUARY 15, 1979.

ADMINISTRATION TEXTILE PROGRAM—PURSUANT TO THE PRESIDENT'S STATEMENT OF NOVEMBER 11, 1978

The Administration is determined to assist the beleagured textile and apparel industry and is committed to its health and growth. This industry provides employment for almost two and one-half million people, the largest single source of jobs in our manufacturing economy, and provides our consumers with a reliable, competitively priced, vital source for all the many vital clothing, medical, military, industrial and other products of its modern technology.

In 1978, U.S. imports of textiles and apparel amounted to seven billion dollars. U.S. exports amounted to only 2.6 billion dollars, a differential of almost five billion dollars. This situation, with trade restrictions abroad and our lack of success in exporting, contributed to unemployment at home. It must be improved in the national interest. Accordingly, today, the Administration is announcing a new approach to deal more effectively with the serious problems that face this industry.

GLOBAL IMPORT EVALUATION

The United States Government will, on a continuing basis, conduct a global import evaluation, consisting of a continuous evaluation of textile and apparel imports, from all countries, category-by-category. The purpose will be to analyze the impact of textile and apparel imports from all sources in the context of U.S. market growth and conditions in the industry. The results of this analysis will be evaluated for their negative and positive consequences for trade measures, in the light of U.S. rights under the Multifiber Arrangement (MFA).

A member of the Cabinet, pursuant to a directive from the President, will have personal responsibility for overseeing the global evaluation program, in cooperation with the agencies having responsibilities with respect to textile trade, and will report quarterly to the President on its implementation. The program will begin not later than March 31, 1979.

IMPORT CONTROLS

Based on the continuous global import evaluation of textile and apparel imports from all countries, category-by-category, the following actions will be taken:

(1) Import surges that cause market disruption, as defined in Annex A of the MFA, will be aggressively controlled, whether they occur from one source or many, under agreements otherwise. In all of the import control actions, special attention will be paid to the most import-sensitive or import-impacted product categories.

(2) There will be aggressive and prompt enforcement of U.S. international rights, including the use of MFA Article 3, and Article 8 (involving circumvention) where the criteria of these articles are met.

(3) Understandings with respect to existing agreements with the leading major exporting countries will be reached to tighten controls for the remaining life of these agreements, and to eliminate threats of further market disruption through import surges which arise from one agreement year to another due to: (i) the use of flexibility provisions; (ii) partially filled quotas in one year followed by more fully filled quotas in the next year; or (iii) surges that occur in the course of a single agreement year, in concurrence with the MFA concept of orderly growth in trade, year-to-year increases in such cases should not normally exceed the previous year's shipment's plus one-half of the unfilled portion of the previous year's quota but in no event more than the current year's quota. Thereafter, the applicable growth and flexibility provisions would apply.

(4) Where necessary to preclude further disruption from the leading major exporting countries, the Administration's objective will be to assure that (1) 1979 imports will not exceed 1978 trade levels or 1979 base levels, whichever are lower, and (2) in each of the three following years, import growth will be evaluated annually by category (including all flexibility provisions for each category) in the context of the estimated rate of growth in the domestic market in that category, and adjustments made. Particular attention shall be paid to the most sensitive categories, especially in apparel, where the import to domestic production ratio is high and indicative of market disruption. The industry and government will cooperate to the fullest extent possible so that current data on domestic production on a category or product basis will be available to assure the effective working of this provision.

(5) The United States Government has just negotiated a more effective bilateral arrangement with Japan to remove the serious problem of disruptive fluctuations. Strong efforts must also be made by the Government and industry to expand substantially textile exports to Japan.

(6) Recognizing the potential for sharp and disruptive growth in textile and apparel imports from any major new supplying country, the United States Government will seek to negotiate import restraint levels with the supplier as close as possible to the most recent levels of trade for heavily traded or import-sensitive products and to secure an effective means to expeditiously deal with disruptive import surges in any other category, in the context of the global import evaluation program described above.

(7) There will be improvement in quality and timing of monitoring efforts to provide the information for prompt evaluation and appropriate actions. The present system will be reinforced and, working with industry and labor, means for faster feedback and response will be developed.

(8) Consistent with federal practices and procedures, there will be full and prior industry/labor consultation on strategy, outlook and problems with respect to bilateral agreements.

MTN

A snapback clause, effective during the implementation of the MTN tariff reductions, which will restore textile and apparel tariffs to their pre-MTN levels if the MFA does not continue to be in effect or a suitable substitute arrangement is not put into place, will be adopted as part of the implementation of the MTN tariff reductions. In the event the MFA is not renewed or a suitable arrangement is not put into place, legislative remedies will be proposed to allow the President authority to unilaterally control imports of textile and apparel products consistent with the policy enunciated in this statement.

As a matter of continuing policy, the textile and apparel items included in the Berry Admendment will be excluded from coverage of Government procurement Code liberalization.

LAW ENFORCEMENT

A major effort, made possible by a special appropriation of the last Congress, designed to dramatically improve the administrative enforcement of all our textile agreements, is currently proceeding. This program must be carried through expeditiously.

U.S. trade remedies against foreign unfair trade practices, including the countervailing duty law and antidumping act, will be improved, their administration made more responsive and their procedures accelerated in accordance with legislation implementing the Multilateral Trade Negotiations.

Customs will improve and make more thorough its monitoring and enforcement efforts, including the use of penalties available under law where appropriate, with respect to improper transshipments, country of origin requirements, and violations of quantitative limits, with the objective of preventing evasion of restraint agreements and quantitative limitations.

INDUSTRY EXPORT DRIVE

The industry will initiate a major export drive, with the U.S. Government's commitment of full support, including: A market development program; vigorous USG efforts to tear down foreign trade barriers.

HIGH-LEVEL TEXTILE POLICY GROUP

The President will appoint a high-level Industry-Labor-Government Policy Group to identify and bring public attention to problems affecting the competitiveness of the industry.

OTHER SPECIFIC ACTIONS

The pilot program to enhance productivity in the apparel industry will be expended to include the ladies' apparel industry.

U.S. INDUSTRY COMPETITIVENESS

The textile and apparel industry indicates its resolve to make maximum efforts to maintain international competitiveness, through promoting efficiency within the industry, to continue to act responsibly pursuant to the President's anti-inflation program guidelines, and to support the National trade policy, which includes as an integral part of the program of orderly growth in textile trade outlined above. For its part, the Administration will act expeditiously to put the foregoing program into effect and expects concrete results in sixty days.

CONCLUSION

This textile program is an integral part of the MTN package. However, the Administration will begin implementation of the program immediately and many of the essentials will be in place within the next several months.

Mr. CHAIKIN. I think you might recall that there were three people who made presentations or interventions, as we diplomats refer to them, before there were some general comments around the table.

Senator MOYNIHAN. That is correct.

Mr. CHAIKIN. If you will recall, Senator, I made the presentation while the President was seated.

Senator MOYNIHAN. That is exactly correct.

Mr. CHAIKIN. Then the president of the American Textile Manufacturers' Institute, Mr. Small, responded. Then there were several other responses around the table.

We put great stock in that informal agreement. We believe that the administration will carry out not only its words, but its spirit, as well.

We know what the quantitative restrictions are in the bilaterals. We know that Bob Strauss and his department, Mike Smith particularly, are negotiating to hold the feet of the exporters in Korea and Hong Kong and others to the fire.

We know that pressures put on him have been greater in the past 6 months than at any time in the past, and we also know that the process by which these tariffs have been reduced has been long, arduous, difficult, and probably unsatisfactory to every one of us involved in the process.

Let me say clearly that our first position, from which we moved only at the last moment, was that the item of textile apparel and clothing be taken off the table, that our chips not be put into the game. We knew, even though we took that extreme position, that we could not end up in that position.

We have not been so fortuitous through the negotiators, ever, to have our first and major demands met by the party of the second part. I might add, parenthetically, that these employers whom you have heard earlier today, have never agreed to give to the negotiators of the ILGWU their first and major demands at the bargaining table.

And so when we said, take our chips off the table, we do not want to play in this game, we knew, in spite of the fact that Senator Hollings introduced the bill and you supported it and other Senators voted for it, that that could not come to reality and it was at that point that we entered into conversation with the STR to suggest to that office that if they had to participate in tariff-cutting procedures, that perhaps they might pay practical attention to reducing tariffs in those areas that were not already dangerously impacted by import penetration.

I want to say clearly and unequivocably that our union supports the MTN. I want to say simply and clearly and precisely that I believe this is the best of a bad bargain. We would all have been much happier if there were no tariff reductions, but I am here to tell you, Senator Moynihan, that I do not see anybody jumping off the roof on account of what has been done to textile apparel and clothing because of the tariff cuts.

Whether you reduce the tariffs by 5 percent more or 5 percent less, that has little or no relationship to the cost of the garment if it is made in these southeast Asian countries. For example, China is sending apparel into this country at tariffs far above those which it would normally obtain, since she did not enjoy MFN status.

The difference between the wage costs in Red China, Taiwan, Hong Kong, and South Korea today and the wage costs paid in New York City are so enormous, separate and apart from application of overhead costs, taxes, the cost of doing business, separate and apart from OSHA, the requirements of environmental laws, the fringe benefits applied over and above the direct wage costs—their costs are incomparable to ours.

If it costs $30 to make a dress that Jerry Silverman's company will sell, that same dress could cost $1.50 to $2.50 in Hong Kong, and no amount of tariff applied to the true value of that garment as it comes out of the Hong Kong factory can make for this great divergence in cost.

Senator MOYNIHAN. I see Mr. Silverman nodding.

Mr. CHAIKIN. What I am trying to say, simply, Senator Moynihan, is that I welcome the interposition of these employers. I welcome their new-found interest. I welcome their concern—but I think it was misapplied in this particular circumstance.

The story in the New York Times emanated from one of their spokesmen; they created the brouhaha. The stories and the editorial that followed in the New York Post is another case of the times being out of joint.

I had spoken to the editors of the New York Post, as I did to the editors of the New York Times 3 or 4 years ago, telling them about the MFA, the bilaterals, the quantitative restraints and urging their help so that they might lift their voices and use their influence and their opportunity for educating the citizenry on the problems of international trade.

That New York Post editorial is a jewel, but it should have been published a year-and-a-half ago. It should have been published the day before we entered into the bilateral negotiations with South Korea, with Hong Kong, with Taiwan, or any of the other 18 countries. It is not relevant to tariff reduction. We would have preferred no tariff reduction. We tell you that in our judgment, having had Dr. Teper as an advisor, being involved in an unofficial way and hearing about the results of conversations and negotiations in a way in which outside interests may occasionally hear about something that goes on in the official corridors of the U.S. Government, knowing what we know today about the percentages of tariff reductions and the individual less impacted areas, we tell you this is the best of a bad deal. We tell you we support it, and we tell you that these employers ought to support it as well. They should not be discouraged.

I think the most important thing about the MTN is that it was completed and that the Tokyo Round was completed and I would hope, as a union officer, that we have gained 3, 4, or 5 years during which the American community, the U.S. Congress, the Senate, the Executive, the industries in America can take a good, hard look at the entire trade problem and begin to evolve the policies that will result in a rational trade policy for all of the segments of our industrial society and for all of the members of the American community.

Senator MOYNIHAN. Mr. Chaikin, that was brilliantly stated. I see that my revered colleague, Senator Javits, is here. He has been on the floor handling legislation.

Do you have to go to the floor, or would you like to say a word?

Senator JAVITS. I do, Mr. Chairman. You have great witnesses on both parts of the issues, the employers and Sol and his colleagues. They are old friends and I will study the record with great interest.

Senator MOYNIHAN. I appreciate that. We know of your close interest in this matter, and that you had legislation on the floor. We sometimes do that too around here.

Senator JAVITS. Thank you.

Senator MOYNIHAN. Mr. Chaikin, I would like to introduce into the record at this point a summary of the administration's textile program which was agreed to on March 22 and, which you helped to negotiate. The program is actually dated February 15, 1979, when it was agreed to. It follows the President's statement of November 11, 1978, which you were also involved.

I just think that what you say is so profoundly important, we have the MTN. That means we have 3, or 4, or 5 years in which American industry can get itself together on this whole question of how are we going to compete in the world, and certainly this is true with respect to the apparel industry. There is no change in the tariffs for 2½ years ahead of us, no changes of any kind. The changes come in very slowly.

But we just have seen that the tariff does not make any difference. There is only one country left.

We have forgotten the Smoot-Hally tariff in the 1930's with the world crashing down, the recession that fed the flames of fascism in Europe and all those things.

What you have said is we need a quantitative restraint program and the one we have in place is linked to the actual increase in domestic demand, not some hypothetical number—6 percent sounds right.

I think this is reality and I think you have dealt with reality. In this particular reality, if I am not mistaken, you now have 17 years of it. Is that not right, sir? Seventeen years of these kinds of negotiations. It did not start yesterday. It was when Lazare Teper was a young man, and he is reaching vigorous middle age on these matters.

As you know, one of the reasons this hearing is being held is that we are not just adopting a new agreement in the Tokyo Round which has as its object our getting access for American goods to other markets.

There is no reason that, with New York City as the fashion capital of the world we should not be able to export if we can get through the artificial barriers put up against us.

We are also in the process of reorganizing the machinery of the U.S. Government for dealing with trade policy. I do not have to tell those of you who have been in this battle from the first that the entire bias of the American Government was against you when you went in. They said you were wrong, that there was something offensive against the whole idea of quotas.

You had brought the Government around kicking and screaming with great institutional resistence to what it is that you felt you needed. But you have succeeded such that I do not think there would be any responsible person around right now who would not agree that we have to have a program of quantitative restrictions. We are now reorganizing ourselves so that we will have a new set of arrangements. The President has promised us a reorganization proposal. We will work on the proposal to build into the machinery of the U.S. Ggovernment a vigilant attention to these issues that you have raised.

The U.S. Government has referred to fair trade as free trade. That language makes a difference.

This is just not getting the rumors down, but getting the agreement capped. That is one of the things said about the Amalgamated and the ILGWU, that for all these years, you have really worked at the enforcement of U.S. trade laws. For it to work, the American Government has to want to do it, not just be willing to do if it has no other choice, or if it is forced upon it. It has to see this as the legitimate right of American business.

I see you nodding on the whole question of implementation being essential. We are just getting to that point.

One important example of this is signalled by the agreement you negotiated with the administration to write into law the principle of quantitative restrictions and that the growth rate of import protection be fixed to the growth of the U.S. market.

Another, is a new set of arrangements in the U.S. Government that will implement this agreement and do so out of the conviction that it is a good agreement, not simply a compromise and as an embarrassment imposed upon us in consequence of the necessity to continue the GATT program.

Mr. Teper, would you like to testify at this point?

Mr. TEPER. I would only say I fully agree with Mr. Chaikin. I am greatly disappointed by the statement made before you and Senator Ribicoff by Mr. Barnard for the number of errors that were contained therein. I will not dwell on them. I think any of your staff can really discern them. Thank you.

Senator MOYNIHAN. That is very generous of you. Life does go on. We are not in the business of getting into permanent antagonisms. We welcome the manufacturers, as was testified. They are relatively newly organized. We welcome them as future partners.

I see Mr. Chaikin nodding vigorously. It would be very uncharacteristic of him if he did not.

I think, equal time, of course, for your sister. I guess it would have to be your brother, Mr. Gundersheim?

STATEMENT OF ARTHUR GUNDERSHEIM, DIRECTOR OF INTERNATIONAL TRADE AFFAIRS, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION

Mr. GUNDERSHEIM. Thank you, Senator Moynihan.

I must say first off that President Finley would have been here today or possibly our secretary-treasurer, Jack Sheinkman, but they were unable to do so, and they expressed their greetings to you.

Senator MOYNIHAN. We thank them, and return them, please.

Mr. GUNDERSHEIM. I want to say also, if I can, by the way, that I do have a prepared statement, if that could be entered into the record.

Senator MOYNIHAN. I have the statement here, and it will be so entered, of course.

Mr. GUNDERSHEIM. I think my only function, really, is to summarize and since several of the points have been made already I can just reiterate them maybe in different words and with a little different emphasis.

First off, even before we get into the issue, it is vitally important to everyone, I would think, the fact that you are presiding over these hearings, that you have expressed such great concern in this issue. Because certainly you are one Senator who has worked very hard to protect the workers in this industry, workers in the apparel industry, not only for New York City, not only for New York State, but I would say indeed for the entire Nation and deserve recognition for the efforts and the concerns and the work that you have put into it.

We have not forgotten the fact that you were a cosponsor of the bill to exempt the textile and apparel industry from all tariff cuts when it came to Congress last year and that you equally fought the potential of further tariff cuts when it was being proposed as ongoing negotiating authority that was proposed as part of the implementing package.

Senator MOYNIHAN. We thank you, sir.

Mr. GUNDERSHEIM. We understand that you have understood the problems of this industry for a substantial period of time, as has been mentioned, and we want to say our thank you.

Let me just say also that we, just as the ILG, have been worried about the tariff cuts that were offered by the trade negotiations in Geneva, that the potential of a 60-pecent cut that the legislation allowed would have created great havoc. We presented to the Government an econometric analysis that showed, in certain selected areas in male apparel, there would be 14,000 jobs alone lost through tariff cuts, partly due to unfilled quotas being filled; partly due to countries—there are still some countries not under bilateral controls—who would have increased their shipment.

But, given that background, we have put a great deal of effort, as has been related by President Chaikin, into making sure that those tariff cuts, if not altogether removed, are at least as minimal as possible. President Finley traveled to Geneva to explain our position to the negotiators there. He, just as President Chaikin, met with President Carter, with Ambassador Strauss, and I have played somewhat the same role as Dr. Teper has in making our views known to the Government, in terms of our priorities, in terms of our concern, in terms of those elements of the industry that are most important to the continued employment of our workers and to the continued prosperity of the industry.

Now, given all of that effort, what finally came out in terms of the tariff cuts put on the table and as the final offer of the U.S. Government, what we can say is that we can live with those, that they are not overwhelmingly disastrous, they will not, as the New York Post says, lead to the ruin of this industry. That is a gross exaggeration.

Really, where the priorities were determined and in terms of the way in which the cuts were made, to a large extent they did reflect the advice that we gave to the Government and did reflect the overwhelming concern, not only of our union in male apparel, but I must say, the male apparel industry association, with whom we had very close contact and with whom we associated very closely on our priorities when they were given to the Government.

But the point really of this hearing and what you expressed just a few moments ago is to look at the tariff cuts in a vacuum, in and of and by themselves, is totally misleading in terms of a full picture. The MTN is part of a total import program of this Government and to consider just the tariff cuts without the new administration textile program is, in our feeling, absolutely unfair—in fact, almost in some ways dishonest.

We have worked, as has been mentioned before, very hard to get this new program to work, together with our colleagues in the ILG—President Finley and President Chaikin led the negotiations in this textile program—and the elements of that new program, when fully carried out and properly administered, should prevent any future surges in imports, such as we have seen in the last year, that reached such a devastatingly high level.

Let me reiterate some of the elements of this program so that everyone is aware of them.

There will be, first and foremost, a global evaluation of the imports on a product-by-product basis so that it will become the guidelines of the negotiations of future bilateral restraint actions and the other trade measures that the Government will be taking in textiles and apparel.

Second, the existing agreements with the major exporting countries such as Korea, and Taiwan, and Hong Kong will be tightened for the remaining life of those agreements, so as to eliminate the threat of further surges and great increases such as we did not anticipate, but saw last year.

Now, as we mentioned, there is a commitment to have the import growth related to what is happening in the domestic market. If next year we see a recession and there is no increase in the domestic market and sales of the apparel industry, then the importers ought not to get those kinds of increases.

Senator MOYNIHAN. A fundamental point, which President Chaikin raised as well.

Mr. GUNDERSHEIM. The fourth point is that there will be a closer consultation both with the labor movement and with the industry in terms of handling import problems of the future. The Government has already mentioned the snapback clause that has been made a part of these tariff offers and that if the quantitative restraint system that is now in place ceases to exist, we will get back that small degree of protection that a higher tariff rate does provide.

The sixth point, and one that has not been mentioned this morning, is the fact that the MTN, in terms of the codes that have been negotiated, will give us a better handle on unfair trade practices. Our union has filed a number of countervailing duty cases which, I must say, have not been terribly successful, partly because of the Treasury Department's judgment on the issues, and partly because the previous laws did not give us a sufficient handle on the problem. That has been rectified, to some degree, in the new code and particularly in the new countervailing duty-subsidy code and we think that American industry, and the American workers organizations, will be in a better position to bring actions against unfair trade practices.

And, finally, the Government has just begun and, in fact, has committed itself to a much greater degree, to promote programs to enhance the efficiency of this industry, to increase its competitiveness, to promote and do away with those kinds of problems that we might face in our domestic market and might hinder us becoming as efficient and as competitive and productive as we possibly could.

Associated with that would be an enhanced export promotion program and we have already seen the fruits of that in some degree. The Department of Commerce has worked with the male apparel industry and, in fact, a number of them are going to a European exhibition, I believe next month, to start the process of American sales of apparel to the European market.

That, we think, would be very helpful and, ultimately, beneficial.

In some instances, the administration has begun to fulfill this program. They have taken a number of actions that really go a long way toward the commitments they have made. The primary force of that has been the tough, unilateral restraint action taken against the imports from the People's Republic of China and that cannot be overlooked. It is an act of great courage and certainly Ambassador Strauss fulfilled the commitments he had made.

Other parts of that program clearly have been a little slow in coming or, in fact, still remain to be done, but this committee, and the public in general, cannot view the MTN tariff cuts without considering the total context of the import control program and the bilateral agreements we have, the toughening of those agreements, and the other elements of the program that I have mentioned.

We trust, of course, that you, Senator, and the other members of the Finance Committee, will be watching closely the administration in the carrying out of this program and that, first of all, obviously, you will be committed and concerned about who the next Special Trade Representative will be. We hope it will be someone who will be strongly committed to carrying out and fulfilling the program as it has been set forth.

Finally, let me say we do have confidence in the continued vitality of our domestic apparel industry over the next several years. The importance of this industry to the national economy is too great to be allowed to disintegrate.

We think we have acted very forcefully and put a great deal of effort into mitigating the flood of imports and particularly in the last couple of years and we will continue to put forth an enormous amount of energy and effort and time and resources into this problem.

But we think that we have got a handle on the situation now, that there is some reason for optimism, that there is some reason for hope, and that is what is most important at this moment.

We thank you very much.

[The prepared statement of Mr. Gundersheim follows:]

TESTIMONY OF AMALGAMATED CLOTHING & TEXTILE WORKERS UNION, AFL-CIO, MURRAY H. FINLEY, PRESIDENT, JACOB SHEINKMAN, SECRETARY-TREASURER, PRESENTED BY ART GUNDERSHEIM, DIRECTOR OF INTERNATIONAL TRADE AFFAIRS

Chairman Moynihan and Members of the Committee; I am Art Gundersheim, Director of International Trade Affairs for the Amalgamated Clothing and Textile Workers Union. President Murray H. Finley and Sec.-Tres. Jack Sheinkman are unable to be here today and I am presenting this statement on their behalf. Our Union's membership of 510,000 represents mainly workers in the male apparel, textile fabrics and synthetic fiber industries. We appreciate this opportunity to express our views on both the Tariff reductions and trade agreements concluded in the Tokyo Round of Multilateral Trade Negotiations.

It is appropriate that Senator Moynihan is presiding over these hearings today. For no Senator on the Senate Finance Committee has done more to protect the workers in the apparel and textile industries, has fought harder to preserve this crucial industry for New York City, New York State, and the entire nation, than Senator Moynihan.

As a member of the Trade Subcommittee, Senator Moynihan and his fine staff have worked with great diligency and perseverance to ensure that the Multilateral Trade Negotiations would harm to the very least degree possible this industry and the millions who earn their livelihood through it. We have not forgotten that you, Senator, were one of the co-sponsors and primary movers of the bill to exempt the apparel and textile industry from any tariff cuts when it passed the Senate last year.

We have also not forgotten that when the possibility of continuing tariff cutting authority was proposed for the next several years, you were instramental and successful in securing an exception for the textile apparel industry even before the entire request was withdrawn.

We also want to mention Trade Subcommittee Chairman Ribicoff's involvement and concern for the apparel industry's import problems. It was he who initiated and strongly spoke about the concept of a global evaluation of imports at a hearing last year. The Administration has now adopted this concept for determining restraint levels of import sensitive products in our bilateral agreements.

FIGHT AGAINST TARIFF CUTS

Just as with many others in this room today, our union has been deeply worried about the tariff cuts being offered by the U.S. Trade negotiators in Geneva for the past two years. We have fought very hard over that period of time to have our industry removed from the bargaining table, or failing that goal, keeping tariff cuts to as minimal an amount as possible.

President Murray Finley was the first trade union leader to go to Geneva, spending two days explaining to the entire negotiating staff the import problems of our industry and how tariff cuts would further exacerbate these problems. President Finley and Secretary-Treasurer Sheinkman met with President Carter and Ambassador Strauss on several occasions to discuss the growing penetration of imports and what would be the effects of the MTN negotiations. They have also appeared before numerous Congressional hearings, including some of this Committee. The Amalgamated initiated that unique press conference where the head of organized labor, AFL-CIO President George Meany and the Chairman of the Business Round Table, Irving Shapiro, jointly advocated no tariff cuts in the apparel/textile industry.

IMPORT GROWTH

The New York Post was right in one sentence of its July 9th editorial: "The only figures which matter are those revealing the frightening increase in our clothing imports." 1978 was a record high year in apparel imports.

IMPORTS OF MEN'S AND BOYS' APPAREL

Year	Imported	Production ratio, in percent
Suits:		
1967	264,000	1.2
1971	1,272,941	6.3
1975	3,164,073	11.4
1978	3,900,000	(estimate) 22.8
Suit coats:		
1967	840,000	4.3
1971	2,340,000	12.0
1975	5,508,000	22.3
1978	7,749,000	(estimate) 48.4
Woven shirts (in dozens):		
1967	6,989,000	19.7
1971	12,868,000	43.3
1975	8,302,000	34.9
1978	14,337,000	(estimate) 73.3
Trousers (in dozens):		
1967	2,076,000	5.4
1971	3,221,000	7.3
1975	4,585,000	12.3
1978	8,392,000	(estimate) 20.0

In male apparel, if you combine the last number of workers with the drop in average weekly hours of work, the figures are devastating. In the decade from 1969 to 1978 the drop in work availability was 36 percent in suits and coats, 14 percent in shirts and 6 percent in trousers. This represents the unemployment of close to 60,000 people in just 3 sectors of the apparel industry.

Put in another way, the imports last year of men's and boys' suits, sport coats, trousers and shirts alone were the equivalent of about 90,000 full-time jobs which were deprived from American workers.

The shocking growth in penetration of the domestic market by imports essentially took place during a time when there were no tariff cuts taking place. Our workers have already lost thousands of jobs without this new round of tariff cuts having been implemented.

To look at the new tariff cuts alone and in a vacuum by definition results in a futher worsening of the terrible import picture. But that is unrealistic and unfair. Other major Administration actions must be considered.

NEW TEXTILE/APPAREL POLICY

Our union, with our fraternal colleagues in the ILGWU, and the major apparel and textile industry associations felt there had to be an integrated, total approach toward mitigating the flood of imports. After much effort that approach has resulted in the Administration's new Textile/Apparel Program announced by President Carter in March of this year.

The elements of this new program, when fully carried out and administered properly, should prevent the tremendous upsurge in imports we have seen. The program involves: (1) A glòbal evaluation of imports on a product by product basis to become the basis for future bilateral restraint actions and other trade measures; (2) Existing agreements with the major exporting countries will be tightened for the remaining life of these agreements, so as to control and eliminate threats of further market disruption. Import growth will be directly related to growth in the domestic market, especially for the most import-sensitive products; (3) Major new exporting countries not now under bilateral agreement will be promptly restrained and negotiations quickly undertaken to put them under a quota agreement; (4) There will be closer consultation with industry and labor representatives on handling import problems as they arise in the future; (5) A snapback clause will be made a part of the textile/apparel tariff cut offers so that tariffs will be restored to their current level should an international textile arrangement cease to exist; (6) Remedies against unfair trade practices will be improved and their procedures accelerated; (7) The U.S. Government will initiate programs to promote greater efficiency and competitiveness in the domestic industry and participate in the industries' development of a major export drive.

The Administration has already begun to fulfill the various elements of this program. Most important thus far has been the taking of tough unilateral restraint action against apparel imports from the People's Republic of China. That was a courageous and very welcome action in which Ambassador Strauss certainly fulfilled the commitment he had promised.

In some instances action on the Administration's program has been slow or remains to be done. But this Committee in its deliberations has an obligation to view the MTN tariff cuts within the context of the total existing import control situation. Considering all elements—very minimal tariff cuts over the next ten years, a program to halt futher surges in imports and prevention of further market penetration, help to increase the competitiveness of the domestic industry—our union strongly feels we have received a fair shake, that the Administration has gone a long way towards alleviating the import problems of this industry and providing a measure of security to the people who work within it.

We, and we trust this Committee, will be watching closely the administration and carrying out of this total program. Of first and vital importance is the appointment as Special Trade Representative, a person strongly committed to carrying out the program, in replacement of Ambassador Strauss.

CONCLUSION

Imports still create great unemployment within the apparel industry and severe economic dislocation in our local communities. But we are now encouraged and optimistic that the crest of the import flood has been reached and may even recede. Contrary to the New York Post editorial forecast that the garment industry is about to be ruined, we have confidence in the continued viability of our domestic apparel industry in the next several years. The importance of this industry complex to the national economy is too great to be allowed to disintegrate. The Amalgamated will continue to use every means at its disposal to protect the job security and livelihood of its members from being destroyed by unabated imports.

Senator MOYNIHAN. Well said. And I would like to thank you for your remarks. But I would like particularly to point out that we do have a countervailing and subsidy code in the new MTN and it is about time. That there is no question that an aspect of the general distaste for this kind of effort that we have seen in the Department of State in all truth and in the Treasury 20 years ago was an unwillingness to do anything about agreements that were made.

I do not want to seem, in any sense, to be denigrating an honorable career officer in the Treasury, but the man who is responsible for countervailing actions in the Treasury was testifying before us as we were putting together this MTN bill and I asked him: "How much did you collect last year in countervailing duties?"

He turned around to the people behind him, and the people behind him were turning to the people behind them, and there was nobody in the room who knew.

Now, the Treasury usually knows where its money comes from. It is very careful about that. I mean, you know, if you asked what estate taxes had been last year the fellow would tell you. They did not know about collection of import duties.

They certainly do not see it as an opportunity to collect revenue and maybe they see it as a concession made to unworthy purposes. Well, that has to stop. And that is what reorganization is about.

That is why the real issue of this agreement is ahead of us, you know. How are we going to enforce it, how well? If we do, we have a good agreement. If we do not, it is our own fault, and let us be judged by that.

And again, I see Mr. Merideth agreeing and I appreciate that.

Ms. Smith, vice president, would you like to add any comments? It is a little bit after 1, but——

Ms. SMITH. Mr. Chairman, I think the subject at hand has been thoroughly discussed, but I would like to say that I add my thanks to you for all you have done for the workers of our union and for the workers in the clothing and textile industry. Although I am new to this position, my predecessor and mentor, Mr. Bill DuChessi was a great admirer of yours and I want to say that I share his admiration and look forward to working with you in the years to come.

Senator MOYNIHAN. Well, are you not generous to say that, and thank you, Ms. Dubrow.

Ambassador, I appreciate very much your coming, and thank you ladies.

If Ambassador Smith would like to make some comments on the record as it is produced, the record will remain open for 7 days for that purpose.

I thank all of the witnesses for their informative and extraordinarily constructive approach to this enterprise and with that, the hearing is adjourned, sine die.

[Thereupon, at 1:15 p.m. the subcommittee recessed, to reconvene at the call of the Chair.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATEMENT OF GERALD H. O'BRIEN, EXECUTIVE VICE PRESIDENT, AMERICAN IMPORTERS ASSOCIATION

Mr. Chairman and members of the committee, the American Importers Association welcomes this opportunity to express briefly its views to the Committee on the very important subject of Adjustment Assistance. AIA supports the underlying concepts of S. 277 in general; our comments are directed to the principles underlying the measure and to the critical role which Adjustment Assistance should and can play in trade-related issues. We call also for continuous Congressional oversight and for other efforts to make an expanded Adjustment Assistance program work well and as intended.

The American Importers Association is a nonprofit organization formed in 1921 to foster and protect the importing business of the United States. As the only association of national scope representing American companies engaged in the import trade, AIA is the recognized spokesman for importers throughout the nation. At present, AIA is composed of nearly 1,300 American firms directly or indirectly involved with the importation and distribution of goods produced outside the United States. Its membership includes importers, exporters, import agents, brokers, retailers, domestic manufacturers, customs brokers, attorneys, banks, steamship lines, airlines, insurance companies, and others connected with foreign trade.

Adjustment Assistance was intended by the Congress, and by the General Agreement on Tariffs and Trade (GATT) to expedite economic and social readjustment with as little pain as possible in those few but inevitable cases in which international trade, like domestic interregional trade, creates a situation where workers, companies, industries or geographical areas may be hurt.

Trade, both imports and exports, is becoming of increasing importance to our economy. For almost three-quarters of this century, total trade equalled in value approximately 6 to 8 percent of our GNP. In the recent past the value of our trade has reached an amount equal to 13 to 15 percent of our GNP. Since only net trade is included in GNP, the important and pervasive economic effects of our more than $300 billions in trade at first cost or selling price are not easily visible—but hundreds of thousands of workers, thousands of companies and millions of consumers are daily beneficiaries of international trade. Our exports are growing faster than domestic production, and our imports are playing an increasingly important role in industry, in food and in consumer goods. A constantly growing share of our imports are goods and raw materials which we do not produce at all or not in sufficient quantities, reflecting the growing interdependence of the world's economy.

In any dynamic economic system, economic dislocations are inevitable. Migration of the textile and apparel industries from New England to New York and Pennsylvania, then to the Southeastern U.S., then to Texas and California (and now, perhaps, back to the Northeast in significant measure) is a familiar example. Similarly, such dislocations must take place in international trade. The GATT, the Congress and every trading nation have agreed that adjustment assistance to those hurt by such dislocations is the only rational approach. The alternative of hostility to imports and protection of non-competitive firms has proven again and again to be expensive to consumers and to the economy—but, more importantly, to be ineffective in achieving its purpose. Our textile and apparel industries, for example, have enjoyed special protection and the highest level of duty rates in the world since 1789—almost two hundred years—and still demand increased protection.

Underlying the futility of protection as a solution to trade problems, however, is a simple economic truth—if we do not buy other countries' exports, they cannot buy ours. An argument often heard is that if we protect, they'll retaliate with protection against us—but more fundamentally, if we don't buy their goods, they can't buy ours. The U.S. accounts for about a quarter of world trade—that fact alone carries the message of our impact on the world's ability to pay for our exports.

We need the vast bulk of our imports; we do not or cannot produce them or enough of them. We must not let those few areas of economic disbenefits of trade, no matter how serious or politically difficult to deal with, to disrupt the whole trading system, from which our country benefits greatly, and on which we depend.

A real threat to our ability to adjust to negative trade impact without turning to protectionism has been the inadequacy of the present program of Adjustment Assistance. We support, therefore, S. 227 and every effort of the Committee to improve the system and to make it work successfully. We particularly urge enhanced benefits to workers, cheaper and more extended loans to firms, a good program for introducing and encouraging technological and productivity improvement measures in affected firms and industries, and developmental programs to communities hurt by imports.

We urge, also, that Congress maintain close oversight over Adjustment Assistance, to assure that its goals are met and that the purposes of the program are served by its administration. The realizable goals of Adjustment Assistance are far better for our economy, and far less inflationary than any protectionist "remedy" such as import quotas and higher tariffs. Congressional review and timely improvement will make the program viable and meaningful. We suggest, too, that it may be helpful to have the guidance of an advisory committee, made up of representatives of all those affected, to help administrators in their efforts and Congress in its oversight and reconsideration.

Adjustment Assistance is a key mechanism in making trade work to our greatest benefit. The alternative, protective disruption of trade, carries only disbenefits for our workers, firms, industries, communities and consumers—for all of us and for our economy.

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY [1]

Long overdue is a coherent adjustment strategy addressing the real problems of the textile and apparel industries in a rapidly changing and increasingly competitive world. For over 20 years, we have had a textile trade policy (controlling imports), but nothing identifiable as a coherent textiles policy. Whatever restraints may be necessary on imports of textiles and apparel should be components of a balanced policy of constructive aid that reflects careful assessment of the industry's real problems and needs and serves the total public interest as well as the enlightened interest of the domestic industry and its workers. This policy should include review of all laws and regulations materially affecting the industry's ability to adjust to unrestrained foreign competition. Inexcusable inequities should be corrected.

Exempting the industry (or sectors thereof) from further tariff cutting, delaying further tariff cuts, or imposing higher quota controls on textile and apparel imports, are subsidies without the framework of a coherent strategy to strengthen this major industry. Such a strategy should be reassessed annually and publicly by the Administration and the Congress. Its cost to the nation in financial and other terms should be made public. Its progress and problems should be publicly recorded. And the need to continue such assistance at public expense should be fully explained.

STATEMENT BY PHILIP H. TREZISE,[1] SENIOR FELLOW, THE BROOKINGS INSTITUTION

I am pleased to submit this statement on the question of Tokyo Round tariff reductions on textiles.

The textile and apparel industries have been the object of special governmental concern and assistance for more than twenty years. As long ago as 1956, the Japanese industry was persuaded by its government, under pressure from Washington, to place quantitative limits on textile imports to the United States. In 1962 the United States Government took the lead in negotiating the intergovernmental Long Term Agreement (LTA) which made it possible to put quantitative restrictions on imports of cotton textile products from any source, without a violation of our GATT objectives. The LTA was extended for a further five years in 1967. Then, in 1973, it was replaced by the so-called Multifiber Agreement (MFA) which covers synthetics and woolens as well as cotton textiles. Last year the MFA, with its rules somewhat tightened, was extended for a further five-year period.

Quantitative controls—quotas—on textile products have been imposed on top of customs tariffs which typically have been in the higher brackets. What bites, however, are the quotas, for they set physical ceilings on imports of the various categories of textile products. Exporters may be able to compete effectively in the U.S. market even though there are high tariff barriers. When quotas exist they cannot exceed predetermined amounts. Quotas, in short, provide a degree of certainty about import volumes that tariffs cannot provide.

Every administration since that of President Eisenhower has supported a quota system for textile imports. The case has regularly been made by the industry and accepted by the government that textiles and apparel are labor intensive and relatively on the lower end of the technology scale. Thus they are particularly exposed to foreign competition. Rather than risk the impact on domestic employment of world market forces (modified by import tariffs) the decision has been to continue to use quotas to shield textiles and apparel from potentially damaging import competition.

As a participant in the negotiating and policy processes—I was Deputy Assistant Secretary of State, 1961-1965, and Assistant Secretary of State for Economic Affairs 1969-1971—I had substantial exposure to the trade issues surrounding textiles. In my experience the spokesmen for the apparel industries and their trade unions were absolutely consistent in their strong desire to have the import protection afforded by quotas. Tariffs were distinctly a secondary consideration, and for good reason.

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[1] The U.S. Council for an Open World Economy 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 speaks for no private, commercial interest. Its sole standard is what the Board of Trustees regards as the national interest, the overall public interest in every respect.

[1] The views expressed in this statement are the sole responsibility of the author and do not purport to represent those of the Brookings Institution, its Officers, Trustees, or other staff members.

The proposition that Tokyo Round tariff cuts on apparel or other textile products will threaten the wellbeing of the American industries appears on the face of it to be extremely far-fetched. It is doubtless true that tariff reductions will give some imports readier access to the American market. These will come from those advanced Western European countries to whose imports we have as a matter of policy not applied the MFA restrictions. They are not the low wage countries whose competition is considered most likely to be harmful.

Moreover, the Tokyo Round tariff cuts are not to become fully effective until 1990. I submit that it is not possible to foresee the competitive situation that will exist between the United States and other advanced industrial economies 11 years hence. To shout alarm at this point is absurd. Then too, the tariffs that will apply at the end of 11 years will still exceed the average U.S. customs duty on dutiable goods by a factor of about three. We are not talking about zero duties or free trade in apparel or textiles. Rather the issue is one of relatively modest phased cuts in duties that are now well above the average and will still be very high in 1990.

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