TIME TO END U.S. TEXTILE IMPORT RESTRICTIONS

The United States is usually quick to denounce the protectionist trade policies of other countries. At times, however, it is disturbingly mute about its own protectionist sins. This seems to be the case with the legislation (S. 2411 and H.R. 4496) introduced on April 4 by Senate Commerce Committee Chairman Ernest Hollings, the South Carolina Democrat, and Representative Marilyn Lloyd, the Tennessee Democrat. Their bills would tighten restrictions on imports into the U.S. of textile and apparel products. The Bush Administration, meanwhile, is supporting the continuation of current restrictions for ten more years.

This legislation is not in retaliation for unfair practices overseas. Rather, it is itself an unfair trade practice: it adds to over three decades of protectionism that originally was meant to help the U.S. textile industry compete, but instead has placed a tremendous financial burden on American consumers and destroyed jobs in non-textile industries. Protectionism in textiles has failed. Import restrictions delayed for years U.S. textile industry modernization by limiting competitive pressures on the industry. Eventually foreign textile producers discovered ways to avoid the U.S. restrictions. This competition, mainly in the past decade, at last forced American firms to improve their productivity. The result: American textile manufacturers are in their best shape in decades. This then is no time to tighten import restrictions and remove the very competition that is the cause of the American textile industry renaissance. In fact, rather than tighten import restrictions, the U.S. should begin to remove barriers to textile imports.

U.S. restrictions on textiles and apparel imports began in 1957 with quota limits on Japanese products, mainly cotton textiles and apparel. In 1961, the General Agreement on Tariffs and Trade, the international agreement that seeks to promote open markets, exempted textiles from its general provisions. The U.S. quickly extended quotas to all textile and apparel imports and the industry soon became addicted to trade protection.

Forced Modernization. For almost 15 years, textile and apparel companies faced little if any competition. During this time many companies put off essential modernization and the industry became less competitive. By the late 1970s, it was unable to meet domestic consumer demands. Foreign entrepreneurs by then had found ways around the protectionist barriers. Example: They used new "mixed-blend" fabrics that were not covered by the existing restrictions. Trade barriers gradually became leaky. This had the useful effect of forcing U.S. textile and apparel manufacturers to modernize. Example: A&A Manufacturing Co. in Fall River, Massachusetts, introduced modular manufacturing in which clothing articles are produced and stored in sections, like collars and sleeves. Workers need only to sew sections together to fill large orders quickly: the firm can fill an order for 100 dresses in 24 hours. Example: Draper Laboratories in Cambridge, Massachusetts, has developed a machine that can produce a pair of sweatpants every 20 seconds. Such innovation is allowing American businesses to regain part of the market share and was a result of the increased competition when imports squeaked through.

These reforms have contributed to the industry's recovery. Profits for American textile mills have increased steadily in recent years. Profits last year, for example, were $1.7 billion, up from $1.6 billion in 1988 and $1.2 billion in 1985. Further, the mills have kept employment steady at around 729,000 jobs in the last several years. Now, at the very moment that the U.S. industry is becoming globally competitive, protectionists once again want to reduce the foreign competition that has forced it to become lean, mean, and responsive to world market demands.

Cost to the Consumer. To make matters worse, these restrictions penalize the American consumer and many of the less developed countries. A Federal Trade Commission (FTC) report of February 1989 entitled, "A General Equilibrium Analysis of the Welfare and Employment Effects of U.S. Quotas in Textiles, Autos and Steel" finds that Americans pay 58 percent higher prices due to government-imposed restrictions on textile and apparel products; this is a total annual burden of between $11 billion and $14.9 billion. Other studies find the costs to consumers due to those restrictions to be as high as $27 billion. The FTC estimates that U.S. restrictions protect 22,390 jobs with salaries of $16,000 a year; the annual cost of this to the U.S. consumer is a whopping $550,916 per job saved. To make matters worse, these restrictions destroy retailing jobs and create virtually no net jobs. Other studies show that the cost per job saved increases to $4 million when jobs lost in retailing are considered.

These restrictions hit poorer Americans hardest. For example, the Washington-based Institute for International Economics estimates that these restrictions cost the poorest 20 percent of American households 3.6 percent more of their income than they would otherwise pay. That is nine times what an American with an average income spends: 0.4 percent more of income. Since the poor spend a higher percentage of their income on such basic needs as clothing, increased prices resulting from trade protection place a disproportionate burden on the poor.

Impeding Third World Growth. Protection of textiles and apparel also undermines America's attempt to promote economic growth in less developed countries. Textiles and apparel are the largest export for many of these countries. An estimated 40 percent of the total exports from Bangladesh, for example, are of this category. That country, however, cannot find markets to sell much of its textile products because of trade restrictions. In 1988, the U.S. imported only $350 million in textile and apparel products from Bangladesh, while giving that country $134 million in foreign aid. This taxpayer money was to help promote economic growth in Bangladesh. If the U.S. were truly concerned with promoting economic growth in less developed countries, it would remove trade import restrictions and let them sell their products here in the U.S.

The U.S. textile industry has been receiving protection from imports for 33 years. During most of this time the industry stagnated. As foreigners found ways to avoid some of the trade barriers, the industry was forced to become competitive. Nonetheless, the industry still spends millions of dollars to lobby Congress for more restrictions so that the industry can squeeze higher prices from the American consumer. Three decades of trade protection in textile and apparel are enough. This industry is strong and mature and must learn to compete in the open market. It does not deserve the trade protection it currently receives and certainly does not deserve another ten years of protection. If they genuinely want to serve the American consumer, America's poor, and Third World development, the Bush Administration and Congress should continue to support the U.S. commitment to free trade and end the American textile industry's addiction to import restrictions.

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