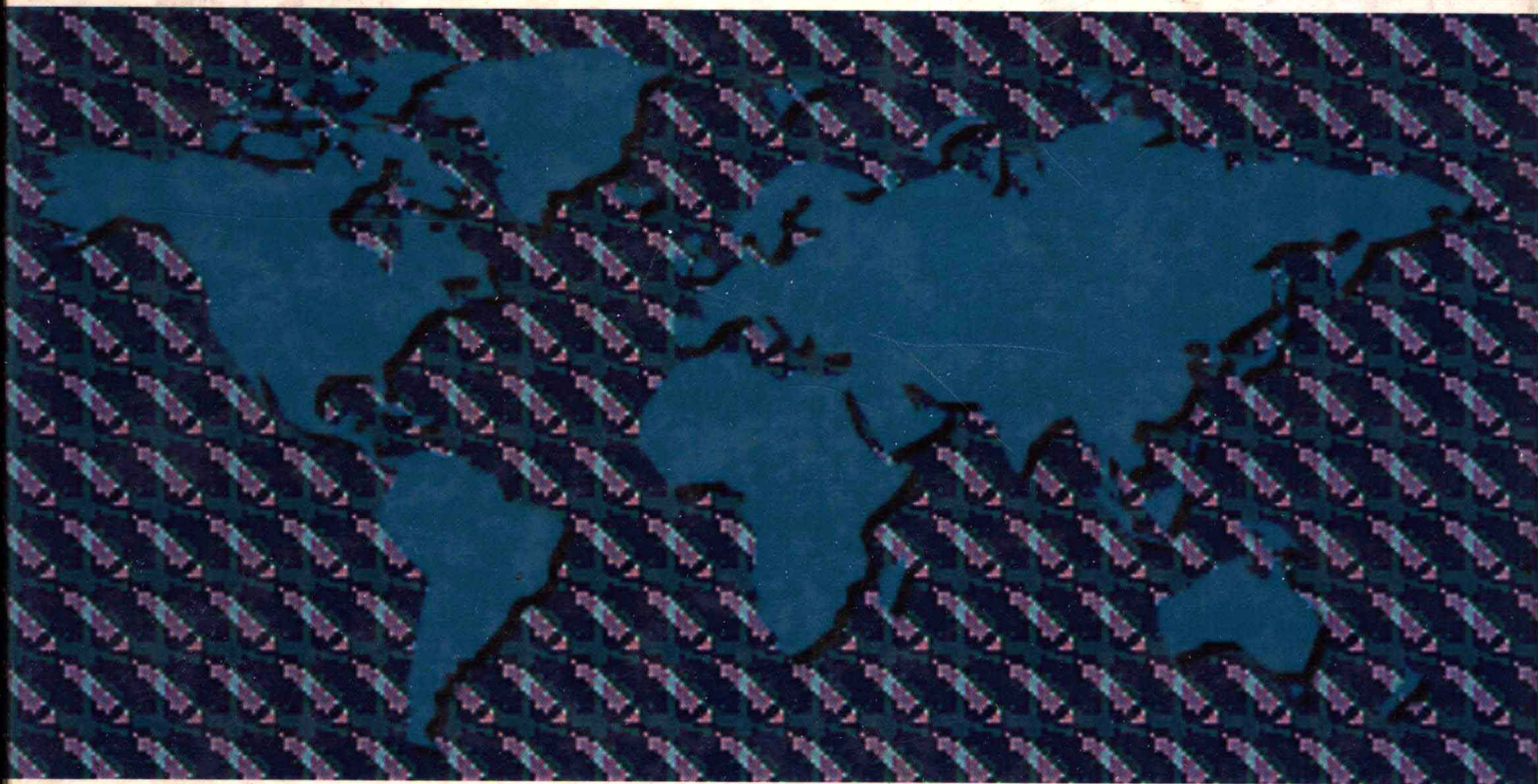


TEXTILES AND APPAREL IN THE INTERNATIONAL ECONOMY



Kitty G. Dickerson

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Preface

In a world of global interdependence, no industries are more broadly dispersed around the world than textiles and apparel. Just as the textile industry led the industrial revolution, textile and apparel production has been among the first sectors to be part of today's international division of labor. In a world riddled by trade problems, the textile and apparel industries have been in the forefront of significant shifts in production and trade.

The general purpose of this book is to provide an overview of the global textile and apparel industries and to consider the U.S. textile complex and the U.S. market within an international context. A primary goal is to encourage the reader to develop a global perspective and to appreciate the importance of thinking beyond U.S. borders as we consider what is happening in these dynamic industries today. Virtually no aspect of the softgoods industry is unaffected by today's global activity. Additionally, I hope that readers will become increasingly sensitive to the fact that our global interdependence places on us responsibilities as global citizens as well.

For a number of years, I have followed the drama surrounding international shifts in the production and trade of textiles and apparel. This book represents a distillation and synthesis of various perspectives based on considerable research and extensive contacts with industry and government leaders as well as other academicians at both national and international

levels. Over time, these interactions have been with persons representing virtually all regions of the world. Although my views have been shaped by each of those visits and interviews, in the end, the book represents one person's judgment on what seemed appropriate for a broad, multidisciplinary look at textiles and apparel in the international economy. Reviewers helped in shaping views on relevant content.

Given the sensitive nature of textile and apparel trade, I have accepted the reality that no presentation of the material will be perceived by various interest groups as the final truth. Accepting that fact, this book is an attempt to present objectively the complex economic, political, and social dimensions of the international production and trade of textiles and apparel.

The book is not intended to be prescriptive. Since most aspects of textile and apparel trade have no one "right" answer, I have tried to avoid the pitfalls of prescribing remedies. A top priority in writing the book was to provide as much objectivity as possible. I represent no interest group. Yet, I understand the position of most interest groups and why they take the course of action they do. I have felt a responsibility to readers to attempt to present objectively the various perspectives and let readers arrive at their own conclusions on appropriate strategies or responses to global activity in these sectors. On occasion, I have

identified areas of concern that may not be popular with certain interest groups, but I felt these perspectives were an important part of the total picture.

The book is intended for use by students, individuals involved in various facets of the softgoods industry, policymakers, and others with an interest in the multiple dimensions of the textile and apparel industries in the international economy. The book is written for persons who have a basic working knowledge of textile and apparel terminology, either from professional experience or earlier studies.

Emphasis is on concepts and a general understanding of the U.S. textile complex within an international perspective. Almost any approach for accomplishing this goal requires fairly extensive use of data. The reader is cautioned, however, that such an approach using data on textile and apparel production and trade has at least some inherent difficulties that go far beyond my capacity to resolve. For example, data are available in many different units (dollar value, square yard equivalents, square meter equivalents, pounds, etc.), and often it is not possible to find consistent measures. Different systems of collecting data create another problem. Data collected under one system are not directly comparable to those collected under another. Further, country groupings are not consistent among the international organizations involved in data collection and analysis. Both the international and national offices that compile and use the data must live with this problem (and some of them have large staffs

working on these data). Consequently, I have used data in the form in which they were available to me, but I have pointed out limitations of the measures or data at various points in the book.

And finally, I hope that the book will enhance the reader's appreciation of the vital importance of the global textile complex. The industry has shaped the economic and industrial history of the world. As the world's largest manufacturing employer, the textile complex has had a profound role in global economic development. In many instances, textile and apparel production and trade have redefined international political and social relationships. In short, no commercial sector other than agriculture has had a more significant impact on global economic, political, and social developments.

A Note on Organization of the Book

Chapters are intended to be complete enough that they may be reasonably meaningful if read alone or if switched in order of study. Some subjects may be discussed more than once to make different points. As an example, the 1985 and 1987 U.S. textile bills are discussed in more than one chapter to illustrate various points such as (1) the growing power of the retailer/importer coalition and (2) the opposing efforts of various interest groups to influence policymakers.

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Many kind and helpful individuals have provided inspiration and support for this book and have assisted in its completion. My husband, Harman, my son, Derek, and my daughter, Donya, have provided encouragement and support and have graciously tolerated my preoccupation in completing the book.

Many industry leaders and policymakers in the United States and abroad have provided valuable insight into the status of both the domestic and the international textile complex and an understanding of textile trade policies. Among them, Robert Shepherd, U.S. Minister-Counselor of Textiles in Geneva, played a particularly important role in opening doors to help expand my global understanding of this subject. Similarly, Marcelo Raffelli, Chairman, and Tripti Jenkins, Counselor and Assistant, of the Textiles Surveillance Body (TSB) under the General Agreement on Tariffs and Trade (GATT) in Geneva have been tremendously helpful in these efforts. I am especially grateful to Roslyn Jackson, Senior Statistical Officer at the GATT, who has played a particularly vital role in assisting with global data.

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I

INTRODUCTION

A primary goal of the book is to consider the textile and apparel industries in a global context. In Chapter 1, we consider globalization and global interdependence as realities of the world in which we function today. As we examine linkages between economies and the interconnectedness of nations, we become increasingly sensitive to the fact that a country's textile and apparel sectors are part of an international complex. Activities on one continent may have a profound impact on industries and workers in yet another part of the world. Moreover, all segments of the softgoods industry are affected by the global changes in textile and apparel production and trade.

In Chapter 1, we explore some of the developments that have fostered an increased interaction of the world's inhabitants. Furthermore, we consider how these changes have had an impact on the global textile complex.

In addition to providing key terms and concepts for the book, Chapter 1 describes how various disciplines help to provide insight into the complex study of textiles and apparel in the international economy. And, finally, the chapter includes a brief review of changes that have occurred in the global textile and apparel markets. This review helps to prepare the reader for the complexity of issues considered later in the book.

1

Textiles and Apparel as an International Sector

An International Perspective

Not long ago, globalization was a futuristic concept. Today, globalization is a reality. The interconnectedness of people and nations characterizes the modern world. Advances in communication and transportation systems provide linkages with people throughout the world to a degree unprecedented in history. Moreover, increased interaction has developed into a **global interdependence** of humans and nations. Our economic production and consumption, our national security, the quality of our environment, our health, and our general welfare have become surprisingly dependent on the world beyond our borders.

The Global Economy

Our global interdependence is clearly evident today in economics—the means by which the human family

produces and distributes its wealth. We have moved to an “internationalization” of the economy—in which we have shifted from self-sufficient national economies to an integrated system of worldwide production and distribution. The unit of economic analysis and policy is expanding from the national to the world economy.

We can easily trace how we depend upon other parts of the world to provide many of the goods we consume daily, and we can think of how producers in other parts of the world are affected by our demand for their goods. Our global economic interdependence is far more complex, however, than this simple cause and effect relationship between consumer and producer. The global economy includes a web of linkages through which the actions of the actors in one system can have consequences—often unexpected, unintended, and unknown—for actors in another system (Knipf, 1987). For example, a dramatic change in the stock market in one country has been shown to have a profound ripple effect on stock markets around the world; a change in currency exchange rates can

Interdependence (global economic interdependence) refers to the situation in which all the world's nations are dependent on other nations for their economic well-being. Furthermore, countries are interconnected in such a way that one nation's actions affect other countries; similarly, that nation is affected by the actions of other countries.

cause dramatic shifts in where production takes place and how much products will cost; plant closings in one country may create jobs in other countries; and changes in consumer tastes can cause production to shift from one region of the world to another.

The United States is only one part of a much larger world—and a much larger world economy. Americans often forget that the United States represents roughly only 240 million persons in a world inhabited by more than 5 billion persons. Although the United States has a long history of participating in the international economy, we have become increasingly a part of the interdependent global economic system. Moreover, we are now increasingly dependent on that system. As Federal Reserve Chairman Alan Greenspan noted: “We are looking at an unprecedented period in American history. What’s going on internationally is dominating our economy” (*Intercom*, 1986, p. 1).

As players in the global economy, we have unprecedented opportunities to interact with others in the human family, with whom we share a common destiny. The global economy offers challenges, too, as nations, firms, and individuals learn how to function on a larger scale and how to interact with persons

of different races who may speak a different language. We see the emergence of a growing number of global companies (also called world corporations), whose executives conduct business with little regard for national boundaries. The global economy brings with it the advantages of varied products and lower relative prices due to differing costs of production in certain regions of the world. On the other hand, in countries such as the United States, firms are also discovering the increasing challenge of sharing their domestic market with foreign producers.

An International Perspective on Textiles and Apparel

Not long ago, textile and apparel industries around the world constituted many independent sectors and independent markets. In many ways, today’s textile and apparel industries are one international sector—with one international market. Although individual countries have their own textile and apparel industries, the complex production and marketing

Evidence of Growing Global Interdependence

- Approximately one-third of U.S. corporate profits are generated by international trade.
- Four of every five new jobs in the United States are generated as a direct result of foreign trade.
- The twenty-three largest U.S. banks derive almost half their total earnings overseas.
- The economic well-being of the United States is inextricably linked to the world economy, with current U.S. investments abroad valued at more than \$300 billion.
- Foreign individuals and corporations hold investments of \$200 to \$300 billion in American manufacturing companies.
- Foreign individuals and corporations are estimated to have invested \$1.5 trillion in the United States, most of it since 1974.

[Council on International Educational Exchange, 1988, p. 3]
