WHY SHORT TIME IN MILLS?

ONE ANSWER TO QUERY GIVEN IN INSTITUTE BRIEF ON CHEAP FOR'GN LABOR

Of vital concern to every citizen in Roanoke Rapids is the following brief submitted to the Committee on Reciprocity Information in Washington October 18, 1937, by the Cotton Textile Institute.

The brief relates to the consideration of tariff reductions on towels, table damasks, sheets and pillowcases in the prospective trade agreement with Czechoslovakia.

Further tariff reduction will cause additional handicap and injury to the textile industry in the United States.

INTRODUCTORY

In the development of the trade agreements program of the United States, certain fundamental principles governing the selection of commodities upon which tariff concessions are requested or given have become definitely established. Reference to these principles is especially pertinent to the consideration of tariff changes on goods of cotton manufacture.

1.

The first of these principles is that tariff concessions should be granted only with respect to those goods of which the other nation to the agreement is the main supplier or, in those cases where a wide distribution of origin obtains, the country which is the most prominent supplier.

This principle is a necessary element in any program of trade promotion which makes applicable a generalization of tariff duties under the most favored national principle and it is presumed that the integrity of this principle will be carefully safeguarded if the bargaining power of the United States is to continue unimpaired in future negotiations with countries not yet parties to any trade agreement with the United States.

In the light of this principle the trade agreement authorities are requested to take note of the fact that with respect to cotton towels on which tariff reductions are to be considered, Czechslovakia is not the most important supplier. In 1936 imports of cotton towels from Japan exceeded similar imports from Czechoslovakia by a ratio of two to one in dollar values and by a ratio of approximately eight to one in terms of quantity. With respect to towels made of competitive fibers—flax, hemp and ramie—Czechoslovakia is likewise not the main supplier. In this classification, imports from the United Kingdom exceeded by two-fold those from the former country. It is obvious, therefore, that concessions to Czechoslovakia in the form of tariff reductions on these items would, if generalized, be of far greater benefit to Japan and the United Kingdom than to the country which is a party to the agreement. It is respectfully suggested that these considerations alone taken in conjunction with what has heretofore been considered an unassailable principle in the prosecution of our foreign trade policy would automatically disbar the consideration of towels as appropriate articles for tariff reductions with respect to the agreement in issue.

As regards cotton table damask, which has also been announced as subject to consideration for tariff reduction, the same general truths apply. In 1936, imports of this article and manufactures therefrom were in greater volume from Japan than from Czechoslovakia in terms of weight and yardage. Until 1935 Czechoslovakia was the leading supplier but she is being rapidly deprived of this position by Japanese competition. In 1935 Japanese imports were virtually negligible. Within a single year, however, they swept beyond the physical volume of the imports from Czechoslovakia and the circumstances of the first half-year of 1937 indicate an early and virtually complete supremacy of the Japanese product, provided of course the Japanese competitive situation is not fundamentally altered by military activities in the Far East.

With respect to table damask of vegetable fiber other than cotton, the chief supplier of our imports is the United Kingdom whose sales to us are twice those received from Czechoslovakia.

2.

A second principle equally well established and equally deserving of unqualified allegiance is the recognition of the undesirability of employing tariff reductions on those articles the manufacture of which is wholly adequate for the home market and available to domestic consumers at competitive prices which reflect fairly the essential cost conditions of manufacture.

The present capacity of the cotton textile industry to manufacture those articles under present consideration to the full limit of consumption requirements can not be questioned. It is equally true that the industrial units engaged in this manufacture are highly competitive in their operations and supply their output to the American market at the lowest price permitted by the American cost system. The profit and loss reports issued by the United State Bureau of Internal Revenue and the Federal Trade Commission seem to indicate that the industry has in fact during the past decade sold its goods to the American public at a price approximating the cost of production and, on many occasions, considerably below the cost of production.

With respect to the cotton textile industry, the major objective of public interest at this time is not to procure more equitable prices on behalf of the consumer but to aid in the strengthening of a domestic price structure which will preserve the industry's solvency. In this connection, it is pertinent to point out that within recent years cotton mill machinery and methods have become universally standardized to a very high degree. The nature of manufacturing requirements is such that even the comparatively backward industrial states, such as Czechoslovakia, Brazil, Argentina and others, can produce cotton goods in most categories with the same degree of mechanical efficiency as can be commanded by the most advanced industrial countries, such as Great Britain and the United States. It can not, therefore, be taken for granted that substantial variations in man hour productivity exist in the cotton textile industry as between one country and another. This being the case, wage variations serve as the best possible index of cost differentials. By this test and by all additional supporting evidence which is available, the United States is the world's highest cost country in the production of textiles.

From this cost disadvantage we have already suffered a loss of the greater part of our cotton goods export trade and that portion which is left rests largely upon an artificial foundation of special concessions enjoyed in Cuba and the Philippines. The industry now depends almost solely for its support upon the home market. The continued possession of this home market is essential to the maintenance of the industry's self-imposed program of short hours and high wages as inaugurated during the period of the National Industrial Recovery Act. The present standard work week of 40 hours and the present average wage (as reported by the Bureau of Labor Statistics) of 42½c per hour, far excell the wage and hour standards of all other nations. It is not in the public interest that these standards should be undermined by the further release of low cost foreign competition.

It is, of course, true that the articles under consideration are specialized in character and therefore might be regarded by some people as being entirely independent of and separate from the bulk of the industry's activites. However, the industry, though subject to considerable specialization throughout its structure, is not composed of separate and insulated departments in the market sense. Towels, table damask, sheets and pillowcases require for their manufacture the same sources of yarn which are drawn upon in the manufacture of other cotton goods. A decline in the manufacture of any cotton fabric, however specialized, if not offset by the development of new fabrics necessarily means a diminution in the total yarn consumption. There is the further consideration that the bulk of looms in the industry is sufficiently flexible as to serve alternative uses. Any decline in the number of looms devoted to the manufacture of the articles in question would inevitably mean the utilization of such looms in the manufacture of other articles which are already being produced in adequate volume for the country's needs. Briefly, the composition of the industry is such that any depressing influence quickly traverses the entire structure, irrespective of the particular points of pressure.

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As evidence of Government sympathy for the ills of the textile industry which have been so manifest in recent years, a number of specialized official studies have been made, a notable example being the report to the President of the Cabinet Committee on the textile industry. Certain departments of Government, particularly the State Department, Department of Commerce and the Tariff Commission, have developed a full and detailed understanding of the industry's international competitive situation through various emergency efforts recently resorted to to protect the industry from Far Eastern competition. Illustrative of these efforts is the present quota agreement on cotton rugs negotiated between the American and Japanese Governments. Official recognition of the industry's need for protection was illustrated further by the gentleman's agreement between the United States and the Japanese Government relative to the Philippine trade and by the attempt to apply the same method of control to the imports of cotton goods into continental United States from Japan. Subsequent to these Governmental activities in our behalf, the industry was able privately to effectuate certain agreements with the Japanese industry having to do with imports of hosiery, velveteens and cotton piece goods and establishing machinery which makes possible further similar arrangements as the need may arise. These private arrangements were effected with the full knowledge of the appropriate Government agencies whose advice and unofficial encouragement were gratefully received and utilized by the industry. It is not felt, therefore, that this brief is being addressed to those whose knowledge and understanding of the industry's problems are deficient or limited. On the contrary, we re-

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