This article is a version of a speech that the president and chief executive of the American Apparel & Footwear Association, Kevin Burke, gave recently in Taipei. In it, he argues that there is still not enough understanding of the relationship between international trade and consumer value in terms of product choice and price.

Globalisation is good news



Not long ago, World Bank president and Former US trade representative, Robert Zoellick, told me that he viewed the apparel industry as being on the frontline of globalisation. It is a high compliment to all of us, but it is also a statement of responsibility.

As recognised leaders of globalisation we have witnessed protectionism, we have faced global prejudice, we have struggled with trade barriers and we have been questioned on the very model of how we do business. And why? Because not enough people understand yet that globalisation is good. One would think that everybody must know that fair and open two-way, international trade leads to better products at cheaper prices for everyone. From a US point of view, this is good for US apparel firms and US consumers. It is good for our trading partners around the world.

It's quite simple, when tariffs and trade barriers are reduced and eliminated, everyone wins. But do people really believe that? Do they understand that their ability to get more affordable clothing is related to the fact their clothing is produced offshore? Do they understand that when governments collect tariffs or impose new quotas or other restrictions, they pay more for no extra value? I would submit not.

It is our charge, our duty to continue to promote globalisation and to be vigilant. The industry needs to be united, as a vocal, internationally influential force in support of growing—not restricting—international trade. Now, I know there are people throughout the world who harbour serious doubts about the benefits of globalisation. In response, I would simply reinforce what I believe most of us already know: that globalisation has been good for our consumers and our businesses; that it has been an agent of positive change in countries that have embraced it.

I want to encourage everyone to join the cause because globalisation is good for everyone.

Record spending

Let me give you some numbers that might surprise you. The level of consumer spending on apparel in the US in 2006 was $300 billion, a record. That's $300 billion spent in one country, which represents only 5% of the world's population. It is hard to get a handle on the huge apparel market in the United States, so here are a few more numbers to put it into perspective.

The $300 billion equates to 21 billion garments in apparel, by far more clothes than any other country. The average amount spent by every man, woman and child on clothes in the US in 2006 was $1,000. Or to put it another way, that is 69 new garments for every single person in the country.

Our most avid consumers in the US are women. In 2006, on average, each woman and girl in the country bought over 28 shirts and blouses and more than nine pairs of pants.

I can tell you, my own 19-year-old daughter is doing more than her share to contribute to the success of the world apparel industry.

All of this is in spite of skyrocketing energy prices, a testy stock market, and record losses in the US housing market. The bottom-line is that despite whatever economic pressures they face, people in the US still buy new clothes—and lots of them—not only because they need to have clothes, but because they want to. It is that difference between want and need that drives globalisation. And not just in the US.

In profit

Consumers around the world need clothes, but moreover they continually want them. They want an ever-wider variety of higher-quality clothes available at lower prices and made under socially responsible conditions. The apparel industry has successfully responded through globalisation. In the US, apparel firms have transformed themselves from manufacturers into lifestyle brands. Today's US apparel brands are leaner and more competitive than ever.

Their goal is simple: to provide the consumer with what they want—the right brands at the right prices at the right time—while still making a profit in a socially responsible manner. Adapting to today's market demands, US apparel companies are achieving profits, which are invested back into our economy. Last time I checked, there was nothing wrong with making a profit.

Globalisation has propelled more than just the US apparel industry. Thanks to globalisation, apparel production has become a stepping-stone for many countries on the road to development.

The growth of the global apparel industry continues to aid in the industrialisation of developing countries. For example, 30 years ago, Taiwan and Korea were leading apparel producers while, today, China is the dominant supplier. Many of the business people who owned factories in Taiwan 30 years ago now own factories in China.

The manufacturing of apparel provides countless millions of people with jobs, jobs that empower people to support their families and, in many cases, provide their children with schooling. For many, these are the first jobs they have ever held. As you might expect, as apparel manufacturing grows, so too does the infrastructure to support it. The economic development of whole nations is a chain reaction of industrialisation started by manufacturing industries like apparel.

Free trade is building countries like China and India into manufacturing powerhouses. It is creating jobs and lifting millions of families out of poverty. And free trade is fuelling some of the fastest-growing middle classes and consumer markets in the world—new markets for international apparel brands and emerging domestic brands to sell into.

A different reading

Sceptics might read what I have just said differently. Some might be thinking that I just said that globalisation means apparel firms are jumping from one country to the next, leaving millions jobless as they move operations overseas. That's not what I'm saying.

It is true that, despite stiff protectionist tariffs and restrictive quotas on clothing in most countries, hundreds of thousands of apparel manufacturing jobs have disappeared from the US, Europe and elsewhere. Since 1990 alone, more than half a million apparel manufacturing jobs in the US have been lost. Restrictive tariffs, quotas and trade barriers failed to protect these jobs.



American Apparel & Footwear Association president, Kevin Burke, says the apparel industry must speak with one voice around the world to champion the cause of globalisation.

AAFA



Tariffs and other trade-distorting measures are unfair to poorer consumers. Importers can bring a silk blouse into the US with virtually no duty, but socks and underwear carry duty levels of 18%.

Class Act Fabrics, Pennsylvania

Instead, those jobs have given way to nearly as many better-paying new jobs in such varied professions as design, research and development, marketing, distribution, sourcing, warehousing, management, administration and sales. Further, the industry directly supports countless millions of jobs at retail establishments worldwide.

In the US, it is consumer spending that spurs our economy and contributes to global economic growth. According to the Department of Commerce, the percentage of the average US family's household budget spent on clothes and shoes has dropped by almost 50% since 1970, from 7.4% of total household spending in 1970 to less than 3.9% today.

We in the apparel industry are in a deflationary market and have been for 10 years. That is, as prices decrease consumer demand increases. This is a tricky situation for the industry. Although the cost of doing business goes up each year, consumers still demand that prices continue to decline.

The right tools

The apparel industry has addressed this issue by implementing strong supply chain management tools. Because of this, apparel firms can offer a combination of better quality clothes at lower prices, even while our costs continue to rise. In the US, apparel retail prices have declined some 14% since 1998, despite a more than 27% increase in overall retail prices during the same period, saving families countless billions of dollars every year.

In the US, a cent saved on apparel purchases is a cent spent elsewhere in our economy. With consumer spending driving over two-thirds of the US economy, the decline in apparel prices has helped fuel the rest of our economy.

This example is even more dramatic when international brands deliver affordable clothes and shoes to developing countries around the world. In some parts of the world, there are people who may struggle to buy even one new set of clothes each year. Inexpensive clothes are empowering them with new spending power as less of their household budget is dominated by such basic survival needs as clothes.

All of this is thanks to international trade. That is how far the US and global apparel industries have come, but how far we will go is really up to us.

One voice

In my view, our first step is education. We must educate those in our industry who question globalisation's benefits. We must educate our workers and our consumers, the very same consumers around the world who have at times given voice to protectionism. Finally we must educate our governments and policy makers. Only then as a coalition can we gain the momentum needed to make even greater strides toward increased trade liberalisation. The protectionist groups are vocal, but as a unified voice for free trade we can be and must be louder.



US shoppers queue to enter a new H&M store in New York. In 2006, every woman and girl in the country bought an average of 28 blouses or shirts and nine pairs of trousers.

Hennes & Mauritz

Let's take a look at the US government. Why do members of Congress—supposedly bright, intelligent leaders—think globalisation is bad? Because the people they represent tell them it is. People believe this because they are told loudly and repeatedly by Protectionist voices in the media that their jobs are being shipped overseas because of free trade.

Congress reinforces this misconception by establishing Trade Adjustment Assistance (TAA). This is the principal programme to retrain workers for new careers if they blame their unemployment on free trade.

Lack of foresight

Of course, then, free trade is blamed for everything—from job losses to whole companies going out of business. The truth is, there are many reasons why jobs are lost and companies close. Many companies are mismanaged and others don't have the foresight necessary to stay competitive.

Instead of educating people on the true reason for job losses, Congress blames trade.

Affirming the fears of the US people, Congress implements protectionist tools like the TAA program and imposes reactionary safeguard quotas. And worse, those safeguards don't even work.

Because US imports from China were up and domestic production and manufacturing employment were down, the government imposed safeguard quotas against China in November 2005. Two years later, safeguards appear to have strained political relations but

have had a negligible impact on trade volume. Apparel production and employment have continued to decline at the same rate as before, despite these safeguard quotas.

The only difference is that the consumer is paying more for products because of the cost of the quota system.

Safeguards are an extreme overreaction, exacerbating rather than solving trade problems.

One day, there may be a rare instance when a safeguard will do more good than harm. But that hasn't happened yet—and I don't think it will anytime soon.

My colleagues and I are working hard to alleviate fear of China through education and lobbying. Now, don't get me wrong. China has problems. Environmental controls need to be tightened, intellectual property rights need to be enforced, product safety regulations need to be improved, and much, much more.

The role of enforcer

But it is not the role of the US government to punish China. The World Trade Organisation (WTO) is the right mechanism to handle all trade problems and enforcement.

The US apparel industry supported China's accession to the WTO in November 2001, not only because of China's status as a supplier to the US market, but more importantly for the opportunity to use WTO rules to open China to US brands. Why? Because China has the world's largest middle class of 200 million people and it is continuing to grow.

Since China's WTO accession, we have worked closely with the US government and the rest of the business community to ensure that China lives up to its commitments. China, like all WTO members, has a responsibility to its partners to adhere to global trade rules. It is a two-way street. Free trade only works if everyone plays by the same rules.

To the protectionists I say this: instead of focusing on stopping China, spend your energy developing your own products and businesses to compete with China. All the quota extensions and safeguards in the world cannot save your company if you are unwilling to evolve your own business model. Additionally, I believe that the longer China is restrained by quotas and safeguards, the more it learns to adapt and thrive. When China is finally allowed to break loose in the trading arena at full power, be prepared to compete at a much higher level.

Free trade with China is globalisation at its best. Some policy makers in the US are starting to understand that tariffs and quotas aren't saving jobs. Instead, the tariffs act as a hidden and regressive tax on the hardworking US families that can afford it the least.

Compared to all other US imports, the apparel duty rate is significantly higher and it is also regressive. A silk blouse is imported into the US with virtually no duty, while socks and underwear can have as much as an 18% duty. It isn't fair to our consumers.



China's accession to the World Trade Organisation in November 2001 opened up for brands all over the world the largest middle-class market on the planet: 200 million people and growing.

Hennes & Mauritz

During a speech to the New Democratic Network on October 2 this year, the chairman of the powerful Senate Finance Committee in Congress, Senator Max Baucus, agreed.

He said the regressive US tariff schedule was inherently unfair and needed to be fixed.

Senator Baucus is not alone. AAFA has begun to work with Congress to explore ways to eliminate these duties.

How many of us have benefited from free trade? How many feel the protectionist message is a threat to business, to workers and to consumers?

We are all in the same boat. We all like and want more free trade. To ensure we maintain and even expand free trade, we should be working together.

We need to educate and promote our successful free trade position to consumers, families and workers worldwide whenever possible.

Our message is simple: globalisation is good. Imports allow better goods at lower prices. As clothes become more affordable, consumer spending grows and, in turn, propels the economy to new highs. Millions of apparel manufacturing jobs are being created in developing countries worldwide, fuelling national economies.