Draft; comments welcome.

Performance and Perception: Results from a Survey of US Textile Manufacturers

Patrick Conway
Department of Economics
University of North Carolina
Chapel Hill, NC 27599-3305
Patrick_Conway@unc.edu

Robert Connolly
Kenan-Flagler Business School
University of North Carolina
Chapel Hill, NC 27599
Connollr@bschool.unc.edu

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Abstract.

We report the results of a 2004 survey of 273 US manufacturers of textiles on their business strategies and attitudes towards the Agreement on Textiles and Clothing (ATC) and potential US government commercial-policy intervention.

The firm managers of these manufacturers speak with many voices, not just one. The dominant voice is certainly that calling for extension of the ATC past its expiration date at the end of this year and for further supporting policy measures; this voice is associated with larger, longer-lived firms that have faced falling final-goods prices over the last seven years. There is also, however, a minority voice: it concludes that the ATC has had little positive, and some negative, effect on firm operations. These firms call for no intervention by the Federal government; they tend to be the smaller, more recently created firms that have experienced final-good price increases over the last seven years.

Manufacturers reported a variety of business-strategy responses to the upcoming expiration of the ATC. The dominant strategy was "no change", followed closely by cost controls and reduction in investment. Only a small number of firms reported a "global" strategy of innovation, differentiation, and international joint ventures.

The Annex reports differences between North Carolina manufacturers and all others. These firms (83 of the total) are on average significantly more at risk from international competition and significantly more likely to have adapted business strategy to address those risks.

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Introduction.

The Agreement on Textiles and Clothing (ATC) is scheduled to expire on 1 January 2005, and with it will end the quantitative restrictions, or quotas, that have limited imports of foreign textiles into the US market. Complaints by the industry trade associations have been common, as have requests by individual producers that the US government postpone the elimination of quotas. Absent, however, has been more comprehensive information of the attitudes of the managers and owners of individual US textile firms. This paper provides evidence on these attitudes based upon a survey of textiles manufacturers conducted during the beginning of 2004.

Survey.

The survey instrument was developed by the authors, and has three sections. In the first section, entitled **Characteristics of your Firm**, there were 10 questions designed to elicit information about the operating characteristics of the firm. These characteristics included annual sales, annual employment-equivalent, annual investment as a share of sales, annual R&D expenditure as a percent of sales, and others. For each category, the universe of possible responses was separated into six segments, with the respondent choosing the segment that corresponds to the firm's situation.[1] In the second section, entitled **Recent Performance**, there were 12 questions about the performance of the firm over the past seven years. In the third part, entitled **Attitudes toward International Competition,** there were 12 questions designed to elicit the managers' attitudes about the nature and consequences of international competition. Of special interest were the attitudes about the upcoming expiration of the ATC, and four questions were targeted specifically to that event. The questions are reproduced in Appendix 1.

The survey was administered in two forms. Its initial presentation was in online form. Textiles firms were identified from the Reference USA database by the SIC code they reported for their primary output. They received an initial surface mailing that provided them with a URL address, anonymous access code and password for accessing the online survey instrument. The entire mailing list received one follow-up letter requesting participation. We received 130 online responses. The request for participation also offered paper copies of the survey instrument to those more comfortable in responding in that form, and nine respondents chose this option. The subsequent presentation was in paper form – the survey was sent out in a mailing to the initial mailing list minus those who responded online as identified by an outside source from the initial list of access codes. Stamped return envelopes were provided with the survey. An additional 143 firms responded in this wave.

The business unit used as the basis for the questions was the "consolidated firm". This was generally the corporation that owns and manages the textile operations. In some rare cases, for large corporations, we asked that the response be limited to a large, self-contained, division within the overall corporation.

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[1] For example, when asked to identify the annual average sales revenue of the firm over the last three years, the respondent was given seven choices: less than $1 million, from $1 million to $10 million, from $10 million to $50 million, from $50 million to $100 million, from $100 million to $500 million, from $500 million to $1 billion, and over $1 billion.

Characteristics of the firms in the sample.
Salient characteristics of the 273 firms in the sample are presented in Figures C1 through C10. Figure C1 divides the firms by average annual sales revenue during the preceding 3 years. Over half of the firms fall into the $1 million to $10 million range, with 43 firms having less than $ 1 million in sales and 124 in the range $10 million to $50 million. Smaller numbers of respondents indicated still larger average revenues. This strongly modal nature is evident as well when average annual employment is considered in Figure C2: 111 firms reported employment of between 10 and 50 full-time equivalents. Around 40 firms reported 1-10 workers, 50-100 workers, and 100 – 250 workers. There were 24 firms with between 250 and 500 workers, and 23 firms reporting more than 1000 workers.

These firms are long-established, as indicated in Figure C3 by the years in operation under current ownership. While there is some evidence of new entry in the industry, with 53 firms reporting less than 10 years of operation and the great majority of firms having been in business at least 10 years. Nearly one-quarter of the firms (57) reported over 60 years in operation under the current owners.

There is a strong concentration of the respondent firms in the Carolinas, as indicated by Figure C4. North Carolina is the location for 88 of the firms' production reported (although not necessarily of the head offices of the firms): that is roughly 30 percent of the total sample. A small number of firms reported their production to be based either in Asia (6) or simply outside the US (9)

The firms produce a wide variety of products, as evidenced by the responses reported in Figure C5. Apparel fabric and other fabrics were large individual categories, with hosiery and fiber/yarn production also represented. Many firms chose the "other" category to represent their products, with the descriptions running from non-woven fabrics to sewing thread.[2] The firms run the gamut of specialization, as Figure C6 illustrates. Roughly 10 percent of the firms reported only one product line, 30 percent reported 2 to 5 product lines, and 40 percent reported more than 10 product lines.

The sample of firms mirrors the textiles industry in general in recent years in its R&D expenditures. As Figure C7 illustrates, over half the firms reported spending less than 5 percent of sales revenue on research and development on average. About one-quarter reported spending from 5 to 10 percent of sales on R&D, while the balance (about 20 percent) reported even larger expenditure shares.

A majority of the firms reported at least one computer-based link to customers, over 100 of them reported no such connection. As Figure C8 reports, 107 firms had established a B2B

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[2] Other includes, in this sample, carpets and rugs (11), canvas products, commercial upholstery fabric (4), sewing, quilting (2), draperies (6), interlinings, home furnishings (2), industrial textiles (3), table linens and bedsheets (2), narrow fabrics (2), non-woven goods (3) printed fabrics (2), sewing thread (3), twisted ropes and braids.

internet site; another (possibly the same firms) 58 had vendor-managed inventory, while 50 reported just-in-time shipping. The "other" category includes website sales direct to consumers, electronic mail communication, and EDI.[3]

The international positions of the firms are illustrated in Figures C9 and C10. The majority of firms obtains less than five percent of their sales revenue from exports, but there is a significant minority (112 firms) that relies upon exports for five percent or more of sales. Foreign production is less common among these firms; if the "none" and "not reported" categories in Figure C10 are summed, 188 of the firms do not have a foreign production presence. The remainder (85 firms) report some foreign productive activity, and sixteen firms source more than 50 percent of production from foreign countries.

Recent performance.
The second set of questions addresses the performance of respondent firms since 1997. It is important to note that these firms will have done "better than average" for the complete group of textile firms, since these firms are still in business. The picture for these firms, though, is on average quite bleak. In Figure P1 the growth in annual (nominal) sales revenues since 1997 is illustrated. While there were 90 firms that reported sales growth of more than 5 percent over that period, there were 142 firms that reported a drop in sales revenue of at least 5 percent. A similar comparison for employment in Figure P2 makes a similar point: only 58 firms reported employment growth of at least five percent over the period since 1997, while 163 firms reported employment reductions of at least five percent. Of these, 73 firms reported employment reductions greater than 30 percent.

Figure P4 reports on one major source of dislocation for the firms. Since 1997, only 56 firms have seen their product price rise by at least five percent in nominal terms. 79 firms reported only minor change in product price, while 120 reported a fall in the nominal price of their major product of at least five percent. While the question refers to the firm's "major product", a follow-up question, with answers illustrated in Figure P5, indicated that this stagnation and decline in product prices was typical of the product lines sold. The return for the firms in accepting this price stagnation is evident in Figure P6: while slightly more firms have lost market share than have gained it, there is evidence that the majority of firms in the sample have substantially maintained market share in their major product.

Diversification of product lines is a common response to the post-1997 business climate among these firms. In Figure P3 it is evident that 131 firms increased their number of product lines by at least five percent, while only 55 firms reduced product lines by at least five percent. (Of the rest, 69 reported at most minor changes in number of lines.) Another adjustment has been an increase in sales to foreign plants, as is illustrated in Figure P7.

[3] The "other" responses included Consumer purchases from internet website (6), EDI (13), Electronic mail (7), and Retail link with Wal-mart (2).

The final six questions in this section address the firms' investment decisions. Figure P8 illustrates a minority response to the more competitive post-1997 climate: 76 firms report having purchased the plant and equipment of competitors. Figure P9 reports the typical reasons offered for undertaking such an expansion. The reason most often given for expansion was "build a stronger market position in existing product lines", with "acquire needed production capacity in existing product lines" cited by a similar number of firms. This consolidation explains some of the expansion in size among these textile firms facing increased competition. Also cited by 17 firms was the desire to "acquire a new product line for the consolidated firm to diversify risk". Among the five responses in "other", most common was the motivation of upgrading production by acquiring newer, more efficient, equipment.[4] As Figure P10 indicates, the majority of firms reported investment in new plant and equipment of less than five percent of annual sales on average after 1997, but 86 firms from the sample (roughly one-third) reported new investment rates greater than five percent. Figure P11 illustrates that in the post-1997 period there has been an uptick on average in research and development expenditures: while 95 firms report some increase in such expenditures, only 55 firms report a reduction in such expenditures. The modal response (with 91 firms) was that there was no change from the pre-1997 period to the post-1997 period.

In our interviews with business leaders, we consistently heard that obtaining financing for investment was a major constraint on operations. By contrast, the respondents to this survey indicate less difficulty. In Figure P13, the majority of firms reported being able to obtain financing from commercial banks in the post-1997 period. Smaller numbers reported financing investment from retained earnings or by borrowing from owners. Only 15 firms reported being unsuccessful at borrowing.

There are a number of significant linkages between characteristics and recent performance: we illustrate these through creation of two-way contingency tables. Table 1 illustrates the nature of this table through documenting the joint distribution of recent growth in sales revenue and the age of the firm.[5]

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[4] The "other" responses were "keep competition off the market", "opportunity to improve efficiency", "opportunity to upgrade facilities", "to acquire equipment", and "purchased plant and equipment at Chapter 7 auctions".

[5] This table is created by aggregating the six categories of continuous operation under the same ownership into two: those firms with less than 10 years (younger firms), and those with greater than 10 (older firms). The two categories of revenue growth greater than five percent are aggregated into the "pronounced growth" category, and the two categories of revenue growth more negative than negative five percent are aggregated into the "pronounced shrinkage" category. The observations characterized by the other two categories ("growth less than five percent either way" and "not reported") are excluded, thus reducing the total number of observations from 273 to 232.

Table 1: Contingency table relating revenue growth to age of firm

	Pronounced growth in revenues	Pronounced shrinkage in revenues	Total
Younger firms	25	21	46
Older firms	65	121	186
Total	90	142	232

As is evident from the table, there is a quite different record in revenue growth when younger and older firms are compared. Although overall there is about a 40 percent chance of positive growth, the percentage for younger firms is over 50 percent while for older firms it is about 30 percent. The pattern suggests that the older firms are significantly less likely to experience positive revenue growth, while the younger firms are significantly more likely to experience positive growth. This asymmetry in record is a statistically significant difference, as can be demonstrated through calculating the chi-square test associated with this contingency table. With $\chi^2(1) = 5.84$, the null hypothesis of random assignment to the four cells of the table is rejected. Table 2 reports the results of this statistical test for other pairs of characteristic and performance.

Similar analysis of employment growth indicates that older firms (those with more than 10 years of operation) are significantly more likely to experience profound shrinkage of employment, while newer firms are less likely to have such profound shrinkage. Similarly, older firms are significantly more likely to have profound positive growth in the number of product lines in recent years.

When the growth in the price of the major product is considered, there are two characteristics that are significantly associated with profoundly negative growth: larger initial sales revenue and larger initial employment. Firms with smaller revenues and smaller employment are significantly more likely to experience profound positive growth in the price of the major product – a signal of the capture of a market niche by the smaller firm.

By contrast with these preceding cases, none of the characteristics considered here provide significantly different predictions for growth in market share or for growth in exports to foreign producers: smaller or larger firms appear equally able to achieve growth in market share or in exports.

The variables PI 8 and PI 12 distinguish those firms that have purchased plant and/or equipment from other firms from those that have not. There is a significant positive correlation between this type of behavior and the size of the firm, whether measured by sales (CI 1) or employment (CI 2).[6] Among those firms that have purchased others' plant and equipment, variable PI 9 identifies those who do so to expand capacity or increase market share in existing product lines. This type of behavior is significantly correlated with the age of the firm, with older firms (i.e., under the same ownership for more than ten years) significantly less likely to undertake this kind of investment. It is also significantly correlated with R&D expenditures: greater R&D expenditures are associated with greater purchases of others' plant and equipment.

Investment in new plant and equipment as a share of annual sales is on average positively and significantly correlated with investment in research and development; i.e., those firms with large investment in plant and equipment are also those with large investment in research and development. Firms with R&D expenditure that increased from pre-1997 to post-1997 are also significantly more likely to receive large shares of sales from exports.

When the various financing options are considered, there are a number of significant correlations between channel of investment and firm characteristic.[7] Those relying on venture-capital financing were significantly less likely to be "old" firms. Those relying upon internally generated funds were significantly larger, both in sales and employment, than those that did not. Those firms that borrowed from family owners were significantly less likely to be large exporters. Those firms that relied upon asset-backed lenders also spent significantly more on R&D expenditures.

Attitudes of management.

The first set of questions addressed to the managers was designed to confirm the negative effects of international competition that are reported in the literature. Figure A1 illustrates the managers' perceptions on changing market shares since 1990. Of the whole, 65 percent agree that foreign merchandise has captured an increasing share of their market, while about 25 percent disagree and 10 percent didn't respond.[8] In Figure A2, the managers confirm even more emphatically that foreign goods are undercutting domestic prices, with over 90 percent agreeing that foreign goods are available at lower prices than their own competing products. Figure A6 illustrates the wide dispersion of foreign competitors: while 153 firms point to Asia as the source of competition, significant numbers mention the NAFTA countries, the Caribbean, Latin America and the Middle East.

The firms report a wide range of business strategies since 1997 in response to this international competition. Figure A3 reports the relative frequency in these responses.

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[6] It is unclear a priori in which direction the causality might run: from large size to acquisitions, or from acquisitions to large size.

[7] Table 2 reports only the significant chi-squared statistics for this correlation. Statistics for remaining variable pairs are insignificant, but are available on demand.

[8] This was a sorting question for the "Attitudes" section of the survey. If the answer to this was "no", the firm was asked to jump forward to question A8. Thus, some of the following responses have fewer than 176 respondents.

- "Harvesting" refers to the business strategy of suspending investment and R&D for the foreseeable future, and running the plant to obtain income while depreciating the facility. This is an exit strategy, and was identified by 32 firms (18 percent).
- "Technological growth" refers to the business strategy of investing in the most modern technology to cut costs and thus regain a competitive advantage: this was identified by 23 firms (13 percent).
- "Overseas capacity" refers to the strategy of investing overseas: if you can't beat them, you join them. Twenty-one firms (12 percent) identified this strategy.
- "New product innovation" refers to the strategy of creating distance between your product and the foreign product by creating new, targeted versions of your product to satisfy your customers. This was the modal choice, identified by 43 firms.
- "Global search" refers to a truly global business strategy: worldwide search for inputs and for customers. This was also popular, with 73 firms (40 percent) identifying it.
- The "other" category attracted a variety of responses (listed in the appendix), including a few that could be included in the previous categories. Among the novel responses were: "We import all our products now" (4), "We've become an exclusive distributor of foreign products" (1), "We shut down immediately and sold off our equipment – no harvesting" (1), "We sought out new domestic markets" (4).

The firms were also asked to identify the source of their comparative advantage in competing with foreign firms. Their responses are summarized in Figure A8. The dominant sources were "quicker response time", "long-term business relationships", and "higher or more consistent quality". Quotas and tariffs are identified by relatively few. In the "other" category, firms pointed as well to "freight costs" as a barrier to imports (5), creativity and new designs (3), the "Made in USA" label (1), and integration of foreign plants into the firm's supply chain (2). The exchange-rate regime in foreign countries is perceived as a major competitive disadvantage, as Figure A7 illustrates: 134 firms "agree" or "strongly agree" that exchange-rate regimes are an unfair advantage, while only 14 "disagree" or strongly disagree" (and 21 "don't know").

The primary focus of the survey was on the business attitudes toward the expiration of the ATC, and four of the questions in this section were addressed to that. First, businesses were asked whether the ATC had been successful in lessening the adverse effects of import competition. The responses are tabulated in Figure A5. Only four indicated that the restrictions had been "quite successful", while 29 indicated "limited success". Of the remainder, 48 thought that the ATC was "not successful", while 15 said that "it actually hurts my company". A large number (81) answered "don't know". The managers were also asked to describe the change in business strategy undertaken at their firm to prepare for the end of the ATC. The responses are sorted into Figure A9. "No change" is the modal response, with 100 firms in that category. "Initiating cost-control measures" was the second most popular, with 80 firms choosing that one. "New product lines" and "differentiating existing product lines" were also popular responses. In the "other" category, the responses included "sold the firm" (2), sourced off-shore (1), "installed customer-owned machinery" (1), "implemented Lean Manufacturing" (1), and "reduced size and overhead to focus on smaller segment" (1).

The managers were asked about changes to their investment strategies in response to the expiration of the ATC. Figure A10 reports their responses. While the majority of firms (80) reported "no change" in strategy, a substantial minority (59) reported "reduced investment" for one of three reasons. Only 5 firms reported increased investment in response to the expiration of the ATC, while 4 firms responded "other".[9]

The final questions in this section asked about trade-policy related activities of the firms. Figure A11 illustrates the distribution of responses received on lobbying activity (firms were asked to check all applicable). Support for trade association efforts were the dominant intervention, while still-sizable numbers reported contacting Federal officials and Congressional representatives about the problems of foreign competition. Relatively few indicated that they had initiated an anti-dumping or export subsidy allegation with the US Department of Commerce and International Trade Commission: this would be an indication that the competition from abroad was perceived as unfair.

The firm managers were also asked in A12 what policy intervention by the Federal government is appropriate at this time. There were 67 managers responding "no intervention" (although in one case it was because the manager thought it was "too late"). The remainder listed up to three interventions appropriate at this time. The list is provided in the appendix, and a summary of the list (including any suggestion made more than once) is given in Table 3. Not surprisingly, new protection to the textile industry is a major suggestion, although nearly as popular as policy initiative was to insist upon market determination of exchange rates. Also popular were insistence upon enforcement of existing trade agreements and a delay in expiration of the ATC quotas. There is a strong element of concern with the differing levels of government support in other countries: the "level playing field" response can be combined with others that speak of compensating for different social-protection and tax policies, and foreign barriers to entry.

We investigate whether the attitudes of firm managers toward the elimination of the ATC are a function of the characteristics of the firm through a series of chi-squared tests reported in Table 4. In the first set of tests (with heading AI5), we create a binary variable with value 1 if the ATC has been "not successful" or "actually hurts my company" and value 0 if ATC has been "quite successful" or "of limited success". Those with response "don't know" are excluded. There is a striking and significant correlation between smaller firms (either in revenue or in employment) and the value 1, and between larger firms and the value 0. Also striking, though less significant, is the positive correlation between older firms (CI3) and the value 1, and the positive correlation between smaller number of lines (CI6) and the value 1. Those managers most negative on the ATC, then, come from the firms with smaller revenue, smaller employment, smaller number of lines and more years under the same ownership.

Manager opinions on the exchange rate policy (A7) are summarized by a binary variable with value 1 if the managers "strongly agree" or "agree somewhat" that exchange rate policies

[9] The "other" responses predominantly indicated increased investment in overseas facilities.

provide foreign competitors with an unfair advantage and value 0 if they "disagree somewhat" or "strongly disagree". Other responses are excluded. There are few in the sample that disagree with the proposition, but those that do disagree are concentrated in the larger firms (as measured by revenue). Other indicators do not reveal any significant differences.

In Attitudes A8 we asked the firm managers to identify the source of the company's comparative advantage. We investigated the frequency of the responses "quicker response time" AI8 (QRT) and "long-term contracts and business relationships" AI8 (LTC&R). As Table 3 reports, no one characteristic group is significantly more likely to make those claims, although the businesses longer in operation were more likely to credit long-term contracts and business relationships.

In Attitudes A9 we asked firm managers to identify any changes in business strategy taken by their firms in anticipation of the expiration of the ATC. We focused on four strategies: **no change** (AI9 (NC)); **innovation**, represented by the responses "introduced new product lines" and "differentiated existing product lines" (AI9 (INNOV)); **investment**, represented by a firm manager response of "acquired additional capacity" either in US or abroad and of "entered joint venture", either with US or foreign firms (AI9 (INV)), and **cost control** (AI9 (CC)).

The **no change** strategy proved to be significantly more popular with smaller firms, whether defined by revenue or employment. The **innovation** strategy was significantly more popular among firms with larger employment, with the older firms, and with firms with a larger number of product lines.

The **investment** strategy was observed more often among the larger firms – significantly so when measured by sales, and still strongly when measured by employment. Firms with larger numbers of product lines were also significantly more likely to undertake the investment strategy.

The **cost control** strategy was significantly more popular among the larger firms, whether measured by sales or employment. Firms with larger number of product lines were also significantly more likely to practice the cost-control strategy.

The investment strategy response to the anticipated ATC was the subject of Attitudes A10. We tested these responses for their roots in characteristics, but found no significant differences across the characteristics groups.

Another possible explanation for current attitudes is the recent performance of the firm. We investigate the significance of recent performance in explaining current attitudes through the battery of chi-squared tests reported in Table 5. For each of these, we investigate the contribution of recent revenue, employment and price growth: for each of the variables considered (PI 1, PI 2, PI 3, PI 4) a value one indicates positive growth in the performance indicator and a value zero indicates negative growth. Replies indicating no growth or no response are excluded from the sample.

PI 1 is an indicator of the growth of sales revenues over the last seven years. It is significantly correlated with the responses to A9 on the business strategy choices in response to the expiration of the ATC. For example, firms with positive growth in revenues were significantly less likely to innovate, to invest or to practice cost control: they were significantly more likely to response "no change" in strategy. Similarly, in response to A10 on the investment response to the elimination of the ATC, firms with positive growth in revenues were significantly more likely to respond "no effect" on investment strategy and significantly less likely to indicate that "reduced investment" was the preferred strategy. It was also the case that firm managers were significantly more likely to answer "no intervention" on A12 if the country had positive revenue growth over the preceding years.

PI 2 is an indicator of the growth in employment over the last seven years. It is significantly correlated with responses to A9 on business strategy and A10 on investment strategy in response to the elimination of the ATC. Firms with positive employment growth are significantly less likely to innovate and significantly less likely to practice cost controls in response to the elimination of the ATC; they are also significantly more likely to report "no effect" on their investment strategy.

PI 3 is an indicator of growth in product lines in the past seven years – interestingly, it is not significantly correlated with any of our survey responses on attitudes.

PI 4 is an indicator of the growth in the price of the major product of the firm, and it is strongly and significantly correlated with all our attitudinal responses. Managers reporting the source of comparative advantage in A8 were significantly more likely to report "quick response time" as an attribute if they had positive growth in the product price, and were significantly less likely to report "long-term contract or relationship" as a source of comparative advantage. Those with positive price growth were significantly less likely to innovate, and significantly more likely to report "no change" in business strategy. They were significantly less likely to invest, or to practice cost controls, than those with negative growth in prices. When asked about investment-strategy response, those with positive price growth were significantly more likely to answer "no effect", and significantly less likely to respond "reduced investment". When asked about government policy initiatives, those with positive price growth were significantly more likely to respond "no intervention".

The business-strategy response is significantly correlated with the firm's reported decision to purchase the plant and equipment of other firms (PI 8). The decision to increase investment in response to increased competition is positively and significantly correlated with PI 8. The strategy of "no change" is significantly negatively associated with the record on purchasing other firms' assets.

The business-strategy responses of increasing investment and of cost-cutting are significantly and negatively correlated with whether the firm had increasing R&D expenditure when post-1997 behavior is compared with pre-1997 behavior. The firms can thus be separated into two business-strategy groups: the first has reduced R&D expenditures and has dealt with competition through increasing investment or cutting costs, while the second has increased R&D expenditures and deals with competition through differentiation of products rather than cost-containment. Not surprisingly, then, those firms with increased expenditures on R&D are significantly less likely to choose either "no change" or "reduced investment" as a response to the elimination of the ATC.

Conclusions.

The responses to survey questions reported here suggest a textiles sector more nuanced that the typical presentation. There is a wealth of information on firm characteristics, performance and attitudes, we concentrate here on the characteristics-performance-attitudes on ATC nexus. We draw four conclusions.

- Among firm managers, there is disagreement on the practical importance of the ATC. A large minority of firms indicated that the restrictions of ATC had not helped them. Those managers most negative on the ATC, then, come from the firms with smaller revenue, smaller employment, smaller number of lines and more years under the same ownership.

- Perhaps as a consequence, the imminent expiration of the ATC has not brought about the wholesale revamping of business and investment strategy that we anticipated. There is a substantial minority of firms that has chosen not to change its modus operandi. These tend to be those whose prices and revenues have grown during the ATC years.

- The firm managers have very strong opinions on appropriate future policies. They are strongly protectionist in their suggestions, with an additional demand for pressure on foreign governments to revise foreign exchange-rate policy. While reimposition of quotas was a common request for future commercial policy, the managers seemed more targeted in their concerns: pressure to open foreign markets and to equalize social protection expenditures were also found to be of importance.

- There is a substantial minority among the firms that has experienced positive price and earnings growth over the preceding seven years. These favor "no intervention" over the activist policies advanced by the majority of firms.

- The availability of financing for investment does not seem as constraining to this sample of firms as was claimed by individual managers interviewed for this project.

We conclude that it will be important for any successor to the ATC to recognize the dichotomy in firms: small, more flexible firms are more interested in laissez faire, or in commercial policy that preserves existing comparative advantage, while large, less flexible firms favor protectionism at any price.

We are pleased with the survey response we received, but recognize that it is only the beginning. It will be important to broaden the responses to the universe of textile firms, and to account more systematically for differences in product as a source of differences in attitudes toward commercial policy and the ATC.

Table 2: **Chi-Square Statistics: Characteristics with Performance (those in bold are significant at the 90 percent level of confidence)**

PI 1	**Characteristic**	**Number**	**Chi-square**	**Probability**
	CI 1	232	0.06	0.80
	CI 2	232	1.92	0.17
	CI 3	**232**	**5.85**	**0.02**
	CI 6	232	0.03	0.86
	CI 7	232	0.23	0.63
	CI 9	232	0.94	0.33
PI 2				
	CI 1	221	0.01	0.92
	CI 2	221	0.77	0.38
	CI 3	**221**	**14.97**	**0.00**
	CI 6	142	0.01	0.90
	CI 7	142	0.08	0.77
	CI 9	142	0.52	0.47
PI 3				
	CI 1	186	1.41	0.24
	CI 2	186	1.93	0.16
	CI 3	**186**	**2.85**	**0.09**
	CI 6	**186**	**3.09**	**0.08**
	CI 7	186	0.59	0.44
	CI 9	186	1.89	0.17
PI 4				
	CI 1	**176**	**11.06**	**0.00**
	CI 2	**176**	**11.96**	**0.00**
	CI 3	176	0.39	0.53
	CI 6	176	2.37	0.12
	CI 7	176	0.00	0.98
	CI 9	176	1.30	0.25
PI 6				
	CI 1	**195**	**4.90**	**0.02**
	CI 2	195	1.02	0.31
	CI 3	**195**	**3.36**	**0.07**
	CI 6	195	1.46	0.23
	CI 7	195	0.17	0.68
	CI 9	195	0.30	0.59
PI 7				
	CI 1	66	1.35	0.24
	CI 2	66	0.08	0.77
	CI 3	66	1.10	0.29
	CI 6	66	1.83	0.18
	CI 7	66	0.00	1.00
	CI 9	66	0.65	0.42
PI 8				
	CI 1	**259**	**8.41**	**0.00**
	CI 2	**259**	**11.33**	**0.00**
	CI 3	259	2.24	0.13

	CI 6	259	0.25	0.61
	CI 7	259	0.00	0.96
	CI 9	259	1.63	0.20
PI 9				
	CI 1	196	1.92	0.17
	CI 2	196	0.92	0.34
	CI 3	**196**	**4.73**	**0.03**
	CI 6	196	0.13	0.72
	CI 7	196	0.44	0.53
	CI 9	196	1.94	0.38
PI 10				
	CI 1	257	0.36	0.55
	CI 2	257	0.45	0.50
	CI 3	257	0.58	0.45
	CI 6	257	0.05	0.83
	CI 7	**257**	**9.10**	**0.00**
	CI 9	257	1.71	0.19
PI 11				
	CI 1	150	0.57	0.45
	CI 2	150	0.05	0.82
	CI 3	150	0.30	0.50
	CI 6	150	0.67	0.41
	CI 7	150	0.88	0.34
	CI 9	**150**	**4.59**	**0.03**
PI 12				
	CI 1	**254**	**2.73**	**0.09**
	CI 2	254	1.29	0.26
	CI 3	**254**	**2.93**	**0.09**
	CI 6	254	0.00	0.97
	CI 7	**254**	**3.71**	**0.05**
	CI 9	254	0.04	0.85
Per13b	**CI 3**	**12.83**	**0.00**	**272**
Per13c	**CI 1**	**6.13**	**0.01**	**272**
Per13c	**CI 2**	**9.61**	**0.00**	**272**
Per13d	**CI 9**	**3.22**	**0.07**	**272**
Per13e	**CI 7**	**4.17**	**0.04**	**199**

Table 3: **Suggestions for Federal Interventions in International Trade from A12**

Suggestion	Number of observations
Institute new protection of US production of textiles	32
Enforce existing trade agreements	25
Ensure that exchange rates reflect market pressures	31
Delay elimination of quotas on textile imports	20
Level the playing field in government regulations of businesses	10
Insist upon balanced trade in textiles	5
Don't even think about removing tariffs on textiles	8
Use tariffs to offset inadequate social protection in foreign producers	6
Stop the funneling of textile imports through Mexico and Canada	3
Ensure fair competition for foreign government contracts	2
Overhaul tariff policy	2
Subsidize domestic textile suppliers	2
Break down foreign barriers to entry	5
Keep quotas on foreign apparel	2
Fair trade, not free trade	4
No more free trade agreements	2
Stop dumping of goods from China into US	5

Table 4: **Chi-Square Statistics: Characteristics with Attitudes** (entries in bold are significant at the 90 percent level of confidence)

AI 5	**Characteristic**	**Number**	**Chi-square**	**Probability**
	CI 1	**96**	**2.69**	**0.10**
	CI 2	**96**	**6.24**	**0.01**
	CI 3	96	1.77	0.18
	CI 6	**96**	**4.34**	**0.04**
	CI 7	**96**	**3.32**	**0.07**
	CI 9	**96**	**2.73**	**0.10**
AI 7				
	CI 1	143	1.86	0.17
	CI 2	143	0.16	0.68
	CI 3	143	0.15	0.70
	CI 6	143	0.06	0.81
	CI 7	143	1.54	0.21
	CI 9	143	0.45	0.50
AI 8 (QRT)				
	CI 1	272	1.83	0.18
	CI 2	272	1.15	0.28
	CI 3	272	0.30	0.59
	CI 6	272	0.73	0.39
	CI 7	272	1.72	0.19
	CI 9	272	0.56	0.45
AI 8 (LTR&C)				
	CI 1	272	1.83	0.18
	CI 2	272	0.17	0.67
	CI 3	272	1.72	0.19
	CI 6	272	0.80	0.37
	CI 7	272	0.20	0.65
	CI 9	272	0.20	0.65
AI 9 (INNOV)				
	CI 1	**273**	**8.94**	**0.00**
	CI 2	**273**	**12.35**	**0.00**
	CI 3	273	1.63	0.20
	CI 6	**273**	**9.04**	**0.00**
	CI 7	273	0.62	0.43
	CI 9	273	1.98	0.16
AI 9 (NC)				
	CI 1	**273**	**10.93**	**0.00**
	CI 2	**273**	**9.71**	**0.00**
	CI 3	273	0.59	0.44
	CI 6	**273**	**2.62**	**0.10**
	CI 7	273	0.12	0.72

	CI 9	273	1.70	0.19
AI 9 (INV)				
	CI 1	**273**	**9.27**	**0.00**
	CI 2	**273**	**6.86**	**0.01**
	CI 3	273	0.83	0.36
	CI 6	**273**	**5.72**	**0.02**
	CI 7	273	0.22	0.64
	CI 9	273	0.40	0.52
AI 9 (CC)				
	CI 1	**273**	**9.63**	**0.00**
	CI 2	**273**	**8.15**	**0.00**
	CI 3	273	0.05	0.82
	CI 6	**273**	**10.08**	**0.00**
	CI 7	273	0.81	0.37
	CI 9	273	0.72	0.39

Table 5: **Chi-Square Statistics: Recent Performance with Attitudes** (entries in bold are significant at the 90 percent level of confidence)

PI 1	Attitudes	Number	Chi-square	Probability
	AI 8 (QRT)	232	1.22	0.27
	AI 8 (LTC&R)	232	0.81	0.37
	AI 9 (INNOV)	**232**	**5.07**	**0.02**
	AI 9 (INV)	**232**	**3.18**	**0.07**
	AI 9 (NC)	**232**	**10.85**	**0.00**
	AI 9 (CC)	**232**	**19.76**	**0.00**
	AI 10 (NE)	**232**	**18.00**	**0.00**
	AI 10 (RI)	**232**	**25.26**	**0.00**
PI 2				
	AI 8 (QRT)	221	2.14	0.14
	AI 8 (LTC&R)	**221**	**3.05**	**0.08**
	AI 9 (INNOV)	**221**	**3.66**	**0.06**
	AI 9 (INV)	221	0.60	0.44
	AI 9 (NC)	**221**	**2.82**	**0.09**
	AI 9 (CC)	**221**	**15.35**	**0.00**
	AI 10 (NE)	**221**	**5.96**	**0.01**
	AI 10 (RI)	**221**	**14.39**	**0.00**
PI 3				
	AI 8 (QRT)	186	0.14	0.71
	AI 8 (LTC&R)	186	0.23	0.63
	AI 9 (INNOV)	186	1.28	0.26
	AI 9 (INV)	186	1.38	0.24
	AI 9 (NC)	186	0.11	0.74
	AI 9 (CC)	186	0.13	0.72
	AI 10 (NE)	186	0.77	0.38
	AI 10 (RI)	**186**	**2.95**	**0.09**
PI 4				
	AI 8 (QRT)	**176**	**5.49**	**0.02**
	AI 8 (LTC&R)	176	2.18	0.14
	AI 9 (INNOV)	**176**	**6.34**	**0.01**
	AI 9 (INV)	**176**	**8.47**	**0.00**
	AI 9 (NC)	**176**	**14.12**	**0.00**
	AI 9 (CC)	**176**	**18.08**	**0.00**
	AI 10 (NE)	**176**	**11.75**	**0.00**
	AI 10 (RI)	**176**	**22.48**	**0.00**
PI 8				
	AI 8 (QRT)	258	0.43	0.52

	AI 8 (LTC&R)	258	0.00	0.99
	AI 9 (INNOV)	258	0.79	0.37
	AI 9 (INV)	**258**	**14.46**	**0.00**
	AI 9 (NC)	**258**	**8.40**	**0.00**
	AI 9 (CC)	258	2.16	0.14
	AI 10 (NE)	258	1.11	0.29
	AI 10 (RI)	258	0.02	0.88
PI 9				
	AI 8 (QRT)	196	0.29	0.59
	AI 8 (LTC&R)	196	0.09	0.77
	AI 9 (INNOV)	196	1.20	0.27
	AI 9 (INV)	196	0.37	0.54
	AI 9 (NC)	196	0.02	0.89
	AI 9 (CC)	196	0.46	0.50
	AI 10 (NE)	196	0.12	0.73
	AI 10 (RI)	196	0.43	0.51
PI 11				
	AI 8 (QRT)	150	0.18	0.67
	AI 8 (LTC&R)	150	0.28	0.60
	AI 9 (INNOV)	150	0.32	0.57
	AI 9 (INV)	**150**	**3.56**	**0.06**
	AI 9 (NC)	150	0.66	0.41
	AI 9 (CC)	**150**	**7.24**	**0.01**
	AI 10 (NE)	150	8.52	0.00
	AI 10 (RI)	150	18.40	0.00

Annex : How do North Carolina Textiles Manufacturers Differ From Those in the Rest of the Country?

The survey of textiles manufacturers provides us with an opportunity to contrast firms with production in North Carolina with firms elsewhere in the US. The following table reports the results of chi-square tests of the proposition that the responses of North Carolina differ significantly from those from the rest of the US.

The survey included 85 firms that identified North Carolina as a production location. The North Carolina firms prove to be quite similar to non-North Carolina firms in terms of their characteristic: age, number of product lines, volume of sales, and others. The two groups differ significantly in just one dimension: North Carolina firms have significantly large employment than other firms.

When these firms are compared on the basis of performance over the previous seven years, the differences grow more striking. North Carolina firms were significantly more likely to report negative growth in sales and slower growth in sales price of their representative product. They were also more likely to have invested more in new plant and equipment over those years, and more likely to have negative employment growth. The two groups of firms were insignificantly different in the responses on the number of product lines, the degree of research and development expenditure, and the foreign outsourcing of production.

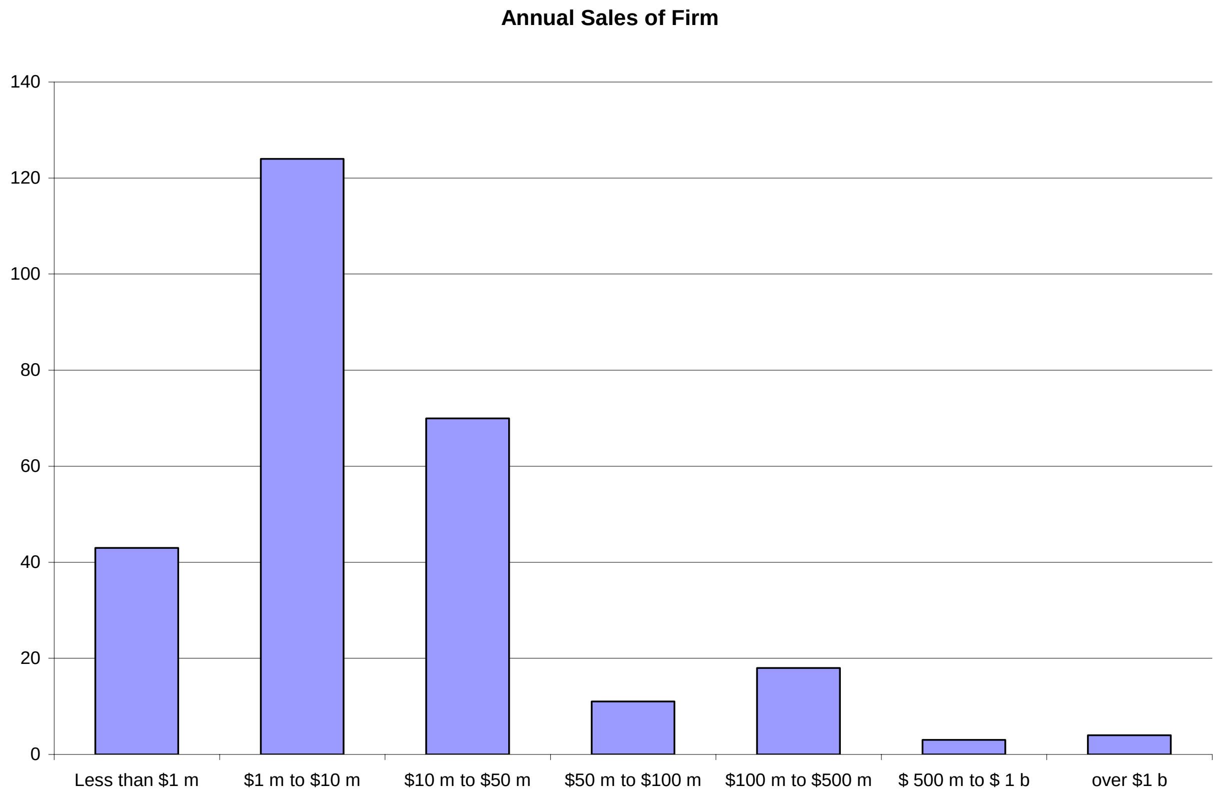
When we examine the current situation and the firms' strategies for the future, the North Carolina firms once again stand out. First, the NC firms are significantly more likely to report that foreign competition is selling its goods at lower prices in US markets – every one of the North Carolina firms reported that. When asked about the firm's business strategy in anticipation of removal of the system of quotas, the NC firms were significantly less likely to say that there will be "no change" in strategy. They were significantly more likely to report a strategy of product differentiation, of investment in research and development, and of introduction of cost-cutting technology.

When the firms were asked about the impact of quota removal on future investment plans, the NC firms were significantly less likely to say that it will have "no effect". They are significantly more likely to report reduced investment in the future in response to this removal of protection.

Finally, firms were asked what was the optimal role for the national government to play. NC firms were significantly less likely to say that "no intervention" is the optimal policy.

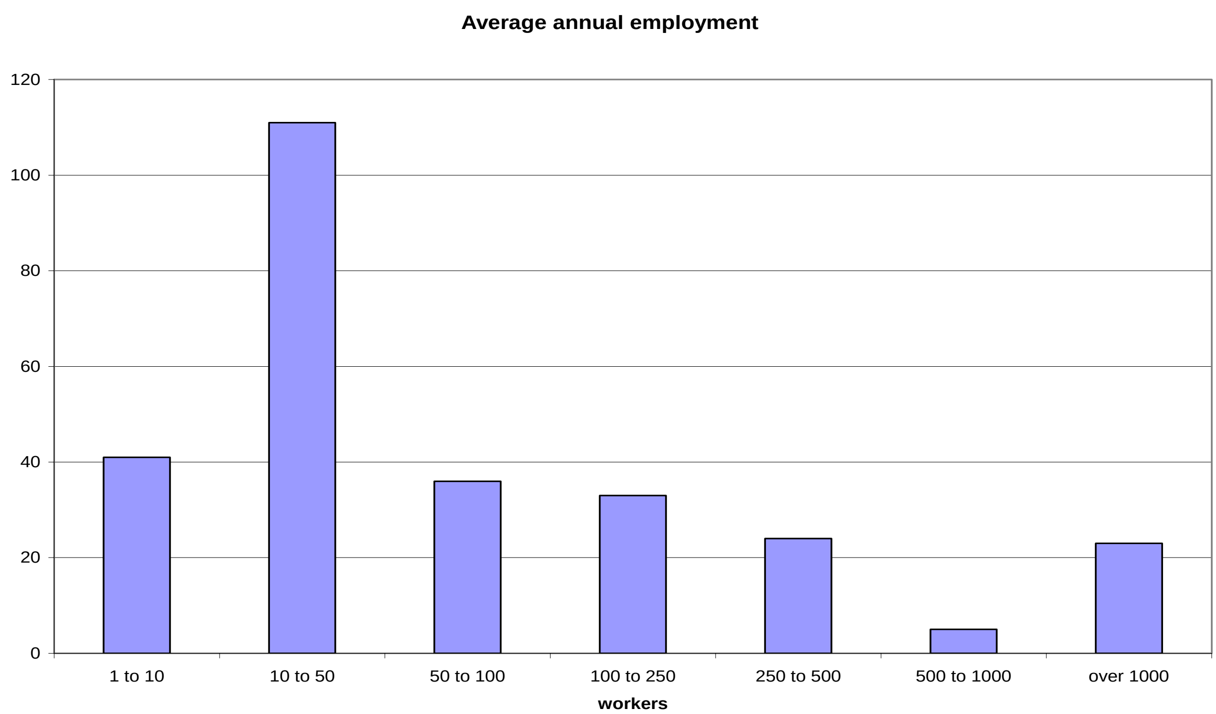
Table A1: **Chi-Square Statistics comparing North Carolina to the rest of the US (those in bold are significant at the 90 percent level of confidence)**

NC Relative to rest of US				**Relative to rest, NC firms have**
	Number	**Chi-square**	**Probability**	
CI 1	273	1.52	0.22	
CI 2	**273**	**6.72**	**0.01**	**Higher employment**
CI 3	273	0.79	0.37	
CI 6	273	1.11	0.29	
CI 7	273	0.81	0.37	
CI 9	273	1.24	0.26	
PI 1	**232**	**6.86**	**0.01**	**More negative sales growth**
PI 2	**221**	**7.44**	**0.01**	**Faster employment reduction**
PI 3	186	0.01	0.93	
PI 4	**176**	**7.70**	**0.01**	**Sales price rising more slowly**
PI 7	66	0.46	0.49	
PI 8	259	1.55	0.21	
PI 9	196	0.01	0.90	
PI 10	**257**	**3.54**	**0.06**	**Larger annual investment**
PI 11	150	1.96	0.16	
PI 12	254	0.87	0.35	
AI 2	**184**	**7.28**	**0.01**	**Always faced lower for. prices**
AI8QRT	272	1.66	0.20	
AI8LTR	272	2.24	0.13	
AI9I	**273**	**10.51**	**0.00**	**Greater product diversification**
AI9NC	**273**	**11.43**	**0.00**	**Less likely to say “no change”**
AI9INV	**273**	**4.12**	**0.04**	**Greater investment in R&D**
AI9CC	**273**	**7.72**	**0.00**	**Greater effort to control costs**
AI10NE	**273**	**13.25**	**0.00**	**Less likely to say “no effect”**
AI10RI	**273**	**18.14**	**0.00**	**More likely reduce investment**
AI12NOI	**273**	**11.31**	**0.00**	**Been more likely to seek**
				Government intervention



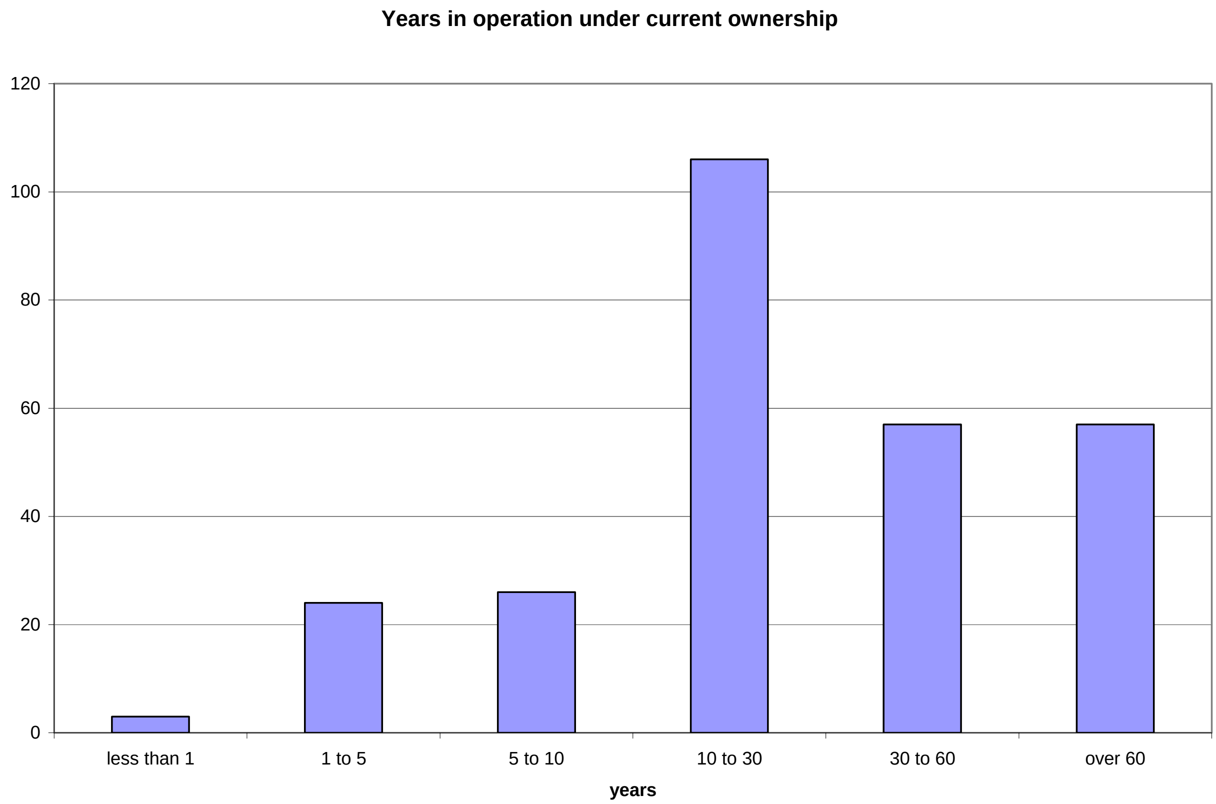
Annual Sales of Firm
140
120
100
80
60
40
20
0
Less than $1 m
$1 m to $10 m
$10 m to $50 m
$50 m to $100 m
$100 m to $500 m
$ 500 m to $ 1 b
over $1 b

C1.



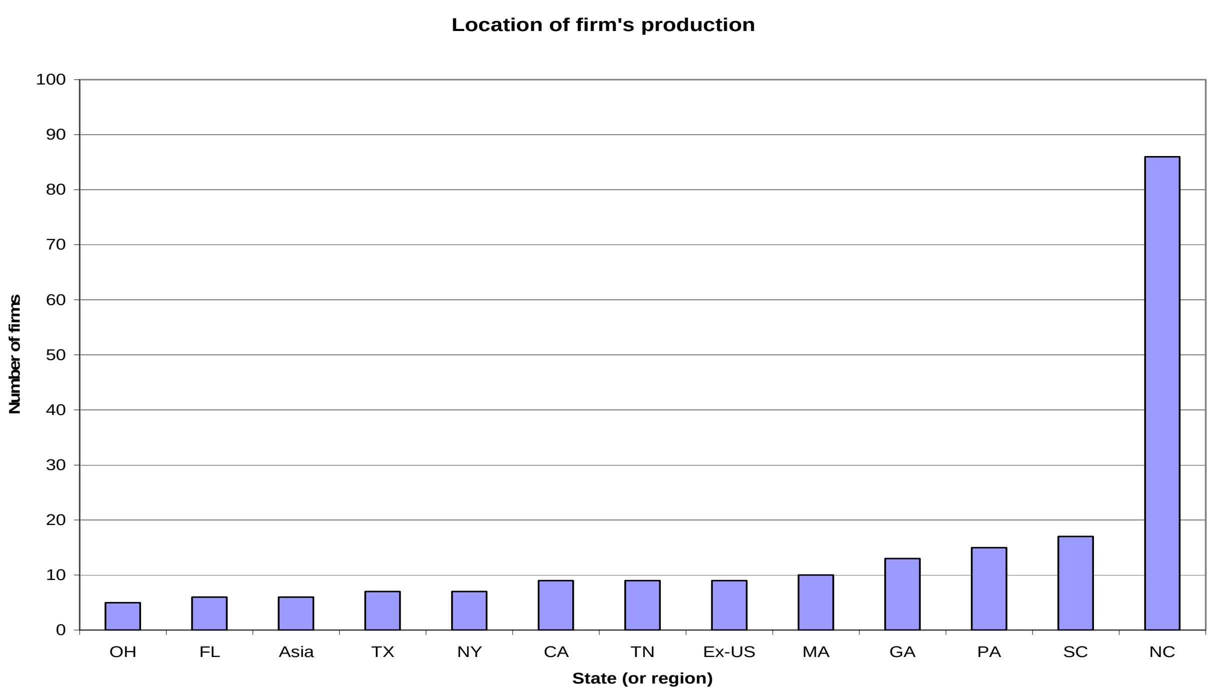
Average annual employment
120
100
80
60
40
20
0
1 to 10
10 to 50
50 to 100
100 to 250
250 to 500
500 to 1000
over 1000
workers

C2



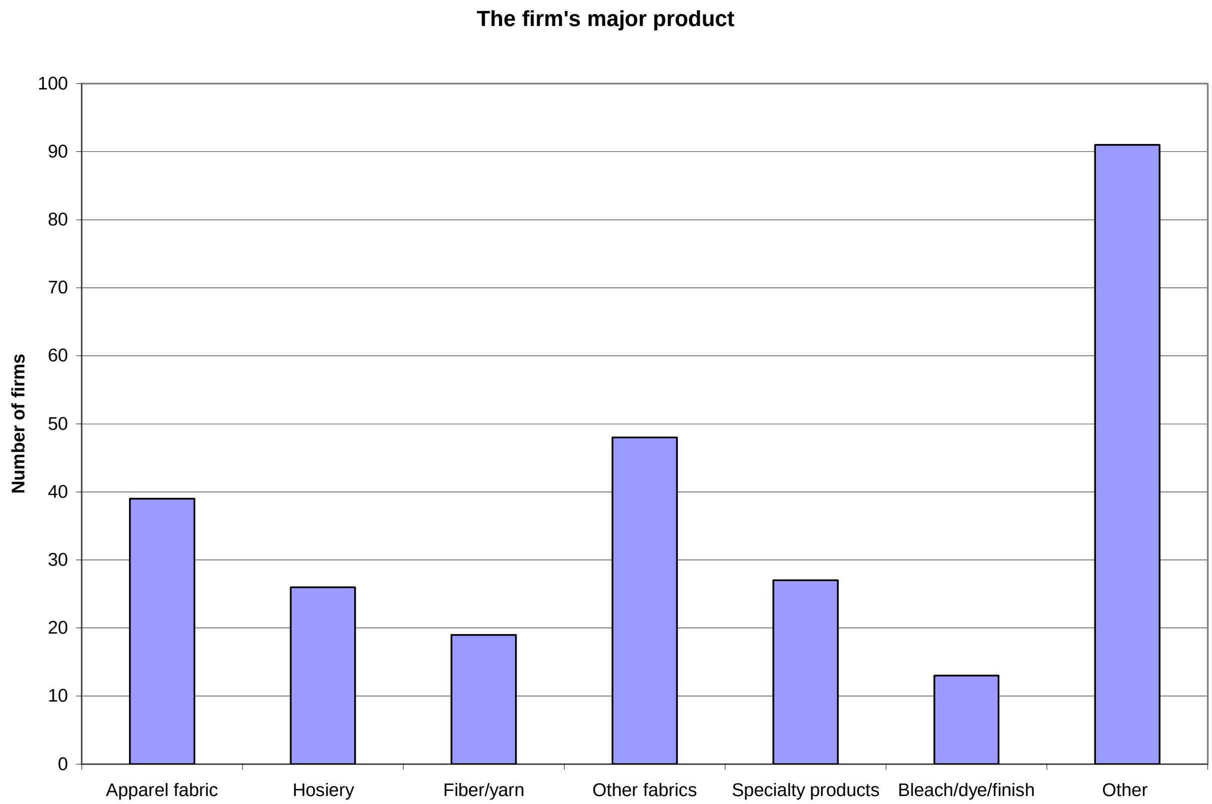
Years in operation under current ownership
120
100
80
60
40
20
0
less than 1
1 to 5
5 to 10
10 to 30
30 to 60
over 60
years

C3

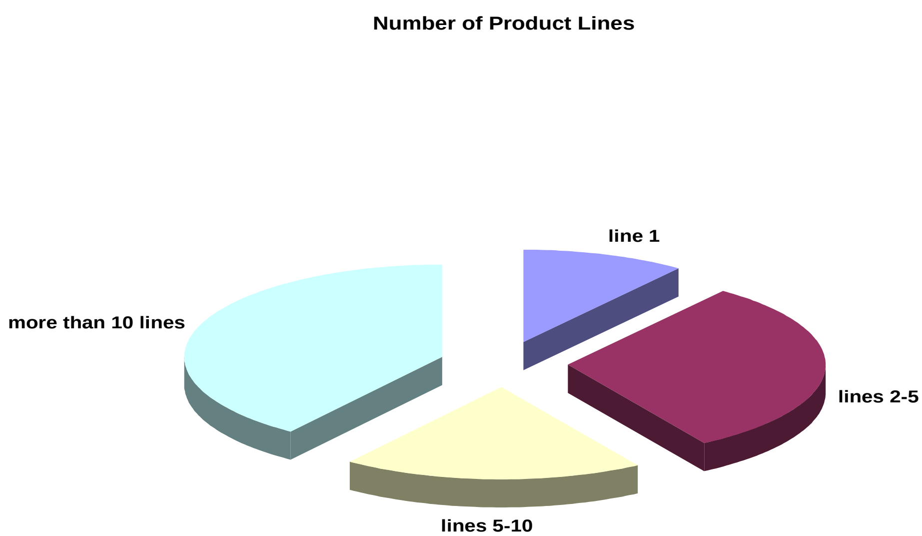


Location of firm's production
Number of firms
100
90
80
70
60
50
40
30
20
10
0
OH
FL
Asia
TX
NY
CA
TN
Ex-US
MA
GA
PA
SC
NC
State (or region)

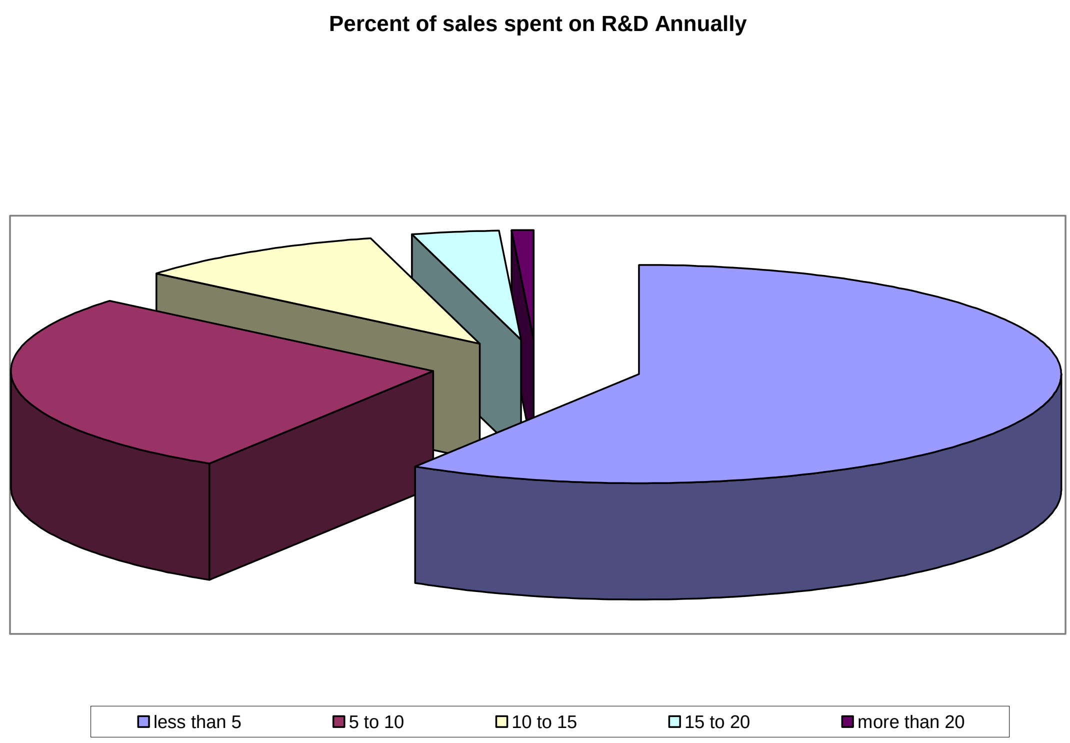
C4


The firm's major product
Number of firms
100
90
80
70
60
50
40
30
20
10
0
Apparel fabric
Hosiery
Fiber/yarn
Other fabrics
Specialty products
Bleach/dye/finish
Other

C5

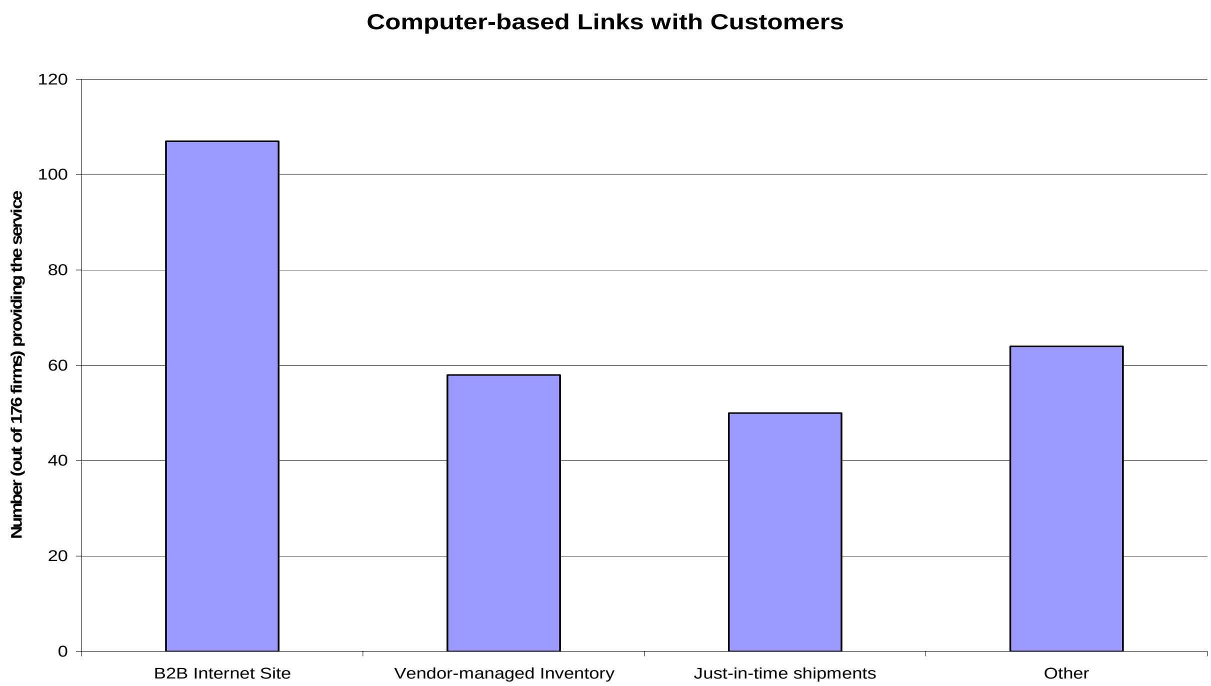

Number of Product Lines
line 1
more than 10 lines
lines 2-5
lines 5-10

C6



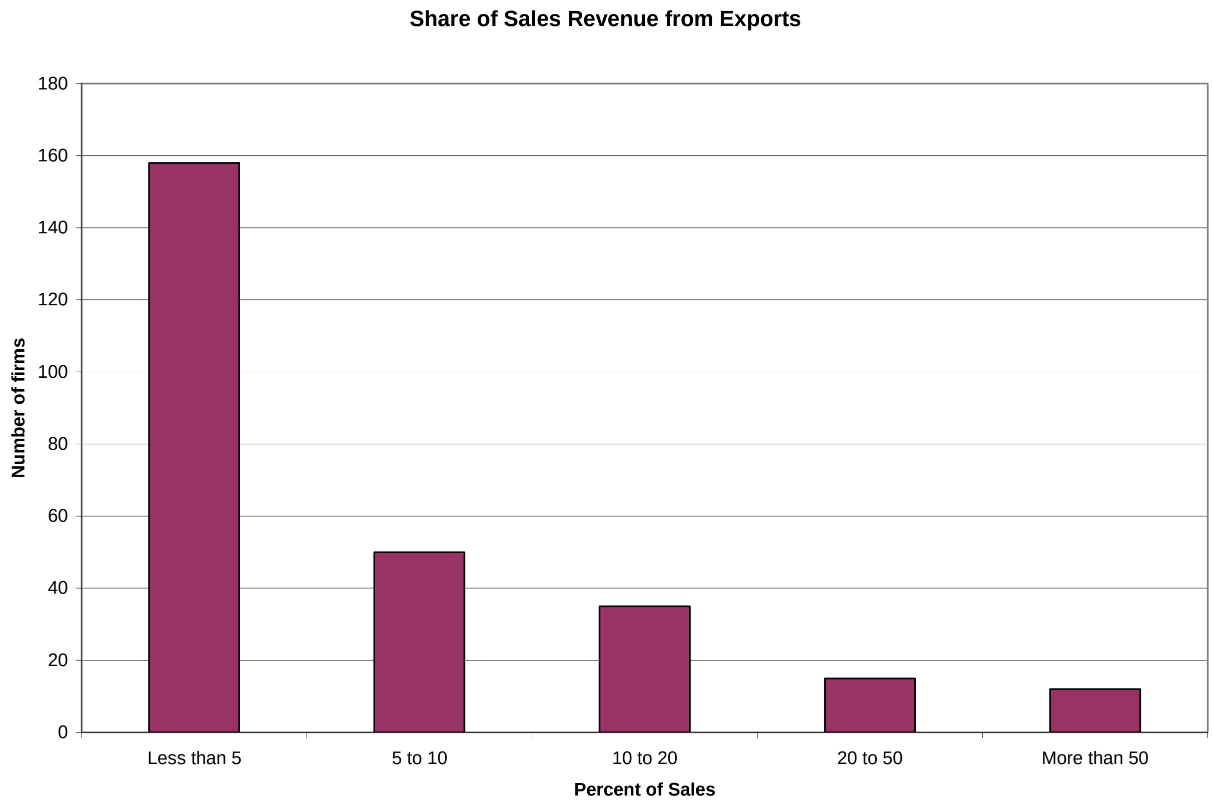
Percent of sales spent on R&D Annually
less than 5
5 to 10
10 to 15
15 to 20
more than 20

C7

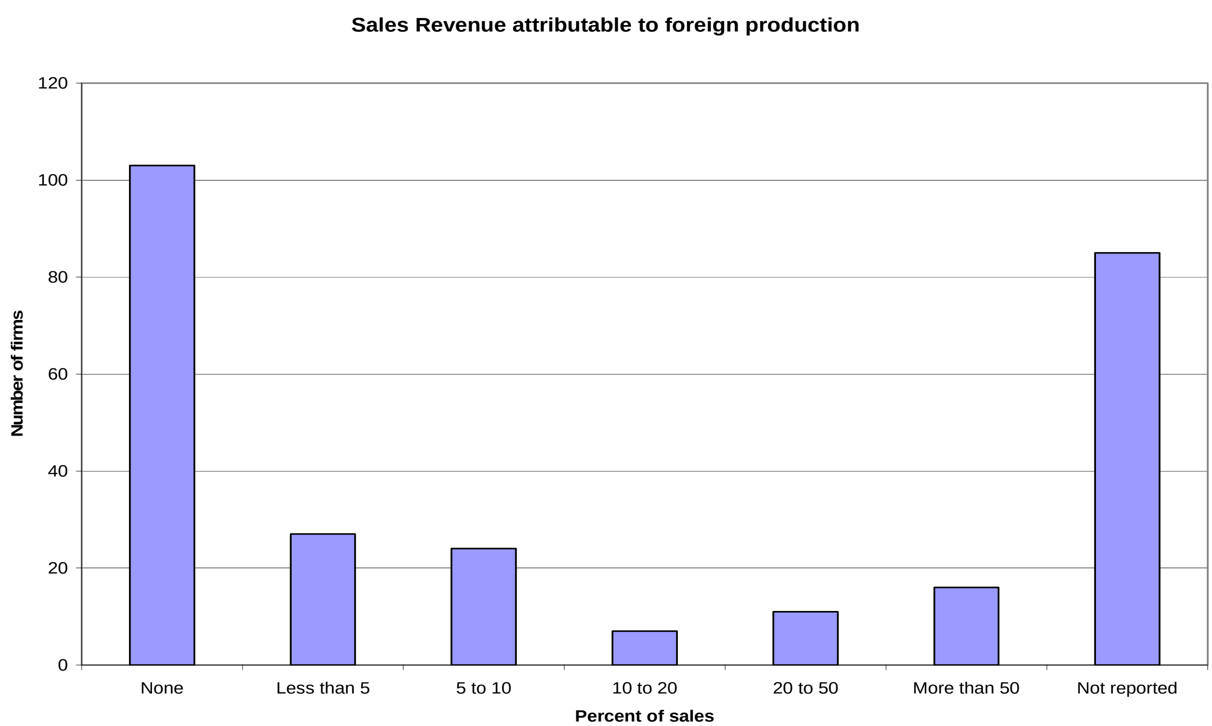


Computer-based Links with Customers
Number (out of 176 firms) providing the service
120
100
80
60
40
20
0
B2B Internet Site
Vendor-managed Inventory
Just-in-time shipments
Other

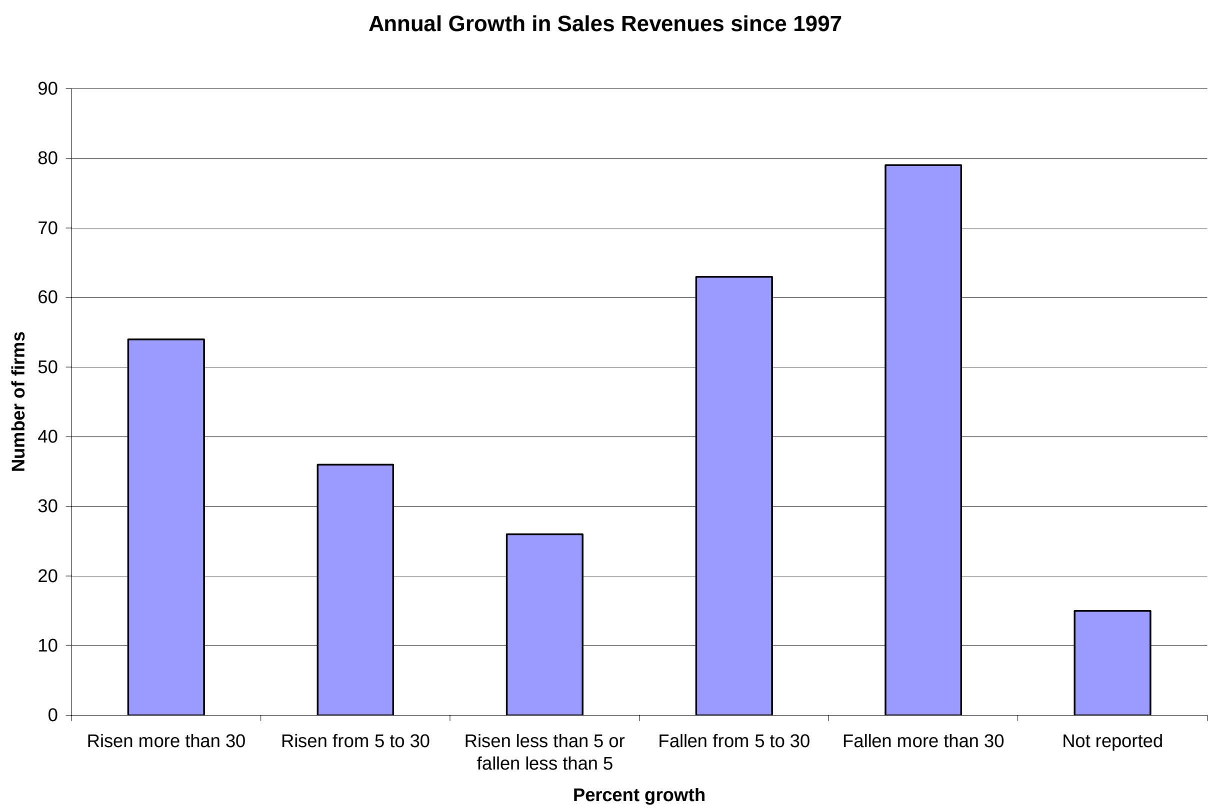
C8


Share of Sales Revenue from Exports
Number of firms
180
160
140
120
100
80
60
40
20
0
Less than 5
5 to 10
10 to 20
20 to 50
More than 50
Percent of Sales

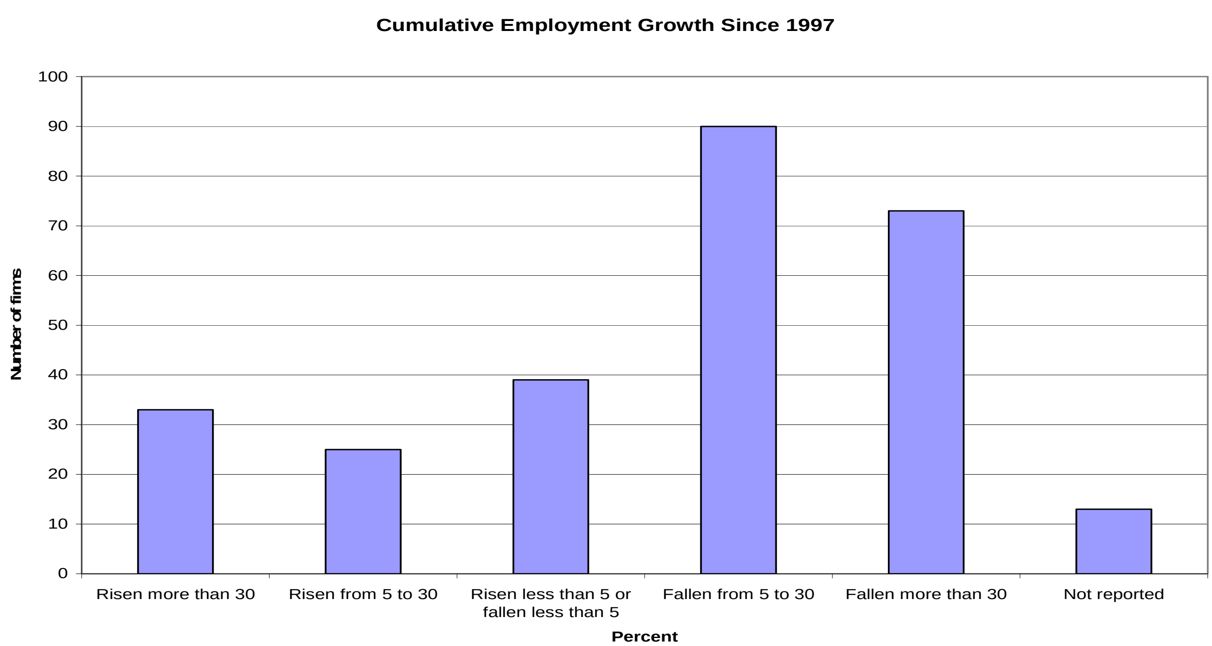
C9


Sales Revenue attributable to foreign production
Number of firms
120
100
80
60
40
20
0
None
Less than 5
5 to 10
10 to 20
20 to 50
More than 50
Not reported
Percent of sales

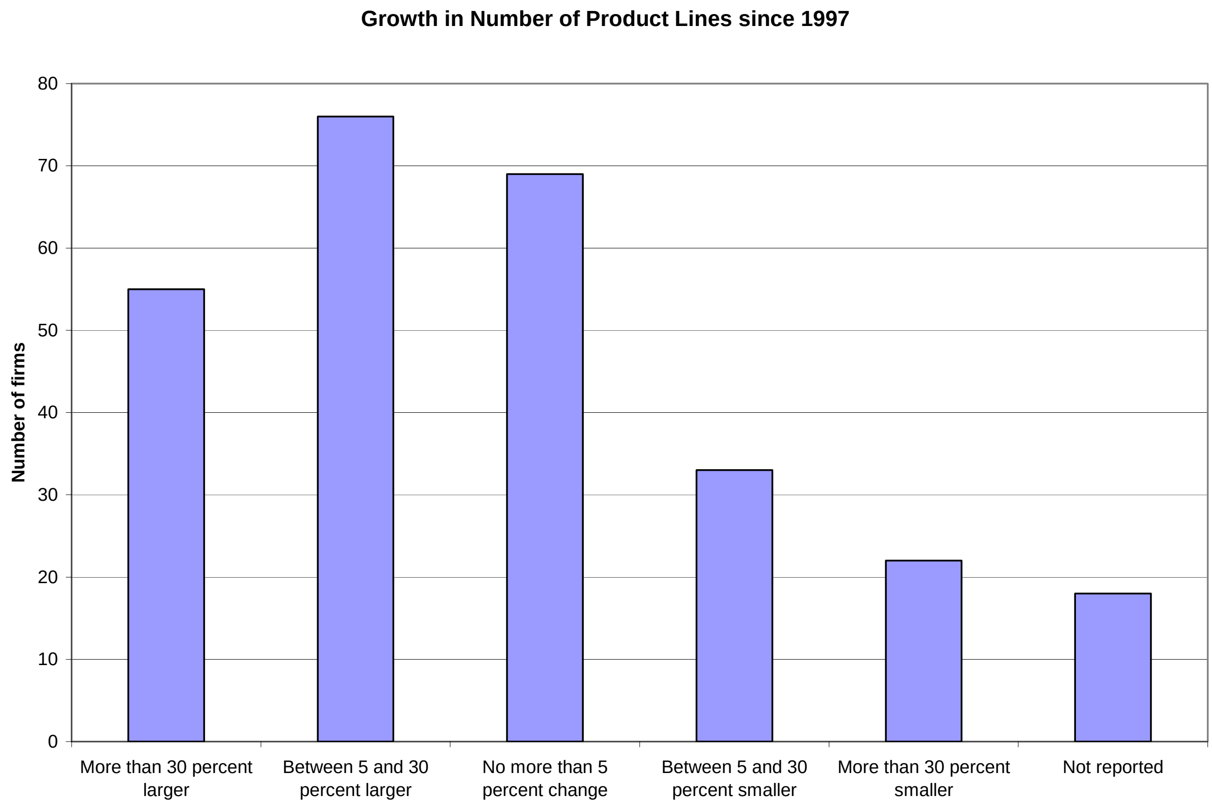
C10


Annual Growth in Sales Revenues since 1997
90
80
70
60
50
40
30
20
10
0
Number of firms
Risen more than 30
Risen from 5 to 30
Risen less than 5 or fallen less than 5
Fallen from 5 to 30
Fallen more than 30
Not reported
Percent growth

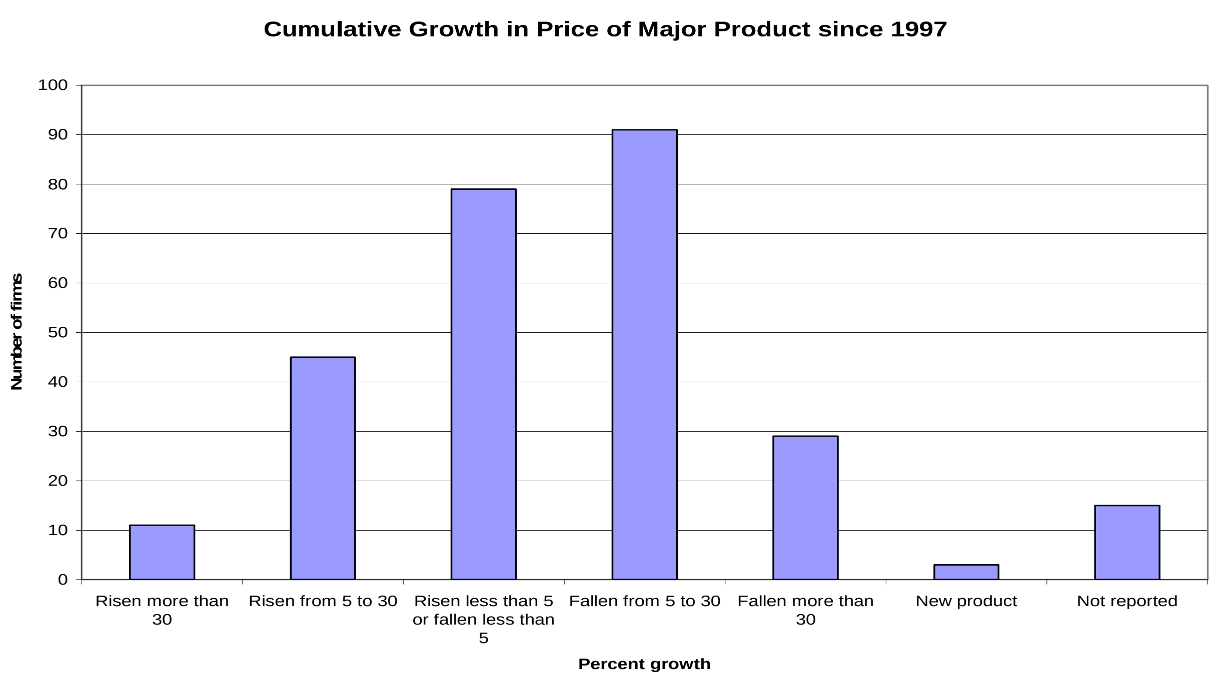
P1


Cumulative Employment Growth Since 1997
100
90
80
70
60
50
40
30
20
10
0
Number of firms
Risen more than 30
Risen from 5 to 30
Risen less than 5 or fallen less than 5
Fallen from 5 to 30
Fallen more than 30
Not reported
Percent

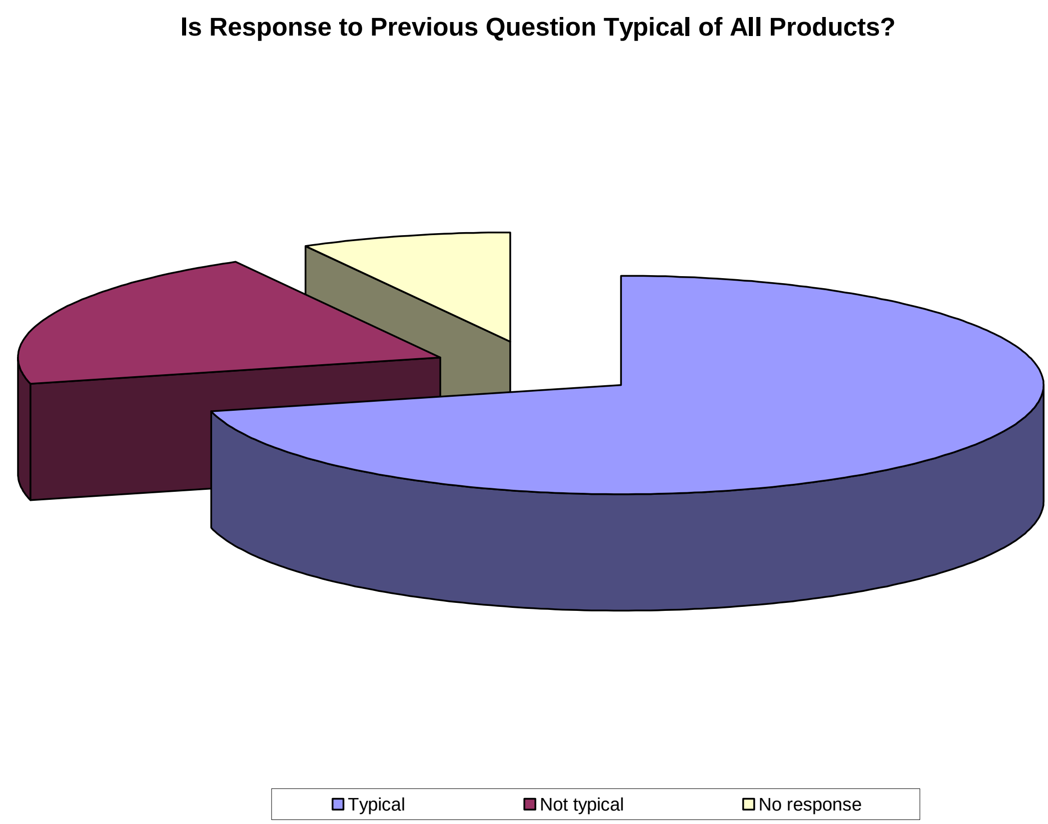
P2


Growth in Number of Product Lines since 1997
Number of firms
80
70
60
50
40
30
20
10
0
More than 30 percent larger
Between 5 and 30 percent larger
No more than 5 percent change
Between 5 and 30 percent smaller
More than 30 percent smaller
Not reported

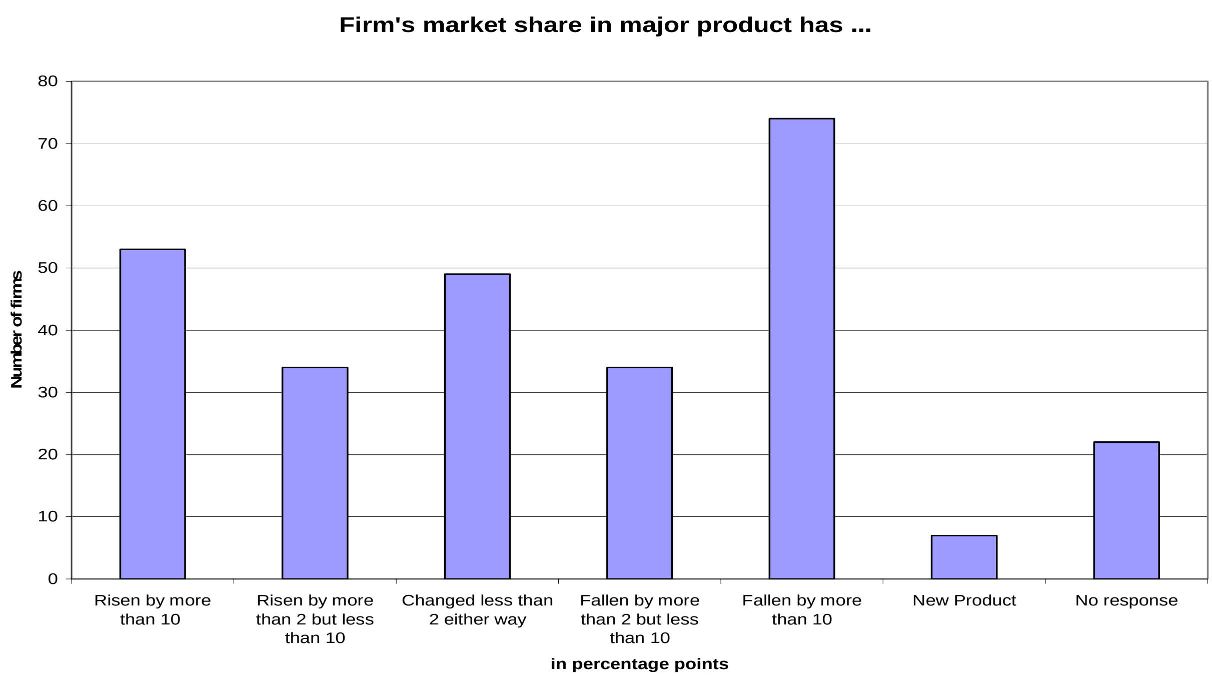
P3


Cumulative Growth in Price of Major Product since 1997
Number of firms
100
90
80
70
60
50
40
30
20
10
0
Risen more than 30
Risen from 5 to 30
Risen less than 5 or fallen less than 5
Fallen from 5 to 30
Fallen more than 30
New product
Not reported
Percent growth

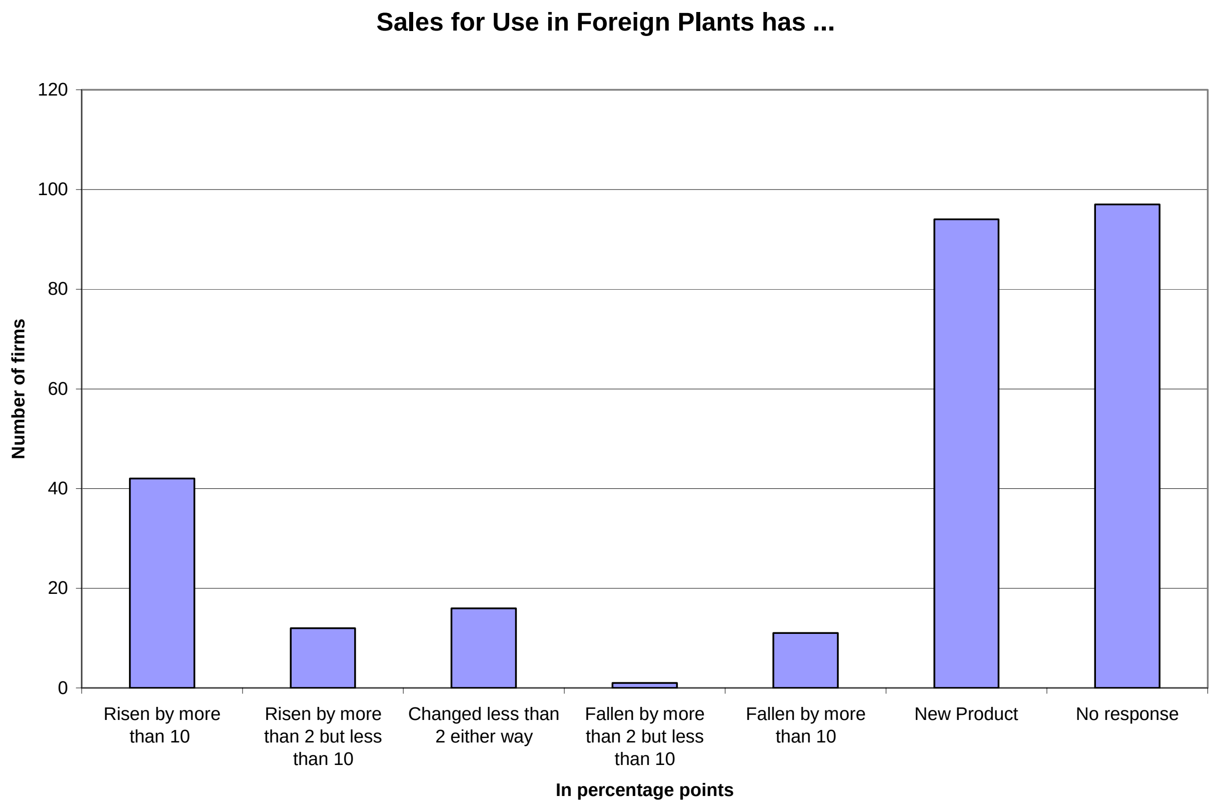
P4


Is Response to Previous Question Typical of All Products?
Typical
Not typical
No response

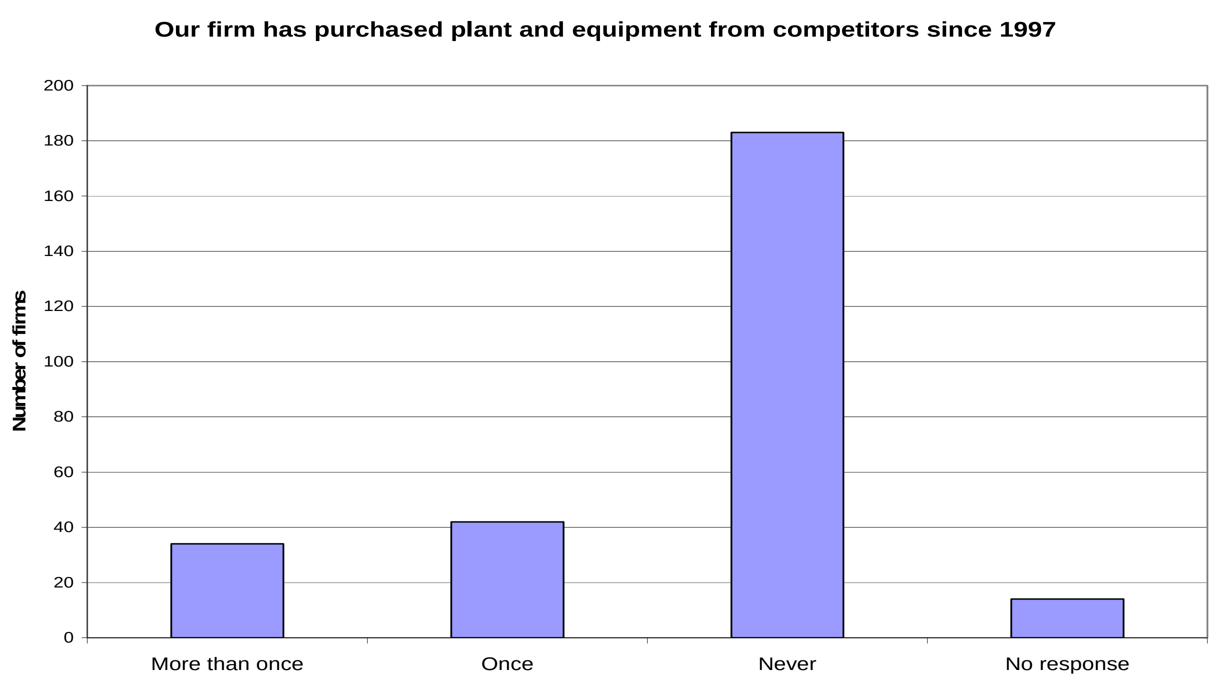
P5


Firm's market share in major product has ...
80
70
60
50
40
30
20
10
0
Number of firms
Risen by more than 10
Risen by more than 2 but less than 10
Changed less than 2 either way
Fallen by more than 2 but less than 10
Fallen by more than 10
New Product
No response
in percentage points

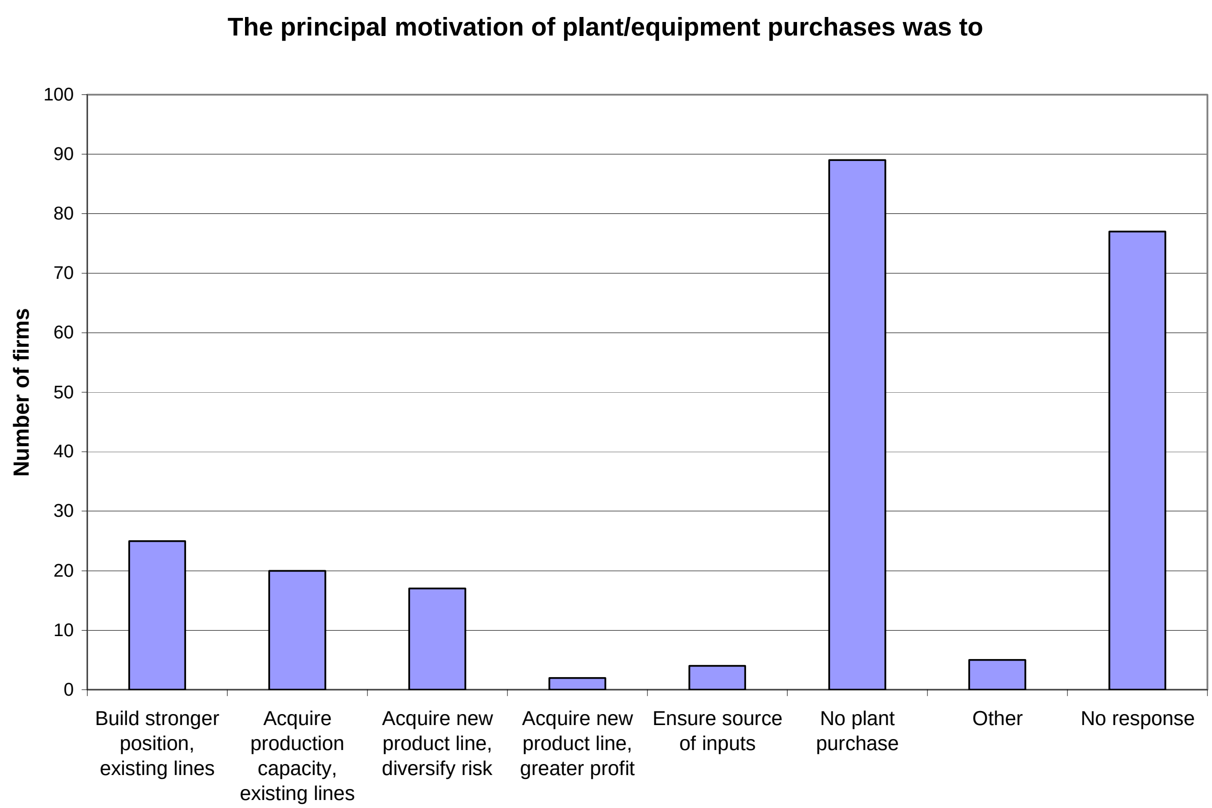
P6


Sales for Use in Foreign Plants has ...
Number of firms
120
100
80
60
40
20
0
Risen by more than 10
Risen by more than 2 but less than 10
Changed less than 2 either way
Fallen by more than 2 but less than 10
Fallen by more than 10
New Product
No response
In percentage points

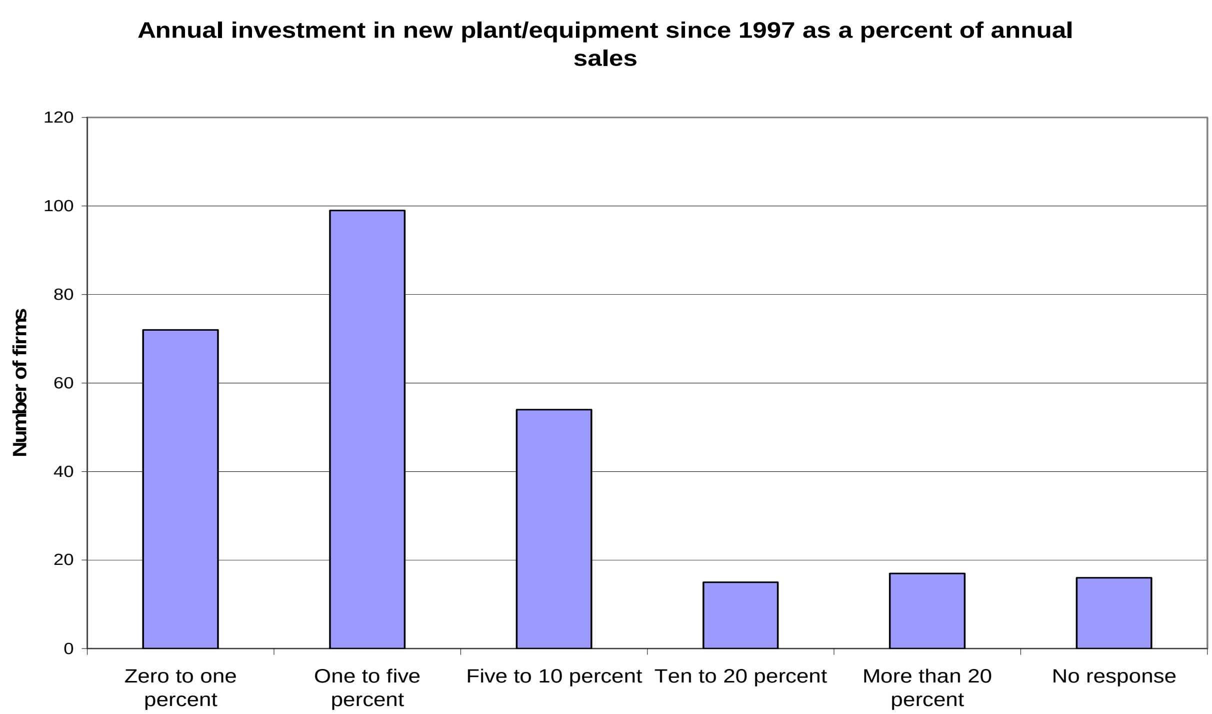
P7


Our firm has purchased plant and equipment from competitors since 1997
Number of firms
200
180
160
140
120
100
80
60
40
20
0
More than once
Once
Never
No response

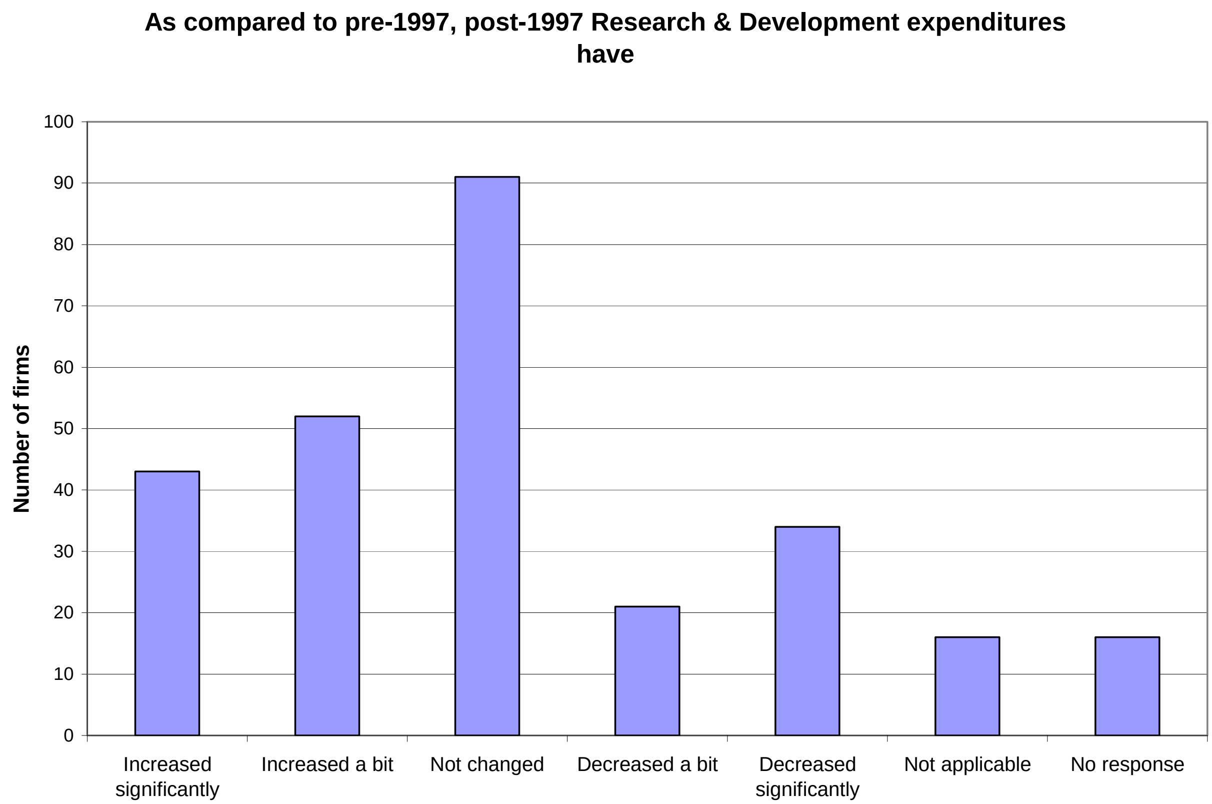
P8


The principal motivation of plant/equipment purchases was to
Number of firms
100
90
80
70
60
50
40
30
20
10
0
Build stronger position, existing lines
Acquire production capacity, existing lines
Acquire new product line, diversify risk
Acquire new product line, greater profit
Ensure source of inputs
No plant purchase
Other
No response

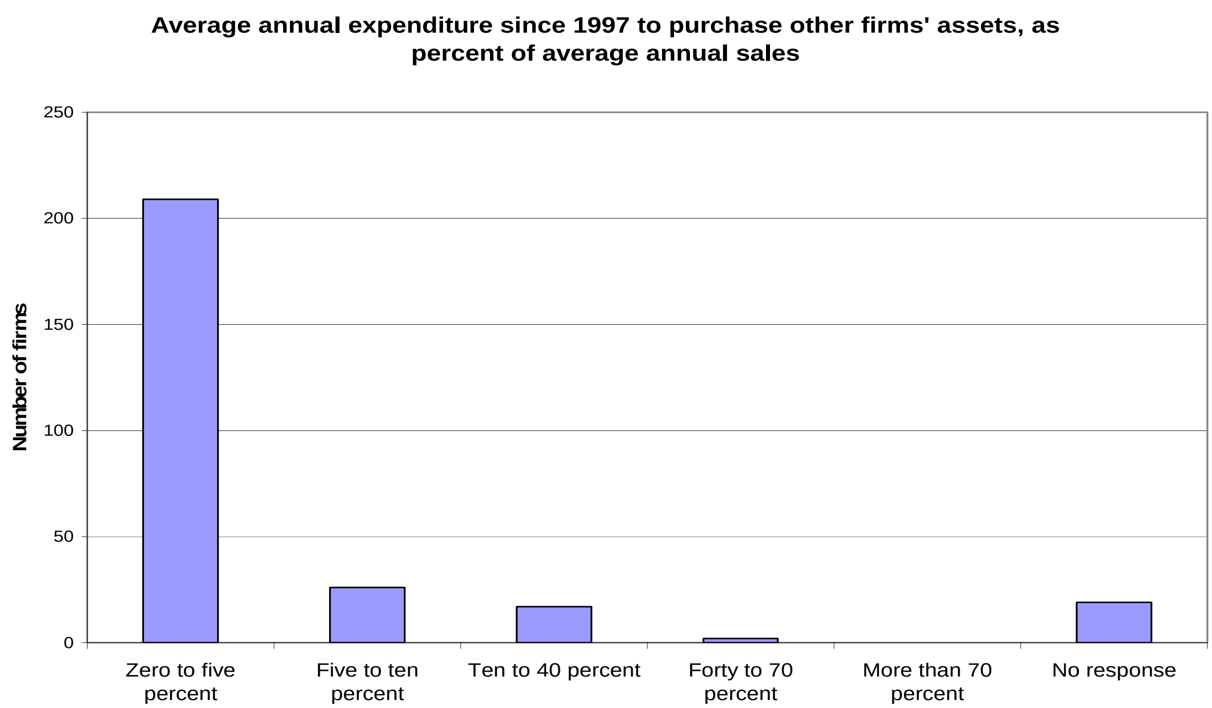
P9


Annual investment in new plant/equipment since 1997 as a percent of annual sales
Number of firms
120
100
80
60
40
20
0
Zero to one percent
One to five percent
Five to 10 percent
Ten to 20 percent
More than 20 percent
No response

P10

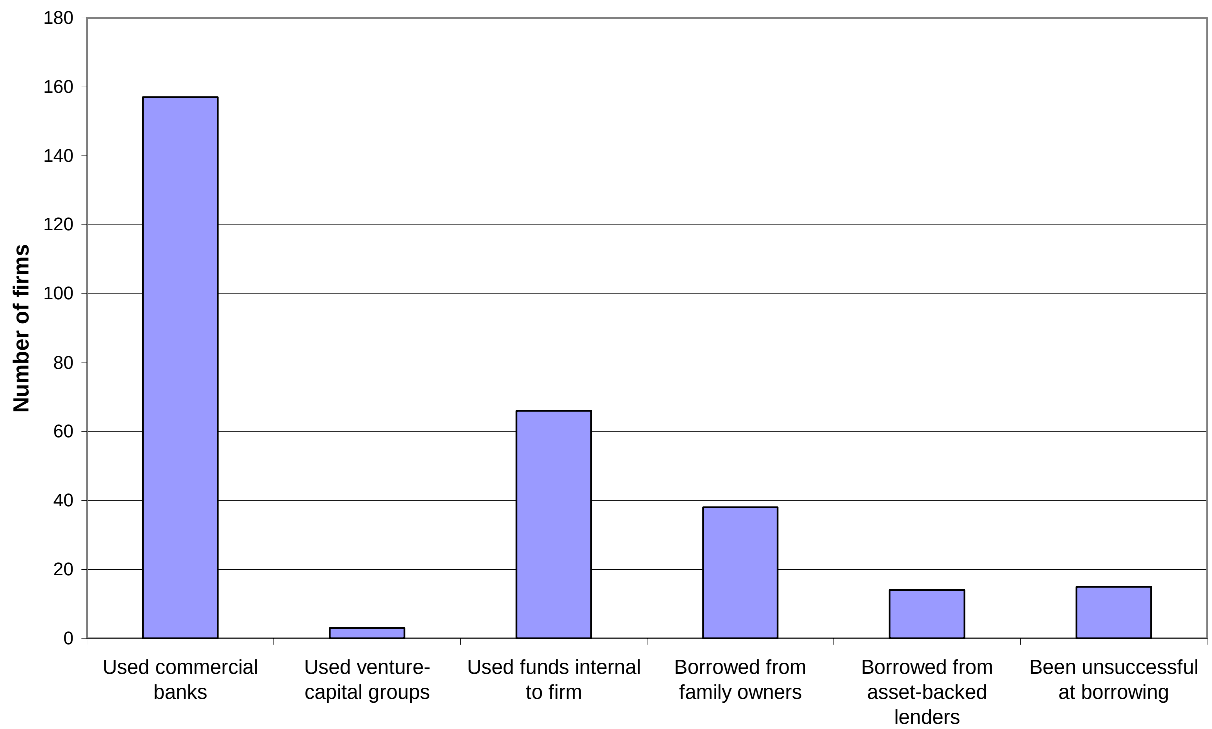

As compared to pre-1997, post-1997 Research & Development expenditures have
Number of firms
100
90
80
70
60
50
40
30
20
10
0
Increased significantly
Increased a bit
Not changed
Decreased a bit
Decreased significantly
Not applicable
No response

P11


Average annual expenditure since 1997 to purchase other firms' assets, as percent of average annual sales
Number of firms
250
200
150
100
50
0
Zero to five percent
Five to ten percent
Ten to 40 percent
Forty to 70 percent
More than 70 percent
No response

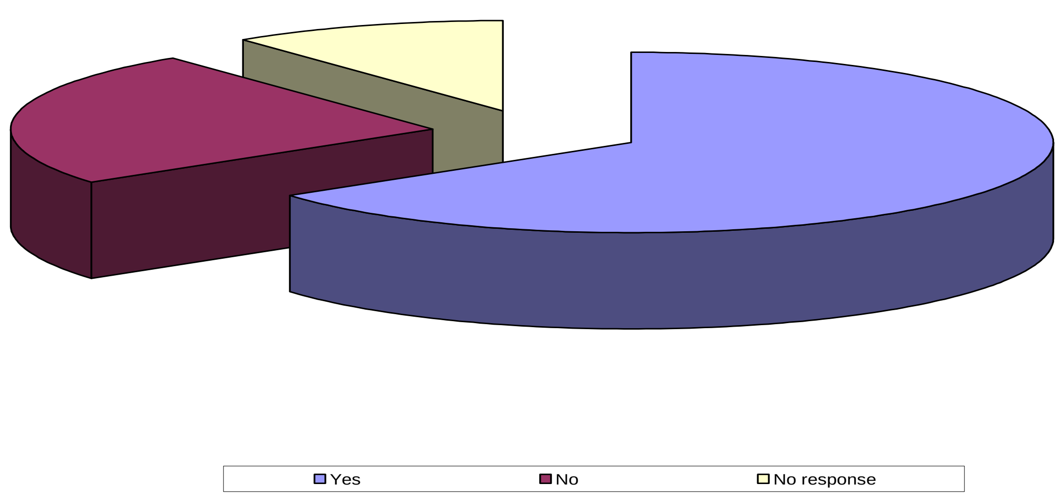
P12

Since 1997, when our firm has needed financial capital, it has



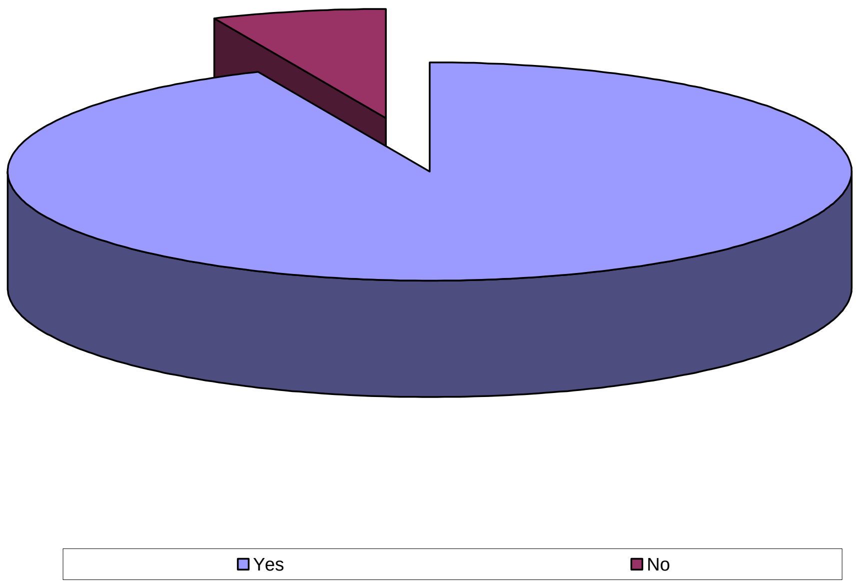
P13

Foreign-produced Merchandise Has Increased its Share of our Market Substantially since 1990



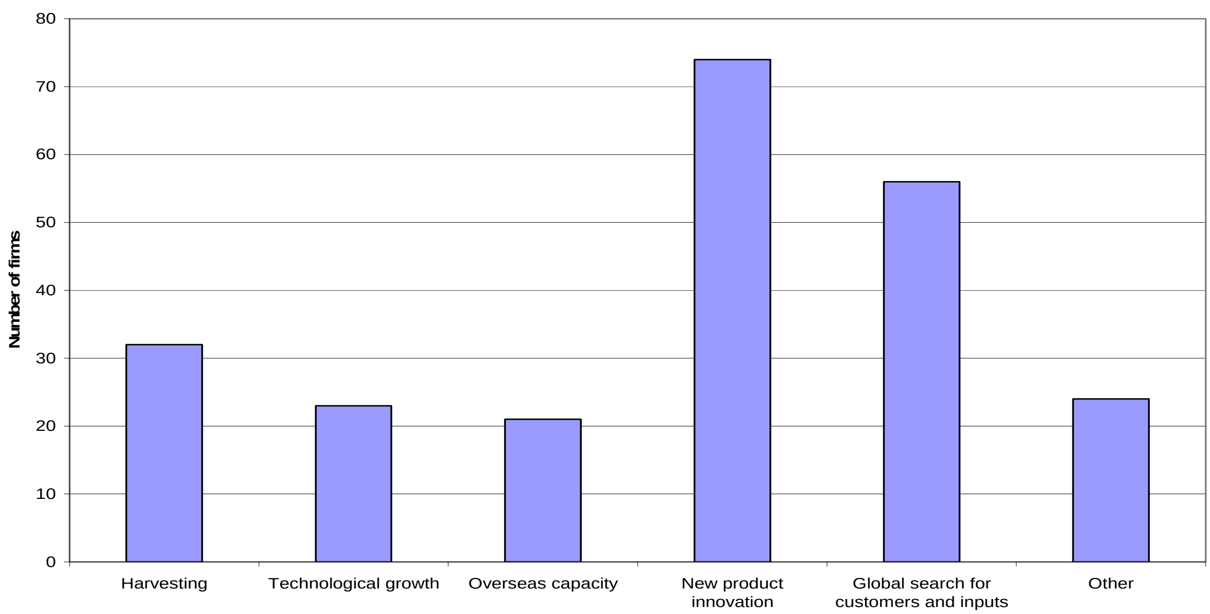
A1

Foreign merchandise is Available at Lower Prices in US dollars than are our products

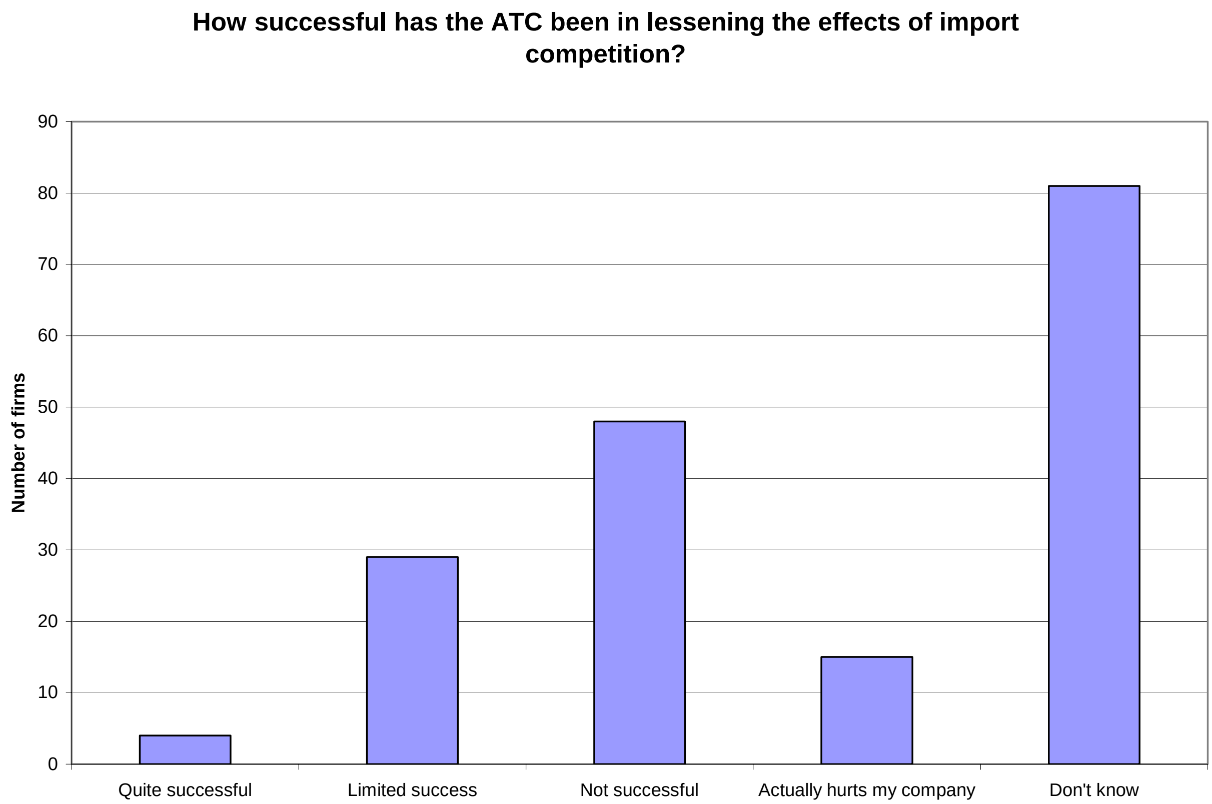


A2

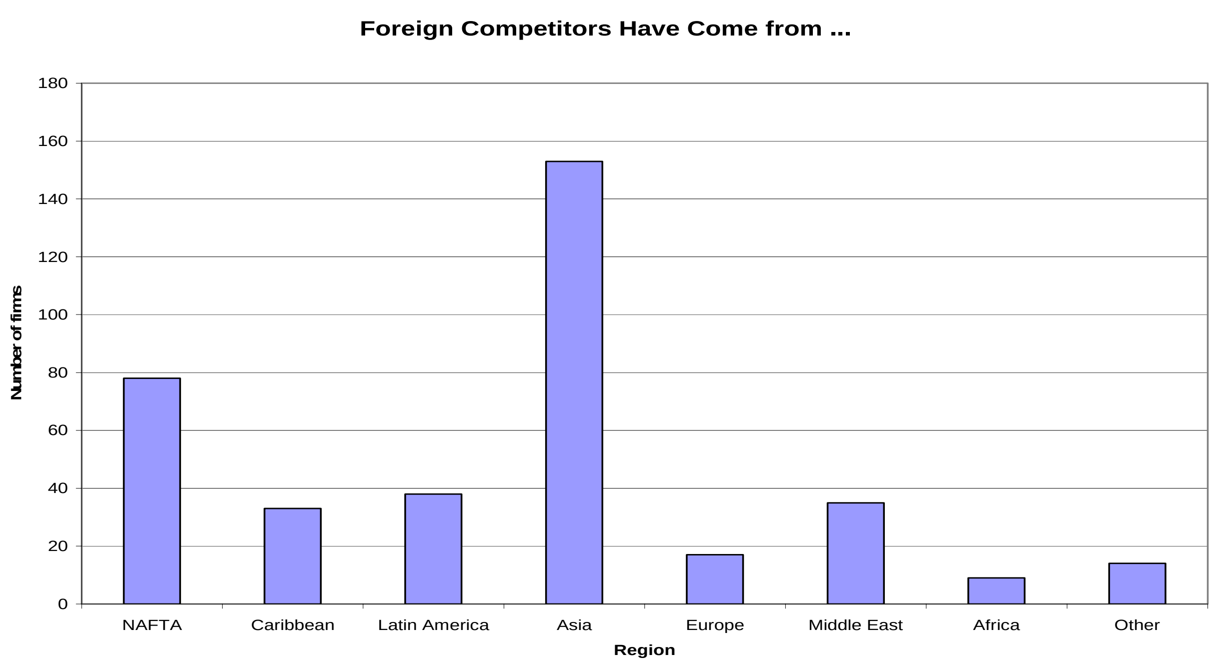
Relative Frequency of Competing Business Strategies



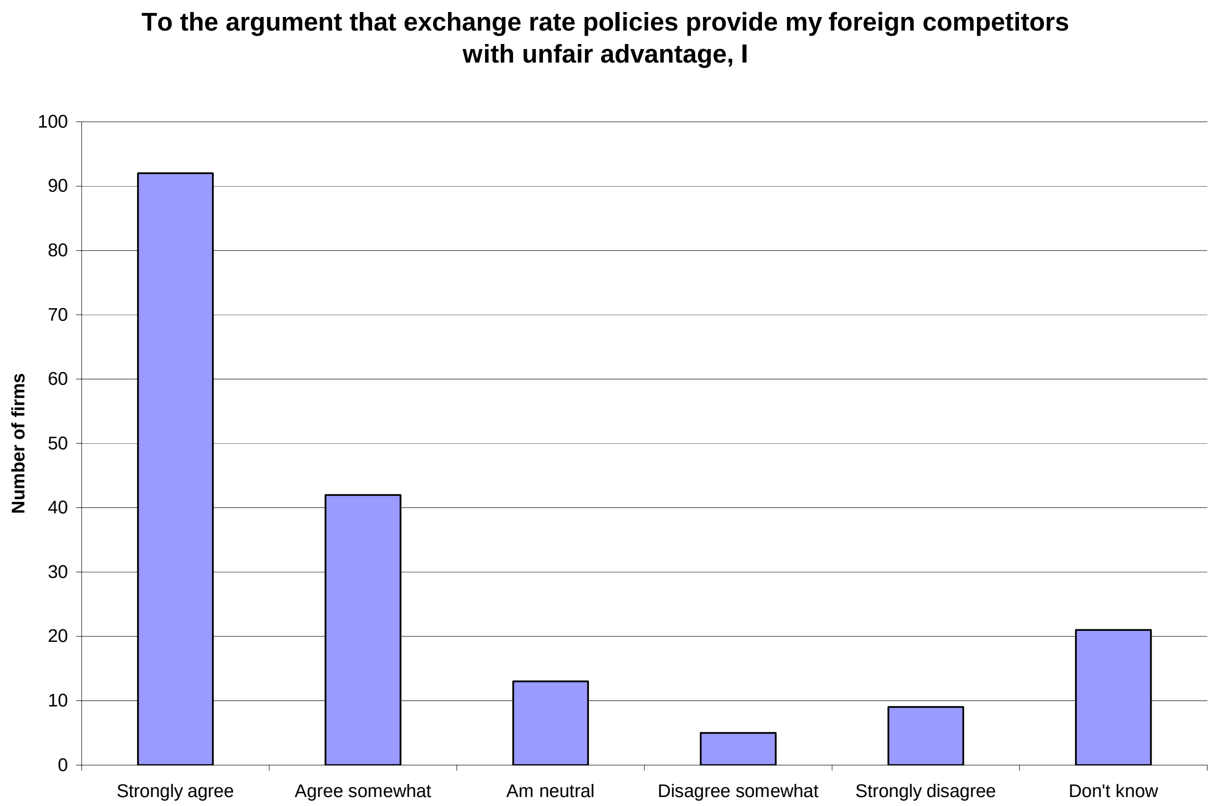
A3


How successful has the ATC been in lessening the effects of import competition?
Number of firms
0
10
20
30
40
50
60
70
80
90
Quite successful
Limited success
Not successful
Actually hurts my company
Don't know

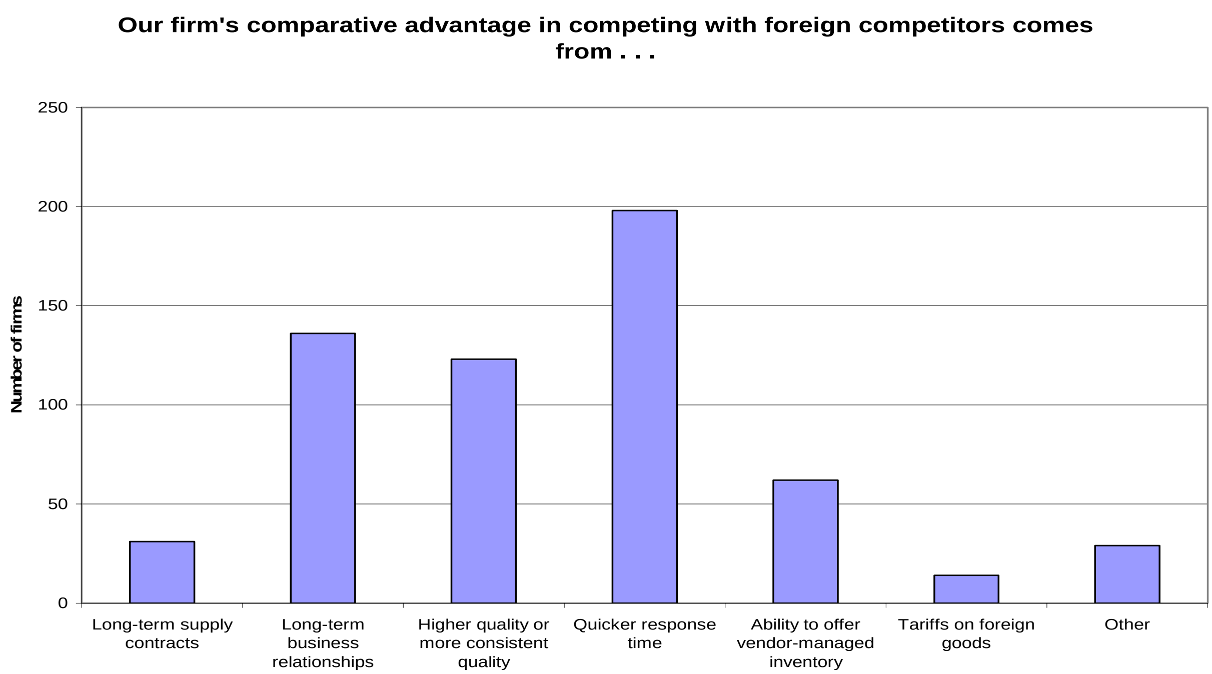
A5


Foreign Competitors Have Come from ...
Number of firms
0
20
40
60
80
100
120
140
160
180
NAFTA
Caribbean
Latin America
Asia
Europe
Middle East
Africa
Other
Region

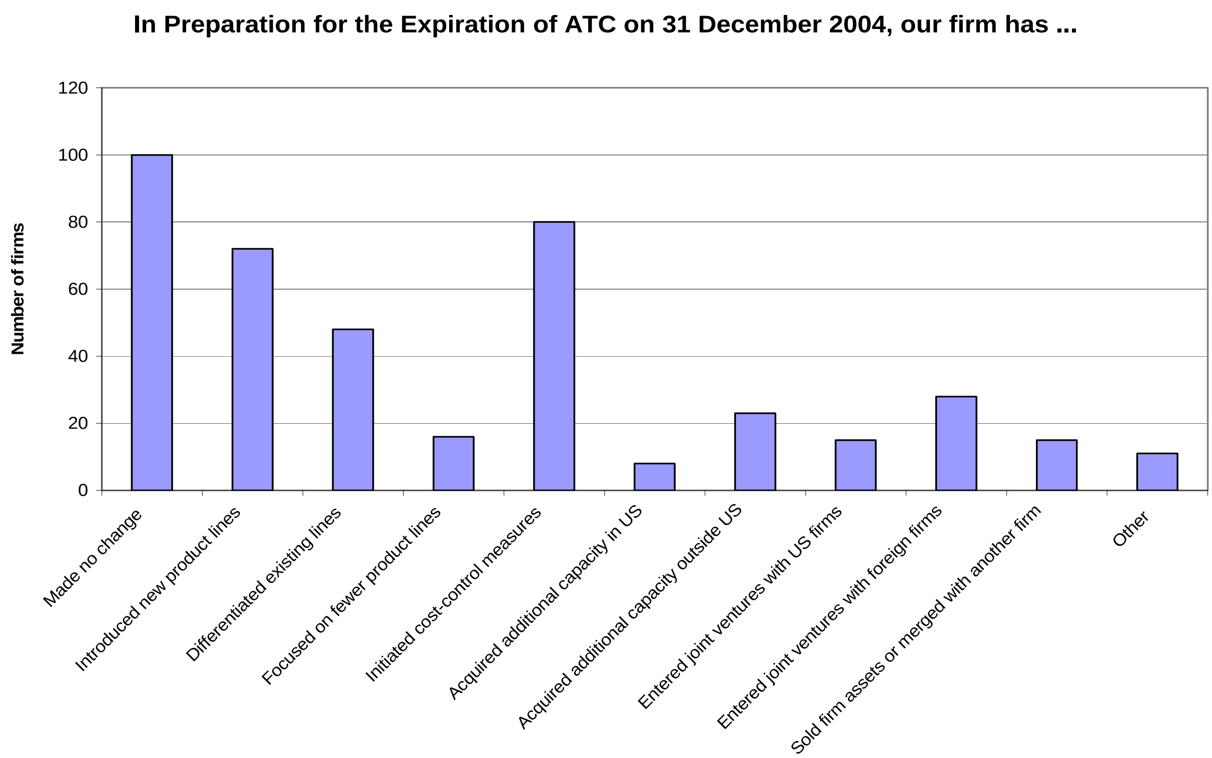
A6


To the argument that exchange rate policies provide my foreign competitors with unfair advantage, I
Number of firms
100
90
80
70
60
50
40
30
20
10
0
Strongly agree
Agree somewhat
Am neutral
Disagree somewhat
Strongly disagree
Don't know

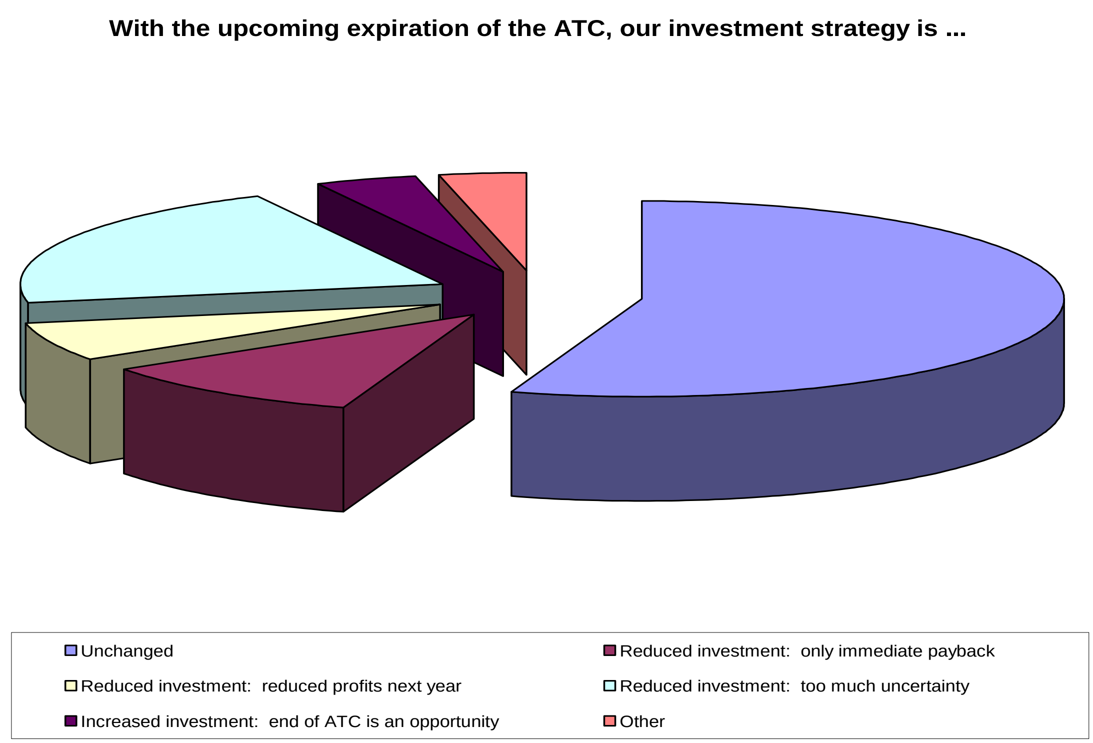
A7


Our firm's comparative advantage in competing with foreign competitors comes from . . .
Number of firms
250
200
150
100
50
0
Long-term supply contracts
Long-term business relationships
Higher quality or more consistent quality
Quicker response time
Ability to offer vendor-managed inventory
Tariffs on foreign goods
Other

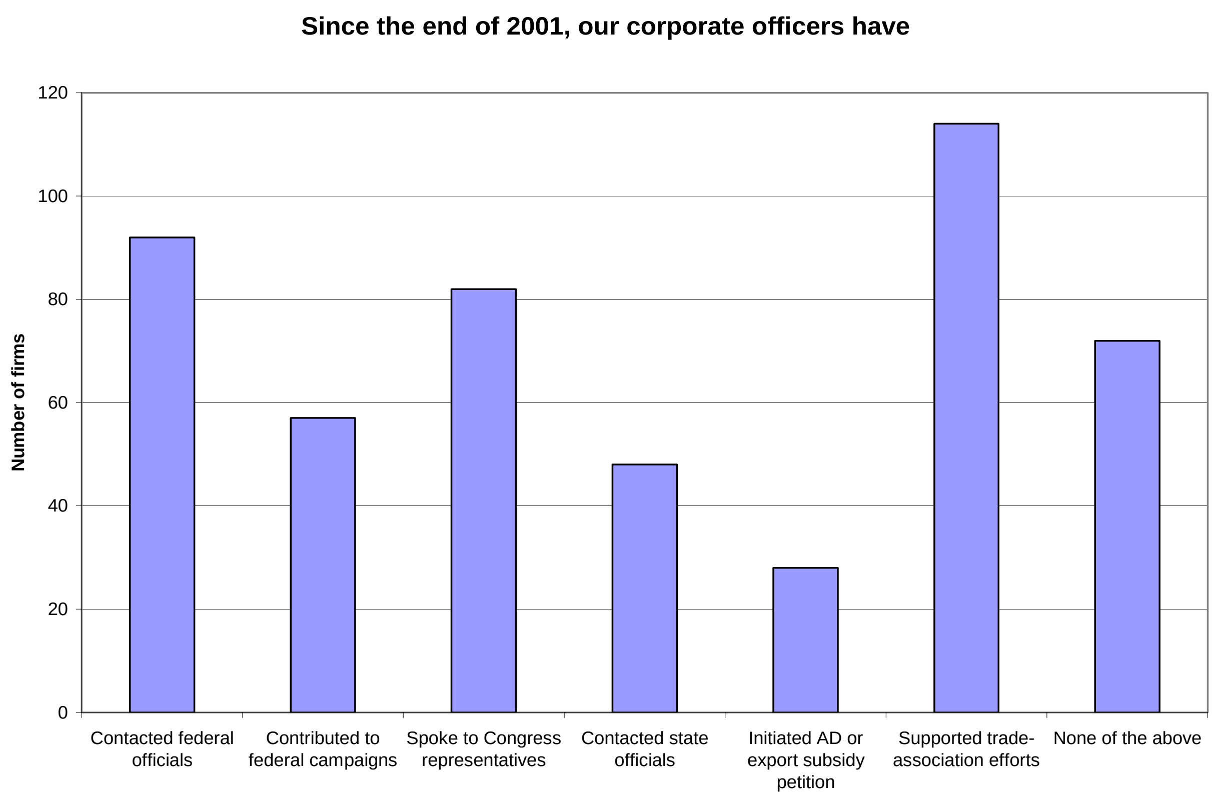
A8


In Preparation for the Expiration of ATC on 31 December 2004, our firm has ...
Number of firms
120
100
80
60
40
20
0
Made no change
Introduced new product lines
Differentiated existing lines
Focused on fewer product lines
Initiated cost-control measures
Acquired additional capacity in US
Acquired additional capacity outside US
Entered joint ventures with US firms
Entered joint ventures with foreign firms
Sold firm assets or merged with another firm
Other

A9


With the upcoming expiration of the ATC, our investment strategy is ...
Unchanged
Reduced investment: only immediate payback
Reduced investment: reduced profits next year
Reduced investment: too much uncertainty
Increased investment: end of ATC is an opportunity
Other

A10


Since the end of 2001, our corporate officers have
Number of firms
120
100
80
60
40
20
0
Contacted federal officials
Contributed to federal campaigns
Spoke to Congress representatives
Contacted state officials
Initiated AD or export subsidy petition
Supported trade-association efforts
None of the above

A11

Appendix 1.

I. Characteristics of the firm.

C1. Our consolidated firm (including all product lines) has average annual sales over the past three years of: (circle one)

a. less than $1 million
b. $ 1 million to $10 million
c. $10 million to $50 million
d. $50 million to $100 million
e. $100 million to $500 million
f. $500 million to $1 billion
g. over $1 billion

C2. Our consolidated firm (including all product lines) has average annual full-time-equivalent employment over the past three years of: (circle one)

a. 1 - 10 workers
b. 10 - 50 workers
c. 50 - 100 workers
d. 100 - 250 workers
e. 250 - 500 workers
f. 500 - 1000 workers
g. more than 1000 workers

C3. Our firm has been operating continuously under current ownership for: (circle one)

a. Less than 1 year
b. 1 year to five years
c. five years to ten years
d. ten years to 30 years
e. 30 years to 60 years
f. more than 60 years

C4. The majority of our firm's finished product (as measured by sales revenue, and including all product lines) is produced in the following state:

____

C5. Our major product (i.e., with largest percentage of sales) is (circle one)

a. Apparel fabric
b. Hosiery
c. Spun fiber or yarn for use in fabric
d. Other fabrics (draperies, upholstery, narrow fabrics)
e. Specialty products
f. Bleaching, dyeing and finishing services
g. Other Please Specify:

____

The SIC code for our principal product is ______________ . *(See the complete list on page 11…)*

C6. Our consolidated firm sells (circle one)

a. One product line (including possibly many colors and sizes)
b. Two to five product lines

c. Five to ten product lines

d. More than ten product lines

C7. On average, our consolidated firm spends the following percentage of sales on research and development of new products: (circle one)

a. Less than 5 percent

b. 5 percent to 10 percent

c. 10 percent to 15 percent

d. 15 percent to 20 percent

e. more than 20 percent

C8. Our consolidated firm has established the following computer-based links with our customers (check as many as are applicable):

a. Business-to-business (B2B) internet sites

b. Vendor-managed inventory systems, including sharing of bar-code scanner data

c. Just-in-time amendment of sales orders through electronic communication

d. Other: Please Specify:

____

C9. On average, our consolidated firm receives the following share of sales revenue from exports: (circle one)

a. Less than 5 percent

b. 5 percent to 10 percent

c. 10 percent to 20 percent

d. 20 percent to 50 percent

e. more than 20 percent

C10. On average, our consolidated firm (including all product lines) has obtained the following average annual sales revenue from foreign production:

a. None

b. Some, but less than 5 percent

c. 5 percent to 9.99 percent

d. 10 percent to 19.99 percent

e. 20 percent to 50 percent

f. more than 50 percent

Part II. Recent Performance

Note: Firms with less than six years of continuous operation under current ownership, please use only the period of current ownership to answer these questions.

P1. The aggregate annual revenue from sales of all product lines has (circle one)

a. Risen by more than 30 percent since 1997.

b. Risen, by less than 30 percent but more than 5 percent, since 1997.

c. Risen by less than 5 percent or fell by no more than 5 percent since 1997.

d. Declined by more than 5 percent, but by no more than 30 percent, since 1997.

e. Declined by more than 30 percent since 1997.

P2. Employment measured in full-time-equivalents for all product lines, and including non-production workers, has: (circle one)

a. Risen by more than 30 percent since 1997.

b. Risen, by less than 30 percent but more than 5 percent, since 1997.

c. Risen by less than 5 percent or fell by no more than 5 percent since 1997.

d. Declined by more than 5 percent, but by no more than 30 percent, since 1997.

e. Declined by more than 30 percent since 1997.

P3. When the number of product lines sold by our consolidated firm before 1997 is compared to the number of product lines sold after 1997, the number since 1997 is: (circle one)

a. More than 30 percent larger.

b. More than 5 percent, but less than 30 percent, larger.

c. Less than 5 percent larger but also less than 5 percent smaller.

d. More than 5 percent, but less than 30 percent, smaller.

e. More than 30 percent smaller.

P4. For this question, consider only the product line that generated the greatest annual sales revenue for the firm, on average, over the last five years. The price in US dollars at which we can sell this product to our customers has (circle one)

a. Risen by more than 30 percent since 1997.

b. Risen, by less than 30 percent but more than 5 percent, since 1997.

c. Changed by less than 5 percent (up or down), since 1997.

d. Declined by more than 5 percent, but by no more than 30 percent, since 1997.

e. Declined by more than 30 percent since 1997.

f. It is a new product. There was no comparable good to price in 1997.

P5. Is this evolution of selling price typical for the products you sell? (circle one)

a. Yes b. No

If no, please elaborate. What percentage of your annual sales is generated by product lines with this evolution of selling price? (circle one)

a. 0-20 percent b. 21-40 percent

c. 41-60 percent d. 61-80 percent

e. 81-100 percent

P6. Considering again only the product line that generated the greatest annual sales revenue for the firm (on average) over the last five years, our consolidated firm's market share (measured in percentage points) has: (circle one)

a. Risen by more than 10 percentage points since 1997.

b. Risen, by less than 10 but more than 2 percentage points, since 1997.

c. Risen by less than 2 or fell by no more than 2 percentage points, since 1997.

d. Declined, by more than 2, but by no more than 10 percentage points, since 1997.

e. Declined by more than 10 percentage points since 1997.

f. It is a new product. There was no comparable market to share in 1997.

P7. Considering the market where you sell your major product, has the share of sales of this product for use in foreign plants: (circle one)

a. Risen by more than 10 percentage points since 1997.

b. Risen, by less than 10 but more than 2 percentage points, since 1997.

c. Risen by less than 2 or declined by no more than 2 percentage points, since 1997.

d. Declined, by more than 2, but by no more than 10 percentage points, since 1997.

e. Declined by more than 10 percentage points since 1997.

f. Not applicable.

P8. Since 1997, our consolidated firm has purchased the plant and/or equipment of a competitor firm and has integrated those assets into its own operations: (circle one)

a. Yes, more than once. b. Yes, once. c. No.

P9. The principal motivation for these purchases was: (circle one)

a. Build a stronger market position in existing product lines.
b. Acquire needed production capacity in existing product lines.
c. Acquire a new product line for the consolidated firm to diversify risks.
d. Acquire a new product line for the consolidated firm because of its greater profitability than existing lines.
e. Ensure an uninterrupted source of inputs or a reliable demand for product.
f. No plant purchases.
g. Other: Please Specify: ____

P10. The average annual investment in new plant and equipment undertaken by our consolidated firm since 1997 (excluding purchases of assets from other companies) represents the following percent of average annual sales: (circle one)

a. Zero to one percent. b. One to five percent.

c. Five to 10 percent. d. 10 to 20 percent.

e. More than 20 percent.

P11. When post-1997 expenditures are compared with pre-1997 expenditures, research and development expenditures of our consolidated firm have (circle one)

a. increased significantly. b. increased just a bit.

c. not changed. d. decreased just a bit.

e. decreased significantly. f. not applicable - no pre-1997 experience.

P12. The average annual expenditure by our consolidated firm since 1997 to purchase assets from other companies represents the following percent of average annual sales. (circle one)

a. Zero to five percent.
b. Five to 10 percent.
c. 10 to 40 percent.
d. 40 to 70 percent.
e. More than 70 percent.

P13. When our consolidated firm since 1997 has needed financial capital for investments, it has (circle all that apply):

a. Successfully borrowed from commercial banks.
b. Successfully borrowed from venture-capital groups
c. Successfully financed the investment from sources internal to the firm.
d. Successfully financed through borrowing from family owners.
e. Successfully financed through asset-backed lenders.
f. Was unsuccessful at obtaining financing.
g. Other: Please Specify: ______________________________

Part III. Attitudes toward International Competition

A1. Merchandise produced in foreign countries (i.e., not in the US) has increased substantially its share of total sales since 1990 in at least one of our consolidated firm's product lines. (circle one)

a. Yes. b. No.

If yes, go to question 2. If no, please skip to question 8.

A2. The merchandise from foreign countries in the product line described in question A1 is available on delivery to the purchaser at lower prices in US dollars than are goods from our consolidated firm. (circle one)

a. Yes. b. No.

A3. Which of the six business strategies listed below best describes our consolidated firm's response to this international competition since 1997? Circle as many as apply.

a. No change in product mix, no new investment in any product line, harvest what profits are possible from existing plant and equipment through sales predominantly in US market.
b. No change in product mix, investment in new equipment in this product line to compete with foreign producers through sales predominantly in US market.
c. No change in product mix, investment in overseas capacity in this product line to outsource some components of production process, with continued sales predominantly in US market.
d. Change in the mix of product lines of the consolidated firm through investment in capacity in those products lines less threatened by foreign competition, with continued sales predominantly in US market.
e. With the same or new mix of product lines, a shift to the global sourcing of inputs, outsourcing of production, and a search for sales markets globally - not just in the US market.

f. Other. Please elaborate your firm's strategy if it is not adequately captured above

____

____

A4. If more than one answer was appropriate in question 3, our consolidated firm applied these strategies (circle one)

a. At the same time. b. One at a time, in the following order: (next page)

The order of application was

1. ____________________ 2. ____________________

3. ____________________ 4. ____________________

A5. To what extent does the current Agreement on Textiles and Clothing (formerly known as the Multi-Fiber Agreement) lessen the effects of foreign competition in the markets for your product lines? (circle one)

a. Successful to a great extent. b. Limited success.

c. Not at all successful. d. Actually hurts my company.

e. Don't know.

If you'd like to elaborate:

____

____

A6. From which region of the world have the competitors come who have expanded the foreign market penetration in the markets for our product lines? Circle as many as apply.

a. Mexico and Canada. b. The Caribbean Basin.

c. Other Latin and South America. d. Asia (including Australia, New Zealand)

e. Europe. f. Middle East.

g. Africa. h. Other: Please Specify:

____

A7. International analysts have stated that foreign countries' exchange rate policies to undervalue the exporter currency is a major source of the cost advantage that foreign firms have in selling in US markets. Based upon experience in our product lines, I (circle one)

a. Strongly agree b. Agree somewhat

c. Am Neutral. d. Disagree somewhat

e. Strongly disagree f. Don't know.

A8. Our consolidated firm's advantages in competing with foreign producers in our product lines are (circle all that apply)

a. Long-term supply contracts with customers.

b. Long-term business relationship with customers.

c. Higher quality or more consistent quality than foreign competitors.

d. Quicker response time to customer demands.

e. Ability to offer vendor-managed inventory systems.

f. Our foreign competitors pay tariffs on their goods coming into the US.

g. Other Please specify:

A9. The Agreement on Textiles and Clothing (ATC) is due to expire on 31 December 2004. In anticipation of this, our consolidated firm has (circle all that apply, but limit your answer to those strategies introduced specifically in response to the expiration of the ATC)

a. Made no change in business strategy.

b. Diversified product offerings by introduction of new product lines.

c. Created product differentiation to make our offering superior in customers' eyes.

d. Focused product offerings to a smaller set of product lines.

e. Instituted cost-control initiatives.

f. Acquired additional production capacity in the U.S.

g. Acquired additional production capacity outside of the U.S.

h. Entered joint ventures or alliances with U.S. firms.

i. Entered joint ventures or alliances with non-U.S. firms.

j. Sold firm assets or merged with another firm.

k. Other: Please Specify:

A10. The expiration of the ATC has the following effect on capital investment plans in our consolidated firm for the upcoming five years: (circle one)

a. No effect: we have not altered our investment plans based on that upcoming event.

b. Reduced investment: If the investment will not pay back by 2005, we don't invest.

c. Reduced investment: profitability of new investment will be lower with end of ATC.

d. Reduced investment: The expiration of the ATC introduces too much uncertainty, and we have postponed investment until the effect is clearer. Significantly, we will wait to see how the post-ATC period shakes out before we consider additional capital investments.

e. Increased investment: we view the expiration of the ATC as an opportunity for expanding our sales, either in the US or worldwide.

f. Other: Please specify:

A11. Since the end of 2001, our principal corporate officers have (circle all that apply)

a. had direct contact with federal elected/appointed officials about textile industry issues

b. contributed to federal election campaigns of candidates expressing a desire to assist textile industry issues.
c. asked members of our state's Congressional delegation directly for assistance with textile industry issues.
d. asked the state governor or state government agencies (e.g., the state Department of Commerce) directly for assistance with textile industry issues.
e. Initiated or participated in an anti-dumping or export subsidy petition with the US International Trade Commission or US Department of Commerce.
f. Actively supported trade association efforts to restrict imports.
g. None of the above.

A12. The senior management of your consolidated firm believes that the following actions by the US federal government are appropriate at this time. (circle what applies)

a. No intervention.

b. Intervention 1: Please specify:

____

____

c. Intervention 2: Please specify:

____

____

d. Intervention 3: Please specify:

____

____

Appendix 2: Other responses

A3 :

Addition of downstream processing in Central America
Adjust product mix, import raw materials and keep equipment on newest level
Carrying more import products as US manufactures fail
Could not compete with Asian manufacturers; company is closed
Completely shut down textile operations, sell equipment and inventories
and plants and invest in other ventures. Do no harvest and do not bleed out. Shut down immediately (1999).
But we are not selling outside US
Exclusive regional distribution of foreign products
Firm has regrouped addressing more sales effort to small and mid sized customers, implemented
R and D efforts of previous ? Years in REID and EAS projects protected by patents;
US owned firm violate our patent right to offshore and we are helpless until major $$$ is spent.
Focus on new products and quick turn (lean mfg) in US markets
Focus on overseas distribution and updated (low labor-cost) technology and increased R&D
Get beaten into the ground
Greater purchasing from foreign sources – with same sales strategy
Have gone into more extrusion of polymer (olafin) to give better service
If China keeps pouring socks to United States, will be no socks factory in 5 years
Improve quality and service and work with smaller accounts
In the process of obtaining global sourcing of production
Increased type of markets sold to
New Products, Business Innovation, and Quick Response (through Lean Manufacturing)
Productivity increase
Reduce operating costs
** See his random circling of pieces of other choices… **
Sell to affluent market
Shut operations
Some change in product mix, no capital investments, improved labor utility
Tried to position ourselves to give very quick response time as to delivery of goods
Trying to bring out fresh product that is not dominated by foreign firms
Use more imported raw materials
We import everything
We totally import all our products
Worried that we can not compete with foreign imports

A8:

Ability to create new designs
Being local has a quicker turn around time
Contracts with military
Copyrights; superior design
Cost of freight is prohibitive
Customer service
Favorable currency exchange
Freight costs on bulky products
FREIGHT IS A SIGNIFICANT ISSUE IN THE CARPET INDUSTRY
AND SEEMS TO KEEP MOST MANUFACTURING IN U.S.
Made in USA
North America exclusivity of products distributed

Our current product line is difficult to develop and logistically difficult for China to do timely -- currently
Not normally an imported item (custom drapery)
Product unavailable elsewhere
Patents and marketing efforts
Product innovation
Quality and creativity; but that does not offset cost issues.
Shipping costs and shipping time on imported goods
Shipping costs to local area
Small lots of custom yarns
Small quantities, small markets
Specialty products
There are really no advantages
Trademark product
Unique nature of our product
We import everything
We now own a factory in the far east

A12: First Federal Intervention

Access to USA market should be based on equal status. These include trade, environmental and OSHA
Allow offshore fiber to be used for NAFTA and CBI programs
Apply fair trade policies, not free trade
Assist US manufacturers to compete on an equal basis with federal contractors for Gvt. Contracts
Balance trade....imports should equal exports
Better control of imports
Continue quotas past the Dec 2004 deadline
Create protection wherever possible under WTO
Currency exchange rate to market rate
Currency valuation set by market, not government; No government-subsidized competition
Delay dropping of tariffs
Delay elimination of quotas for China through consolidated effort by 90 textile organizations worldwide
Delay/cancel elimination of tariffs
Delay China's entry into the WTO
Do not allow foreign currencies to be manipulated by foreign government....i.e., China
Do not remove tariffs and duties
Does not affect this company. No opinion.
Don’t allow shipments from sweatshop countries
Don’t let countries undervalue their currency
Don't know
Drastically reduce the amount of imports.
The more we import more American jobs are lost. What are the American workers going to do?
Emergency meeting of WTO to discuss impact, loss of quotas, maintain and raise tariff levels
Enact tariffs to offset currency pegs
Enforce current laws
Enforce current trade agreements (2)
Enforce existing regulations
Enforce laws on the books, anti-dumping
Enforce the current laws on exchange rates
Enforce the trade laws, especially with China including human rights. No more trade deals period. Quit

giving America away.
Enforce trade laws/ anti-dumping
Equalize Canadian money (my hotel business has dried up - they start at 20% less.)
Execute control supposedly in place
Exercise existing trade rules and hold other countries accountable
Extend ATC at least to 2008
Extend quotas past 2005
Fair exchange rate for China
Fair trade not free trade
Fight for anti- dumping laws, see that Foreign Governments are penalized for unfairly pricing their goods.
Force foreign governments to adhere to WTO rule!
Force the revaluation of Chinese currency
Foreign competitors must compete with the same restrictions that we have
Game is over.
Give tax credit for updating plants to latest technology
Global trade needs to be regulated imports and exports for a particular country have to be balanced.
Gradual phase of elimination of quotas after 05
Halt China admission into the WTO
Help at home
Higher tariffs (2)
Impose a 100% tariff on all textile imports.
Impose a tariff equivalent to the 40 percent discount of yuan to US dollar maintained by Chinese government.
Increase import duties on imports from countries without a regular social system.
Increase or initiate tariffs on finished goods from China/Korea.
Increase quota and or tariffs
INCREASE TARIFFS
Increase tariffs on imports
Insist on level playing field, no currency pegging, no child labor and no government subsidies
Institute again tariffs and quotas
It is too late. We have told them over and over with no results!
It is too late, our customers have gone!
It will be a disaster if quotas are removed from China's exports to 1/1/05.
Keep duties in place
Keep tariffs on hosiery goods
Keep tariffs on imports in place. Limit import quotas.
Leave duty in place.
Let the tariffs expire – more free trade.
LEVEL PLAYING FIELD (2)
Level the currency playing field
Level the playing field. Reduce barriers.
Limit foreign trade
Limit imports
Limit imports until the import and export laws are equalized and enforced!
Maintain existing and adopt new tariffs to protect domestic manufacturing jobs
Maintain quotas after 12/31/04
Major overhaul of US trade policy from present policy of 1) import maximizations 2) instead of trade.
Management has no idea

Moratorium on any further agreements/actions which would increase trade deficit
Need to restrict imports and outsourcing (out of US) of finishing
No more free trade agreements should be put in place anywhere
Not allow any US-based company to import more than 50 percent of into product or products
Not allow currency distortions ie china
Not sure!
Pass CAFTA
Place limits on imports.
Place more tariffs on goods entering the US markets
Pound-for-pound restriction on imported products
Prepare for the increase in the welfare rolls – textiles in the USA are dead!
Protect US textile manufacturing and jobs
Provide necessary support to domestic suppliers to assure domestic supply remains healthy
Push for fair trade with other countries including currency issues
Put quotas on foreign imports
Quotas
Quotas
Quotas on Chinese apparel to prevent market disruption*
Free trade is good but transfer of capital and jobs needs to be slowed down to permit local adjustment with less pain.
Quotas on foreign apparel
Reenact quotas much like the Reagan people did for the auto industry so that we can slowly lose the jobs- instead of mass unemployment.
Reinstate quotas for additional period of time
Require all currencies to float
Restrict imports
Restrict imports fairly
Restrict imports although it is most likely too late for much success.
Revalue world currencies
Reverse trade agreements/tariffs of US
See notes (2)
Seek restructuring of quotas (China)
Should encourage float of currencies
Should strive to protect the textile industry
Some amount of protectionism
Stop China, stop foreign subsidies, currency manipulation
Stop dumping and subsidies
Stop dumping of goods from China
Stop illegal subsidies
Stop imports being funneled through Mexico under NAFTA. (i.e. China coming through Mexico).
Stop imports where currency manipulation is evident
Stop letting Asian countries manipulate currencies
Stop sending jobs overseas. Do not allow tax breaks for those that do and do not allow an off-shore office to be merely a P.O. Box.
Stop the imports
Strike a balance of foreign vs. domestic through fair non-subsidized competition
Support the Istanbul Declaration
Tariffs to protect textile manufacturing
There is no desire to save our business or jobs! (government interest, that is)

Tougher trade laws to balance against subsidized manufacturers from foreign countries
Trade agreements and quotas on imports must be put in place
US Commerce Department assistance with non tariff barriers to entry in foreign markets
Use quotas
Use quotas to stem the tide from Asian countries
Vote the current administration out of office
We are a very small company and manufacture custom, specialty items.
I don't know how the rest of the industry is affected.

A12: Second intervention

All countries must be market-based economy and allow currency to float
All currencies should be allowed to fluctuate with deceased (sp)
Apply quotas where imports are taking larger and larger parts of the markets
Assist in protecting patents world wide, especially those of small businesses
Better customs inspection
Certain producer, safeguards
Charge duties equal to government mandates unemployment, work comp, de facto health care, excess commercial property tax, environmentally minimum wage
Charge tariffs to affect overhead and labor cost advantages
Check country of origin for goods coming from S America or central America to make sure they were not just transferred
China currency allowed to float
Continuation of quota system
Control dumping of cheap goods in US
Create a fair tariff that will help equal out cost of goods (import vs export)
Do not discontinue tariffs
Do something about the Chinese currency valuation
Don't allow foreign countries to manipulate (undervalue) their currency- China!
Enforce the protections in the existing trade agreements for US textiles
File with WTO against china's currency manipulation
Force China to revalue its currency
Force China to value its currency accurately instead of pegging it against the U.S. Dollar.
I would be deluding myself if I thought there was anything the government would do to stop the exportation of the textile industry. The industry will continue to move offshore.
Impose/maintain quotas to protect US textile jobs
In 1999 we exported 50% of our production, we have allowed countries to enact quotas, tariffs, and duties unilaterally- so now we export almost nothing- change it back or do the same here.
Do not end quotas for countries that do not float their currencies.
Keep a fair and equal market for domestic and foreign manufacturing.
Keep our cotton in our country and stop sending to places like China
Level the trading field- if a Toyota camary is from Japan, a chevy malibu or ford taurus should be exported or equal value trade
Limit percentage
Limit the amount of imports that are allowed to enter the US
Make China float currency
Make China let the yen float against other currencies and stop keeping it artificially low.

Make it easier to source worldwide, ie. have tariffs the same for Europe and Asia and Central and So
Make sure US currency is valued properly in China (2)
Modify import regulations to allow policing of proper tariff classifications of competitive goods being imported to US
Require certain rules to be met by outside mills. Labor rates, working conditions, and EPA regs.
Require the yuan to trade openly on the world currency markets.
Rewrite CAFTA fiber forward
Stop all incentive plans for investment in manufacturing in foreign countries, especially China.
Stop imports where human rights are violated
Stop unfair trade
Tariffs (3)
Tariffs on Mexican products
The issue is not direct labor operating overhead costs and USA compared to foreign competition.
There must be severe penalties for companies who move jobs to foreign countries
Use tariffs and quotas to countries with ridiculous wages
Use the existing free trade laws to do the work they were intended for
Work toward fairer exchange rates

A12 Third Intervention

Absolutely unfair competition how can we possibly survive with governmental and insurance costs skyrocketing? We can't raise prices to compete- this isn't just textile manufacturing - in ten years we may all be in service industries- I can survive- my laborers will not!
Apply tariffs where pricing of imports are unrealistically low
Assistance with non-direct manufacturing costs
Ban China from trade until they stop dumping illegal trade and false evaluation of their money.
Control the big-money lobbies, especially retailers. Adopt the bill to put 27.5 percent tariffs on Chinese exports.
Demand enforcement of ? Laws
Devalue the US dollar
Do not give import quotas to countries that sell to major producing countries no transfer.
Do whatever is necessary to protect American jobs
Do whatever it takes to preserve the manufacturing base in the US of A!
Enforce all existing trade agreements to insure that foreign markets are opened it US firms.
Enforcement of what (sorry) trade agreements we do have
Force open markets, save US jobs.
Identify Canadian firms that are set up with the sole purpose of selling to USA with cheaper Canadian $$
Level playing field as to environmental & labor restrictions
Level playing field, government subsidies like our competitors, reduce taxes, etc.
Protection of intellectual property
Reduce raw material (yarn) duties as long as they are manufactured by US firms in the Far East.
Require imports to be produced with environmental and labor relations equal to our own

Should establish WTO standard to transact business internationally
Stop giving US tax dollars to foreign governments so they can buy more subsidized machinery.
Stop imports where environmental requirements are not equal to US
Take stronger action to reverse trade deficit

Tariffs collected to equate competition should be used to reduce the cost of health care and taxes from those affected.

The professional negotiations that truly expect win/win outcomes in trade and if not achieved, walk away from the table. The US is seen as one of the world's worst negotiators of trade by most of the developed and developing world! Trade agreement with Vietnam is a perfect example of how inept our negotiations are.

The standard of living for most Americans is going down not up- trade has been made difficult not only domestically but overseas as well. We have too many people laid off, too many people with part time jobs, too many people who have had to take jobs barely making a minimum wage. Our economy is spiraling downward- our government must stop exporting jobs.

Use Cost vs Price when assessing ALL government procurement policies.

Value currencies equally

While somewhat repugnant, make government assistance available in the form of direct loans