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Textile Quotas to End, Punishing Carolina Towns

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KANNAPOLIS, N.C. - Leann Harrington's experience losing her job has an all-too-familiar ring, one that is soon likely to be heard with even greater frequency.

The textile plant where she was employed shut down last year, a victim of fierce foreign competition. After scrambling, she was lucky to land a job as manager and waitress at the Towel City Junction Cafe, earning $3 an hour plus tips, a fraction of her factory wages.

For many years, textile and clothing factories in the mill towns of the Carolinas - originally drawn from New York and New England decades ago by the prospect of inexpensive nonunion workers - have been closing one after another as the industry migrated abroad in search of ever-cheaper labor. Now, this gradual loss may be about to turn into a rout.

On Jan. 1, the global system of country-by-country quotas regulating the $495 billion international trade in textiles and apparel is scheduled to be eliminated. That will transform the vast business in ways that were barely glimpsed a decade ago, when the newly created World Trade Organization went along with the demands of developing countries and agreed to phase out the quotas imposed by advanced nations to protect their own industries.

Today, though, poor countries at the bottom of the economic ladder, like Cambodia and Bangladesh, have a new fear: China. It is the colossus in the field, home to a seemingly endless supply of workers available to feed vast numbers of suppliers operating with high efficiency and low costs in ways that threaten to overwhelm competition from developing countries except India, Pakistan and Brazil.

For China and other big developing nations with expanding apparel industries, the end of the quotas will mean tens of millions of new factory jobs for people without work or barely scraping out a living.

But for dozens of even poorer Asian and African countries now relying on their clothing exports to gain a foothold in the global economy, it could be still another bitter pill to swallow. The quotas they fought so hard to eliminate had ensured that their products would have at least a narrow opening in American and European markets.

Without rules, though, restricting how much fabric or how many garments they can buy from any country, name brands and merchants like Tommy Hilfiger, Ralph Lauren, J. C. Penney and the Gap will buy most of what they want from five or six countries, not the 50-plus countries that are now part of their networks.

Meanwhile, here in the slowly beating heart of the remaining American textile industry, workers and owners of factories still operating along a stretch of Interstate 85 from Charlotte to Greensboro see the dawning of 2005 as a death sentence. More companies, they fear, will go bankrupt. More communities will wither like Kannapolis, and thousands more workers will be desperate for training, employment and health insurance.

In hopes of staving off the worst, politicians in the Southeast from both parties are taking advantage of the close outlook for the presidential election to win last-minute concessions from the White House that could slow the flood of imports from China.

And, seriously weakened as it is, the American textile and apparel industry is still flexing its political muscles. [On Oct. 29, days before the election, the Bush administration accepted the industry's petition seeking relief, promising to consider special steps to limit Chinese exports.]

Most experts expect that China, left unimpeded, will gain almost half the global apparel market. Its factories now make about 20 percent of the clothing and textiles sold in the United States; China is expected to capture as much as 70 percent of that market, potentially leading to the closing of half the surviving American mills and layoffs for tens of thousands more workers.

Fashion executives say that those fears are exaggerated and that American manufacturers have already weathered the worst.

"Yes, China will benefit because of the quality of its goods," said Robert J. Zane, senior vice president for sourcing, manufacturing, logistics and distribution at Liz Claiborne in New York. "But it will be more at the expense of other Asian countries than at the expense of the American industry."

And lost in the swirl of anxiety are the benefits that the change will bring to tens of millions of consumers. Americans alone are expected to save an estimated $6 billion in lower-cost goods once the quotas are gone, allowing clothing makers and designers from New York to Milan the freedom to choose factories based on cost and quality rather than a complicated system of 1,300 categories for every nation.

But that is little consolation to this Carolina community of 36,000, which was reduced to an economic ghost town in little more than a year once Pillowtex, Ms. Harrington's former employer, fell into bankruptcy. The residents have remained, but the factories are being dismantled and the stores and shops shuttered on Main Street after this one-industry town lost its industry.

"I think the middle class is pretty much gone here," Ms. Harrington said as she cleared tables in the classic cafe of black-and-white-tile floor and red leather booths. "In one year our receipts in the cafe have been cut in half. People are starting to lose their unemployment benefits, and then there will be nothing left."

She had to compete for a job against more than 4,000 other workers who lost work when the mills that once made Cannon towels and sheets closed in July 2003.

While American consumers' household budgets will benefit from lower prices for blouses and pillowcases, the shock to the affected workers and communities will be immediate and gut-wrenching.

"The end of the textile quotas will act like the tipping point on trade," said Robert D. Hormats, vice chairman of Goldman Sachs International in New York. "If we want to continue to enjoy public support toward moving toward more open trade, we have to do a lot more to help people dislocated by trade."

Dislocation is an understatement for what has happened to the people in this town.

"For generations, everyone worked in textiles - your mama or your daddy or your granddaddy," said Audrey Beaver, whose mother worked at the old Cannon mills until the bitter end.

Kannapolis grew up around the mills built in 1906 by James William Cannon. Identical row houses line the streets radiating from the empty factories that once employed 20,000. The cold smokestacks still rise above the town, but teams of machines and men in hard hats are tearing down the mills, with the machinery, scrap wood and metal being sold to the highest bidders.

Despite the grim employment picture, families have refused to move away from aging parents or new grandchildren. So fathers and mothers are searching for jobs in Charlotte and Greensboro, growing white-collar cities with service industries, and accepting long commuting times.

The United States, unlike other wealthy nations, provides little support for companies and workers who lose out in the global marketplace. Current trade adjustment assistance, largely aimed at training workers for new jobs, was denounced by factory owners and union officials in this region as too little and too difficult.

"The high-tech jobs never came to our town," said Delores Gambrell, 52, who is a former union organizer at the mill, "and the only good jobs are going to young people under 45 years of age. We've had to refinance our home. We're penny-pinching as much as we can, and I still don't know if we'll make it."

Her family's savings are gone and so, too, are the college plans of her youngest son, who was the first in the family to win acceptance at the University of North Carolina.

Union members and managers who were at each other's throats over organizing drives now agree that their common enemy is whichever administration is in Washington. In their opinion, neither President Bill Clinton nor President Bush fully understood the effect trade agreements would have on American industry.

"All I hear from Washington is that trade is a win-win proposition," said John A. Emrich, chief executive of Guilford Mills in Greensboro. "Then I look at our growing trade deficit and think about the 3,400 good people in our good factories that we had to let go, and I want someone to show me where we have won. We're talked to by Washington as if we hadn't a brain in our heads."

To stay afloat, Mr. Emrich shut seven factories and shifted the emphasis from producing apparel to making fabric for automobiles and for technical uses. His company's revenue fell to $500 million last year from $900 million in 1997.

During the presidential debates, trade was barely mentioned, but it is a major topic in the closely fought Senate race in North Carolina. Erskine B. Bowles, the Democratic candidate, is the husband of Crandall C. Bowles, chief executive of Springs Industries, a surviving Carolina household textile company. He jokes in his stump speeches that he "sleeps with the industry" and then promises to fight against the full lifting of quotas to save jobs and factories.

"We have to start enforcing the trade deals we've signed before we negotiate any new ones," Mr. Bowles said at a visit to Guilford Technical Community College in Jamestown, N.C. "We've lost too many jobs already."

His Republican opponent, Representative Richard M. Burr, is just as vocal about the pitfalls of trade agreements for the textile industry. But he argues that he has a proven record of voting against deals with China while Mr. Bowles, as chief of staff for President Clinton, promoted them.

While such political arguments go on in the cities and towns of North Carolina, a dozen poor Asian and Pacific nations are pressing for tariff legislation in Congress that would offer them some support.

"This is a very crucial moment for us," said Roland Eng, Cambodia's ambassador to the United States. "If we lose half of our share of the U.S. market to China, it will have a cascading effect on our economy and we would be on the brink of devastation again."

His fears are not exaggerated. By the end of 2005, according to a World Bank study, China is expected to control 47 percent of the world's apparel market.

But economists argue that ultimately, the elimination of quotas will advance global growth.

"The textile quota system violated all the principles of trade that prohibits discrimination against suppliers," said Will Martin, lead economist of the development research group at the World Bank. "If you want a market economy, you have to allow things to change. Textiles moved from England to New England and to the Carolinas. It's hard to blame China for using the same market forces to build its own industry."

Some residents of Kannapolis have accepted the end of their textile industry and are looking to the popularity of stock-car racing for redemption. The town has built the Dale Earnhardt Plaza to celebrate its native son and have erected a statue of him that stands sentry over the doomed factories.

"Now the only people visiting here come to look at the Dale Earnhardt statue," Ms. Beaver said. But then, fondly recalling the son of the mill's founder, she added: "I think it should have been a statue of Charlie Cannon. Charlie's the one who built up the mill and gave us jobs and houses, not Dale. It's not Charlie's fault what's happening now."