

## Building a South American Network

By Jan McCoy

**M**utual trust is an important factor when building international relationships—in business or politics. For Barbara Timmermann, a University of Arizona associate professor of arid lands studies and pharmacy, scientific exchange between countries is an important first step toward building that trust.

Her research, collaborations and network of scientific contacts in South America are making important inroads toward possible future economic alliances with the United States.

"Countries wanting to do business with another country don't just go in and start knocking at doors; relationships have to be built. The people who already are 'in' are the ones who get first chance. That's why I am interested in developing research connections in South America," says Timmermann, a member of the American Association for the Advancement of Science's U.S.-Chile and Western Hemisphere Cooperation Program, which promotes research between the United States and Chile.

"The Chilean government, particularly, is supportive of its scientists, and I've made many contacts there," she says. "I've gotten a lot of support from the Chilean ambassador to the United States (Patricio Silva Echenique) and also from the Chilean Academy of Science. The ambassador is excited by the work we are doing now in Chile."

Timmermann has two ongoing research projects in Chile. She is working with the University of La Serena to examine the native vegetation of Chile's arid lands for specialty chemicals and biologically active materials. Her work with the Catholic University in Santiago is designed to identify and develop an arid land cash crop for the hyperarid desert of northern Chile. In addition, she is planning a third research project that will involve Japan.

"This is a good way to work with people and start to develop trust," Timmermann says. "When you work on a small project, you develop a network of people. Then, when the next project comes along, you continue to seek out the people you know and trust. You don't go to somebody new."

Timmermann was a member of a UA delegation to



Alan Fertig

Barbara Timmermann examines plant-derived medications from the UA College of Pharmacy collection.

"The Latin American Connection: Business Opportunities in the 1990s" seminar in Washington, D.C. in April 1990. Organized by the Smithsonian Resident Associate Program, the seminar also was attended by representatives of Arizona business, academe and government.

There, she spoke with Peruvian, Mexican, Venezuelan and Chilean ambassadors to the United States and their scientific and technical attachés, to promote the College of Agriculture's willingness to collaborate with South America in diverse areas of arid lands agriculture.

Timmermann also is coordinating the assembly of a directory of Chilean scientists working in American universities. The directory, produced for Chile's Academy of Sciences, will serve as a resource for possible collaborative work between American and Chilean scientists.

The United States, Timmermann says, appears to be making a change toward viewing South America as a cooperator rather than as a competitor. It's a logical move, considering international economic realities and recent political changes in South America.

But, she stresses, "if you're going to do business, you better trust your partner."

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## Competing in the Complex World of Textile Marketing

An increasingly bitter conflict over free trade and textiles. By Angela Woida

**T**extiles were the United States' first industry; arguments for government protection date back to the 1700s.

"Textiles were a part of our country's growing up and have become a focus for establishing free trade," says Soyeon Shim, a University of Arizona professor in merchandising and consumer studies. "We lead the

world in raw cotton production, exporting six million bales in 1989."

In fact, the United States is the second largest world producer of cotton. Japan, South Korea and other Pacific Rim nations accounted for the majority of the purchases of U.S. cotton. Arizona cotton growers exported \$22.3 million in 1988, about one-third of the total value of its agricultural exports.

"Our contributions to raw cotton

production will likely help continue to place the U.S. as a major exporter of raw cotton, but we really are most efficient at textile production," Shim says. And therein lies the problem.

Textiles and apparel manufacturing are often the only industries that permit developing nations to engage in international trade. Compared to other types of industries, textiles are a relatively low-technology, non-capital but high labor-intensive process. They are



Michael R. Sokolos

Soyeon Shim believes the United States can efficiently produce textiles.

the main sources of earnings and employment.

Developing countries have policies designed to protect their textile industries. Their governments encourage buying domestic products instead of imported ones and they place tariffs or quotas on imports to make them more expensive, compared to domestic products.

In recent years, the lower labor pay scales in Less Developed Countries (LDC) have led many U.S. clothing manufacturing firms to ship textiles abroad to be sewn into clothing. Being able to sell those garments at lower prices has allowed them to hang on in a fiercely competitive U.S. garment industry, Shim says.

This sets the scene for an increasingly bitter conflict over free trade and textiles.

Although protectionist policies are considered "appropriate" for newly developing countries, the international General Agreement on Tariffs and Trade (GATT) exempts textiles from free trading regulations applied to other products. Under the Multifiber Arrangement (MFA), each signatory member negotiates bilateral agreements with its trading partners. The U.S. government sets apparel import tariffs at 19 percent, compared to an average 4.4 percent tariff for other products.

Economic changes add fuel to the conflict. In the 1960s and 1970s, many more countries began producing clothing, but there was no matching increase in the worldwide market for those goods. Shim says there has been a shift in apparel marketing from mid-priced items to both upper-end luxury

goods and, at the same time, to lower-priced, economy goods. Increased competition in a limited market made manufacturers all over the world lower their prices.

"That put U.S. clothing manufacturers at a disadvantage because labor costs are the highest here, over anyone, anywhere in the world," Shim says. And labor makes up the largest percentage of apparel costs.

Industries in countries with higher manufacturing costs have made lower profits than they would like. The governments of developed countries with high labor costs created new trade policies to try to protect their internal markets from lower-priced imported textiles.

"Because U.S. consumers want a variety of clothing at low cost, apparel labeled 'Made in Taiwan' or some other developing country is still more frequently seen," Shim says. "Many of these garments were cut from fabric here in this county and then shipped to a foreign port to be assembled." This benefits some U.S. industries because they can pay lower import taxes. Only the value added by the clothing assembly is taxed when the final product is re-exported to its original country. This is effectively the same GATT agreement that has started the maquiladora industrial plants in Mexico. Similar programs are being developed in the Caribbean, Shim says.

By 1990, offshore assembly of clothing made up 10 percent of all domestic clothing production. Turn-around times are an additional reason for the move offshore. A recent poll of 200 American apparel manufacture lead times made it obvious. The

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domestic manufacturers could not match the regular turnaround time of Hong Kong producers, even with the additional shipping time.

Environmental controls imposed on U.S. mills also are causing relocation to foreign countries where requirements are less stringent.

As a result of complaints by the U.S. textile industry about foreign competition, the U.S. government has put trade limitations into effect. The limitations are not universally liked, even in this country, Shim says. An estimated three retail businesses fail for each textile worker's job that was saved by trade barriers.

Advertising campaigns only exacerbate the situation. For example, retailers are very antagonistic toward the current "Made in the USA" campaign. It is contrary to the call for open trade being echoed in current trade talks, Shim says.

Today the U.S. holds the technological advantage in producing textiles, but the "Big Three" in creating apparel are now Korea, Taiwan and Hong Kong, Shim says. And, China will soon make it the "Big Four." India and Bangladesh will fill their shoes in turn, as they progress and turn to more sophisticated and profitable industries.

"We export a large amount of textiles to the European Economic Community and to developing countries with apparel industries," Shim says. "Our labor costs simply make it difficult for us to compete in apparel production." As Shim points out, the fabric counts for only seven percent of the production costs of the finished garment.

"Increasingly it requires government support to maintain industries that are not competitive in our global economy," Shim says. "Promoters of current exceptions to GATT on textiles continue to hinder economic growth, both in our country and especially in less developed countries."

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