Despite Sharp Declines, Billionaire Investor Touts Free Trade Growth

Billionaire Wilbur L. Ross is gambling that his recent purchases of Burlington Industries and Cone Mills will benefit from his "Midas touch." His strategy is to position the companies for a future of textiles companies that are highly vertical--from yarn to finished products--and with strong brands.

But along the way, Ross is trying to navigate the global trade waters, fighting off the threats of China and seeking out the hoped-for opportunities of the Central American Free Trade Agreement (CAFTA) which could bring about revisions to NAFTA.

During a keynote speech to the N.C. Manufacturing Executives Summit in Greensboro in December, Ross tossed out the depressing numbers: a $529 billion trade deficit in 2003, compared to only $130 billion in 1993; U.S. manufacturing down to 14 percent of the GDP compared to 20 percent in 1988; U.S. trade deficit in apparel and textiles twice what it was 10 years ago.

Ross noted that in 2003, the value to textile production was $41 billion. Ten years ago, it was $60 billion. And of all the U.S. trade deficit, over 21 percent is with China.

Cut the U.S. trade deficit in half, Ross said, and you would have full employment in America.

Ross promoted CAFTA as a way to correct problems with NAFTA. Mexico wants to be involved in CAFTA, he said, and the price should be to adhere to the terms of NAFTA and stop transshipping from other countries.

Ross was enthusiastic about the ad hoc groups that want NAFTA countries included in the CAFTA -- AMC/Target, Wal-Mart Stores, Limited Brands/MAST Industries, Asheboro Elastics, Kellwood Company, J.C. Penney, Jockey International, Parkdale Mills, Sara Lee Branded Apparel, VF Corp, and, of course, Burlington Industries and Cone Mills.

But during the meeting, Jim Chestnutt, president of National Spinning Co. and chairman of ATMI, wondered why the group did not include a broader segment of the textiles industry.

Ross responded with a criticism of companies that want protection for U.S. markets. "The all-or-nothing attitude won't fly …we are dealing with the current administration which is a free trade administration," he continued.

Government action is not the complete solution to the problems of the U.S. textiles industry, he said. His advice included:

---More horizontal and vertical integration within the industry to raise efficiency and reduce costs;

--More research and development to differentiate U.S. goods from commodity products coming from low-wage unregulated countries;

--Consolidations and branding, including marketing behind yarn brands.

Unless government and the industry move ahead with changes and reforms, the U.S. manufacturing sector is facing severe cutbacks, probably as many as 650,000 jobs in the next two years, Ross said. He was especially critical of the textile industry which he said has sent "mixed signals" to government. "Unless we get together, we go down together, " he suggested.

He criticized the WTO as the "wealth transfer operation", saying it was poorly negotiated.