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U.S.

# How a U.S. Textile Maker Came to Embrace Free Trade

Milliken & Co., like other U.S. firms, dropped protectionist stance as business went global

By *Bob Davis* [Follow](#)

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Milliken & Co.'s plant in Jonesville, S.C. The company has survived in part by focusing on technology.

PHOTO: ANDY MCMILLAN FOR THE WALL STREET JOURNAL

SPARTANBURG, S.C.—Milliken & Co., one of the largest U.S. textile makers, has been on the front lines of nearly every recent battle to defeat free-trade legislation. It has financed activists, backed like-minded lawmakers and helped build a coalition of right and left-wing opponents of free trade.

With Congress now gearing up for another trade fight, this time over whether to give President Barack Obama authority to negotiate sweeping trade deals in Asia and Europe, Milliken is in an unfamiliar place. Its executives are urging lawmakers to support the free-trade measure.

The about-face by the family-owned company followed the 2010 death of Roger Millken, its chairman and former chief executive, at age 95. Mr. Milliken, who set the

strategy for nearly everything at the company, had railed for years against what he considered China's pernicious trade practices.



Milliken's chief executive, Joseph Salley, has scaled back the firm's political operations since taking over for Roger Milliken. PHOTO: ANDY MCMILLAN FOR THE WALL STREET JOURNAL

"The past is the past," says Joseph Salley, 47 years old, the company's current chief executive officer. These days Milliken is focusing on building a carpet-manufacturing and textile-research hub in Shanghai.

The Obama administration [faces an uphill battle](#), especially among Democrats, to secure congressional approval for "fast-track" legislation, a linchpin for trade deals in Asia and Europe. The administration says it

could wrap up the 12-nation Trans-Pacific Partnership in a few months if it had fast-track authority, under which Congress can vote "yes" or "no" on trade pacts but can't amend the deals. Senate leaders intend to schedule a vote on fast track this month and try to approve it by a large enough margin to give it a boost in the House, where it faces a tougher battle.

Various labor unions and environmental and consumer groups oppose fast track, arguing it smooths the way for trade deals that undermine U.S. wages and regulatory standards.

The textile industry isn't among the opponents. The National Council of Textile Organizations, the industry's main lobbying group, is working closely with the White House to get Mr. Obama the votes he needs. Joshua Teitelbaum, the Commerce Department's top textile negotiator, says "a united textile industry moves our goal forward."

The support from Milliken and the textile industry reflects a metamorphosis of modern commerce. Mr. Milliken built his company into a powerhouse when the U.S. dominated the global economy. Like other prominent business leaders of his time—among them Lee Iacocca of Chrysler and Ross Perot of Electronic Data Systems—Mr. Milliken argued that American success depended on manufacturing. He fought for trade protection from emerging powers, especially Japan and then China.

But as business becomes more international, American industries that once pushed for protection—apparel, automobiles, semiconductors and tires—now rarely do so. The U.S. Fashion Industry Association, an apparel trade group that wants to reduce tariffs, says that half the brands and retailers it surveyed last year used between six and 20 countries for production. Only two of the eight members of the main U.S. tire-industry trade group, the Rubber Manufacturers Association, even have their headquarters in the U.S.

[Intel](#) Corp.'s then-Chief Executive Andrew Grove predicted in 1990 that the U.S. would become a “techno-colony of Japan,” and he wanted heavy tariffs on semiconductors. Now Intel is pushing to expand an international technology agreement that eliminates tariffs on high-tech goods.

“There’s a new generation of CEOs,” says Dartmouth College economic historian Douglas Irwin. “It’s part of their DNA that they operate in an international environment.”

Clyde Prestowitz, president of Economic Strategy Institute, a Washington think tank launched with funding from Milliken, says the change at the company has been dramatic. “Roger Milliken is turning in his grave,” he says.

At Milliken’s wooded Spartanburg, S.C., campus, the influence of the former CEO can be seen everywhere. There is a monument to him called the Innovation Center. His signature is the company’s logo. He even picked the location of the trees planted around the grounds.

## Trade activist

Mr. Milliken had a long history of waging trade battles in Washington.

In the 1980s, he successfully pushed for legislation requiring clothing labels to specify where goods were made, over the opposition of the apparel industry. He and other textile makers spent heavily to advertise made-in-America clothing, using comedian Bob Hope as a spokesman.

He opposed the North American Free Trade Agreement, ratified by Congress in 1993, China’s entry into the World Trade Organization and trade deals with Central America, South Korea and Vietnam. He lost nearly all the fights. But he helped turn trade into a populist issue—and a potentially risky one for congressional lawmakers. In a 2004 Senate primary, he [funded an unsuccessful challenge to then-South Carolina Rep. Jim DeMint](#), a free-trade advocate.

Between 1990 and his death in 2010, Mr. Milliken made almost \$700,000 in political donations, almost exclusively to the Republican Party and Republican candidates, according to the Center for Responsive Politics, a nonpartisan group that tracks political contributions.

“Roger Milliken was likely the largest single investor in the anti-trade movement for many years—as though no amount of money was too much,” said former Clinton administration U.S. Trade Representative Charlene Barshefsky, who battled with him and his allies.

When Mr. Milliken felt the textile industry’s trade association wasn’t pushing his agenda hard enough, he withdrew from the group and started a rival association with the acronym Attac—in case anyone missed his message.

Mr. Milliken, a Republican, invited anti-free-trade activists of all stripes to dinners on Capitol Hill. The coalition was secretive about their meetings, dubbing themselves the No-Name Coalition.

Several people who attended the dinners, which continued through the middle of the 2000 decade, recall how International Ladies’ Garment Workers Union lobbyist Evelyn Dubrow, a firebrand four years younger than the elderly Mr. Milliken, would greet the textile boss, who fought to keep unions out of his factories, with a kiss on the cheek.

“He had this uncanny convening power,” says Lori Wallach, an anti-free-trade activist who works for Public Citizen, a group that lobbies on consumer issues. “He could assemble people who would otherwise turn into salt if they were in the same room.”

Of all the fights Mr. Milliken undertook, he won only one big one since the Nafta battle, when a fast-track bill went down in defeat in 1998.

Mr. Milliken stepped down as chief executive in 2006, but remained chairman—and a powerful presence at the company—until his death four years later. He didn’t, however, try to persuade his successor to continue his trade battles.

“He couldn’t bring himself to take anything but the maximum position on trade deals,” says Thomas Tantillo, a former Milliken product-development manager. “But he knew he needed someone who would be able to make the kinds of changes necessary.”

Mr. Salley, who has a Ph.D in chemistry from Stanford University, was Mr. Milliken's choice as successor. After taking over, he scaled back the company's political operation. The firm slashed its lobbying budget to one-sixth its 1998 level.

Milliken & Co. has developed a cloth saturated with a powder that turns into concrete when hosed down. PHOTO: MILLIKEN

He also had the company rejoin the National Association of Manufacturers, which Mr. Milliken had quit because of the trade group's free-trade activities. "You want to be part of the conversation" in Washington, Mr. Salley explains. He contends that the best way for the company to be involved in politics is to leave it to the trade associations.

The No-Name Coalition that Mr. Milliken started doesn't exist any more. Anti-free-trade activists say there is no longer a CEO of Mr. Milliken's standing who can persuade conservatives, environmentalists, labor activists and others to work together.

"He was just about the only genuinely big money that was active in funding trade-policy critics," says Alan Tonelson, a former senior researcher at the educational arm of the U.S. Business and Industry Council, a group that opposed trade pacts and lost Milliken company funding after Mr. Milliken stepped down as CEO. "It has become a terribly difficult cause to fund."

Since 2000, U.S. textile production has declined by about one-third, and some of the industry's largest companies have gone out of business or sold to foreign firms.

Milliken has survived in part by [focusing on technology](#). There are so few workers manning the looms at its weaving plant in Johnston, S.C., where a robotic cart

transports materials, that it looks as if workers must be on lunch break. Under Mr. Salley, the company has developed fabric that snuffs out fires, bandages for burn victims and a cloth saturated with a powder that turns into concrete when hosed down. Other Milliken innovations include chemicals to turn foggy-looking plastic clear and to make lightweight plastics to replace metal in cars and other products.

Milliken still benefits from some old-fashioned protectionism. The company is expanding its military-uniform business, executives say, because a World War II-era law requires such apparel to be made in the U.S. Keeping that provision is one of the textile industry's top goals.

As a private company, Milliken doesn't disclose revenue, saying only that it has annual sales of more than \$2 billion. The Congressional Research Service, a nonpartisan arm of Congress, estimated that the company's 2013 revenue was \$2.9 billion.

## China shift

While Mr. Milliken saw China is a major threat to the industry—he said in 1999 he was “outraged, totally outraged” by Congress clearing the way for China's entrance into the WTO—his successor sees the company's future there. Milliken opened an industrial-carpet factory near Shanghai in 2007. It has a research-and-development center there and a laboratory stuffed with machinery where Chinese customers can check out the latest additive for strengthening or coloring synthetics.

Mr. Salley says Milliken's researchers in China have come up with a product the company doesn't make elsewhere: coloring for the artificial leather used in China for handbags and shoes. The company also figures China could become a big market for fire-retardant work uniforms, especially if Beijing passes tough worker-safety rules.

In 2007, Milliken had around 50 employees in China. It now has several hundred. The company says it isn't using Chinese labor to make goods for export back to the U.S., as many multinationals do—one of Mr. Milliken's red lines on trade.

In 2012, Milliken moved its Asia headquarters from Tokyo to Shanghai. When Milliken named a new chairman, it announced the news in both Shanghai and Spartanburg.

Operating in China can be a challenge. The company doesn't complain publicly that China manipulates its currency to gain a trade edge, in part, because it worries about possible retaliation, say some executives. Mr. Salley says retaliation “is not the key issue.” He says the company believes “we can be more effective speaking with one

voice”—through the trade association—“as opposed to 25 companies speaking with different voices.”

The president of National Council of Textile Organizations, Augustine “Auggie” Tantillo, says the currency fight isn’t a top priority.

The trade bill up for congressional debate this month would give President Obama “fast-track approval” for trade deals. Foreign-trade negotiators from other countries have said that without fast track, they won’t offer their deepest cuts in tariffs and other trade barriers for fear that Congress will rewrite pacts after they are negotiated.

Lobbying in favor over the bill is a coalition of major exporters organized by the Business Roundtable, a business trade group. The coalition includes [AT&T Inc.](#), [FedEx Corp.](#), Intel and [Microsoft Corp.](#)

On the other side is a coalition of labor unions, environmental and consumer groups. Conservative political groups such as Phyllis Schlafly’s Eagle Forum also oppose fast track because they believe it gives the president too much power.

Ms. Wallach, the anti-free-trade activist from Public Citizen, says the political landscape has changed from the days when Mr. Milliken was leading the anti-free-trade fight.

“Washington is now so polarized that I don’t think you would see the passionate conservative fast-track opponents and the passionate progressive fast-track opponents working together,” she says, “even if Roger Milliken were still alive and active.”

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