Fashion Economics: FM 4339
Quiz #8: The US Textile Industry
Chapter (9)
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Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press.

Please answer to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count.

a. What does the acronym NAFTA stand for? How did this affect the apparel trade between the United States and Mexico? (2 pts)

The acronym NAFTA stands for the North American Free Trade Agreement. This agreement was established on January 1st, 1994. According to cbp.gov "(NAFTA) had established a free trade zone in North America, it was signed by Canada, the United States, and Mexico in 1992 and was officially enacted in 1994" (cbp.gov, 2016).

This had affected apparel trade with Mexico and the United States by increasing the apparel complex in Mexico and according to Rosen " NAFA has facilitated a vertically integrated textile and apparel complex in Mexico increasingly owned and controlled by U.S. textile and apparel transitions. This new investment has ushered a dramatic rise in low-wage apparel production in Latin America and has contributed to the demise of Mexico's indigenous apparel industry" (Rosen, 2002, pg. 153, par.1). As a result of NAFTA textiles and apparel had soon become Mexico's fifth largest export and the United States was the recipient of around 97% of Mexico's exports.

b. Define Mexican *maquiladoras*. Is this the same as a sweatshop? If so, how come the author does not use the words interchangeably? (2pts)

Mexican *maquiladoras* are “subsidiaries of U.S transitions that were implemented as a result of the Border Industrialization Program and was not intended to promote export processing but to establish manufacturing plants in the northern border regions of Mexico to provide alternative forms of employment for Mexico’s seasonal migrant workers” (Rosen, 2002, pg.153, par. 3). Maquiladoras were factories that were semi or completely owned by the United States in order to create and re-export products back to the United States.

Maquiladoras can not be considered the same thing as a sweatshop because although these workers were certainly underpaid due to the devaluation of the peso the working conditions of these factories were far better than those that are seen in other countries. It is also important to note that “From 1983 to 1990 the value of Mexican exports to the United States increased from $16.618 billion to $19.379 billion” (Rosen, 2002, pg.136, par.3). This is significant because although Mexican manufacturing for export had increased, the rest of the CBI countries exports had actually declined.

c. Describe the events that led up to the devaluation of the Mexican peso. Were Mexican wages higher than those who worked in apparel or textiles in Hong Kong, Korea, and Taiwan? Defend your answer. (2pts)

Some events that led up to the devaluation of the Mexican peso included the allowance of foreign investors, specifically American transitional ownership of maquiladoras. Another event that led to the devaluation of the Mexican peso was the discovery of oil. According to Rosen “During the 1970s, Mexico’s discovery of oil and its robust petroleum export market allowed the country to borrow extensively. However oil prices fell and by 1982 Mexico was embroiled in yet another of its economic recessions and a new debt crisis" (Rosen, 2002, pg.154, par.3). As a result of this unfortunate crisis the country was unable to get over the hump of this substantial debt and it led to the eventual devaluation of the peso.

Mexican wages were indeed higher than those in Taiwan, Hong Kong, and Korea. "In *Maquiladoras* they had increased to $1.69 an hour, including fringe benefits. This was 15 percent of the $11.52 hourly American wage but 26 percent more than the Korean and 17 percent more than the Taiwanese rates. *Maquiladora* expansion, fueled by the 1982 peso devaluation in Mexico, brought the average earnings of Mexican workers in 1983 to 57 percent of the 1981 level" (Rosen, 2002, pg.155, par. 2).

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press. (cont.)

d. Compare the two United States programs: (1) The Special Regime with Mexico and (2) The Special Access Program with the Caribbean. (2pts)

The Special Access Program with the Caribbean (SAP), as described by Rosen was a "new effort to expand "free trade and free markets" in Central America and the Caribbean. (SAP) promised the nations participating that the expansion of trade under HTS 807 would, by encouraging apparel assembly for export, lead to economic growth" (Rosen, 2002, pg. 143, par.3). It was created in order to open the apparel market in developing countries in order to increase exports to the United States. This program specified the Caribbean and Central American countries in conjunction with the United States to guarantee unlimited quotas for apparel exports to the United States.

The Special Regime with Mexico according to Rosen was “ a new program enacted in 1988 to expand Mexico’s apparel exports to the United States by establishing an accord on textiles and apparel. Called the special regime, this new trade agreement made it possible for U.S. producers to expand their USTS 807 production-sharing regime in Mexico by $240 million a year” (Rosen, 2002, pg.157, par.1). Both of these programs shared distinct similarities in the fact that they both benefited the United States by increasing their apparel imports whilst simultaneously establishing free markets within the host countries. These two programs seem to be reflective of one another although the regime in Mexico was not designed to restructure the Mexican textile and apparel industry.

e. Discuss at least two pros and two cons of NAFTA. Defend your answer with citations from the text. (2pts)

The North American Free Trade Agreement (NAFTA) certainly has its pros and cons. Two positives that come to mind when discussing NAFTA are the fact that it has increased exports as well as sharpened international affairs between the United States, Canada, and Mexico. According to Rosen “NAFTA has facilitated the growth of a vertically integrated textile and apparel complex”(Rosen, 2002, pg.153, par.1). Although this may be true this came at quite the cost for Mexico. When it comes to the negative side of NAFTA we can see that “ NAFTA was responsible for the Mexican wage declines. What is often ignored, however, is the fact that even if the peso crisis was an independent development, Once NAFTA was a reality it became more difficult, if not impossible, for the Mexican government to take steps to deal with the problems caused by the financial crisis since it obliged to uphold its treaty obligations with the United States and Canada" (Rosen, 2002, pg.160, par.2). Another issue with NAFTA is that many manufacturing jobs in the United States were lost due to the fact that those jobs were overtaken by workers in Mexico with the implementation of *Maquiladoras.*