

Quiz #8

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

Starting in 1994, NAFTA the North American Free Trade Agreement “facilitated the growth of a vertically integrated textile and apparel complex in Mexico” (Rosen, 2002, p.153, par.1), by reducing tariff barriers, as they did the US ownership of Mexican textiles industry increased, the number of jobs increased and the trade amount between US and Mexico increased. In 1998, Mexico’s textile exports to the U.S. reached 97.4% (Rosen, 2002, p.153, par.1), textiles produced in Mexico and the Caribbean countries became competitive if compared to apparel produced in Asia, resulting in increase globalization.

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

Sweatshops and *Maquiladoras* have in common that in some way they are connected to the immigrant situation. *Maquiladoras* use the cheaper labor of people who are immigrating from distant places in Mexico and are preparing to cross the American border, after crossing they might become victims of sweatshops.

Sweatshops are illegal manufacturers that don’t follow basic labor laws like work safety and fair pay. *Maquiladoras* on the other hand are legal large manufacturers owned by foreign companies that pay some benefits but still use cheap labor. That’s why the author does not use the words interchangeably, it has a different meaning.

“The maquiladora program became a much more significant element in the country’s economy” (Rosen, 2002,p.154, par.1), the program created 200000 jobs in Mexico, and generated 2 billion for Mexico and became the country’s second largest industry.

- 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)

The devaluation of the local currency happened due to a borrowing crisis in the country during the 80s. After Mexico discovered petroleum in the country they were able to borrow large sums in the 70s but as the price of oil dropped the country endured a crisis “Debt service threatened Mexico’s economy” (Rosen,2002, p.154, par.2), that’s

when the *Maquiladora*'s program started and became the country's second-largest industry.

“Maquiladora expansion, fueled by the 1982 peso devaluation, brought the average earning of the Mexican workers in 1983 to about 57 % of the 1981 level. In 1982 wages plummeted below those found in the Big three” (Rosen, 2002, p.155, par.1) after the devaluation of the peso during the 80s Mexican wages became even lower than wages in Hong Kong, Korea, and Taiwan, turning Mexico into a competitive nation and one of the largest in apparel exports.

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

Both programs were created in the 80s during the Reaganomics to finance the U.S. apparel industry and simplify trade by eliminating taxes and duties. The Special Regime program focused on increasing apparel exports in Mexico to the U.S., while the Special Access Program with the Caribbean was created to “satisfy the sting of failed protectionism” (Rosen,2002, p.153, par.1), and it showed as “ Mexican manufacturing increased during the 1908s, the opposite was true for the CBI countries” (Rosen,2002, p.156, par.5), so NAFTA was a bigger and more successful project that liberalized trade.

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

Cons:

While NAFTA helped Mexico during a crisis time it also made the country dependent on the U.S., as the U.S. purchased 97.4% of the country's second-largest industry exports. (Rosen, 2002, p.153, par.1). Mexico still has a devalued currency. And people's wages are low.

US jobs were lost. According to The High Cost of Free Trade, nearly 80% of the losses were in manufacturing. (Scott, 2011.)

Pros:

The program generated 200000 jobs in Mexico (Rosen,2002, p.154, par.2).

Globalization and Free trade are good to contain communism.

References

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

Scott, R. (n.d.). *Heading south: U.S.-Mexico trade and job displacement after NAFTA*. Economic Policy Institute. Retrieved April 14, 2022, from http://www.epi.org/publication/heading_south_u-s-mexico_trade_and_job_displacement_after_nafta1/