

**Fashion Economics: FM 4339**  
**Quiz #8: The US Textile Industry**  
**Chapter (9)**

**Dr. Adomaitis**

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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 effect apparel trade between the United States and Mexico? (2 pts)

The acronym NAFTA stands for North American Free Trade Agreement and was ratified by the Congress in 1993 but went to effect on January 1, 1994. Since being put into effect, NAFTA has helped the growth of an integrated textile and apparel complex in Mexico controlled and owned by American textile and apparel transnational. “The new investment has ushered in 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). Efforts that incorporate “full package” apparel capacity are now being made, which incorporates clothing production through packaging the product preparing to be sent to the retailer. The Mexican production, like in the Caribbean Basin countries offer the textile and apparel industries competition with Asian suppliers.

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

A Mexican *maquiladora* is a subsidiaries of U.S. transnationals because of the Border Industrialization Program. It was not intended to improve export processing but to establish manufacturing shops in the northern border regions of Mexico to provided alternative employment for seasonal migrant workers in Mexico. “This program was designed to provide alternative employment in Mexico to deter the illegal migration of seasonal workers who crossed the border to work in California’s agricultural economy” (Rosen, 2002, pg.154, par. 1). A Mexican *maquiladora* is the same as a sweat shop but one believes the author decided not to use those words because Mexico had an legitimate program for these workers while the U.S. only created a union to somewhat protect them after the complaints.

- 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 events that led to the devaluation of the Mexican peso was the drop-in oil prices. As that was going on the country was unable to support its high debt burden and that led to the peso devaluation of 1982. "Before the crisis, Mexican wages were higher than the average industry wage in Hong Kong, Korea, and Taiwan; in the *maquiladoras*, they had increased to \$1.69 an hour, including fringe benefits" (Rosen, 2002, pg. 155, par. 2). That was 15 percent of the \$11.52 hourly wage in America, 26 percent more than in Korea and 17 percent more than in Taiwan. Fueled by the 1982 peso devaluation in Mexico, the *maquiladoras* expansion brought the earnings of Mexican workers to 57 percent of the 1981 level.

**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 Regime was a new program enacted by Reagan to expand apparel exports to America from Mexico by creating an accord on textiles and apparel. "...this new trade agreement made it possible for U.S. producers to expand their USTS 807 production-sharing regime to Mexico by \$240 million a year" (Rosen, 2002, pg. 157, par. 1). Mexico had indigenous textile and apparel industries unlike the CBI's Special Access Program. With aging technology, high employee turnover and low productivity these industries were not internationally competitive. The Special Regime was intended to support growth of Mexico's export processing and Mexico's expanding *maquiladoras* at the expense of domestic producers. The Special Regime in Mexico is comparable to the CBI's Special Access Program but it was made to fit the Mexican economy which lead to an automatic increase quotas.

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

The NAFTA rule empowered producers to the free and quota free privileges. This applied only to apparel made in Mexico out of fabrics and fibers made in the three NAFTA countries: United States, Canada and Mexico. "This rule of origin encouraged use of more U.S. made content and it favored textile producers" (Rosen, 2002, pg. 165, par. 3). This was an obstacle for fashion apparel producers, they wanted the NAFTA

tariff benefits but also wanted to continue to source globally. The fashion apparel group and retail customers decided against the rule, the textile-led interest supported it.