

Fashion Economics: FM 4339
Quiz #8: The US Textile Industry
Chapter (9)
Dr. Adomaitis
_____(Giselle Leon)_____

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)

NAFTA stands for the North American Free Trade Agreement. The agreement affected the apparel trade between the United States and Mexico. The increase of investments arises in Latin America, as the low-wage jobs in the apparel production continue to affect the economy of the country. The rise in investments contributed to the demise of Mexico's indigenous apparel industry (Rosen, 2002, p. 153, par. 1). The apparel capacity within the agreement incorporated all of the processes of clothing production such as the fibers to the fabric manufacture and finalizing with the final packaging of the product as it is ready to be sent to the retailer. It also includes Mexican production, like the Caribbean Basin countries, as they offer textile and apparel industries as a way to compete with the Asian suppliers (Rosen, 2002, p. 153, par. 1). NAFTA was created to give a much larger protection to the trade in textiles and liberalize trade and investment in the manufacturing of more highly-valued goods such as machinery, automobiles, and electronics. The textiles and apparel became Mexico's fifth-largest export through the rise of demand.

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

Mexican maquiladoras were first established manufacturing plants in the northern border regions to provide alternative employment for Mexico's seasonal migrant workers as it helped reduce the illegal migration to the United States. The program allowed foreign investors, primarily American transnationals, to have partial or complete ownership. During the oil boom that Mexico experienced in 1970, the country faced an economic recession and debt crisis due to falling oil prices (Rosen, 2002, p. 154, par. 3). The devaluation of their dollar currency, "the peso," made the maquiladora program a significant contribution to the Mexico economic reconstruction. They addressed the high burden and trade deficit with the United States as they created employment and contributed to the Mexican balance of payments.

Mexican maquiladoras are not the same as a sweatshop, so the author does not use the words interchangeably. In the beginning of Rosen's book (Chapter 1) she shares that sweatshops produce products related to garments and fabrics, so they are more related to the apparel and clothing industry, as opposed to the Mexican maquiladoras that helped the government with its debts and finding balance within the trade agreement. People who worked in sweatshops were required to work overtime for working long hours, and didn't not have any safety hazard in the workplace (Rosen, 2002, p. 2, par. 1). Although both affected each country differently, sweatshops and Mexican maquiladoras have one thing in common; they both produce apparel. The biggest difference is that Mexican maquiladora were able to produce some products than sweatshops, resulting in a much larger protection to the trade in textiles, and the liberalizing of trade and investment in the manufacturing of more highly valued goods such as machinery, automobiles, and electronics (Rosen, 2002, p. 156, par. 2). Many of the Mexican maquiladora workers are poorly trained or not trained at all and they are exposed to dust-born chemicals, dangerous vapors, and rarely receive safety data sheets (maquiladoras:all you need to know).

- 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 Mexican Peso devaluation event was caused by the drop in the price of oil exports, which led to the Mexican economic crisis (Rosen, 2002, p. 156, par. 2). As the debt caused the country to decrease their productivity as the devaluation of their dollar currency, "the peso" made the maquiladora program a significant contribution to the Mexico economic reconstruction. By the 1980s, they addressed the high burden and trade deficit with the United States, as they created employment and contributed to the Mexican balance of payments. The program created 200,000 jobs and contributed \$2 billion to the Mexican balance of payments that helped pay off their debt (Rosen, 2002, p. 154, par. 3). The rebuilding of the Mexican economy was based on the Mexican maquiladoras programs that helped families survive and provide.

Before the crisis, Mexican wages were higher than the average industry wage in Hong Kong, Korea, and Taiwan. The Mexican maquiladoras increased their hourly rate to \$1.69 per hour, including fringe benefits. Compared to the American wage, it is 15% of the \$11.52 American hourly wage. The American wage is 26% higher than the Korean wage but 17% more than the Taiwanese rates (Rosen, 2002, p. 155, par. 1). The maquiladora expansion raised the average earnings of Mexican workers through providing opportunities of employment as the peso devaluation reduced wages with growth of apparel assembled plants that accelerated the production process.

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

The similarity between the two programs is the agreement issued by the United States to help support Mexico and the Caribbean Basin Initiative countries. Although both programs were issued to help its country, the Mexican factories, whose main audience is the market in its own country, will not be affected by the operations of its production. Furthermore, the program has a comparison to the Special Access Program; it was designed to fit the Mexican economy, as there was an automatic increase in its quotas by the exporter's, and also by giving the country permission to control the exports quotes by either increasing or decreasing them (Rosen, 2002, p. 157, par. 2-3). Through the open market in Mexico, the United States were able to increase their demands and imports.

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

Pro 1: The NAFTA gives Mexican unemployed people the opportunity to search for jobs in their own country, as employed people have the advantage to change to a better job that suits them or has more benefits (Rosen, 2002, p. 161, par. 1). As the United States predicted that NAFTA with Mexico would lead to a rapid expansion of new, high profitable corporate possible investments in the south of the border where it committed to neoliberal economic reform, trade liberalization, and democratization.

Pro 2: NAFTA contributed to the peso crisis as the promise of the agreement led to a massive flow of U.S. capital into Mexico in the form of portfolio investment (Rosen, 2002, p. 161, par. 2). Through the reserve of Mexico, it helped rebuild the economy as it became a fast buck capital of the world.

Con 1: Throughout time, uncertainty has questioned the effects of NAFTA towards the Mexican trade and the labor force; as their salaries have continued to decrease (Rosen, 2002, p. 163, par. 1). As maquiladoras and export-processing zones have created jobs but in unsafe environments as the continued rise of inflation and currency devaluations.

Con 2: As Mexican consumers have suffered a 39% drop in their purchasing power in the years since NAFTA. As two-thirds of the Mexican population had slipped below poverty (Rosen, 2002, p. 163, par. 1). The maquiladoras helped create the jobs that gave sustainable help to the repeat devaluation of the peso and the purchasing power.

References:

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

Working Conditions. Maquiladoras. (n.d.).
<https://maquiladoras-educateyourself.weebly.com/working-conditions.html>