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

Ikram Ahmad

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry:

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

NAFTA is short for North American Free Trade Agreement. NAFTA was one of the largest of the free trade agreements. It consisted of 3 countries, 2 developed countries (United States & Canada) and one developing country (Mexico). These three countries agreed to decrease tariffs between them in order to increase investment opportunities. Rules of the agreement consisted of each of the three countries being treated fairly as well not offering nor taking deals from non-NAFTA countries (Amadeo, K, 2020, September 25). NAFTA was a project intended to manufacture high end goods such as machinery, automobiles and electronics. Textiles and apparel were a major part of NAFTA's production with exports of about 97.4 percent of it to the U.S. (Rosen, 2002, pg 152, P.2).

After NAFTA was established, it grew mexicos textiles and apparel industry which a majority of it was owned by the U.S. Low wage production rose and affected Mexicos original apparel industry to a "Full Package" industry where Mexico was in charge of production of fiber, fabric, and final packaging being sent straight to retailers in the U.S. This was a major way to compete with Asian suppliers (Rosen, 2002, pg 152, P.1).

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 first developed in the mid 1960's which were programmed as factories manufacturing products for low wage exported to America. The program was intended to keep Mexican migrant workers from crossing the border for job opportunities in U.S factories such as Californias economy. It was intended to provide alternative employment for migrant season workers in Mexico located in the northern border of Mexico. Between both countries this allowed AMerican investors to own maquiladoras to have production imported to Mexico (Rosen, 2002, pg 153, P.1-2). Maquiladoras can be considered as sweat shops due to young women working long hours for little wage being the underlying base of what a sweatshop really is however NAFTA has implemented changes in maquiladoras with higher wages and better working conditions (Rosenberg, M., n.d.).

Even though maquiladoras and sweatshops are similar in a majority of ways the reason Rosen does not use both terms so freely as the same definition is because sweatshops are facgtories mainly located internationally that usually manufacturers apparel. Products produced by sweatshops can hit global trade barriers as well as workers being backed up by the Union. On the other hand, maquiladoras are factories producing more than just apparel with products raging from electronics and automobiles. These factories were intended to give northern Mexicans an alternative opportunity of employment while having the U.S breaking tax barriers and Tariffs so the exports are able to move freely under NAFTA regulations. In conclusion both terms have a similar basic meaning byut the usage of each term differs due to appropriation. Location and conditions.

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)

Mexicos Peso devaluation was a based reason maquiladoras programs were increased and expanded in Mexico. Events leading up to this debt crisis involved mainly in Mexico's oil drop (Rosen, 2002, pg 154, P.1). In the 1970's mexico found themselves in a position of of economic increase exporting large amount of oil. This also led to a large amount if imports in high income goods mainly financially covered by petroleum exports. In the early 1980's global oil suppliers were noticing an increase in production due to low demand of energy required which caused the oil price to drop. This set Mexico in a financial crisis. Mexicos ability to hold up foreign exchange slowly deteriorated and the Mexican government found themselves encouraging more exports than imports which ultimately led to the Peso devaluation (Harrell, L., & Fischer, D. 1985).

Mexican wages were higher than the apparel and textile workers of Hong Kong, Korea, and Taiwan but that was before the devaluation of Peso. Before the crisis Mexico's maquiladoras had a wage pay of about $1.69 dollars an hour which was 26 percent higher than Korean wages and 17 percent higher than the Taiwanese wage. But after the Peso devaluation Mexico's wage pays were even lower than of Hong Kong, Korea and Taiwan (Rosen, 2002, pg 155, P.1).

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 Trade Regime with Mexcio was enacted by Regan in 1988. This agreement allowed U.S production sharing in Mexico of 240 million dollars. The textile and apparel industry in Mexico did not meet the requirements of competitive production. Instead it was solely intended for mexicos markets. This agreement allowed the textile and apparel industry to have more control by the maquiladoras exports ultimately putting domestic producers out of the job. The special access program with the Carribean and The special trade regime with Mexico were both permitted with unlimited quotas and reduced tariffs having both agreements of exports able to export freely. This helped in both regions debt crisis by producing more capital in the focused developing country. A difference between both agreements is that Mexico could increase quotas at the exporters request while CBI was not able to (Rosen, 2002, pg 153, P.1-2).

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

One con of NAFTA consists of Mexicos fall in debt crisis is followed by the Peso devaluation. This resulted in a major loss of wages and standard of living in Mexico. Another con consisted of puttign domestic and Mexican farmers out of business. Local manufacturers as well as ones that would only Market products for Mexico were no match for Maquiladoras and their dominance in the manufacturing industry (Amadeo, K., 2020, September 25).

One Pro of NAFTA was the trade increase of goods exported to the U.S with out any trade barriers. This had to be one of the easiest and most simple ways for companies to receive exports at a non costly expense. Another Pro is the benefit NAFTA had with the apparel and textile industry. Not only did Mexico create corporate investment opportunities in the U.S, it made Mexico an appealing area for the production of apparel levelign with competitors such as CBI for production and exports. Concluding with pros Mexico received privileges of quota free and reduced tariffs all under the exporters control (Rosen, 2002, pg 163, P.2).

Work Cited & References

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