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

NAFTA stands for The North American Free Trade Agreement. Countries includined iun the agreement were Canada, Mexico and the United States aimed to remove restrictions such as tariffs between these nations to make more manufacturing investments and trade. Mentioned by Rosen "NAFTA was a much larger project. It was designed to liberalize trade and investment in the manufacture of a variety of more highly valued goods—like machinery, automobiles, and electronics." (Rosen, 2002, p.153, para.1)

The apparel trade was effected helping the textile industry being able to compete with the Asian market.The NAFTA created serval trade laws between the U.S and Mexico reducing the tariffas and quotas on the textile goods.The act limited goods in Mexico that wasn't produced by the U.S mentioned by Rosen "The NAFTA rule entitled producers to the full complement of duty- free and quota-free privileges—but this applied only to apparel assembled in Mexico from fabrics and fibers made in any of the three NAFTA countries: the United States, Canada, and Mexico." (Rosen, 2002, p.165, para. 3)

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 maquiladoras is a manufacturing plant that is operated by a firm usually in a foreign country. This was created to support undocuments immigrants during their migration from California. Mentioned by Rosen "manufacturing plants in the northern border regions of Mexico to provide alternative forms of employment for Mexico's seasonal migrant workers. 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, p.154, para.1)

Maquiladoras are different from sweatshops with assistance from the goverement work conditions for employees are better and controlled. Mentioned by Rosen "In 1985 Mexico hosted 734 plants on the border. By the end of 1991 there were 1,925 *maquiladoras* employing almost half a million workers, most in labor-intensive manufacturing." (Rosen, 2002,p.156, para.2) shows with the great working conditions employees were able to produce goods rapidly as well as being compensated and receiving benefits for their work which made other migrate to this form of work.

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)

Due to regulations placed by the NAFTA imports were duty free to Canada and the U.S, being the biggest investors to Mexico they went allowed to increase tariffs to these countries.Mentioned by Rosen "In response to this crisis the Mexican government raised tariffs on European and Asian ex- porters, and the resulting tariff hikes caused their exports to fall between 20 and 30 percent." (Rosen, 2002, p.160, para.3)

The wages in Mexico were higher than the others due to the fair treatement of workers mentioned by Rosen "in the *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." (Rosen, 2002, p.155, para.2) with the treatment and incentives people where motivated to work in Maquiladoras.

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 regime in Mexico and the program in the Caribbean are similar with the way agreements by the goverement were made to boost the exports of garments to the U.S. Both programs were created by president Ronald Regan one in 1987 and the other in 1988. The regime had the purpose of expanding the Mexican apparel exports and the access program was to satify the textile corporations in the U.S.

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

Pros

The NAFTA allowed exports from Mexico to the U.S cheaper by reducing the price making it easy for producers. Mentioned by Rosen "Yet by 1998, textiles and apparel had become Mexico's fifth-largest export, and the United States was the recipient of 97.4 percent of the country's apparel exports." (Rosen, 2002, p.153, para.2)

The Maquiladoras helped Mexico eliminate tariffs improving the economy and promote healthy work conditions for employees. Mentioned by Rosen "As a result, Mexico's *maquiladora* program became a much more significant element in the country's economy. Between 1975 and 1985 Mexico's debt went from $1.6 billion, or 58 percent of its gross national product, to $97 billion. Debt service threatened Mexico's economy, becoming $11 billion, or seven times higher than it had been—representing 37 percent of the country's exports of goods and services." (Rosen, 2002, p.154, para.3)

Cons

The peso crisis resulted in Mexican people working low waged jobs to make end meet but was over looked because of the Mexican government not knowing the ways to tackle the issue. Mentioned by Rosen "the peso crisis, rather than 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 fiscal crisis, since it was obliged to uphold its treaty obligations with the United States and Canada." (Rosen, 2002, p.160, para.3)