

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

Dr. Adomaitis

Musarat Merchant

_____ (name)

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 the North American Free Trade Agreement. It was “ratified by Congress in the fall of 1993 and went in effect on January 1, 1994”. (Rosen, 153). The goal of NAFTA was to eliminate barriers like tariffs between the United States, Mexico and Canada, so that these countries can trade and invest in production freely.

This NAFTA effected apparel trade between the United States and Mexico by creating more employment opportunities as the NAFTA “facilitated the growth of a vertically integrated textile and apparel complex in Mexico” (Rosen, 153).

The fact that, “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” proves through what extent the North American Free Trade Agreement (NAFTA) was successful in increasing apparel trade between both the countries. (Rosen, 153).

- 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* can be defined as the big factories operated by foreign firms which “provided alternative employment in Mexico to deter the illegal migration of seasonal workers who crossed the border to work in California's agricultural economy” (Rosen, 154)

No, this is not the same as a sweat shop because we see that these workers in *maquiladoras* were paid way better than what people were paid in sweatshops.

Evidence: “A “sweatshop,” as understood here, is not merely a firm that offers poorly paid jobs of an authoritarian system of industrial relations.” Moreover, in chapter 1 the author states that around the “Thai workers, mostly impoverished women in their late teens or early twenties, were forced to sew clothing for about \$1.60 an hour, from 7 a.m. to midnight each day”. (**Rosen, 2**)

Whereas, if we see in chapter 9, around 1980’s the author states that the workers in these Mexican *maquiladoras* were “higher than the average industrial wage in Hong Kong, Korea, and Taiwan; in the *maquiladoras* they had increased to \$1.69 an hour, including fringe benefits.” (**Rosen, 155**) Here we can clearly see how much better workers in a Mexican *maquiladoras* were paid as compared to the ones who worked in sweatshops, also these workers were getting “fringe benefits” – which can be defined as an additional privilege apart from the workers fixed hourly salary, for example, travel pass, insurance, subsidized meals, etc.”

Therefore, due to these reasons, the author does not use the words “*maquiladoras*” and “sweatshops” interchangeably.

- 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 are as follows:

Amid the 1970s, Mexico’s disclosure of oil and its strong petroleum export advertise permitted the nation to borrow broadly. “However, oil prices fell, and by 1982 Mexico was embroiled in yet another of its economic recessions and new debt crisis” (**Rosen, 154**). As the value of Mexico’s oil exports dropped, the nation found itself incapable to back its tall obligation burden, and the emergency driven to a peso depreciation in 1982.

Yes, the Mexican wages higher than those who worked in apparel or textiles in Hong Kong, Korea, and Taiwan as we can see that Rosen states, “before the crisis, Mexican wages were higher than the average industrial wage in Hong Kong, Korea, and Taiwan; 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”. But because of the Mexican devaluation of peso in 1982, the wages dropped dramatically as compared to that of the “Big Three” (**Rosen, 1982**).

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 with Mexico | The Special Access Program with the Caribbean. |
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| This program was enacted by President Ronald Reagan in 1988. | This program was enacted by President Ronald Reagan in 1987. |
| The purpose of creating this program was to “expand Mexico’s apparel exports to the United States by establishing an accord on textiles and apparel.” (Rosen, 157) | The purpose of creating this program was to “satisfy U.S. textile corporations suffering the sting of failed protectionism.” (Rosen, 153). |
| <p style="text-align: center;">Note:</p> <p style="text-align: center;">Both the Special Regime with Mexico and the Special Access Program with the Caribbean are comparative since they were sanctioned by President Ronald Reagan and both of these programs were planning to spare a financial emergency. These programs were too financed and bolstered by U.S apparel and textile producers. Both programs moreover made exchange simple by expelling charges and taxes.</p> | |

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

| Pros of NAFTA | Cons of NAFTA |
|--|---|
| <p>The enactment of NAFTA made life easier for the American textile and apparel producers as it boosted their production as now they could import from Mexico at a cheaper price. “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 countries apparel exports”. (Rosen 153)</p> | <p>On the agricultural side we see that the NAFTA hurt more than it provided relief as Rosen states, ““Between 1975 and 1985 Mexico’s debt went from \$1.6 billion, or 58 percent of its gross national product, to \$97 billion”. (Rosen, 154 Paragraph 2)</p> |
| <p>The creation of <i>maquiladors</i> in Mexico and the trade benefits that NAFTA offered through eliminating tariffs really helped the devastated economy of Mexico after its peso devaluation in the year 1982. We see that “As one analyst</p> | <p>The decline of Mexican peso led to low wage jobs for Mexican people and in this way they were exploited. “The peso crisis, rather than NAFTA, was responsible for the</p> |

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| <p>put it, the maquiladora program had become “one of the few shining stars on Mexico’s economic scene.” (Rosen, 154). Also she adds that’s by “1981 the United states controlled 90% of all maquila operations in Mexico”. So this shows how the NAFTA benefited both the United States and Mexico.</p> | <p>Mexican wage declines”. (Rosen, 160)</p> |
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