

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

The acronym NAFTA stands for the North American Free Trade Agreement, and it went into active use on January 1, 1994. As Ellen Rosen mentioned in her book, NAFTA was a massive project, and it drastically changed the path of the apparel and textile industry in Mexico (Rosen, 2002, pg. 153, par.1). NAFTA was focused on abolishing barriers to free trade, and it encouraged free trade zones between Canada, the United States, and Mexico.

The existence of NAFTA has played an enormous role in the United States and Mexican trading industry. NAFTA promoted new markets for goods which was a perspective for more significant revenue for American businesses. The prices of goods were reduced, increasing the standard of living significantly. As the author states in the book, around 1998, the apparel and textile industry hit the success point by becoming Mexico's fifth-largest export (Rosen, 2002, pg. 153, par. 2). This agreement expanded the competition in labor markets and significantly impacted Mexico's trade industry.

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)

According to the book, the export and success in export did not execute after NAFTA, it started progressively developing thirty years ago. The main goal of the Mexican maquiladora factories was not only to focus on the nourishment of the export processing but it was offering many alternatives employment forms to all Mexico's illegal seasonal migrants who have suffered from crossing the borders to get a job (Rosen, 2002, pg. 154, par.1).

The sweatshops and maquiladoras, both have numerous amount of employers who work hard to

Produce different products, however, it is evident that they are different from each other. As Ellen Rosen mentions in her book, sweatshops break federal laws because they force employees to work under the federally mandated minimum. In addition to that, they are obliged to work under the worst environmental conditions. The author also mentions that young women were forced to work full-time for \$1.60 an hour. And on the other side, the wages in Mexican maquiladoras had increased to \$1.60 an hour including several (Rosen, 2002, pg. 155, par.1). The workers in maquiladoras were much more “privileged” than those in sweatshops because their hard work was appreciated.

Ellen Rosen doesn't use “maquiladoras” and “sweatshops” interchangeably because she defines them as a completely different thing and give the readers the definitions for both.

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)

As Ellen Rosen mentions, there was a significant crisis and an unrepentant oil depth by 1982 in Mexico and the country didn't have enough power to fight against the huge depth crisis. The horrible crisis that devastated the country's economy finally led to the devaluation of the Mexican Peso (Rosen, 2002, pg. 154, par.2). This was a time when Mexican maquiladora factors became significant factors.

In chapter 8 Ellen Rosen clearly stated that before the massive crisis in the economy, wages in Mexico were relatively high than those who worked in apparel or textiles in Hong Kong, Korea, and Taiwan. In the maquiladoras, wages have been increased to \$1.69 (including fringe benefits) (Rosen, 2002, pg. 155, par.1). It was much more than the wage rate in the rest of the countries and it significantly affected the development of the country's economic standing.

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



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

Pros and Cons of NAFTA

Pros

- NAFTA promoted new markets for goods which was a perspective for more significant revenue for American businesses
- around 1998, the apparel and textile industry hit the success point by becoming Mexico's' fifth-largest export (Rosen, 2002, pg. 156, par.2)
- The prices of goods were reduced, increasing the standard of living significantly.

Cons

- Mexico fell into an oil depth and significant crisis in 1982, which led to a **peso devaluation** (Rosen, 2002, pg. 154, par.2)
- Low wage jobs for unskilled workers.

References

Rosen, E. I. (2002). *Making sweatshops: The Globalization of the U.S. apparel industry*.

University of California Press.