Technology Entrepreneurship: HDCS
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)

The acronym NAFTA stands for the North American Trade Agreement. The NAFTA was created in efforts to "liberalize trade and investments in the manufacture of a variety of more highly valued goods-like machinery, automobiles, and electronics" (Rosen, 2002, p. 153, par. 1). The three countries that were part of NAFTA were the United States, Canada, and Mexico.

The NAFTA affected apparel trade between the United States and Mexico because it aided the U.S apparel and textile industry in competition with Asian markets and helped Mexico become one of the most desirable textile and apparel manufacturing country in Latin America. The NAFTA was a contract agreement between the United States and Mexico, each party had to honor their part of the bargain. The NAFTA established many trading rules between the United States and Mexico which allowed reductions and in many cases free tariffs and quotas of imported apparel goods. The NAFTA also limited Mexico to only manufacture products using raw materials provided by the United States and Canada. The NAFTA allowed producers to have access to duty-free and free quota opportunities only if they used fabrics and fibers produced by the three NAFTA countries (Rosen, 2002, p. 165, par. 3). As a result of this agreement, Mexico was very limited to what countries they could engage in trade with. This build a stronger bond between the United States and Mexico as trading partners.

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)

Mexican maquiladoras are U.S transnational subsidiaries located in the Northern boarder regions of Mexico. Maquiladoras were created to reduce the amount of undocumented immigrants who migrated to California for seasonal working opportunities in agriculture. Maquiladoras were alternative job opportunities for Mexican workers (Rosen, 2002, p. 154, par. 0).

Maquiladoras are not sweatshops. Unlike sweatshops, Maquiladoras are run by the government which regulate the safety and well being of their employees. Maquiladoras companies are also much larger facilities which create suitable and safer environments for workers to be in.

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 lead to the devaluation of the Mexican peso was the creation of the NAFTA and the corruption that was going on at the time. The NAFTA imposed many rules and regulations in the Mexican government trading policies. The NAFTA made in possible for the U.S and Canada to receive duty free and tariff free imports and exports. Mexico was not allowed to raise tariffs on the United States or Canada, which were one of their biggest trading partners. It resulted in Mexico having fiscal crisis. Therefore, Mexico began to increase tariffs on Asian and European exports causing their exports to reduce by 20-30 percent (Rosen, 2002, p. 160, par. 2). The NAFTA was just the tipping point of the Devaluation of the Mexican peso, for years the Mexican government was under a lot of corruption by political insurgencies in the Mexican economy.

Mexican wages were higher than those who worked in apparel or textile in Hong Kong, Korea, and Taiwan. Rosen stated that in Maquiladoras workers made $1.69 and hour which was 26 percent higher than Korean and 17 percent higher than Taiwanese pay rates. Workers in Maquiladoras also received benefits (Rosen, 2002, p. 155, par. 1).

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 and the Special Access Program with the Caribbean were similar because they were both agreements made by the U.S government and the Latin American countries to further expand those countries apparel exports to the united states. These two programs also help in the restructuring of the government and the economy of these Latin American countries. Both of these programs facilitated the development of the economies by permitting duty-free and tariffs reductions to the U.S market.

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

Two pros of the NAFTA was that it helped Mexico become one of the most desirable Latin American country for foreign investors and revolutionized Mexico's textile and apparel industry. Mexico became one of the first large scale industrial developments in Latin America. They created textile plants that were able to carry out all the development and production steps. This resulted in quicker means of production. They were able to produce textiles that were then cut and sewn into garments with tags and labels that could easily make their way into the retail stores. Mexico's ability to rapidly produce goods made foreign investors interested in their textile and apparel industry.

Two cons of the NAFTA was that it caused the devaluation of the Mexican peso as well as the loss of jobs for many Mexican workers. According to Rosen "Mexico saw the loss of billions of dollars of portfolio investments, followed by a new peso devaluation, both which contributed to reductions in wages and the standard of living among Mexican workers" (Rosen, 2002, p. 163, par. 2). Although Workers at Maquiladoras were making higher wages than that of workers in Asian countries, due to the devaluation of the Mexican peso their wages could no longer sustain their livelihood. The wages the were paid were not enough to purchase the same products they produced for exporting. Many of the Mexican working class became even more impoverished than ever before (Rosen, 2002, p. 165, par. 1). They were facing many economic inflations.

Work cited:

Rosen, E. I. (2002). *Making sweatshops: the globalization of the U.S. apparel industry*. University of California Press.