

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?

NAFTA means the North American Free Trade Agreement (Rosen, 2002, pg.153, par.1, line 1-2). NAFTA bring some positive effects to both the United States and Mexico. For the U.S., more and more textile and apparel industries in Mexico were managed by the United States (Rosen, 2002, pg.153, par.1, line 4). The United States has some authority over Mexican textile factories. That is to say, if M is an employee of A and A is the boss, M has to follow A's instructions to do the work. So, in this case, Mexican textile factories had to follow what American investors told them to do. For Mexico, NAFTA helped develop the Mexico's textile industries, it is almost a change from nothing. Since then, Mexican textile mills have been able to produce the entire process of clothing, from fiber to finished product, and finally deliver the product to retailers (Rosen, 2002, pg.153, par.1, line 8-10).

- 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?

Mexican maquiladoras is a manufacturing plant created specifically to reduce unemployment in Mexico. Another reason for the birth of the maquiladoras was Mexico's proximity to the United States. At that time, many Mexicans in the north illegally fled to the United States to work and earn money in order to make a living, and some even stayed. The emergence of the Mexican maquiladoras was intended to reduce the incidence of such incidents. If the Mexican maquiladoras were not created, which may result in an increasing number of Mexicans "stealing" American citizens or residents' jobs (Rosen, 2002, pg.154, par.0).

Mexican maquiladoras are not the same as a sweatshop, so the author does not use the words interchangeably. People who read Rosen's book (Chapter 1) may all

know that the sweatshop is producing products related to garments and fabrics; it is the apparel or clothing industry. And people who work in the sweatshop must work overtime (the working hours are long), the salaries are low, and safety hazards exist in the workplace (Rosen, 2002, pg.2, par.1). Sweatshops share one thing in common with Mexican maquiladoras in that they both produce apparel, but the biggest difference is that Mexican maquiladoras produce some products that sweatshops do not, such as electronic and metal products (Rosen, 2002, pg.156, par.2). Working conditions and environments are not the same between a sweatshop and Mexican maquiladoras. Sweatshops and Mexican maquiladoras offer a stark contrast in terms of working conditions, pay, and benefits. Workers working in maquiladoras are able to work in a safer environment, earn a higher salary, and receive other benefits (Maquiladoras in Mexico, 2020).

- 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.

The Mexican peso devaluation event was caused by the drop in the price of oil exports, which led to the Mexican economic crisis (Rosen, 2002, pg.154, par.2). The economic crisis is one of the most direct causes of the devaluation of the peso. Falling oil prices are making it harder for Mexico to service its debts. And Mexico has taken on more debt during the peso devaluation period. Rosen states, "Between 1975 and 1985 Mexico's debt went from \$1.6 billion to \$97 billion" (Rosen, 2002, pg.154, par.2).

Mexican workers' wages were not always higher than Hongkong, Korean, and Taiwan's apparel industries workers. The economic crisis has led to this change. Before the economic crisis, workers in Mexico were indeed paid more than those in the three countries. In addition to high wages, Mexican workers will have additional benefits that workers in these three countries do not have (Rosen, 2002, pg.155, par.1). But Mexican wages have changed dramatically since the economic crisis. Since then, Mexican wages have hit a new low.

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

The most obvious similarity between the two programs is the agreement issued by the United States to help support Mexico and the Caribbean Basin Initiative countries. But there are some differences between these two programs. Even if program (1) is implemented, it will not affect the operation of the products produced by the Mexican factory, whose main audience is the market in its own country. Another difference is that Mexico was able to control the export quotas, either increasing or decreasing (Rosen, 2002, pg.157, par.2-3).

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

Pro 1: Due to the NAFTA, Mexican unemployed people have more opportunity to find a job in their country, and employed people have a chance to change to a better job that fits them or has more benefits. Rosen illustrates, “a rapid expansion of new, highly profitable corporate investment” (Rosen, 2002, pg.161, par.1). Pro 2: NAFTA offers more rights to Mexico than other countries. For example, free on duty and quota (Rosen, 2002, pg.165, par.3). Con1: To some extent, NAFTA has hurt Mexico’s economy rather than helped it. And it also had a negative effect on the labor force; their salary is lower than before (Rosen, 2002, pg.163, par.1). Con 2: More people in Mexico were losing their jobs. Investment failure may lead to some of the industries being temporarily closed or bankrupt, so the unemployment rate may increase at this point. The rising unemployment rate means many families are losing their earnings for daily living (Rosen, 2002, pg.163, par.2). This has dealt a heavy pressure to families who are not well-off.

Reference

Maquiladoras in Mexico. (2020, August 15). *How Are Maquiladoras Similar to Sweatshops Around the World?* Tijuanaedc.org. Retrieved April 17, 2023, from <https://tijuanaedc.org/how-are-maquiladoras-similar-to-sweatshops-around-the-world/#:~:text=They%20started%20around%20the%201960s,crowded%20or%20under%20degrading%20conditions.>