SWEATSHOP WATCH

WORKING PAPER

FREE TRADE'S LOOMING THREAT TO THE WORLD'S GARMENT WORKERS

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Introduction

Today, many garment workers and their advocates are concerned about how free trade policies will impact the daily lives of workers. On December 31, 2004, all textile and apparel quotas are scheduled to be eliminated for the 148 countries of the World Trade Organization (WTO), bringing near-complete free trade of textiles and apparel.

This working paper aims to provide a picture of the changing structure of global apparel production due to the phase-out of quotas, and trends in trade policies from the authors' perspectives as U.S. advocates. While many studies exist on the quota phase-out, there is no consensus on the real impact, except that most economists predict that China will gain a larger share of production, the U.S. will lose more textile and apparel jobs and the apparel industries of the smaller developing countries may be decimated.

As part of a grand bargain, the developing countries obtained the phase-out of textile and apparel quotas along with greater access to the markets of the North for their agricultural products in exchange for their joining the WTO and abiding by all its multi-lateral agreements. In striking this bargain, the developing countries accepted a trading regime and rules that prevent them from pursuing policies of economic development that will lift them out of poverty, and that also ensures that they fall further behind the rich countries. Now the poorer developing countries may not even see the benefit of their bargain as they are poised to lose their garment industries altogether as a result of the quota phase-out.

The authors believe the quota phase-out must be renegotiated to mitigate the harsh impact on poorer developing countries. The authors also believe that the current free trade system is fundamentally unfair. We challenge the ideology of free trade that furthers the interests of multinational corporations and the world's investor class at the expense of a more just society, with full employment, fair wages, a healthy environment and a democratic and transparent forum for negotiation.

Today's debates about the future of the textile and apparel industries unfortunately place blame on China for job losses. Opportunist politicians would like U.S. workers to believe that Chinese workers are taking our jobs, but the reality is that U.S. corporations are moving their production every day in search of lower costs and higher profits. If we recognize that the problem lies with multinational corporations whose only concern is the bottom line, we can unite across national borders in holding them and global institutions accountable because they control the current rules of the global economy.

Garment workers in every country must address their unique local needs. However, new global strategies and alliances are required to tackle the imminent changes in the garment industry due to free trade. Sweatshop Watch hopes that this working paper will spark more dialogue about the strategies needed to continue promoting workers' rights in the global economy. We welcome your constructive feedback, hope to learn more about your experiences and positions, and look forward to exploring opportunities for collaboration.

Trade in Textiles and Apparel

The collapse of the World Trade Organization meeting in September in Cancún signals a ray of hope for workers across the globe. Developing nations demonstrated a united front and successfully challenged the bullying of rich developed countries on new issues, as well as the removal of agricultural subsidies and tariffs on manufactured goods. The U.S. and European Union (E.U.) sought to expand the WTO's scope by beginning negotiations on new agreements on investment, government procurement, competition and trade facilitation. These proposals would provide more privileges for foreign investors and restrict countries' domestic purchasing. Developing nations demanded that the WTO instead focus on the serious problems in the existing WTO rules, and these countries succeeded in stalling new negotiations. Now, there is an opening to push for alternative economic agreements that will truly benefit the world's poorest countries. Nonetheless, a difficult fight still lies ahead, especially for the world's garment workers, whose jobs may be lost and whose working conditions may worsen as apparel trade is further deregulated.

The textile and apparel industries are vital parts of the world economy, providing employment to tens of millions of mostly women workers in nearly 200 countries.[1] For the past 30 years, a complex quota system has governed global textile and apparel trade, valued at US$344 billion in 2001.[2] The elimination of this quota system in 2005 portends disaster for garment workers in the U.S. and worldwide, as free trade in textiles and apparel will cause massive job losses in many countries and accelerate the "race to the bottom" in wages and working conditions.

The Elimination of Textile and Apparel Quotas

In 1974, the United States, Europe and Canada adopted the Multi-Fibre Arrangement (MFA) and imposed import quotas to protect their domestic industries. Quotas limited the amount of textiles and apparel that could be imported into these countries. Developing nations that relied on garment exports for jobs and foreign exchange earnings demanded the removal of quotas to gain greater access to large American and European markets. A decade ago, the countries that created the World Trade Organization established the Agreement on Textiles and Clothing (ATC). **The ATC phases out all quotas on textiles and apparel over ten years, eliminating quotas altogether on December 31, 2004.**[3]

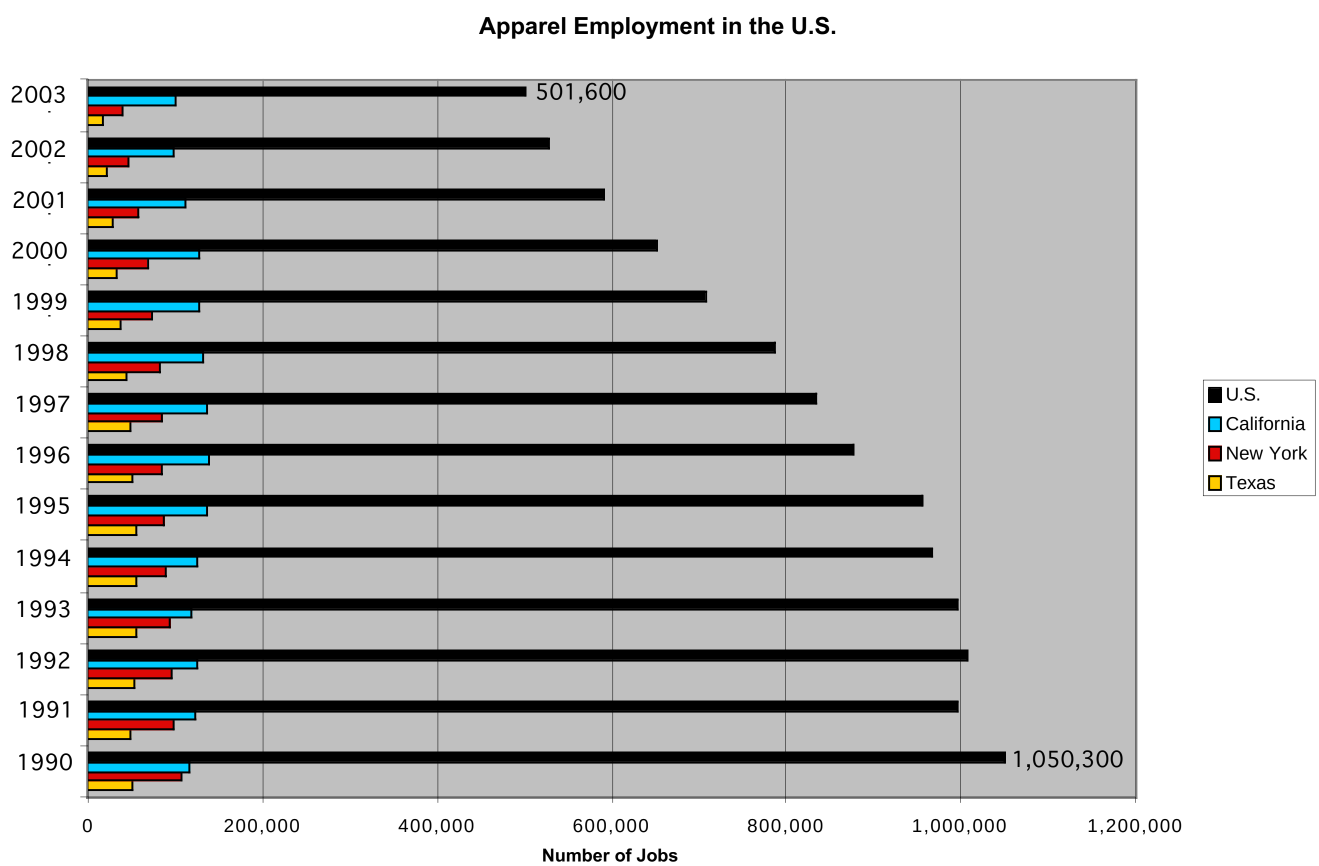
MFA quotas work by restricting the amount of textiles and clothing that a producing country (usually developing countries) can legally export to a consumer country (U.S., E.U., Canada). For example, when the U.S. negotiates a bilateral trade agreement, it negotiates quotas with the exporting country, imposing limits on the quantities of specific categories of textiles and clothing the country can export to the U.S. market. To illustrate this system, Bangladesh's quota limit on cotton trousers is 3.8 million dozen pairs. Once Bangladesh meets this quota, American retailers such as Sears, Target, or Wal-Mart must seek another country that has not reached its quota to produce their cotton trousers.

This quota system has a number of effects. It has distributed apparel production to nearly 200 countries, forcing retailers to cobble together their inventories from up to 50 countries at a time. Quotas add to the cost of production because they are often sold by exporting governments to brokers or factories. Quotas have also protected jobs in developed countries.

Free Trade Leads to Declining Jobs in U.S.

Today, only about 500,000 apparel manufacturing jobs remain in the U.S, half of the 1990 workforce of over 1 million. From the North American Free Trade Agreement (NAFTA) experience, labor advocates in the U.S. knew what impact the removal of quotas would have on domestic apparel jobs. American retailers and garment manufacturers shifted production from the U.S. to Mexico as quotas were removed under NAFTA. Approximately 450,000 jobs in the U.S. apparel manufacturing sector have been lost since the passage of NAFTA in 1994. In the same period, an untold number of apparel jobs were created in Mexico – jobs that are widely recognized as "sweatshop" jobs where workers labor long hours for poverty wages under dangerous conditions. More recent trade agreements, such as the Caribbean Basin Trade Preferences Act (CBTPA) and the African Growth and Opportunity Act (AGOA), have accelerated job losses in the U.S. apparel sector.

Quotas prevented the rest of the industry from leaving the U.S. Studies on the impact of the quota phase-out predict massive employment disruptions, as increased global competition leads to even greater downward pressure on wages and working conditions.[4] Thus, it will be even more difficult for U.S garment workers to compete in the global economy. American retailers and manufacturers will shift even more production overseas as quotas are phased out, and it is projected that roughly half of the remaining jobs in the U.S. apparel industry will survive after 2005.[5] As a result, the jobs of some 50,000 California and 20,000 New York garment workers, primarily Asian and Latina immigrant women, will be in jeopardy. In addition, the entire garment industry on the U.S. island of Saipan, employing over 10,000 Asian migrant workers, is at risk. Sectors related to apparel production, from marketing to transportation, will also be affected.



Source: U.S. Department of Labor, Bureau of Labor Statistics, March benchmark; California Employment Development Department, April benchmark; New York Department of Labor, March benchmark; Texas Workforce Commission, April benchmark

The Smaller Developing Countries Suffer

Labor advocates who pushed so hard for the elimination of quotas did not anticipate that their apparel industries may also be decimated. Apparel corporations like The Gap and Levi-Strauss currently produce their garments in as many as 50 countries at a time due to quota restrictions. The elimination of quotas in 2005 will allow apparel retailers and garment manufacturers to consolidate production in fewer countries. Various reports, including one by the U.S. State Department, maintain that companies who currently purchase goods from 40 to 60 countries will shift to 20 to 30 by late 2005 or early 2006. By 2010, the number of foreign suppliers could drop to one-quarter to one-third of the present number.[6] Apparel manufacturing will likely be concentrated in those countries offering the lowest labor costs, most efficient production, and most developed transportation and telecommunications infrastructure. Apparel firms are also looking for countries that can produce both the raw materials, i.e., textiles, and finished garments. Countries that provide “full-package” services—from textile production to cutting, sewing and packaging—will be the most competitive.

The traditional giants of textile and apparel – China, India and Pakistan – and the upcoming Vietnam, have the competitive advantage in all these areas. As the quota phase-out nears its completion, where production is now being shifted confirms the smaller developing countries’ fears that retailers and brand-name manufacturers will move their apparel production to these countries. For example, quotas on brassieres and baby clothes have already been phased-out. After the lifting of quotas on brassieres, China’s exports into the U.S. rose 232%. After the removal of quotas on baby clothes, China’s exports surged 826% while those from Bangladesh and the Philippines fell 18% and 17% respectively.[7]

The quota phase-out threatens many smaller developing countries, which rely on textile and apparel exports for foreign exchange earnings, as well as employment. For example, textile and apparel represented 84% of Bangladesh’s export earnings in 2000 and those exports accounted for 95% of its total manufactured goods for export. Employment in textiles and apparel accounts for roughly 65% of workers in Bangladesh’s industrial sector.[8]

Bangladesh, as well as Indonesia, Sri Lanka, Kenya, the Dominican Republic and other nations fear that there may be little or nothing left of their apparel industries after 2005. Bangladesh is faced with a potential loss of one million jobs, as is Indonesia.[9] They can supply only low cost labor in assembling garments but not raw materials. Countries in sub-Saharan Africa and others like Brunei and Fiji whose only competitive advantage is that they have quotas may see their entire apparel industry gone.

Dependency on Textile and Apparel Exports

Country	% of Total Export Earnings, 2000			GDP per capita dollars
	Textiles	Apparel	Textile & Apparel	
Bangladesh	9	75	**84**	343
Pakistan	49	23	**72**	436
Mauritius	5	64	**69**	3,773
Sri Lanka	4	50	**54**	862
Nepal	32	21	**53**	239
Tunisia	2	40	**42**	2,058
Turkey	14	25	**39**	2,999
Morocco	2	32	**34**	1,116
Madagascar	29	1	**30**	243
Haiti	2	28	**30**	497
India	14	14	**28**	453

Source: World Trade Organization, 2000

The U.S. Textile Industry Blames China

Declining textile jobs have alarmed the U.S. textile industry which blames increased imports from China. In July 2003, a coalition led by the American Textile Manufacturers Institute filed a petition with the U.S. Commerce Department to limit Chinese imports, specifically brassieres, gloves, dressing gowns and knit fabric. The U.S. textile industry claims that since quotas were lifted on these items, China has been flooding the market and causing job losses.[10]

According to a textile-specific safeguard in China's agreement to enter the WTO, any WTO member can reimpose quotas on Chinese textile and clothing import categories for one year, from 2005 to 2008, if there are market disruptions.[11] The Chinese government maintains that the petitions fail to show a clear link between Chinese imports and U.S. job losses, nor differentiate between the impact of Chinese imports and the impact of imports from other countries. U.S. importers and retailers are siding with China.

The Commerce Department recently ended its public comment period and is expected to rule by mid-November. This will be a precedent-setting decision, and it is sure to cause more heated debate.

Beyond China Bashing

The current public debate on the future of the apparel and textile industries points an accusatory finger at China as the "big winner" in the global economy. U.S. Senator Lindsey Graham, a Republican from South Carolina, recently issued a statement that illustrates the tone towards China. "I have long maintained that China cheats on trade agreements," he said. "The practices of Chinese companies and the policies of the Chinese government are illegal and give them an unfair advantage in the textile market."[12] This rhetoric will likely intensify as we near the 2004 Presidential election and politicians scramble to place blame for the slow economy.

However, some labor advocates are also succumbing to this China bashing syndrome by asserting that China is leading the race to the bottom. But, blaming China fails to address the root problems of economic globalization, and it fails to address the widespread labor and human rights abuses of Chinese workers. The true culprits of the race to the bottom are powerful corporations and undemocratic institutions such as the World Trade Organization, World Bank and International Monetary Fund. Giant retailers and brand-name manufacturers are firmly in control of decisions to move production to China or anywhere else that fits the bill for low costs and high profits. American companies are consciously shaping the rules of free trade and influencing governments to aid them.

Continued demonizing of China has the potential to recreate the racist, anti-China mentalities of our past. In the 19th century, Congress enacted the Chinese Exclusion Act under the pretext of protecting American jobs from Chinese workers perceived as "coolies" and strike breakers. This was the first racially exclusive immigration policy of the U.S., singling out a particular country. In the 20th century, the Cold War renewed racist views of China as the U.S. fostered fear of "Red Chinese" who threatened U.S. security. Today, economic uncertainty has led to the scapegoating of Chinese and other immigrants in the U.S. for the problems caused by globalization.[13] Such scapegoating shifts the focus from U.S. and international policies and corporate practices, fostering divisions among working people. As we address the looming threats to garment workers due to free trade, we must remember where those threats originate—transnational corporations, their global institutions and the governments that enable them.

The Role of Free Trade Agreements

At the WTO meeting in Cancún, the U.S. hoped to eliminate more barriers to textile and apparel trade by phasing out tariffs. After the collapse of the WTO negotiations, U.S. Trade Representative (USTR) Robert Zoellick said the U.S. will continue its free trade agenda through regional and bilateral trade agreements, and not rely solely on the WTO. “The U.S. trade strategy…includes advances on multiple fronts. We have free trade agreements with six countries right now. And we’re negotiating free trade agreements with 14 more.”[14]

The US trade officials have not been explicit about a schedule for phasing out tariffs since the failed WTO talks, but said that the U.S. is pushing for *reciprocal market access*, “[Developing countries] have to give us the market access we will give them.”[15]

Trade agreements will continue to play a regulating role in apparel and textile trade, but tariff preferences are not as significant as quotas. The average tariff on apparel is 17%, while quotas “cost” more than double.[16] Today, more than half of the imports from China and other Asian countries are constrained by quotas. When quotas are lifted, the tariff-free benefits enjoyed by Mexico, for example, will provide little competitive advantage over Asian countries.

U.S. Free Trade Agreements

Agreement	Rules for Apparel and Textiles		
	Quotas	**Tariffs** (average)	***Rules of Origin**
NAFTA	None	0%	Yarn forward
CBTPA	<15% of imports have quotas	6%	Yarn forward
AGOA	None	11%	Permits use of third-party fabric for least developed countries through 2004

Source: Nathan Associates, Inc., *Changes In The Global Trade Rules For Textiles And Apparel: Implications For Developing Countries, 2002*
*Rules of origin require the use of trading partners’ yarns, fabric and dying. Trade agreements usually have rules requiring the use of regional fabrics, called “yarn forward” rules.

Countries which are part of trading blocs with the U.S. will have varying levels of advantage after the quota phase-out. Mexico, through the NAFTA, and the Caribbean nations, through the CBTPA, will continue to have a slight advantage on tariffs and will be able to compete most successfully on turnaround times. Nonetheless, these countries have seen their exports to the U.S. decline with the continued lifting of quotas. China is now the number one clothing supplier to the U.S., surpassing Mexico.[17] In the last two years, 325 of Mexico’s 1,122 garment factories have closed down, leaving over 220,000 Mexican workers jobless. Many of these companies were owned by foreign investors who moved their production elsewhere, often China.[18]

There is a different story for the African countries who are members of AGOA. Mauritius, for example, receives tariff-free treatment from the U.S. The country employs about 80,000 apparel and textile workers and exports over $1 billion of apparel to the U.S., or 20 - 30% of the country's gross domestic product.[19] In 2005, Mauritius' tariff-free treatment will not be enough to offset the lower costs that retailers can receive from Chinese or Indian apparel producers. Quotas costs as much as 50% of the price of an imported garment, far more than the average tariff. Without quotas, tariffs alone will not be an advantage for Sub-Saharan African countries. Nations, such as Mauritius, must develop a textile industry or full-package services to compete. Others can only hope to negotiate more favorable trade agreements.

As the U.S. shifts its focus from the WTO to regional and bilateral trade agreements, these negotiations must be monitored, not only for their impact on apparel production but also for their inclusion of labor issues. The U.S. is touting the labor provisions in its bilateral agreements with Chile and Singapore as models for labor rights protection. Yet, these provisions only require that the partnering countries enforce existing labor laws, "strive to ensure" that they do not "encourage trade or investment by weakening or reducing the protections afforded in domestic labor laws," and "strive to ensure" that domestic labor laws recognize and protect international labor standards.[20]

Some labor advocates are seeking to go beyond these types of provisions by pushing for enforceable labor standards in trade agreements, using the U.S.-Cambodia free trade agreement as a model. In that agreement, the U.S. grants increased market access to Cambodia based on compliance with international labor standards, which are monitored and reported by the International Labor Organization.[21] A coalition of U.S. labor advocates is suggesting a similar proposal for the Central American Free Trade Agreement (CAFTA), and some international advocates are beginning to explore whether labor rights compliance can become a competitive advantage for some apparel-producing countries.

A Call to Action

As 2005 draws near and with the dawning realization of the impact on their apparel industries, countries and labor advocates are responding in many different ways. The U.S. textile and garment workers union, UNITE, and the Brussels-based International Textile, Garment & Leather Workers' Federation (ITGLWF) are calling for continued trade regulation after 2004, including restrictions on dominant suppliers such as China. The U.S. textile industry, fearing that a surge of imports from China will decimate the domestic industry is calling for quotas on Chinese imports. On the other hand, U.S. retailers and apparel makers welcome the quota phase-out because it gives them more flexibility to locate production anywhere they want. In addition, Chinese textile lobbyists are reportedly teaming up with U.S. retailers to oppose restrictions on Chinese imports into the U.S.

In Bangladesh, the Make Trade Fair Alliance of 24 organizations is supporting tariff and quota free market access, flexible rules of origins and removal of other technical barriers to strengthen its garment industry. Apparel and textile firms in Indonesia and the Philippines are calling on their governments to help them boost their competitiveness in the global market through programs aimed at improving productivity and technology.

Leading up to the WTO meeting in Cancún, there was talk of extending the quota system. But the WTO agreement to eliminate quotas explicitly prohibits any extensions. All 148 WTO member countries will have to agree to renegotiation of further regulation of textile and apparel trade. With

China, India and Pakistan poised to benefit from total quota phase-out, it is doubtful that consensus can be reached. Indeed, during the WTO meeting in September, proposals fell short of an explicit call for extending quotas.

In Cancún, the International Confederation of Free Trade Unions (ICFTU), the world's largest union body, called on the WTO to conduct an urgent review of the impact of the quota phase-out on development sustainability, employment and working conditions for the tens of millions of apparel and textile workers. Such a review should look at the assistance needed by emerging and fragile apparel and textile industries to cope with the challenges of unregulated competition. The union also called for greater cooperation between the WTO and relevant United Nations agencies and the International Labor Organization because greater collaboration is needed to ensure a social dimension to trade.

Should the quotas or preferential market access be extended to protect jobs in the smaller developing countries? Should restrictions be placed on countries like China to prevent U.S. apparel firms from moving production from the smaller developing countries? What about protection for U.S. garment workers? How will the new trading environment affect workers' ability to defend their labor rights? There are no easy answers. At the moment the decision as to which workers and which countries will lose out and which will benefit from the quota phase-out is left entirely to multinational apparel corporations whose only concern is the bottom line.

But one thing is clear, if quotas are completely eliminated as planned, many of the developing countries will not benefit from the bargain they negotiated during the Uruguay Round of negotiations that created the WTO. In fact, they have already given up too much in return for a benefit that now appears will not come to fruition.

The Grand Bargain

Every ten years since the end of World War II when the General Agreement on Tariffs and Trade (GATT) was negotiated and entered into, the countries of the world engage in mega-negotiations on tariff reductions and various ways to lower trade barriers. During the Uruguay Round of negotiations that began in 1986 and concluded with the founding of the WTO in 1994, the industrialized countries wanted trade agreements on intellectual property and services. GATT covered only the trade in goods and the U.S. was running substantial trade deficits on trade in goods. Increasingly, a larger proportion of its trade was in services. The U.S. also saw its economic future in trade in intellectual property. It wanted multilateral agreements that lowered trade barriers in these two areas as well as further trade liberalization for goods. It also wanted a binding dispute resolution mechanism when trade disputes arise.

The developing countries wanted greater access to the industrialized countries' markets and particularly reigning in the renegade sectors – agriculture and textile/apparel. Despite the fact that GATT applied to all goods, the U.S. and Europe protected their agricultural industries through higher tariffs, export subsidies, and domestic price supports. The developing countries also wanted an end to the MFA's textile and apparel quotas.

The Uruguay Round was negotiated primarily by the U.S., European Union and Japan with developing countries having little influence over the course of negotiations and the results. In the end, the developing countries could not simply continue as parties to the GATT. In order to continue having access to the industrialized countries' markets for their goods, they had to join the WTO and agree to all the multilateral agreements negotiated by the U.S. and European Union.

A grand bargain was reached. The U.S. and European Union gave to the developing countries greater market access for their agricultural products (reduction in domestic price supports by 1999, export subsidies, tariffs), and the elimination of quotas on textiles and apparel over 10 years. In return, the developing countries agreed to be bound by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (recognizing intellectual property rights as property rights and an enforceable mechanism to protect the patents, copyrights or trademarks), the General Agreement on Trade in Services (GATS) (allowing developed countries to penetrate other markets with their telecommunications, law, financial, etc. services), the Agreement on Trade Related Investment Measures (TRIMS) and numerous other agreements and understandings.[22]

The U.S. pharmaceutical companies have used the TRIPS agreement to patent drugs to prevent countries such as South Africa, India and Brazil from producing and selling cheaper generic versions of drugs to fight AIDS, malaria, tuberculosis and other diseases. After TRIPS, the prices of medicines in many developing countries increased dramatically. Developing countries are required to use their scarce resources to develop a judicial system that U.S. and European firms can use to file lawsuits against copyright, patent, etc. infringements. The biotechnology firms have patented indigenous plants (such as beans) and herbs with medicinal properties to prevent their use and sale by the very people in the developing countries who developed and have used these plants for hundreds of years. There is fear that GATS (Services Agreement) will be used to privatize and increase the prices for essential services such as water, electricity, education and health care that are being supplied by local governments.

It is obvious that the North got much more out of the bargain than the South. But the U.S. and the European Union also are reneging on the deal that was struck. They have been slow in reducing farm subsidies and price supports for agriculture. For example, in recent months, the U.S. passed a 10-year subsidy authorization for cotton farmers. Subsidized American cotton farmers overproduce and now dump so much on the global market that it has driven down world prices. The results have been the impoverishment of farmers in the developing countries. Cheap subsidized U.S. corn floods developing countries' markets also. And now with the phase out of apparel quotas, the smaller developing countries will see their garment industries shrink or disappear altogether.

A Different Route to Development

The grand bargain was a bad bargain for the developing countries in another even more fundamental way. It required the developing countries to agree to the WTO's binding Dispute Settlement Understanding. Prior to joining the WTO, developing countries could benefit from reduced tariffs and non-tariff barriers provided in the GATT while at the same time ignoring GATT rules to protect domestic industries. Long-term economic growth depends on the development of competitive domestic industries.

A strategy of exporting to the North does not necessarily lead to long-term economic growth. For example, from 1975 to 1994, half of the 25 developing countries with high export-GDP ratios had less than modest success in growth and half of those had negative growth.[23] In addition, no country has developed simply by opening itself up indiscriminately to imports. In fact, the U.S. and Europe experienced their fastest rate of growth behind a high wall of protectionism throughout the nineteenth century until after Word War II. Much of East Asia, including South Korea, Taiwan, Singapore and Malaysia, generated an economic miracle relying on industrial policies that are now banned by the WTO. These policies included liberal use of quotas to protect domestic industries and markets, patent-infringement (reverse engineering) to gain technological knowledge, generous export subsidies, performance requirements such as export-import balance requirements, domestic content requirements on foreign investors when allowed in, and restriction on capital flows (including foreign direct investment). These policies that the rich countries and East Asian tigers used during their period of ascendancy are now denied to the close to 100 developing countries who are just as much in need of them.

The developing countries gave up policy autonomy in exchange for improved market access in the North under the mistaken belief that they can grow economically only with access to the North's markets. They bought into the mantra of the North that free trade is a rising tide that will lift countries around the world into prosperity. The impact of the apparel quota phase-out puts a big hole in this mantra.

The question is not simply whether apparel and textile quotas, or similar regulations, should be extended to protect the smaller developing countries. Yes, there should be renegotiations of quotas, or differential tariff rates for, or preferential access to, those countries in need of more time to make their apparel industries more competitive or to cope with their inevitable loss altogether. But these are only temporary protections. Developing countries need to renegotiate the terms of all the WTO agreements that bar them from adopting the development strategies that the North and the Asian Tigers used that will truly raise them out of poverty.

Developing countries also need to stop relying on cheap labor as a means of development. Increasingly, as the primary strategy for development, the smaller developing countries attract Northern industries by creating Export Processing Zones (EPZs) where enforcement of labor laws is lax or outright repression of worker organizing is promised. These countries make no demands for majority ownership, local content requirements, or transfer of expertise and knowledge. In the EPZs, all goods are destined for export, with no linkages to the local economy and no multiplier effects, with flow of corporate profits towards the North and no local control over what is produced and how it is produced. The production process is partial, e.g. fabrication of immediate components or assembly of final products, from components produced elsewhere. Virtually no transfer of technologies happens. No industrial base providing for the needs of the local population is developed. The workforce is young, female, and paid low wages, sometimes barely providing for basic necessities. The labor force is quickly worn out leading to complete labor force turnover every one to two years in some factories. This type of division of labor perpetuates the dependency of developing countries and does not represent a major improvement over traditional plantation agriculture.

By their over reliance on cheap labor in the apparel industry, developing countries lock themselves into a situation where they cannot transform their economies. A call for extensions of quotas, or similar restrictions, can give developing countries the time they need to develop alternative models of economic development. If this time is squandered, developing countries are left with no other strategy then to fight among themselves for the honor of being the source of cheap labor for the North.

Reforms for U.S. Immigrant Garment Workers

Despite continuing job loss due to free trade, the U.S. government has failed to adequately provide for displaced workers, particularly immigrants. Because the vast majority of garment workers have limited English language proficiency, they face barriers of unequal access to welfare benefits, and job training classes in English only. Since many garment workers are undocumented immigrants, they do not qualify for most welfare benefits and are ineligible to participate in government-funded job training and assistance programs.

As the U.S. Congress reauthorizes the Workforce Investment Act, amendments must be passed to assist limited English proficient persons in accessing job training and benefits. New workforce development programs must also be created to assist displaced garment workers in finding stable, living wage jobs with benefits, particularly programs with alternative sources of funding which do not exclude undocumented workers. However, a more fundamental solution is the legalization of undocumented workers.

Strengthening the U.S. Garment Industry

The U.S. garment industry has been slow to make itself more competitive in the global environment. California, the nation's largest garment production center, has yet to take action to address apparel job losses due to free trade. Some manufacturers advocate boosting Los Angeles' export potential, upgrading technology and improving job training, but these efforts are geared to the higher-skilled end of the industry, rather than immigrant garment workers.[24]

New York City is trying to revive its garment industry and has enlisted support from its Mayor. A new report by the Fiscal Policy Institute (FPI), titled "NYC's Garment Industry: A New Look," touts the importance of garment manufacturing jobs to the city's economy and promotes five competitive approaches for manufacturers and contractors. The report states that each $1 million of apparel production represents 16.2 jobs—10.6 direct employees and 5.6 in support areas. Each apparel job also creates another 1.5 jobs, as garment workers frequent restaurants, shops or gas stations after work.[25]

FPI's ideas for revitalizing the New York City apparel industry could also benefit other garment production centers. The suggestions include:

- Improving local production capabilities, or expanding the scope of typical contract shops such as offering full-package production services.
- Building on short-cycle production by focusing on re-order business and fast-fashion styles.
- Developing flexible retailing where retailers benefit with shorter turnaround times by purchasing goods produced locally.
- Integrating design and production so that high-end and up-and-coming designers benefit from in-house production.
- Developing export capacity by marketing the "Made in New York" label abroad.

California's apparel industry produces over $13 billion in products each year, and exports more than $1 billion in goods.[26] The time has come for policy makers to address the devastating impacts of free trade on immigrant workers and the economy.

Government and Corporate Accountability

Even with the movement of apparel production as a result of the quota phase-out, millions of workers in the developing countries and the U.S. work and will continue to work under sweatshop conditions in the global apparel industry. This underscores the need to continue pushing for government and corporate accountability.

For U.S. workers and advocates, government accountability means pressing our government for:
Enforcement of labor laws,

- Provision of an adequate social safety net,
- Sustainable economic development that provides stable, living wage jobs with benefits,
- Legalization of undocumented immigrants, and
- Protection of migrant workers' rights.

Corporations also have a responsibility to the workers who help generate their profits and to the communities in which they operate. Corporations should:

- Provide stable, living wage jobs with benefits,
- Operate safe and healthy workplaces,
- Respect workers' right to organize and bargain collectively, and
- Address labor abuses that arise, rather than "cutting and running."

A Fair Global Trading System

The elimination of textile and apparel quotas raises the question of 'What is a fair global trading system?' The imminent economic threats of the quota phase-out, coupled with the recent failure of the WTO, provide an important opportunity for dialogue and debate about fair trade. In addition, the shift of millions of apparel and textile jobs to China, India and Pakistan creates an urgency to discussing trade and labor rights[27]—among developing countries who will lose jobs to these larger developing countries, as well as among labor activists in developed countries.

The Preamble to the WTO Charter makes clear that trade and economic endeavors "...should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand..." Far from raising standards of living, today's world trade regime, governed by the rules of the WTO and policies of the IMF and World Bank that continually push for lowering of trade barriers have resulted in more poverty. WTO trade rules were written to prevent developing countries from pursuing the type of economic development that will truly raise standards of living and that would allow them to catch up technologically with the rich countries. The beneficiaries of the free trade regime have been multinational corporations and the world's investor class. We challenge their ideology of free trade. To create a fair trading system, where every person can enjoy a living wage and benefits in a safe work environment, we must work with the intention of building a global movement for fair trade. Any future trading system must:

- Not force developing countries to give up policy autonomy for market access or financial assistance. Developing countries must not be bound by trade rules that prevent them from pursuing a route to economic development that will truly lift them out of poverty.
- Not include reciprocal market access leaving developing countries unable to protect their domestic industries and service sectors from Northern competition.
- Not include intellectual property rights rules that prevent developing countries from upgrading their pharmaceutical, biotechnology and other technologies to catch up with the North.

Any trade agreements for apparel and textiles must strive to keep corporations and international institutions from pitting countries against each other. Agreements must:

- Be negotiated with the principles of democracy, transparency and accountability. Negotiations should include democratic participation by workers and their organizations. Draft text, proposals and meeting agendas should be made public.
- Ensure that workers rights and environmental rights are recognized and protected. These rights must be covered by dispute resolution and effective enforcement mechanisms.
- Ensure that dislocated workers have access to job training and placement, and an adequate social safety net.

With the growing lack of credibility of the WTO and increasing doubts about the promises of free trade, there is now greater room for new alternatives to emerge from the grassroots, and for new international alliances to develop. As Walden Bello of Focus on the Global South stated in Cancún, "Society, not economics, must drive the market. Profitability must be subordinate to community, life and solidarity."[28]

End Notes

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Founded in 1995, Sweatshop Watch is a coalition of over 30 labor, community, civil rights, immigrant rights, women's, religious and student organizations, and many individuals, committed to eliminating the exploitation that occurs in sweatshops. Sweatshop Watch serves low-wage workers nationally and globally, with a focus on garment workers in California. We believe that workers should earn a living wage in a safe, decent work environment, and that those responsible for the exploitation of sweatshop workers must be held accountable. The workers who labor in sweatshops are our driving force. Our decisions, projects, and organizing efforts are informed by their voices, their needs, and their life experiences.

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Sweatshop Watch welcomes your feedback on this paper and opportunities for collaboration to address the impacts the MFA phase-out. Contact Nikki Fortunato Bas, Executive Director, Sweatshop Watch, 310 Eighth Street, Suite 303, Oakland CA 94607 USA, 510-834-8990, nbas@sweatshopwatch.org.

Please visit our information clearinghouse on globalization & the apparel industry at www.sweatshopwatch.org/global for more information.