

## **Companies Will Run from U.S. and Mexico to China, India, Vietnam**

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Labor Notes

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You know we've hit a new low when sweatshop workers are sad to see their jobs go. But in an unexpected, and possibly nightmarish, collision of global free trade policies, that's what workers in developing countries with emerging garment industries, ranging from Bangladesh and Cambodia to Mexico and South Africa, are facing.

At midnight on January 1, 2005, the World Trade Organization terminated the Multi-Fiber Agreement's quota system for apparel, after 10 years of incremental phase-outs. The Multi-Fiber Agreement (MFA), a piece of U.S. legislation, was created in 1974 to set export quotas on all textile-manufacturing nations.

These limits on how many garments a country could export served to protect America's ailing garment industry from being overwhelmed by a growing number of cheap imports from developing countries, particularly China.

Ironically, it was developing nations who demanded that the quotas be removed, asking the WTO in 1994 to phase out the quotas, saying that developed countries used them to unfairly protect their own industries.

Says Kimi Lee, director of the Los Angeles-based Garment Workers Center, "Although it's hard to know for sure, 80,000 job losses are predicted in the U.S. [from those inside the textile industry]... Because of [quotas], the MFA made large companies spread out their production. Once Bangladesh hit their 10,000th pair of pants, for example, you would have to go somewhere else to get your pants made. With quotas gone, the companies would be able to just find the country with the lowest wages to produce there. We can naturally assume that U.S. production will decrease as well.

### **The Quota System**

Unexpectedly, however, in the last 30 years the quota system had also resulted in positive growth for developing nations starting their own garment industries, made competitive simply by the fact that all the other countries were working under imposed quotas, too.

In an unregulated, quota-free market, developing nations and their embryonic garment industries would not have been able to compete in large and lucrative markets like the United States and Europe.

This quota system forced buyers, including large retailers like J.C. Penney, the Gap, Wal-Mart, and Ralph Lauren, to purchase textiles and ready-made garments from a long list of countries. This allowed developing nations, such as Bangladesh, to build up their

garment industries. In Bangladesh, one-third of the country's industrial workforce now works in the garment industry, which accounts for 75 percent of all its exports. The country is expected to lose nearly a million jobs as a result of MFA's termination.

In a September 2004 report on the MFA by the National Labor Committee (a sweatshop workers advocacy group), Gary Ross, vice-president of worldwide operations for Liz Claiborne, asked, "Would we be in 35 countries if quotas didn't exist? We'd probably in as few as 10 or 15."

### **'Law of the Jungle'**

Predictions from experts about the impact of the MFA's termination paint a wide range of scenarios. Many predict that China-with the world's largest workforce and some of its lowest wages-will control nearly half the global apparel market within ten years.

In the same report, J.C. Penney's purchasing department president, Peter McGrath, described the post-quota trade environment as "the law of the jungle: only the strongest will survive." Increased competition is expected to drive down prices, which could potentially drive down wages as a result.

After learning that Bangladesh had asked the WTO to review the quota eliminations and its impact on poor nations, J.C. Penney threatened to pull work from the country if the request was not withdrawn. Said McGrath, "We will have to question our business relationship with our partners if they continue to act like this... We can't go back without causing major disruption to U.S. importers, so we are talking tough to people who want to bring up any issue at all."

### **Losers**

The U.S. International Trade Commission predicts that South Africa, the Philippines, Malaysia, and Indonesia will all lose out post-MFA, and the International Monetary Fund adds Mexico and Thailand to that list.

What is left of the American garment industry also stands to take a big hit. Since 1994, the U.S. has lost 800,000 textile and apparel jobs-350,000 of those in the last four years. The New York Times reported last September that the United States could lose 600,000 more jobs after the quota expiration if protections were not made.

UNITE HERE, the union representing garment workers, among others, has joined a garment industry-labor lobby to adopt restrictions on imports. So far, the Bush administration has approved safeguards for bras and socks.

### **Erosion of Standards**

Worker advocates worry that an unfettered trade environment in the apparel industry will undermine the modest but important gains won by garment workers worldwide.

Cambodia, for example, has high labor standards, union representation, and wages that were increased as the result of a 2000 strike. Cambodia's garment factories provide overtime pay, union representation, and bathroom breaks, and its garments have an "International Labor Organization seal of approval" indicating that they were manufactured in factories in compliance with fair labor standards.

In a post-quota world, however, employers in Cambodia, as well as in Mexico and Central America, may point to China as a way to claim that current wages and benefits, however meager, are one more thing they can't afford in a highly competitive industry made even more cutthroat.

India and Vietnam are also expected to gain a large share of the apparel market, for the same reasons as China: raw materials, cheap labor, weak or nonexistent unions in the industry, and a vertically-integrated apparel industry that allows them to manufacture their own textiles.