UPDATE

After Sweatshops? Apparel Politics in the Circum-Caribbean

Workers in a clothing factory in Grenada, Nicaragua, in February. With its low labor costs, Nicaragua is the only member nation of DR-CAFTA whose apparel and textile exports have grown in recent years.

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Throughout the spring of 2007, women and men made almost ritual rounds looking for jobs at fewer and fewer garment factories in the main free trade zone of Santiago de los Caballeros, the second-largest city in the Dominican Republic.[1] The sounds of steam trouser presses and *bachata* music emanated from increasingly isolated islands of production, subsumed by the idled space around them. Between the closure of 23 garment factories and the suspension of another four, this trade zone, like many in the country, had a spectral character. Lone security guards sat outside vacant factories, many still housing machines embargoed by creditors or in the process of sale. Old presses draped in blue tarps sat on silent loading docks; dust-caked lunch tables stood empty next to dented lockers. “It’s not a trade zone,” said Edi Álvarez, a would-be worker. “It’s a cemetery.”

Garment and textile factories all over the circum-Caribbean have been shutting down in recent years as owners, undercut by competition from Asia, seek to cut labor costs by moving production elsewhere. The most direct cause of the industry’s decline was the expiration in 2005 of the Multi-Fibre Arrangement (MFA), a quota system to manage international trade in textile products that dates back to the 1970s. Without the quotas, the circum-Caribbean now directly competes with export powerhouses like China for a slice of the still lucrative, although increasingly flat, U.S. market. The Dominican Republic–Central America Free Trade Agreement (DR-CAFTA), implemented in 2005, was once touted as a way to save jobs in the apparel industry, but it has been of little help.

The downturn has been most dramatic in the Dominican Republic (see chart, page 9), where garment exports have fallen by more than half since 2005 and 73,000 jobs have been lost.[2] Most of the other DR-CAFTA countries also saw their exports to the United States drop between 2005 and 2008: 23% for Guatemala, 37% for Costa Rica, 5% for El Salvador, and just under 1% for Honduras.[3] The exception is Nicaragua; the CAFTA country with the lowest labor costs was the only one to post an increase in apparel exports, up 31% over the same period. Overall, the share of the U.S. import market claimed by the six CAFTA countries has declined from 13.3% in 2004 to 9.8% in 2008.

While it is common for garment companies to close and reopen in order to take advantage of new tax exemptions or to stifle union-organizing efforts, the current wave of closures sweeping the region is far more intense. As Teresa Castro, a Dominican worker who was left jobless after 13 years sewing pants for a Levi's subcontractor, explained: "Before, when there was a reduction in personnel, you used to turn the corner and find another job. That's not possible anymore."

The factory closures oblige us to reconsider strategies to defend workers' rights in the region. Campaigns organized by concerned consumers, NGOs, and unions were undoubtedly important in foregrounding the issue of labor rights in the globalization debates of the 1990s, and several enduring alliances between Northern and Southern groups continue to foster critical solidarity around issues of trade and labor. Mobilizations in the North have largely targeted brands and retailers, with activists demanding an end to the most egregious abuses of workers' rights in the factories producing the clothing sold under their label or in their stores. When successful, these tactics have led to improved workplace conditions. Yet many of those hard-won gains are now being lost, as factories that were at the center of seemingly successful campaigns to secure union recognition and to negotiate contracts are being shuttered. Meanwhile those who still work in garment factories in the circum-Caribbean face the possibility of wage reductions, and retrenched workers confront the region's crippling under- and unemployment.

The collapse of garment jobs in the Dominican Republic represents the elimination of one of the country's few sources of formal employment.

Given these changes, some anti-sweatshop advocates in the United States and Europe have begun demanding structural changes in the industry, an important step to move from addressing the effects of sweatshop abuses to their immediate causes. But workplace- and industry-focused strategies alone are not enough to guarantee labor rights in the region. The restructuring of the global apparel trade, locally manifested in the wave of factory closures, suggests the need to also mobilize against the neoliberal orthodoxies that have failed workers in the North and South.

The apparel industry's decline in the circum-Caribbean signals a monumental shift for the region, whose main strategy of capitalist development for decades has centered on labor-intensive, export-led growth. The case of the Dominican Republic is exemplary in this respect. The collapse of garment jobs represents the elimination of one of the few sources of formal employment for working people, especially in secondary cities and towns where most of the zones are located. National unemployment stands at 16%. Moreover, women, the majority of garment workers, face unemployment rates on average three times those of men.[4] International migration is increasingly the most viable option for Mexican and Caribbean workers, as is evident in households' growing dependence on foreign remittances, which totaled almost $40 billion in 2007.[5]

The garment and textile industry has been fundamental to the region's export-led growth strategy since 1987, when President Ronald Reagan's Caribbean Basin Initiative allowed member nations to export virtually unlimited quantities of clothing to the U.S. market as long as it contained fabric and thread manufactured in the United States. Although this so-called Special Access Program inhibited the development of a local textile and supplier base, it reduced tariffs on clothing exports from the region and allowed Caribbean Basin countries to bypass export restrictions under the MFA. This had the desired effect of stimulating manufactured exports and reducing dependence on primary commodities (for example, by 1990 agricultural exports accounted for less than 20% of Dominican exports by value).[6] But this apparent diversification masked what was in reality a high degree of dependence on one category of manufactures—apparel—for exports and employment, fostering a kind of "industrial monocropping."[7]

While the 1990s were a boom time for circum-Caribbean garment producers, the combined effect of the North American Free Trade Agreement (NAFTA) and the devaluation of the Mexican currency in late 1994 and 1995 soon weakened the relative positions of the region's exporters in the U.S. import market. Within the first six years of NAFTA, Mexico's apparel exports to its northern neighbor increased sixfold, and in 1999 Mexico edged past China to become (until 2001) the United States' largest clothing supplier.

By the early 2000s, the writing was on the wall. The threat to circum-Caribbean producers posed by NAFTA was replaced by an even more ominous one: the January 1, 2005, expiration of the MFA. This led regional garment producers to scramble for any advantage that could protect them from the anticipated deluge of exports from China, and DR-CAFTA emerged as an urgent opportunity to strengthen their position.

In 2004, Dominican government leaders teamed up with apparel manufacturers and the powerful industry associations that represent their collective interests to promote DR-CAFTA as the only way to protect jobs in the trade zones.

Even while DR-CAFTA underwent the ratification process, the jobs that it was purportedly supposed to save began to evaporate.

"Some 40,000 jobs could be lost with the end of quotas," explained Arturo Peguero, the president of the trade zone association at the time. "The only instrument the Dominican Republic has to compete is the trade agreement with the United States."

Citing a USAID study on the impact of the end of quotas, Peguero added that DR-CAFTA "could cut these job losses by 60%."[8] By signing DR-CAFTA, exporter countries in the region would enjoy tariff-free access to the U.S. market in exchange for submitting to intellectual property and investment rules favoring foreign companies, and following Mexico down the precarious path of liberalizing agriculture.

Among the apparel companies mobilizing to support the DR-CAFTA in the Dominican Republic were several that had gained their status as industry leaders through subcontracting arrangements with companies like Levi's and Hanesbrands.[9] While the bulk of profits from the export-processing garment trade were made by U.S.-based brands and retailers, local manufacturers accrued considerable wealth and power as well, especially as the industry consolidated into larger firms during the 1990s. According to one United Nations report, the foreign exchange income generated by the Dominican trade zone sector amounted to $1.78 billion in 2003. Of this, $810 million was spent on local costs. Even after subtracting additional expenses, like in-country transportation and managers' salaries, the sum still suggests a markup on costs of about 100%.[10] These substantial revenues underwrote the formation of nationally powerful manufacturing associations throughout the region that formed an important part of the domestic coalitions pushing for a regional trade agreement with the United States.

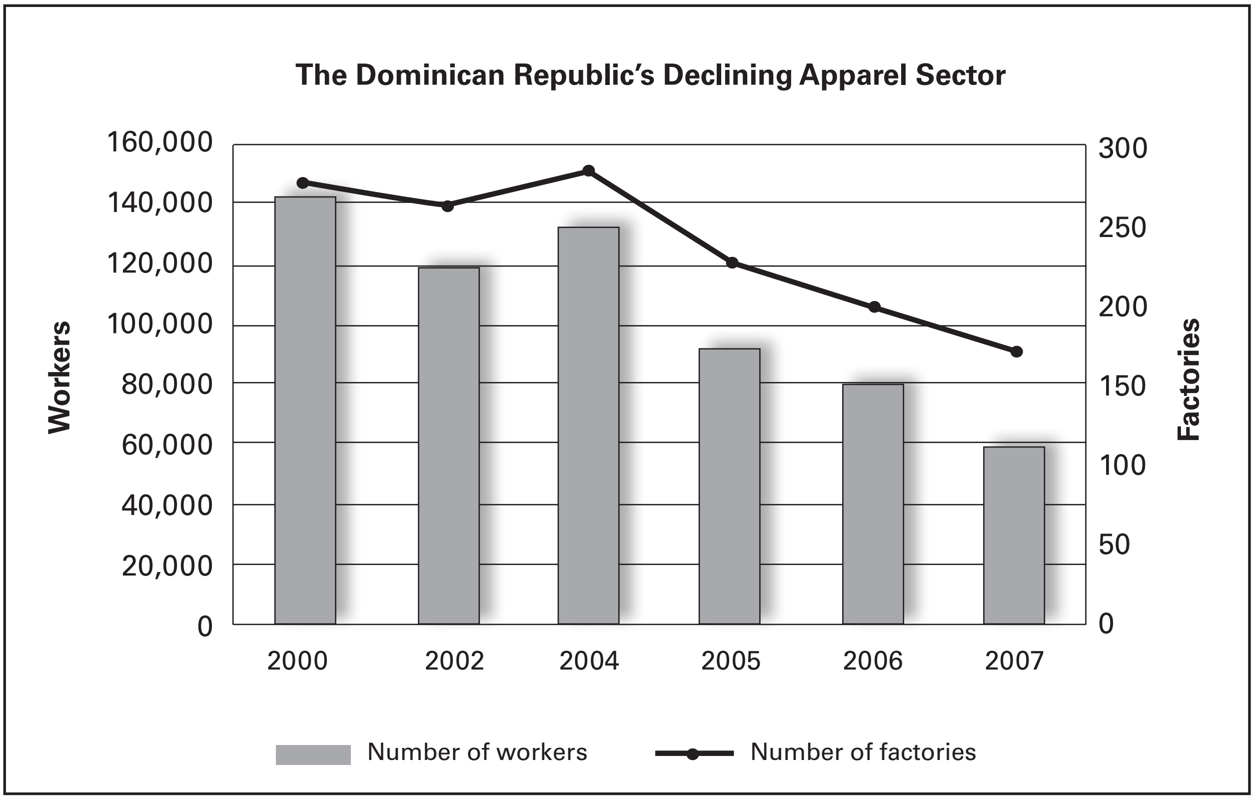
In Honduras, the CAFTA lobby was led in part by two sons of the reputed father of the Honduran maquila, Juan Canahuati, who owns the largest Honduran textile and apparel conglomerate, Grupo Lovable, a main supplier to U.S. apparel giants Vanity Fair and Russell Corporation. While his son Mario facilitated trade negotiations as Honduran ambassador to the United States, his other son, Jesús, led the CAFTA lobby as head of the Honduran Maquila Association.[11] Other industry-government connections abound throughout the region. The former vice president of El Salvador worked for 10 years at USAID promoting "nontraditional exports," including garments and textiles.[12] The president of Guatemala, Álvaro Colom, is well-known for leading the early efforts of the Philips Van-Heusen apparel company to establish the first maquilas in rural Guatemala.[13]

On the U.S. side, DR-CAFTA arose in the context of frustrated and failed attempts to consolidate a Free Trade Area of the Americas (FTAA). Like the so-called Coalition of the Willing mobilized for the war in Iraq, the piecemeal bilateral and regional agreements pushed by the United States since the failure of the FTAA represent an attempt to build an ad hoc coalition on U.S. strategic trade policy. While the reconfiguration of the Caribbean trade area resulted from a complex set of factors, it is not a coincidence that, excepting Costa Rica, all of the partners depend significantly on apparel exports for foreign exchange.

Yet even while DR-CAFTA underwent the ratification process, the jobs that it was purportedly supposed to save began to evaporate. Although the agreement's boosters argued that it would provide the region with a much needed advantage in the soon-to-be liberalized garment trade, it has so far failed to shore up the region's exports.

As the factory closures sweeping the circum-Caribbean suggest, the quota regime was a mixed blessing for the region's manufacturers. Quotas were intended to protect textile and apparel industries in the North, and their elimination was long advocated by countries in the Global South as part of their efforts to liberalize Northern import markets. Today, many producers in the circum-Caribbean are either unable or unwilling to effectively compete in a liberalized market with more intense pressure and less secure profits.

Local authorities in the region, looking to strengthen the viability of garment production and the jobs it creates, have introduced new wage categories to attract or maintain investment. In 2003, Guatemala, Honduras, and El Salvador implemented this strategy by



SOURCE: CNZFE ANNUAL REPORTS, VARIOUS YEARS (AVAILABLE AT CNZFE.GOV.DO)

creating a separate, lower minimum wage for the maquila sector. This was pioneered in 1990 by the Dominican Republic, where the maquila minimum wage is today a full third less than the one that applies to non-maquila manufacturing.

Honduras has taken the most drastic approach to dropping the wage floor in the hopes of better competing with its southern neighbor, Nicaragua. In February 2007, the country's tripartite commission on wages approved a "differential wage" for five departments designated as economically depressed. Four of the five departments run along the border with Nicaragua and currently have no maquilas. The fifth department, however, is next to the country's traditional center of maquila industry, the area around San Pedro Sula, in the north, which was home to 11,000 maquila jobs in 2006. Factories have already begun to move the 12 miles south from San Pedro Sula to benefit from the new wage, which is almost a quarter less than the one prevailing outside this "differential wage zone."

As the Honduran case demonstrates, factory flight can occur within a single country, as owners seek lower wages as zoned by national governments. Labor rights groups and local unions, as well as Northern organizations working in solidarity with them, have had the unenviable task of dealing with the numerous legal violations, social dislocations, and economic hardships that arise from some of the worst kinds of plant closures. The Honduran Independent Monitoring Group (EMIH), working in San Pedro Sula, reported handling 38 closures, affecting 18,000 workers, between 2005 and March 2008. These included factory owners failing to pay legally mandated severance benefits and back wages, or failing to provide workers with the documentation necessary to access social security.

In many cases, workers themselves have organized directly in the face of closures to secure their livelihoods, sometimes occupying factories or seizing goods and equipment until their severance is paid.[14] In cases where severance is not forthcoming, workers try to sell this equipment or material to recuperate earned but unpaid wages and/or benefits. These developments are reported sporadically in the press, but the overall process of downsizing and its effects is difficult to document. When they are reported, factory closures are frequently seized upon by trade zone associations as evidence for the need to reduce labor costs, either through a currency devaluation or a change in labor laws or both.[15]

As the pace of factory closures has quickened, some participants in innovative regulation strategies (like independent monitoring and engagement combining adversarial and collaborative tactics) with high-profile brands have witnessed the deep contradictions of voluntary regulation. Martiza Paredes of EMIH, for example, was monitoring a factory for a major U.S. brand when the factory closed. The group investigated the causes of the closure and found that the same brand that had hired them to monitor the factory had dropped the contract price of the product so low that the factory owner decided to close down.

The current downturn underscores the urgent need to rethink what it means to be in solidarity with struggles to improve working conditions in global factories.

The Canada-based Maquila Solidarity Network (MSN) has had a similar experience. When workers reported that management of a Hanesbrand facility in Monclova, Mexico, required them to sign documents renouncing various rights to compensation before closing the plant, the group worked with Servicio, Desarrollo y Paz (SEDEPAC), its local partner in Mexico, to pressure the company to stop the practice. Part of the agreement between the groups and the U.S.-based manufacturer was that the 1,700 laid-off workers would be given first-hire preference at its nearby Madero facility. Hanesbrand closed the Madero facility less than a year later.[16]

The extent of the downturn in exports and employment illuminates in a particularly stark way the limits of existing transnational approaches for advancing the interests of workers in global apparel production. The initial skepticism expressed by many activists and analysts about codes of conduct is now reinforced by numerous studies of their limited efficacy.[17]

Some unions and NGOs are trying to shift the focus of the anti-sweatshop movement away from voluntary compliance on individual shop floors toward industry-wide standards and enforcement at the level of global supply chains. The Designated Suppliers Program (DSP), proposed by the campus-linked Workers' Rights Consortium, attempts to create an international version of the "jobbers agreements" that curbed sweatshops in New York City's garment district for much of the 20th century. Under this initiative, participating universities would commit to sourcing their collegiate apparel from manufacturers specifically designated as meeting fair labor standards, including a living wage.

In another example, since 2004 a diverse coalition including international trade union secretariats has organized "Play Fair" campaigns around the Olympics and other major sporting events to promote labor rights in the sportswear industry. Like the DSP, Play Fair focuses attention on the subcontracting arrangements that characterize contemporary apparel production, arguing that Northern brands and retailers cannot meet ethical standards without providing stable orders and a fair price for apparel producers. (For more information on these campaigns, see workersrights.org/dsp.asp and playfair2008.org.)

These initiatives recognize the ineffectiveness of an anti-sweatshop politics that stops at the factory gate. Having learned from the limitations of past strategies, NGOs and unions are attempting to develop approaches that address the underlying causes of poor working conditions and labor rights violations in the global garment industry. But as garment factories are shuttered throughout the circum-Caribbean, there are other important lessons to be learned. For two and a half decades, the export-oriented textile and garment sector was at the center of strategic trade policy between the United States and the circum-Caribbean. The interests consolidated through this trade have led to further liberalization via DR-CAFTA, but the region's garment workers are hardly aided by a trade regime that both institutionalizes intellectual property and investment rules in favor of transnational capital and fails to stem wage depression and layoffs.

The current downturn in the circum-Caribbean underscores the urgent need to rethink what it means to be in solidarity with struggles to improve working conditions in global factories. When solidarity is premised on a connection between consumers and the workers manufacturing the products they buy, the thousands of former garment workers in places like Santiago de los Caballeros who have been left unemployed by the current wave of plant closures are rendered invisible. The challenges that former garment workers face demand that we conceptualize a solidarity politics "after sweatshops." Such an effort would insist on linking struggles to secure workers' rights with the ongoing shifts in the global garment trade, shifts that threaten the very livelihoods of those workers, their families, and their communities.

Correa's decision to close the U.S. military base near the coastal city of Manta, frequently used for anti-drug operations, together with his vigorous response to the Colombian incursion, signals a new Ecuadoran disengagement from the lethal combination of the war on drugs and the war on terror. While Colombia's government claims the right to intervene in neighboring countries—justified by a homegrown version of the already antiquated Bush doctrine of "preemptive strikes"—the political process under way in Ecuador, made possible by the country's powerful social movements, continues advancing toward a more participatory and sovereign democracy.

In any event, the future of Colombian-Ecuadoran relations is unclear. With a submitted budget of $46 million, the government of Barack Obama is seeking to move the U.S. military base from Manta to Palenquero, near Bogotá.[10] In addition to gaining access arrangements for all kinds of military operations in Central and South America, the new base will transform the corrupt Colombian military forces into U.S. guard dogs on the continent.

Meanwhile, the war in Putumayo continues spreading illicit crops all over the southern departments despite the UN Illicit Crop Monitoring Programme's warning that since 2007 Nariño has been "the department with the highest area with coca cultivation in the country"—with 21% of the national total.[11] As happened in Putumayo, the FARC's de facto authoritarian state has traveled with the coca fields. This time they have announced their presence by attacking indigenous *resguardos* (reservations). The last incursion took place in February, with the massacre of at least 20 Awá people and the forced displacement of the rest of the community.[12]

On the other hand, the recent discovery of a new oil well in the town of Orito, Putumayo, announced in April, guarantees the armed presence of the Colombian state in the area. Putumayo's oil reserves are key to the finances of the Colombian state as it would make possible its vital goal of increasing current oil national production from 588,000 barrels a day to 1 million by 2015.[13] Thus while guerrillas, paramilitaries, Colombia's U.S.-sponsored armed forces, U.S. mercenaries and secret agents, and oil companies continue waging war on the border, the "brotherhood of nations" will likely remain merely rhetorical.

NOTES

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1. This is a fully collaborative project. We are grateful to the participants who attended the MFA+3 Encuentro in San Pedro Sula, Honduras, in October 2008, and especially to the two NGOs that organized the event, the Maquila Solidarity Network and the Equipo de Monitoreo Independiente de Honduras. Thanks also to Raphael Kaplinsky for comments on an earlier draft.
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10. Programa de las Naciones Unidas para el Desarrollo, *Informe nacional desarrollo humano* (Santo Domingo: PNUD, 2005), 94. Net income is calculated as total trade zone exports minus total trade zone imports. Local costs include wages for workers, supervisors, administrative staff, and engineers, together with payments for electricity, social security, water, training, and telecommunications.
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15. See "En La Laguna sobreviven 23 maquiladoras de confección," October 21, 2008, available at milenio.com/node/99778; Cándida Acosta, "Sector ZF sugiere modificar Código de Trabajo del país," *Listín Diario* (Santo Domingo), July 27, 2007, available at listin.com.do/app/article.aspx?id=22142.
16. Mike Baker, "Hanesbrands to Close 3 Plants, Cut Nearly 2,200 Jobs," Associated Press, September 13, 2006; "Hanesbrands Inc. Advances Planned Consolidation and Globalization Strategy," *Business Wire*, June 27, 2007. For details on the MSN campaign, see en.maquilasolidarity.org/en/actions/pastcampaigns.
17. See, for example, Dara O'Rourke, "Smoke From a Hired Gun: A Critique of Nike's Labor and Environmental Auditing" (San Francisco: Transnational Resource and Action Center, 2007); Ngai-Ling Sum and Pun Ngai, "Globalization and Paradoxes of Ethical Transnational Production: Code of Conduct in a Chinese Workplace," *Competition and Change* 9, no. 2 (2005): 181–200.

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