

maquila network update

September 1999 Vol. 4 No.3

Government Convenes Code of Conduct Negotiations

On May 11, after a two-year Labour Behind the Label Coalition-led campaign calling for a task force on sweatshop abuses, the federal government convened an initial meeting of representatives of the Canadian apparel and footwear industries and labour, religious and non-governmental organizations. Government representatives attended as observers.

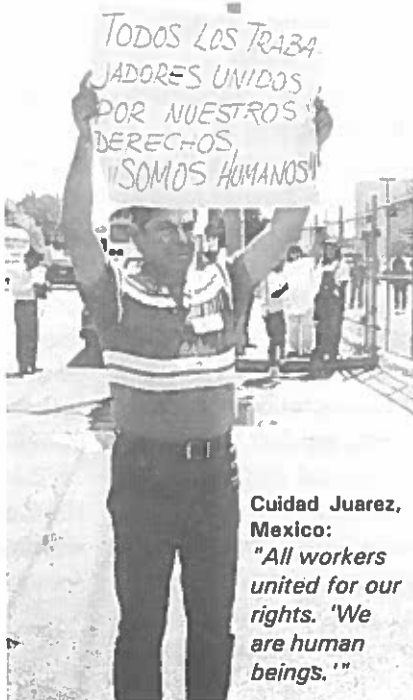
The meeting mandated a joint Working Group to attempt to negotiate a Canadian base code of labour practice and to explore ways to ensure company and supplier compliance with the code.

If negotiations are successful, the Working Group will submit its recommendations to the "larger table" for approval.

In March, the federal government responded to thousands of postcards and petitions from tens of thousands of Canadians and over 200 organizations by appointing former Liberal MP, John English, to consult

with companies, industry associations and civil society organizations, and facilitate discussions among them.

Sears Canada, the Hudson Bay Company, Dylex, and Mark's Work Warehouse had agreed to support the call for



Cuidad Juarez, Mexico: "All workers united for our rights. 'We are human beings.'"

a task force after the B.C. Federation of Labour agreed to withdraw motions for shareholder action.

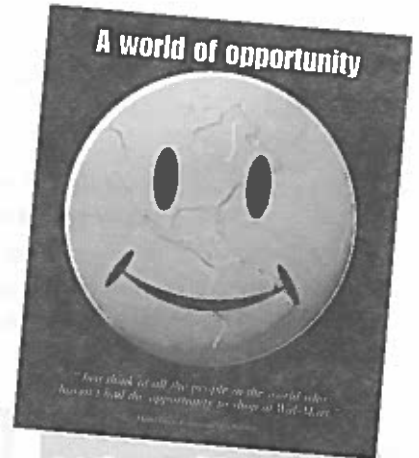
While the new government-supported initiative, recently named the Canadian Ethical Trading Partnership (CPET), is focussing on the development of a voluntary code, civil society negotiators have tabled an initial code proposal that would require retailers and manufacturers to ensure that suppliers abide by local labour legislation, as well as International Labour Organization (ILO) conventions.

According to Gerry Barr of the Steelworkers Humanity Fund, "Whether or not code negotiations are successful, we will continue to pressure industry and government to take action on sweatshop abuses."

Ethical Trading Action Group

Civil society's participation in CPET is being coordinated

See "Ethical..." on back page



Actual Wal-Mart ad

What lies ahead after the Eaton's Crash?

While most media commentators and industry spokespeople are attributing Eaton's collapse to mismanagement and neglect by the idle rich sons of the firm's more industrious founder, Timothy Eaton, the department store's demise both symbolizes and foretells major changes taking place in the Canadian retail sector. See centre spread.

insider

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What do workers want from codes of conduct?

By Lynda Yanz
MSN Coordinator

As Canadian labour, religious and non-governmental organizations begin negotiations with apparel retailers and manufacturers for a base code of labour practice, our counterparts in Latin America and Asia are also discussing the potential and limitations of codes of conduct.

maquila network update

is published quarterly in English and Spanish by the Maquila Solidarity Network (MSN). The MSN includes over 400 organizations and individuals across Canada. The MSN promotes solidarity between Canadian labour, women's and social movement groups and Mexican, Central American and Asian counterparts organizing to raise standards and improve conditions in maquiladora and export processing zones. The MSN acts as the secretariat for the Labour Behind the Label Coalition and is active in Stop Sweatshops campaigning.

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The MSN was recently involved in two initiatives in which southern women's groups that promote the rights of workers in free trade zones were trying to come to grips with what codes of conduct might mean for the women who work in those zones.

In May 1999, I participated in a three-day workshop in Managua, Nicaragua, where women from Central America, Mexico and the Dominican Republic came together to evaluate the usefulness of codes of conduct as tools to promote the rights of women maquila workers. The workshop was hosted by the Movement of Working and Unemployed Women - "Maria Elena Cuadra" (MEC).

The Nicaragua workshop mirrored a similar gathering in Sri Lanka in December 1998 in which Asian women's groups from Bangladesh, India, Indonesia, Pakistan, the Philippines and Sri Lanka met to discuss the results of

consultations on codes of conduct with women workers in their home countries.

Workers involved in those consultations also charted the sub-contracting chains that link them and their sewing to the global garment industry.

Both projects were initiated by the UK-based network, Women Working Worldwide (WWW).

In July, I also participated in the first stage of an exchange program in Hong Kong, which brought together women's groups in Asia and Latin America to share and contrast their organizing strategies in support of export processing zone workers.

Discussions on codes of conduct, and their potential strengths and dangers, provoked the strongest debates among the Asia and Latin American participants in the

exchange. While some felt that codes represent little more than the privatization of labour standards, others argued that codes are the result of our struggles with corporations, and that we need to figure out how to deal with the risks involved in working with codes.

What Do Women Workers Want?

Rather than discuss codes of conduct developed in the North, participants in the Nicaraguan seminar elaborated their own

12-point code that

they felt any company code should be measured against. The basic rights they identified included the right to living wage, a workplace free of discrimination, special protections for pregnant women workers, improved health and safety standards, security of employment and respect for local and international labour law on issues such as hours of work and the right to organize.

The two top priorities identified were wages and security of employment. According to Mayra Jimenez,



Left: Ana Enriquez, Coordinator, Asia/Latin America exchange.

Above Right: Delegates to the Nicaraguan code workshop visit a maquila factory.



Secretary-General of FUTRIZONA, a union organizing in the Dominican Republic's free trade zones, "Even if we earn the legal national minimum wage, we don't make enough to feed ourselves, let alone our families."

However, workers surveyed in Central America and Asia also want codes of conduct to protect their jobs, and not make them more vulnerable. They want codes to contain commitments from the major retailers and brand name apparel and sportswear giants at the top of the subcontracting pyramid, such as Nike, the Gap and Levi Straus, to not "take flight from one day to the next" whenever workers demand their rights and improved wages.

As Samanmalje, of Sri Lanka's DaBindu Collective explains, "One of the difficulties of pressuring on codes of conduct is that investors can quickly move their factories to where there are no codes."

According to Samanmalje, that's where effective international solidarity and pressure can be useful.

Monitoring by and for Whom

Participants in all three meetings were concerned that developments are taking place in the North that will be consequential for southern workers and groups advocating on their behalf, developments and debates about which they often know very little. For those in Latin America, the problem of lack of information is compounded by the fact that discussions usually take place in English.

In both Latin America and Asia, local NGOs report that they are already being approached by professional auditing firms and large brand name companies that want to make individual deals with those NGOs to legitimize companies' code monitor-

ing processes.

Marina Rios, from the Melida Anaya Montes Women's Movement in El Salvador, who participated in both the Nicaragua meeting and the Hong Kong exchange, describes codes as a potential tool for worker's rights, but one that required a coordinated approach by groups in the South. "The big companies are united, and they have firms like Price Waterhouse on their side, already certifying factories. We need to grab the microphone and get the word out."

Although there is little unanimity among NGOs and labour groups on what their role should be in code

monitoring, there is agreement that workers need much more information about codes and their labour rights. According to Rios, "If there is a code, it is essential that women workers know about it; they need to be involved in the monitoring process, or it won't work."

While most participants in the three meetings recognized that it would not be possible for NGOs and labour organizations to take on monitoring of the hundreds of thousands of supply

factories in Latin America and Asia, few, if any, believed that private sector auditing firms contracted by companies could provide reliable audits of working conditions and labour rights practices.

Participants in the Nicaragua workshop agreed that for a code monitoring and verification process to be credible, it would need to have the endorsement of civil society, and include local monitors that have a knowledge of the country, the

They want commitments from the major retailers to not 'take flight from one day to the next' whenever workers demand their rights and improved wages.

language and labour conditions, and have the confidence of the workers. Most important, the process would have to be transparent. Civil society would have to know how

and on what basis a factory came to be certified as complying with any code of conduct.

As groups in Canada make plans for using codes of conduct in Stop Sweatshops campaigns and negotiations, it is essential that we coordinate with groups and networks in the South who will be able to test whether and how codes can assist workers' efforts to improve their working and living conditions.

Canadian retail: What lies ahead after the Eaton's crash?

The downfall of the Eaton's empire, one of Canada's largest and oldest surviving retailers, raises questions and fears about the future of the Canadian retail industry.

While most media commentators and industry spokespeople are attributing Eaton's collapse to mismanagement and neglect by the idle rich sons of the firm's more industrious founder, Timothy Eaton, the department store's demise both symbolizes and foretells major changes taking place in the Canadian retail sector.

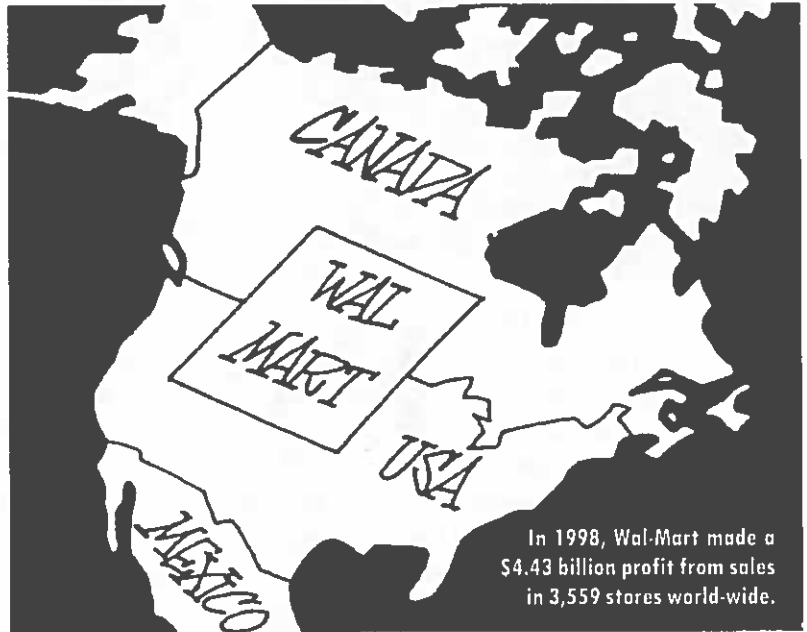
US Penetration

Eaton's liquidation and the potential sale of some of its stores to large American retailers, is taking place in the context of increasing US penetration of the Canadian retail market, both through direct US investment in retail outlets and in the market domination of US brand labels, whether sold in Canadian- or US-owned stores.

Wal-Mart's entry into the Canadian retail market in 1994 through the purchase of 122 Woolco stores across the country sounded the first alarm signals.

The US retail giant quickly gained a foothold in Canada, steadily increasing its market share.

Retail Border Wars: Winning the International Retail Race, a 1996 study by Wendy Evans, for the Center for the Study of Commercial Activity, shows that there were more than 54 US retailers in Canada in 1996, more than double the 21 in 1992 and five times the 10 in 1985. Most of the American retailers interviewed estimated their presence in Canada would increase 50-100% over the next 5-6 years.



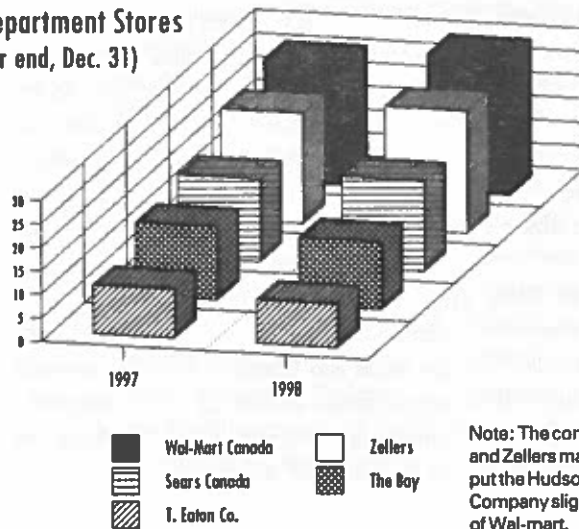
Global Competition

Ownership and control in the retail sector is also becoming increasingly concentrated, not just in North America, but on a global basis. Yet the competition for customers, market shares and access to cheap and flexible manufacturing facilities is fiercer than ever.

In Europe, two giant French retailers, Carrefour and Promodes, recently announced merger plans, which will make them the second largest retail chain in the world. The merger is a predictable response to recent acquisitions of British and German supermarket and retail chains by the world's largest retail chain, Wal-Mart.

The Hudson Bay Company's acquisition of Kmart stores, which were folded in to its Zellers chain in 1998, was a

Top 5 Canadian Department Stores (Market share at year end, Dec. 31)



Note: The combined Bay and Zellers market shares put the Hudson Bay Company slightly ahead of Wal-Mart.

similar reaction to the Wal-Mart threat.

Evans argues that global retailing is now a necessary reality for companies that want to stay competitive. Increased efficiency through global production, decreased vulnerability and new concept development are some of the advantages she cites. She claims that international operations are able to achieve higher margins in new markets, which allows them to subsidize their traditional markets, and "squeeze domestic competitors through lowering prices."

The advantages of international expansion (for retail firms and investors) is demonstrated by the fact that 41% of the top 100 retailers have global operations. All had higher growth rates than the comparable single nation companies.

As US retailers expand into Canada, Canadian retailers such as Dylex, Roots and Cotton Ginny have felt compelled to try their luck down South. However, while US retail ventures in Canada are almost always successful (95% in 1996), Canadian attempts to establish markets in the States have been far less successful (47% in 1996).

Impact on Communities

For Canadian consumers, the major changes taking place in the retail sector – concentration of ownership, increasing US control, international expansion and global competition – may offer the short-term benefits of heightened price

competition, but the negative effects on our communities may be more profound and long-lasting.

The loss of Canadian businesses and value-added jobs, the decline of the urban downtown department store and the rise of the big box stores at anonymous suburban highway intersections, the commercial invasion of public

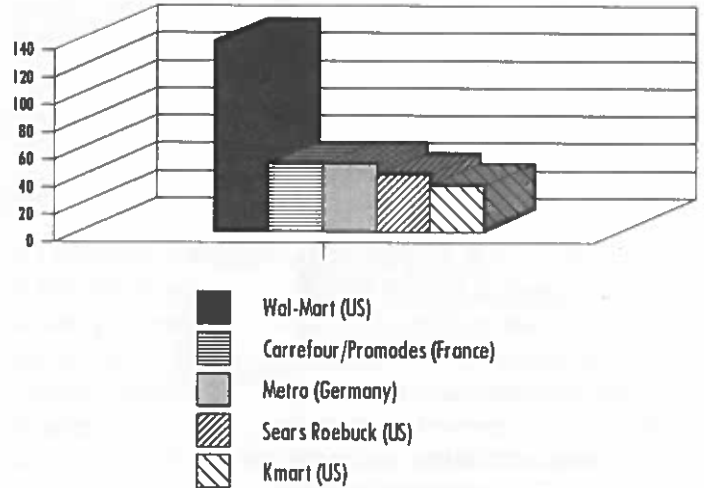
and personal space through the "branding" strategies of multinational apparel marketing firms – these and other business trends will have an enormous impact on our society, our culture, our communities and our children.

For those of us involved in the Stop Sweatshops movement, the crumbling of the Eaton's empire raises additional questions about how global trends will affect our ability to win greater respect for worker's rights. This is particularly important now that negotiations are beginning for a Canadian base code of labour practice for apparel retailers and manufacturers.

One of the biggest unanswered questions is how increasing concentration of ownership in the retail sector, and increasing US domination of that sector, will affect where our clothes are made and under what conditions, and who makes those decisions.

We will explore this question in a future issue of the *Update*.

World's Top 5 Retailers
(1998 sales revenue in Billions of US\$)



"As retailers gain experience in global sourcing, private label apparel will increasingly be sourced overseas."

Apparel Industry Magazine, Oct. 1997

Who Decides Where Clothes Are Made?

For many US apparel companies operating in Canada, decisions on purchasing and sourcing are made in the US. However, some Canadian offices have more control over decisions.

Gap Canada does all its purchasing through its San Francisco office, which sources both from the US and internationally.

Sears Canada, which is 55% owned by the US American Sears Roebuck, retains independence from its parent company in purchasing and sourcing.

Estimated Floor Area

(millions of square feet)

US Retailers in Canada	60
Canadian Retailers Expanding to the US	4
International Retailers in Canada	9
Canadian Retailers Expanding to non-US locations	16

news & notes

Victories and Repression in Honduras

On August 31, maquila workers in the Continental Industrial Park were tear-gassed and beaten by anti-riot police for demonstrating their solidarity with striking workers at the Kimi apparel factory. The Kimi workers had set up a weekend blockade of the factory to protest management's refusal to respect the collective agreement negotiated by their union, SITRAKIMIH, earlier this year. Management was demanding that the union's leadership be removed as a condition for further negotiations. On September 2, the company agreed to allow all workers to return to work without reprisals. On August 28, owners of the other seven maquilas operating in the park had published a newspaper ad warning that the Kimi conflict was threatening the future of the park and blaming outside agitators for potential loss of jobs. The newspaper and the Continental Park are both owned by Honduran presidential candidate, Jaime Rosenthal. Rosenthal had earlier announced that the Kimi plant would be expelled from the industrial park to keep it union-free.

Meanwhile, on August 5, after workers at the Yoo Yang Honduran maquiladora factory also in Continental Industrial Park staged their second work stoppage in two days, management finally reinstated union leaders who had been fired after taking part in a worker assembly to form a new union.

Maquila Managers Skip Town

At the end of July, workers at Modas Reyna garment maquila factory in Valle Hermoso, Mexico were protesting the failure of their employer to pay wages

owing for one week's work. When they finally succeeded in forcing company secretaries to pay their wages, they discovered that the general manager and other plant managers had abandoned the factory and skipped town. The workers have submitted a complaint to the Conciliation and Arbitration Board, demanding their legally required severance payments and an embargo on the company's assets. Modas Reyna produces garments on contract for several US companies and for the Winnipeg-based Canadian manufacturer, Gemini Fashions.

Indonesian Labour Leader Released from Jail

On July 3, after serving three years of a five-year sentence for organizing workers to fight for their rights, Dita Sari was released from jail. Sari is the president of the recently formed Indonesian National Front for Labour Struggles (FNPBI). In a recent interview, Sari talked about the FNPBI. "We are a united front of local worker action committees, and are not ready yet to transform ourselves into a full-scale trade union. However we do have the embryo of a garment, textile and footwear union."

Study Confirms Toronto Homeworkers' Rights Violated

A study released by UNITE's Ontario District Council in June 1999 confirms that many homeworkers in Metro Toronto are not receiving the minimum wage or statutory benefits. Interviews with 30 homeworkers indicate that workers are

being paid as little as \$2 an hour, and an average of \$6-\$8 an hour. The minimum wage for homeworkers in Ontario is \$7.54 an hour. Only two workers interviewed were receiving statutory vacation pay, and none were receiving statutory overtime pay. Almost half work 10-12 hour days. Eleven of the 30 Chinese and Vietnamese immigrants interviewed had been in Canada for more than 10 years; 14 had

more than 10 years experience in the garment industry. A surprising finding was that only two of those interviewed are now being given labels to sew on garments. In previous studies in 1991 and 93, workers were able to use labels to identify the

companies they were sewing for. (See 'Resources'.)

Apparel Firms Settle Claims

Four US retailers named in class actions suits alleging exploitation of indentured labour in the US Pacific Commonwealth of the Northern Mariana Islands have agreed to a settlement that requires independent monitoring of factory conditions. The four companies, Nordstrom, Cutter & Buck, J. Crew and Gymboree, have agreed to mandate the Massachusetts-based non-profit firm Verite to monitor compliance with standards outlined in the settlement. Those standards include payment of overtime, safe food and drinking water, respect for employee's basic civil rights, and a prohibition of "recruitment fees." Companies named in the class action suits that have not yet agreed to settlements include the GAP, JC Penney, Sears, Tommy Hilfiger, and Wal-Mart.



Dita Sari

Nike Won't Sign Australian Code

Australia's Fairwear Campaign is continuing to pressure the US sports-wear giant, Nike, to comply with that country's legal minimum standards for homeworkers and sign on to the Homeworkers Code of Practice. The Textile, Clothing and Footwear Union of Australia (TCFUA) had brought both Nike and Adidas to court, charging them with violating Clothing Trades Award homework clauses. Adidas agreed to settle and sign the Code of Practice. To date, Nike has refused. Over 80 retailers, manufacturers and fashion houses have signed the Code, which requires companies to provide the TCFUA with detailed information on their contractors and their use of homework.

Disney Targeted for Labour Rights Violations

The Hong Kong-based Christian Industrial Committee (CIC) is asking Disney to investigate workers' allegations of labour rights violations at the Tak Wah Garment Factory in Macau, which employs 400 garment workers. Most workers are migrants from mainland China who have paid large sums to secure jobs in Macau with promises of reasonable wages and working conditions. However, once in Macau, the workers find themselves earning less than subsistence wages, and paying out large sums for food, lodging and the balance of their "recruitment fees." In the past six months, CIC has also documented serious labour rights violations in mainland China factories producing for Disney. They are asking



Tak Wah workers bring complaint to Macau Labour Board.

Disney to investigate allegations, to ensure its' contractors live up to Disney's Code of Conduct, and to protect the rights of workers in its factories, including workers who protest violations.

Indonesian GAP Workers Fired

After a one-month strike for better wages, on August 12, 835 members of the Indonesian Prosperity Trade Union (SBSI) employed at the PT Aneka Garentama Indah garment factory were notified that they were fired. The workers, who had initiated grievance proceedings at the Department of Manpower, were notified of the firings by fax. The Indonesian-owned garment factory, which produces on contract for major US apparel companies, including the GAP, Eddie Bauer, Ralph Lauren and Tommy Hilfiger, told the workers that it would rather pay them their severance than follow the legal course of the Manpower proceedings. The workers are requesting international support for their reinstatement and pressure on the company to address their demands for decent wages and recognition of their union and their right to bargain collectively.

Homeworking: Home Office or Home Sweatshop? Report on Current Conditions of Homeworkers in Toronto's Garment Industry, by Roxana Ng, for UNITE, Ontario District Council, 1999, 18 pp.

Women and the Maquila in Central America, "Jobs yes, but with dignity!", from CoDevelopment Canada, May 1999, 63 pp., \$5. codev@web.net.

Codes of Conduct: from Corporate Responsibility to Social Accountability, A discussion paper from the MSN, October 1999, 15 pps.

New from the US National Labor Committee: "Fired For Crying to the Gringos" (El Salvador and Liz Claiborne) 24pp., and "Wal-Mart's Shirts of Misery" (Bangladesh) 8 pp. www.nlcnet.org.

Clean Clothes Newsletter, No. 11, August 1999 with updates on European sweatshop and code related developments. <http://www.cleanclothes.ch>.

The Maquiladora Reader, Cross-Border Organizing Since NAFTA, from the American Friends Service Committee, 1999, 131 pp., \$US14.95. Contact: 1-888-588-2372.

No Illusions, Against the Global Cosmetic SA8000 from Labour Rights in China (LARIC), June 1999, 13 pp. hkcic@hknet.com. For response see "Comments and Corrections Regarding the SA8000 System" (5 pp.) and "Clarifying the SA8000 Verification System" (7 pp.). info@cepaa.org.

Problems finding the materials? Contact the MSN!

Ethical Trading Action Group

— continued from pg 1 —

by the Canadian Ethical Trading Action Group (ETAG), which includes the Canadian Labour Congress, the Union of Needletrades, Industrial and Textile Employees (UNITE), the Steelworkers Humanity Fund, the Ecumenical Coalition for Economic Justice (ECEJ), the Canadian Council for International Cooperation (CCIC), and the Maquila Solidarity Network (MSN). The MSN acts as the Secretariat for the group.

Industry groups attending the "larger table" meetings currently include the Canadian Apparel Manufacturers Association, the Retail Council of Canada, the Alliance of Manufacturers and Exporters, the Shoe Manufacturers Association, the Hudson Bay Company, Sears Canada, National Apparel Company and Arrow Shirts.

Code Benefits Debated

As Canadian industry and civil society organizations begin to negotiate an industry-wide code of conduct, women's, human rights, labour and non-governmental organizations in other parts of the world are debating who should or should not control and participate in emerging code verification systems.

In June, the Hong Kong labour/NGO coalition, Labour Rights in China (LARIC), released a scathing critique of the New York-based Council on Economic Priorities Accreditation Agency (CEPAA) SA8000 "social auditing"

model, in which companies hire accredited social auditing firms to verify their

suppliers' compliance with the SA8000 standard. "No Illusions: Against the Global Cosmetic SA8000," charges that "workers themselves have no active roles to play in the whole auditing and certification process, but are merely on a checklist at the mercy of social auditors."

In a reply to the LARIC critique, CEPAA states that "SA8000 is intended to provide workers an instrument for holding companies accountable for workplace conditions, [and that] free association and collective bargaining rights are among the most fundamental worker rights and only workers can truly make them operative."

Meanwhile in Central America, human rights, religious and women's organizations who have been involved in local code monitoring projects recently met to discuss the possible development of a regional monitoring initiative, and their possible participation in global code verification systems, such as SA8000.

Back in Canada

As negotiations for a Canadian base code of labour practice continue, campaigns by faith and student groups will be keeping up the pressure on retailers, manufacturers and government to seriously address sweatshop abuses.

The inter-faith network Ten Days for Global Justice is preparing to launch the second year of

its campaign on global debt and sweatshop labour. The "Closing the Gap" campaign will challenge Canadian retailers to ensure that workers making their products receive a living wage with fair working conditions, and adopt a Canadian base code of labour practice that includes such provisions.

Students Against Sweatshops-Canada (SAS-C) groups at a number of Canadian

universities are gearing up for campaigns demanding campus codes of conduct requiring companies manufacturing university-licensed products to meet minimum labour standards, to publicly disclose where those products are made, and to allow university-

appointed monitors to verify whether the code is being followed.

ETAG Ethical Trading Forums will be one opportunity for groups involved in code negotiations and public campaigns to coordinate their efforts, and to discuss and debate outstanding issues on voluntary codes and their relationship to government policy and worker organizing.



MSN Coordinator Lynda Yanz collects signatures on petition for federal task force.

Stay involved

For regular updates on Canadian code negotiations and Stop Sweatshops campaigning, visit our web-site:
www.web.net/~msn

To connect with Students Against Sweatshops-Canada (SAS-C) check out:
www.campuslife.utoronto.ca/groups/opirg/groups/sweatshops