SECTION TWO:
FOCUS ON MEXICO

Section Two of this report contains three separate, but related documents: a discussion paper prepared for labour rights groups in Mexico working with maquila workers, a brief report on what we've learned to date about Canadian investment in and sourcing from Mexico, and a profile of the Canadian women's wear manufacturer, Nygard.

"Growth and Change in the Mexican Garment Maquila Sector: What Does it Mean for Workers" was first presented at a meeting of the Coalition for Justice in the Maquiladoras in Tijuana, Mexico in May 2000. It has been a useful tool to initiate a consultation process with Mexican labour rights organizations in communities where garment export production is concentrated. The revised version of the paper below also includes a brief summary of the results of the first consultation and a description of next steps in the process.

The second document is the result of preliminary research into Canadian investment in and sourcing from Mexico's apparel-for-export industry. It provides the basis for future on-the-ground research on the impact of Canadian investment and sourcing practices on Mexican workers and communities. It should be noted that because of the high level of secrecy in the sourcing practices of garment manufacturers, the rapid changes in suppliers used, and the fact that many Canadian garment manufacturers are private companies, as opposed to publicly traded companies, supply chains are extremely difficult to trace and labour practices difficult to document.

This section concludes with a case study of one of Canada's most prominent and successful women's wear manufacturers – Nygard International – which has been making significant investments in Mexico. We expect to learn more about Nygard's practices in Mexico over the coming year.

A. GROWTH AND CHANGE IN THE GARMENT MAQUILA SECTOR: WHAT DOES IT MEAN FOR WORKERS? A DISCUSSION PAPER

Over the last decade, Mexico's apparel and textile industries have experienced dramatic change. These changes have been the subject of substantial debate in the industry press. To date, most industry analysts have examined the changes and developments in Mexico's garment industry from a business perspective. Their conclusions do not usually take into account the experiences of workers or the views of labour rights groups about what these changes will mean for workers and their communities.

This report is based on an analysis of developments and trends in Mexico's export garment industry that is gaining prominence among North American industry analysts[1] which predicts that as a result of

[1] Gary Gereffi is the chief advocate of this analysis of the Mexican apparel industry. Key readings are: Gary Gereffi, "Global shifts, regional response: Can North America meet the full-package challenge?," *Bobbin* (November 1997), Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," *Bobbin* (March 1998), Gary Gereffi, "International trade and industrial upgrading in the apparel commodity chain," *Journal of International Economics 48* (1999) and Gary Gereffi and Martha A. Martinez, "Torreon's

shifts in production under NAFTA, Mexico will be able to favorably compete with Asia in production for the North American market. We raise questions that, for the most part, industry experts do not address, concerning whether changes in the industry will result in improved working conditions and increased opportunities for garment worker organizing. For these questions to be answered more conclusively, there needs to be more consultation and research with Mexican workers and labour rights advocates, particularly those located in the new "centers" of garment export production.[2] This report is intended as a first step in this process. It concludes with a series of questions for workers and other groups involved in the garment industry in Mexico.

Rapid Change

With the arrival of the North American Free Trade Agreement (NAFTA), the Mexican export manufacturing sector has grown dramatically.[3] Apparel production has been a key force in this growth. Maquiladora plants in Mexico grew from 100 registered plants in 1980, to 2,000 in 1994, and 3,000 in 1999. One-third of these are apparel factories.[4]

Since the implementation of NAFTA, Mexico has become the number one apparel and textile supplier to the United States.[5] Although Canada still sources more apparel from China and Hong Kong and the US, with Mexico ranking sixth, apparel imports from Mexico have been increasing rapidly, rising from $39 million in 1995 to $163 million in 1999.[6] Canadian apparel manufacturers are also investing in and sourcing from manufacturing facilities in Mexico producing clothing for sale in the US market.[7]

Regional Centres

While apparel production is increasing in the border regions where maquiladora plants were first established, new regions are also becoming significant garment producing centres. More and more garment maquila factories are being established in the interior and south of the country. Industry analysts point to improved transportation infrastructure and increasing saturation along the border as the chief reasons for new investment in the interior.[8] Other important factors attracting foreign investors and buyers to the interior and south of Mexico are lower wages and other labour costs, and,

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blue jeans boom: Exploring La Laguna's full package solution," *Bobbin* (April 2000). Other industry analysts, such as Judi Kessler have built upon his work. See:Judi Kessler, "New NAFTA alliances reshape sourcing scene," *Bobbin* (November 1999), Judi Kessler, "Southern California: Transition takes hold," *Bobbin* (October 1998), and Judi Kessler, "How Mexico figures into the strategies of L.A.'s key players," *Bobbin* (October 1998). The United Nations Economic Commission for Latin America and the Caribbean has also adopted Gereffi's analysis in a recent report. See: *Foreign Investment in Latin America and the Caribbean: 1999 Report* (Santiago: United Nations Economic Commission for Latin America and the Caribbean, 2000

[2] These are described in more detail on the next page.

[3] Mexican Investment Board, *Mexico's Maquiladora Export Industry* http://www.infoamericas.com/OnLineLibrary/studies_guides/1999_Mexico_Maquiladora_Export.htm (August 1999).

[4] Judi Kessler, "New NAFTA alliances reshape sourcing scene," *Bobbin* (November 1999).

[5] Brenda A. Jacobs, "Regional pacts produce new trade patterns," *Bobbin* (November 1999).

[6] Imports and Exports by Industry, Industry Canada database, http://strategis .ic.gc.ca/sc_mrkti/tdst/engdoc/tr_ind.html. See Appendix One for a breakdown of apparel imports into Canada in 1993 and 1999.

[7] Examples of Canadian apparel manufacturers pursuing this strategy are Nygard International, Phantom Industries and Ballin Inc.

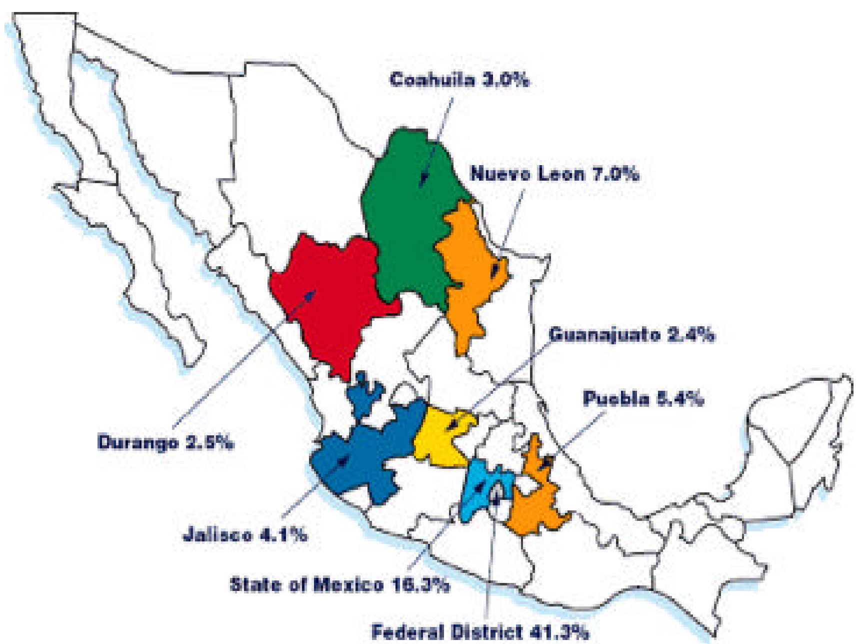
[8] David Hendricks, "Mexico's Industrial Parks," Expansion Management (September-October 1997).

in many cases, a labour force with less of a tradition of militancy.[9] These last two factors are less frequently mentioned by industry analysts.

Of the 4,200 maquiladora plants projected to be in operation in 2005, only 55 percent are estimated to be in cities near the US border.[10] Mexican government statistics on the apparel industry illustrate equal or higher percentages of gross production and employment in central and southern states, as in northern states.[11]

Figure 2.1

STATES WHICH CONCENTRATE 82% OF THE GARMENT'S GROSS PRODUCTION



Source: Bancomext, Mexican Textile and Apparel Showroom

Industry analysts talk about the emergence of regional clusters, often focused around a specific sector of the apparel industry. For instance, Hidalgo is considered an area specialized in men's wear; Aguascalientes in women's wear; and Puebla and La Laguna in jeans and other denim wear.[12]

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[9] Linda Diebel, "Lace, sweat and tears: Mexican women who sew Canadian lingerie are pawns in a ruthless game of trade," *The Toronto Star,* 12 March, 2000, B1, B3.
[10] David Hendricks, "More Than Just Child's Play," *Expansion Management* (March 2000).
[11] Mexican Textile and Apparel Showroom, "Textile and Apparel Exporting States." http://www.mexicanshowroom.com/state/state.html (March 2000).
[12] Judi Kessler, "How Mexico figures into the strategies of L.A.'s key players," *Bobbin* (Oct 1998), Judi

There has been a significant growth in textile and apparel industries in the state of Puebla. Exports in Puebla increased by 35 percent after the signing of NAFTA. Garment manufacturing has mainly been concentrated in Tehuacán and Texiutlan. According to López Malo Capelli, assistant secretary of Trade and Foreign Investment for the Puebla Economic Development Department, a large percentage of Mexico's jean exports to the United States come from the state of Puebla.[13] In Tehuacán alone there are an estimated 400 factories, 60 percent of whose production is centered on jeans.[14] This figure does not include the many underground garment workshops (talleres) present in Tehuacán.

Puebla has also seen increasing direct US investment in garment manufacturing. Tehuacán has attracted contracts for jeans production from big US labels like Guess, Levi's, Gap and VF Corporation, and some direct US investment in jean manufacturing by companies such as the California-based Tarrant Apparel Group. As well, many of the Mexican manufacturers in Tehuacán, who previously only produced for the Mexican market, are now producing major US brand-name products – Gap, Levis, Guess, Tommy Hilfiger – for export.

Textile production is also increasing in Puebla, particularly the fabrication of denim to support the jeans wear operations in the region. Parras, one of Mexico's largest textile companies recently purchased several denim-producing factories in Puebla. The US Tarrant Apparel Group, which operates several apparel facilities and a network of cutting and sewing contractors in Tehuacán, recently acquired a denim mill in Puebla, and is constructing a second mill in the same region.[15]

A MSN trip to Tehuacán in January 2000 confirmed the extent of the garment and textile boom, and its impact on the local population. On the positive side, employment opportunities had dramatically increased as a result of increased apparel production in the region. On the negative side, the imposition of maquila labour practices and the pressures that come with them appear to be having an enormous cultural impact on the young indigenous workforce and their communities. The environmental consequences of the concentration of large apparel factories in small communities, the excessive use of water, and disposal of factory waste are yet to be calculated.

Many young workers and their families move from small towns (*pueblos*) to live in the *colonias* on the outskirts of the city or in dormitories run by the large apparel groups.[16] A surprising number travel daily from their indigenous communities in the mountains surrounding the Tehuacán Valley to work in the maquila's in Tehuacán and the surrounding towns. We met some young people who travel up to four hours to work and back home every day.

Kessler, "New NAFTA alliances reshape sourcing scene," above note 4, Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," *Bobbin* (March 1998), and Mercedes Cortazar, "Puebla stands out in Mexican Manufacturing," *Apparel Industry Internacional* (March 1999).

[13] Mercedes Cortazar, "Puebla stands out in Mexican Manufacturing," above note 12.

[14] *Cross Border Blues: A Call for Justice for Maquiladora Workers in Tehuacán* (Chicago: National Interfaith Committee for Worker Justice, 1998).

[15] Judi Kessler, "How Mexico figures into the strategies of L.A.'s key players," above note 12 and Marilyn Murch, "Denim Days," *Investor's Business Daily* September 25, 1998, A4.

[16] We visited a downtown dormitory that had been converted from a hotel. The "centre" housed over 200 workers, brought mainly from one of the regions near Tehuacán. The center's coordinators made recruitment visits to several indigenous communities in the area to attract young workers.

Factory officials spoke glowingly of the full employment that currently exists in Tehuacán. However, interviews with workers and a local human rights group revealed that despite high employment levels, wages remained extremely low, and child labour is common.[17] Industrial homework and small underground factories called *talleres* (workshops) were also widespread.

Further south, the state of Yucatán has also experienced a major expansion in its export garment industry in recent years. Growth in Yucatán has involved significant investment in lingerie production. Large US and Canadian manufacturers, such as Vogue, Maidenform, Sara Lee Corp and Victoria's Secret, have established plants or are contracting out production to factories north of Merida.[18]

Industry observers argue that relatively underdeveloped regions like the Yucatán are attractive to investors because of the lack of pollution or concentration of industry found along the northern border, as well as, perhaps more importantly, the "lack of labour conflict."[19] A recent *Toronto Star* article pointed out that despite low wages and poor working conditions, there are no unions in the garment maquilas in Yucatán, and there have been no recent organizing attempts.[20]

The La Laguna region, which includes the cities of Torreón, Gomez Palacio and Ciudad Lerdo, along with several rural communities, and stretches across the states of Durango and Coahuila, is another growing apparel nerve centre. Although it has had a long history of garment manufacturing for the domestic market, export production has grown dramatically with the implementation of NAFTA. La Laguna is another important denim producing region, with 4.5 million pairs of jeans exported each week, many bearing major North American labels.

Shifting Production Patterns

For some industry experts, changes taking place in the La Laguna region pre-figure shifts that will impact Mexico's apparel and textile industry as a whole.[21] Before NAFTA was implemented, most apparel production in La Laguna was limited to apparel assembly in maquila factories. Pre-cut pieces were imported, often from the United States, sewn in maquila factories, and exported back to the US. Analysts argue that as a result of NAFTA, which removed the restrictions on domestic inputs and sales to the domestic market inherent in the maquila assembly for export model, the door is now open for US and Canadian investment in a more integrated production process.[22]

Since NAFTA came into effect, additional components of apparel production have been introduced in La Laguna. In addition to sewing, laundering and finishing are now regularly part of the Mexican

[17] The Tehuacán Human Rights Commission works with indigenous communities in Puebla. With the maquila boom in Puebla and the entry of many indigenous people into the maquila workforce, their human rights work has been extended to include labour rights issues.
[18] Linda Diebel, "Lace, sweat and tears: Mexican women who sew Canadian lingerie are pawns in a ruthless game of trade," above note 9.
[19] Ibid.
[20] Ibid.
[21] Gary Gereffi, the biggest proponent of the full package transformation in Mexico, and Martha A. Martinez recently completed a case study of the La Laguna region. See: Gary Gereffi and Martha A. Martinez "Torreon's blue jeans boom: Exploring La Laguna's full package solution" *Bobbin* (April 2000).
[22] Under NAFTA, apparel made of Mexican fabric and components, and assembled in Mexico can be exported to Canada or the United States without quotas, and eventually tariff-free.

operation. More recently some cutting and distribution are being carried out in the region. Many manufacturers and their retailer clients seem to be moving towards a "full package" production model[23] and away from the traditional maquila assembly model.

When showcasing full package production, industry analysts have referred to developments in La Laguna. However, this shift in production may not be restricted to this region. Developments in the state of Puebla discussed above also reflect this trend. Statistics for apparel production in Mexico as a whole indicate a growing percentage of full package production. While 82 percent of Mexico's exports to the United States in 1997 were maquila exports,[24] industry analysts point out that full package exports to the United States doubled between 1994 and 1997, growing from nine to 18 percent.[25]

Textile Cities and "Vertical Integration"

Some industry observers see this trend extending to textile production, pointing to the growing number of American textile manufacturers setting up mills in Mexico or establishing joint ventures with Mexican companies.[26] Many of these mills have begun to establish relationships with apparel suppliers or are creating their own full package apparel lines.

One aspect of this process has been the development of what are referred to as "textile cities," industrial parks where textile and apparel manufacturers are carefully integrated.[27] The Nustart industrial park in Cuernavaca, for example, was set up to "create clusters of like industries" with textile and apparel producers. Nustart is the initiative of the US textile company Guilford Mills, and is a joint venture with three other American and Mexican mills, in conjunction the Mexican state and federal governments. Similar "textile cities" are being planned in locations across Mexico.[28]

Trade liberalization under NAFTA is not the only impetus for changing production patterns in Mexico's garment export industry. Analysts also point to the movement away from manufacturing by brand-name apparel companies as a factor in the move toward more full package production patterns. Major US brand-name manufacturers or "branded merchandisers" such as Levis and Guess are increasingly outsourcing production, and concentrating on design and marketing. At the same time, retailers such as Wal-Mart, Sears Roebuck, and Canada's Hudson's Bay Company, are concentrating

[23] Full package refers to production that includes the acquisition of raw materials, cutting, sewing, laundering, finishing and distribution.
[24] Brenda A. Jacobs, "Have CBI nations found a full package opportunity?," *Bobbin* (July 1998).
[25] Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," above note 12. The national apparel association in Mexico, Camara Nacional de la Industria Vestido (CNIV), estimates that the number of full package plants in Mexico will increase 15-20 percent in the next two years, and that full package exports will increase 40-45 percent in the same time frame. See: Susan S. Black, "Life after NAFTA," *Bobbin* (May 1999).
[26] Jules Abend, "U.S. Mills Move South," *Bobbin* (November 1999), Gordon Kearns, "Building Business in Mexico," *Canadian Apparel Magazine* (January/February 1999) and Kurt Salmon Associates,*Textile Transactions and Trends: Perspectives on Mergers and Acquisitions in the Textile Industry*, Summer 1999.
[27] When textile and apparel production are controlled by the same company, this is referred to as "vertically integrated" production.
[28] Gordon Kearns, "Building Business in Mexico," above note 26 and "Material Gains: Mexican textile industry is healthy and has a bright future in terms of growth," *Business Mexico* (September 1997).

on their "private label" lines.[29] Since most retailers do not own or operate manufacturing facilities and typically outsource most manufacturing, industry analysts argue full package production is more attractive to them than maquila assembly, since it requires less detailed coordination. With full package production, responsibility for fabric sourcing, cutting, packaging and other manufacturing processes is shifted from the retailer to the supplier.[30]

But Where Does Asia Fit In?

To date, Asian countries such as Hong Kong (now part of China), Korea and Taiwan have dominated full package production for brand-name apparel manufacturers and retailers, through the development of sophisticated full package sourcing networks. However, Gereffi and the industry observers who have adopted his analysis believe that Asia is slowly losing its dominance in this sector and in the global apparel industry as a whole, and that Mexico will become increasingly important for US manufacturers and retailers.

Gereffi describes a restructuring in the Asian garment industry resulting from increases in intra-Asian trade, rising wages, currency fluctuations and industrial upgrading.[31] Another key factor in Asia's decline is simply distance, and thus turn-around time for orders. Industry analysts argue that increasing pressure from retailers for faster delivery of manufactured goods has made production in Asia less feasible, even with new technology and reduced transportation times, and that retailers and manufacturers are instead choosing to source closer to their markets.[32] Analysts believe that Mexican suppliers who can provide retailers with the full package contracts typically sourced in Asia, will be able to offer faster delivery times than their Asian counterparts and can thus form more profitable and long-term alliances with retailers than other Mexican suppliers.[33]

The Asian economic crisis of the 1990s has also played a role in these shifting production patterns. Asian currency devaluations led to a flood of cheap textile imports into North America with the result that large American textile mills found it difficult to compete. Thus, US textile manufacturers, concerned about the effect of future quota phase-outs that will allow more Asian textile imports to enter the North American market, are responding by shifting production to Mexico to take advantage of low labour costs and NAFTA's incentives.[34]

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[29] As discussed in Section One, private labels, which are brands designed and marketed by retailers, are gaining popularity and market share.

[30] Gary Gereffi and Martha A. Martinez, "Torreon's blue jeans boom: Exploring La Laguna's full package solution," above note 21.

[31] Gereffi writes that there has been a sharp decline in Asian apparel exports to North America and to Western Europe between 1984 and 1996, alongside an increase in intra-Asian trade in apparel. See Gary Gereffi, "International trade and industrial upgrading in the apparel commodity chain," *Journal of International Economics 48* (1999).

[32] Susan Chang Egan and Debbie Steinhoff, "China's WTO entry: Who wins? Who loses?," *Apparel Industry Magazine* (March 2000), *Production Sharing: Use of U.S. Compnents and Materials in Foreign Assembly Operations, 1991-1994* (Washington: United States International Trade Commission, 1996), p 2-2, and Kurt Salmon Associates, *Textile Transactions and Trends: Perspectives on Mergers and Acquisitions in the Textile Industry,* above note 26.

[33] Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," above note 12, and Gary Gereffi and Martha A. Martinez, "Torreon's blue jeans boom: Exploring La Laguna's full package solution," above note 21.

[34] Under NAFTA, there has been a reduction and elimination of tariffs on textile products made in Mexico, with North American yarn and exported to the United States and Canada, as well as an

Mills like Guilford hope to entice smaller apparel manufacturers to follow them to Mexico, setting up facilities like Nustart to facilitate their relocation.[35] And by developing their own apparel lines, industry experts argue, other textile mills like Burlington and Galey and Lord are attempting to capture a piece of the full package production market themselves.[36] The fact that domestic textile production has historically been relatively weak in Mexico is facilitating this US entry.

It is important to note that in light of these trends, Gereffi predicts that the new sourcing chains established between the United States and Mexico, will be coordinated by US agents. He argues that US actors in the fibres, textile, apparel and retail industries are all vying for the top position. Other analysts agree that the nerve center for the North American apparel industry will remain in the United States, and predict it will be either located in the Southeast, with textile giants as coordinating agents, or Southern California, with mid- to large-sized apparel manufacturers and designers as coordinating agents.[37]

What Does it Mean for the Workers?

What is the impact of these shifting production patterns for working conditions and opportunities for worker organizing in the apparel sector? In their April 2000 case study, Gereffi and Martinez describe the shift from maquila to full package assembly as "empowering" for Mexico and for Mexican workers.[38] They argue that the addition of new and more value-added components to the production process, introduced in La Laguna for example, have resulted in an increase in wages in the region.[39] Gereffi and Martinez argue that full package production requires higher investments by manufacturers, a trend other industry observers have documented since the advent of NAFTA.[40] In relation to and parallel to this trend, according to Kessler, US retailers are forming more established relationships with their suppliers, and narrowing the range of suppliers they deal with.

The combination of these two trends could lead to more fixed and longstanding investments in particular facilities, which could in turn make it less easy for companies to "take flight" in the face of worker resistance and organizing.

On the other hand, while arguing that wages alone are not the determining factor in sourcing decisions, Gereffi and Martinez acknowledge that the possibility of production shifts to lower-wage countries continues to exist. They write, "Despite the relatively low wages of the La Laguna apparel industry, some US companies already are beginning to look for alternative manufacturing sources in the lower-cost areas of the world where there is less competition for labor. Still the transformation of

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elimination of quotas for these products. In addition, apparel sewn in Mexico, with Mexican-formed fabric, can also be exported quota- and ultimately, duty-free to the United States or Canada.

[35] "NuStart; Hayes' dream becomes reality," *Textile World* (October 1998).

[36] Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," above note 12.

[37] Judi Kessler, "New NAFTA alliances reshape sourcing scene," above note 4.

[38] Gary Gereffi and Martha A. Martinez, "Torreon's blue jeans boom: Exploring La Laguna's full package solution," above note 21.

[39] According to Gereffi and Martinez, wages in La Laguna have been increasing steadily since 1994, and are currently 1.5 times the Mexican minimum wage. He also claims that workers also can increase their wages by three times this amount through productivity bonuses. Ibid.

[40] Judi Kessler, "New NAFTA alliances reshape sourcing scene," above note 4.

La Laguna into a full package player promises to help the region maintain its position as a major jeans wear hub, despite the potential exodus of some clients or a reduction in order volume."[41]

Gereffi and Martinez argue that the growing role of large American garment and textile firms in Mexico could have positive impacts for workers, citing the existence of corporate codes of conduct and the pressure large firms sourcing from Mexico are currently facing to live up to their codes.[42] However, there is considerable evidence that few workers are aware of the existence of codes or the rights they contain, and that monitoring and enforcement remain problematic. In our interviews with workers in the Tehuacán area, for example, we did not find a single worker who had even heard of codes of conduct, despite the fact that all of the workers we interviewed were making jeans for major US brands, almost all of which have codes of conduct.[43]

To date there is no evidence to suggest that growing employment and/or changing production patterns have thus far resulted in increased worker organizing. Even Gereffi and Martinez, who believe that changes to full package and vertically integrated production will benefit workers and communities, admit that, "union representation and collective bargaining have almost disappeared in La Laguna."[44]

The Coahuila government website confirms this observation, advertising one perk of La Laguna as the fact that it is a "right to work" area, where "companies have the option of hiring either union or non-union labor." Gereffi and Martinez argue however, that despite the absence of unions in the region, workers do have significant bargaining power, due to the high demand for labour and high labour mobility. They believe that by moving from one company to another fairly often, workers can bargain for small wage increases, transportation, free lunches, educational classes, raffles and prizes.[45]

We remain less optimistic than Gereffi and Martinez. Again, our interviews with workers in Tehuacán indicate that despite full employment and the fact that workers often move from one factory to another when they are dissatisfied with conditions, wages remain extremely low.

More research needs to be done to document the perspective of workers and labour rights advocacy groups. In collaboration with these groups, we plan to investigate in more detail what changes are occurring in the forms and organization of production in different garment centers in Mexico. Is the trend toward full package and vertically integrated production notable, and if so, in what regions? How are the changes taking place impacting wages and working conditions, and the ability of workers to negotiate improvements. Do workers and their advocates see these developments as opening up new opportunities for worker organizing?

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[41] Gary Gereffi and Martha A. Martinez, "Torreon's blue jeans boom: Exploring La Laguna's full package solution," above note 21.
[42] Ibid.
[43] This mirrors research undertaken by women's groups in Asia and Central America. In 1999, in workshops with over 500 Central American women maquila workers, only two had heard of codes of conduct. None of those involved in the workshop had any idea of how codes worked and how they might be used as tools to improve working conditions in the factories where they worked.
[44] Gary Gereffi and Martha A. Martinez, "Torreon's blue jeans boom: Exploring La Laguna's full package solution," above note 21.
[45] Ibid.

A related question which we also believe would be worth further exploration is whether codes of conduct of US companies sourcing from Mexico's new garment centres could be used as educational tools as part of worker organizing drives and/or to pressure brand-name North American companies sourcing from the factories to ensure that workers' rights are respected. For instance, there are some examples of codes being successfully used in solidarity campaigns in the US and Canada to win the reinstatement of workers who were fired for union organizing in Central America and Asia.[46] Codes have also been used in Central America and the Philippines as part of worker rights training.[47]

Trade Liberalization: From NAFTA to CBI and the FTAA

NAFTA has clearly had a profound impact on apparel production in Mexico. With the eventual elimination of tariffs and quotas, apparel exports to Mexico's two NAFTA partners are increasing dramatically. As we discuss above, one popular perspective among US industry analysts argues that NAFTA has resulted in a change the nature of apparel production in Mexico, away from maquila assembly toward full package production. This school of industry analysts claims that by opening up the Mexican economy, NAFTA has forced Mexican suppliers to improve the quality of production in order to be able to meet the stringent demands of the US market. They believe that resulting joint ventures teaming up Mexican capital with US manufacturers have helped Mexican suppliers improve weak segments of their garment and textile industries.

Very little is said by industry analysts about whether NAFTA has resulted in improved wages or working conditions for Mexican garment workers. In fact, despite increased investment in garment export production, changes in how production is organized, and supposed improvements in production practices and quality, maquila production workers in the garment sector saw their average real incomes (including bonuses and other indirect wages) decrease from US$1.65 per hour in 1993 to $1.05 in 1994. While real incomes regained some ground by 1998 reaching $1.51 per hour by 1998, they are still lower than what workers were paid before NAFTA came into effect.[48] There is no evidence that working conditions or respect for worker rights have improved in that same period.

Under NAFTA, changes will be brought into Mexico's maquiladora program starting in 2001, that could further affect current production and sourcing patterns in Mexico, and in turn, working conditions and wages of Mexican workers.

Currently, under the Mexican maquiladora program, manufacturers can import raw materials from any country into Mexico without paying duty, provided the manufactured goods are in turn exported.

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[46] Important examples are campaigns against the Gap and Liz Claiborne in El Salvador.

[47] MSN report of the Labour International Development Committee forum *Codes of Conduct and Monitoring, Where's the Common Ground for Unions and NGOs?* Toronto, March 1, 2000.

[48] Jorge Carrillo and Kathryn Kopinak, "Empleo y Relaciones Laborales: Las Maquiladoras en Mexico," paper presented to a seminar "Changes in Labour Regulation as a Consequence of Globalization," Mexico City, March 4-5, 1999. An alternative approach worthwhile exploring would be to examine wage changes other than through a comparison based on the US dollar. For example, through by assessing purchasing power or the capacity of a wage to meet basic needs. The MSN is involved in an project, coordinated by the Coalition for Justice in the Maquiladoras to document the purchasing power in 11 Mexican border cities. The results, which will be published in early 2001, will provide crucial additional information on the effects of NAFTA on real wages.

In 2001, these duty exemptions will be restricted or removed for manufacturers importing materials from non-NAFTA countries and exporting to the United States or Canada. At the same time maquila assembly plants will no longer face restrictions on producing for the domestic market, and 100 percent of their production can be sold in Mexico.

Analysts have predicted a number of outcomes from these changes. Some have argued the maquiladora industry will disappear in Mexico. However, others point out that maquila assembly for markets other than Canada and the United States will not be affected be these changes, and there is no reason why this production should stop. As well, they argue that incentives for maquila assembly in Mexico will still remain for manufacturers producing for North America, using non-NAFTA originating inputs after 2001, despite the end of duty-free treatment. Some incentives include a deferral of import duties, duty reductions on machinery imported into Mexico, and more streamlined customs procedures under the maquiladora program.[49] At the same time however, analysts predict that some manufacturers will change the source of their materials to North American suppliers. An ILO report writes that companies are already "shifting the production of components and materials from other locations, mainly Asia, to North America, mainly Mexico."[50]

As restrictions for maquila manufacturers access to the Mexican domestic market are lifted, analysts predict that companies will expand their Mexican sales. A USITC study showed that several Canadian owned maquiladoras in Mexico, planned to increase sales to the Mexican market or other maquiladora operations after 2001.[51] The ILO report warns that in this new environment, non-maquila Mexican manufacturers will have "virtually no protection and will either have to adapt their operations or fail in the new maquilized environment. Survival will likely entail entering into some kind of an alliance with foreign capital for access to technology and intermediate inputs."[52]

Before the implementation of NAFTA, several Caribbean Basin (CB) countries held a higher share of the US market than Mexico for apparel imports. Since NAFTA's signing, industry analysts argue, "the growth of Caribbean exports has slowed at the same time Mexico's garment trade has boomed."[53] The CB countries that have experienced significant growth in this period have been those with low wages such as Honduras, Guatemala, El Salvador, Haiti and Nicaragua. Higher wage countries, such as the Dominican Republic, Costa Rica and Jamaica, have had flat or declining exports.[54]

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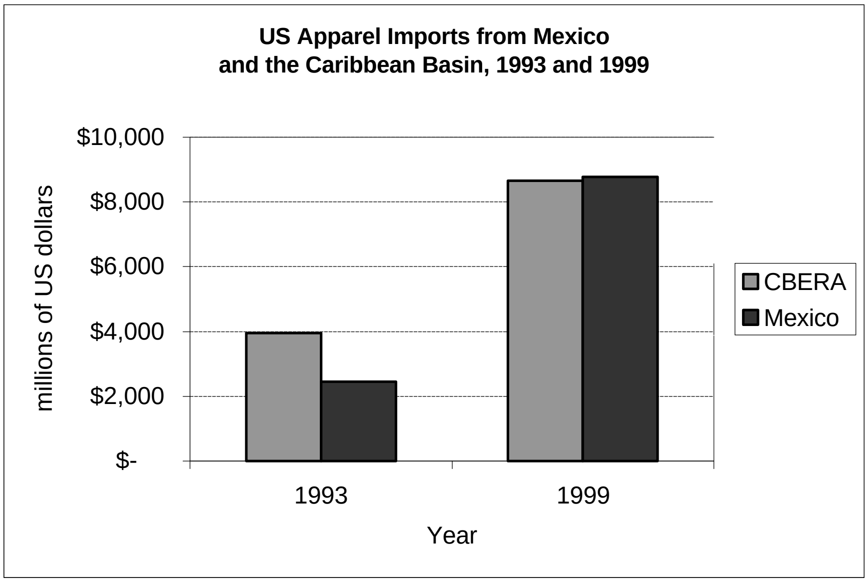
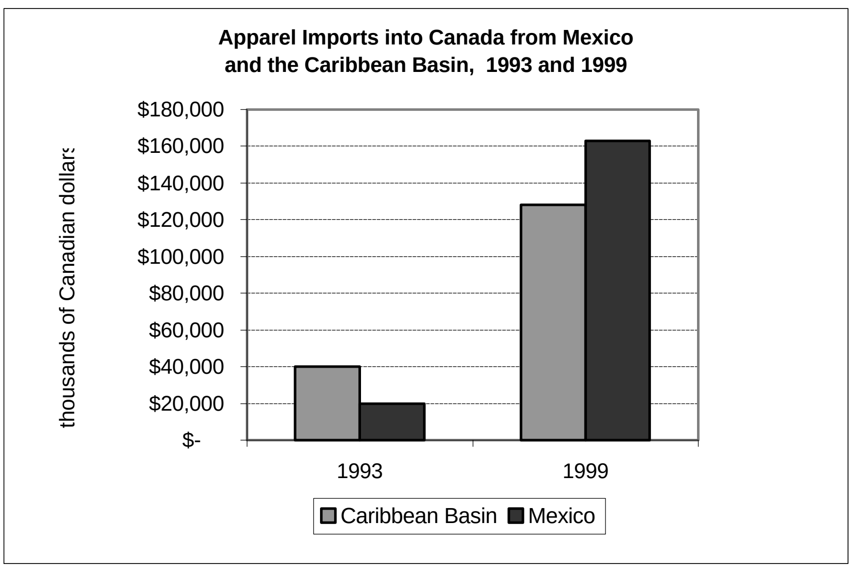
[49] Carlos Angulo-Parra, Edmundo Elias-Fernandez and Carol S. Osmond, *Mexico: Maquiladoras and NAFTA Beyond 2000* (US National Law Centre for Inter-American Trade,1996).
[50] Bruce Campbell et al., *Labor Market Effects Under CUFTA/NAFTA* (Geneva: ILO Employment and Training Papers, 1999).
[51] Ruben Mata, "Canadian Involvement in Mexico's Maquiladora Industry," *Industry, Trade, and Technology Review* (June 1998).
[52] Bruce Campbell et al. *Labor Market Effects Under CUFTA/NAFTA,* above note 50.
[53] Mimi Whitefield, "What Mexico has, Caribbean wants," *Miami Herald*, 7 April, 1997.
[54] Ibid. See Figure 3.1 and 3.3 in Section Three: Caribbean Basin for an updated breakdown on the growth in apparel exports across the region.

Figure 2.2



Source: United States International Trade Commission

Figure 2.3



Source: Statistics Canada

It is therefore not surprising that Caribbean Basin countries have been pushing for parity with NAFTA. The Caribbean Basin Initiative Bill passed this year by the US. House of Representatives and Senate, brings the 27 CB countries closer to this aim. The CBI legislation eliminates tariffs and quotas for certain types of apparel sewn in CB countries.[55] While experts differ on their assessment of the Caribbean Basin's full package capabilities, it is clear that manufacturers there are pushing to

[55] See Section Three: The Caribbean Basin

develop their capacity in this area. CB countries have about the same proximity to North American markets as Mexico, and -- some argue -- more access to the water supplies necessary for vertically integrated production. [56]

Though not as "liberalizing" as an early proposed piece of legislation, the trade enhancement bill that was approved for the CB region could have an impact on the boom Mexico's garment industry is experiencing. Many industry analysts with a focus on Caribbean Basin countries report that CB manufacturers believed such legislation would lead to a flood of US investment in the region. Nicaraguan-based manufacturer Mack Gale was quoted as saying, "I think you are going to hear a giant sucking sound out of Mexico."[57]

However, since the bill was passed, other industry experts have been quoted as saying that while some apparel production will be diverted to the Caribbean Basin from Mexico, most growth in the CB countries will come at the expense of Asian sourcing and production for the US market.[58]

A second free trade agreement now under negotiation is the FTAA, which could apply to the entire Western Hemisphere as early as the proposed date of 2005. Some industry analysts argue that regional trade agreements, such as NAFTA, and potential future trade agreements, like the CBI or FTAA, are proving to be more significant in the global garment industry than the agreements and decisions coming out of multi-lateral trade negotiations (in which most countries around the world are involved).[59]

However, other analysts warn that multi-lateral developments, such as the Agreement on Textiles and Clothing (ATC), should not be ignored, and predict that Asia will remain an important apparel region for some time.[60] Under the ATC, which replaces the Multi-Fibre Agreement, the apparel and textile quota system will be phased out by the year 2005, allowing unrestricted access to Western markets for Third World suppliers. There is much speculation on how this will affect the current patterns of apparel and textile production, particularly the advantages that may be accrued by Asian countries like China.[61]

While NAFTA has encouraged increased investment and employment in Mexico's garment export manufacturing sector, it has not resulted in improvements in wages and working conditions or increased space for worker organized. It is therefore unlikely that new regional trade agreements and

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[56] Jacobs argues that the Caribbean Basin has a higher potential for full package production than Mexico. See: Brenda A. Jacobs, "Have CBI nations found a full package opportunity?," *Bobbin* (July 1998). Gereffi argues that the Caribbean Basin is much weaker than Mexico when it comes to full package production. See: Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," above note 12.
[57] Lisa C. Rabon, "Full Package: Central America's Stand," *Bobbin* (April 2000). See Section Three for a more detailed analysis of the legislation.
[58] Susan Black, "In Praise of Parity," *Bobbin* (September 2000).
[59] Brenda A. Jacobs, "Regional pacts produce new trade patterns," above note 5.
[60] Shawn Meadows, "WTO, CBI negotiations heat up," *Bobbin* (January 2000).
[61] Susan Chan Egan and Debbie Steinhoff, "China's WTO Entry: Who wins? Who loses?," above note 32, Jule Dufort and Bertrand Nadeau, *The Quèbec Apparel Industry Since the Introduction of the Free Trade Agreement* (Quèbec: Direction des Communications, Quèbec Industrie et Commerce, July 1999) and U.S. International Trade Commission, *Industry and Trade Summary: Apparel* (Washington: Office of Industries:1999).

the phasing out of quotas and lowering of tariffs at the international level will offer tangible benefits for Mexican garment workers. While trade liberalization will provide Southern countries with greater access to North American and European markets, we fear that it will also accelerate the race to the bottom between Southern countries on wage levels, health and environmental standards, labour flexibilization, and work intensification.

Surveying Garment Maquila Workers

It is clear that more consultation and research by and with workers and their advocacy groups is necessary before the questions raised in this report can be answered. In order to test whether the changes in the Mexican garment for export industry described by Gereffi and other industry analysts are having an impact on Mexican garment workers and their communities, the MSN has been posing a series of questions to grass roots women's and labour rights groups working with maquila workers in the new garment export production centres. We are continuing to consult with those groups on whether these changes are occurring in their workplaces and communities, and, if so, what consequences they are having for workers. The next stage in our research will be carried out in collaboration with those groups.

POST SCRIPT: CONSULTATION WITH WORKERS

The preceding report, *Growth and Change in the Garment Maquila Sector: What Does it Mean for Workers?* was prepared and translated into Spanish as a tool to help initiate a consultation with Mexican workers and labour rights groups. Industry analysis by North American experts is rarely translated into Spanish, and seldom, if ever, made accessible to Southern worker advocates and organizers. Understanding trends and developments in the industry, however, can be important for effective organizing and advocacy, both in determining targets and objectives, and predicting future trends that will affect workers.

The report was also written in order to obtain crucial information from organizers and workers. We wanted to know whether they were witnessing the trends and developments outlined above, and if so, whether they felt that these changes might lead to improved working conditions and offer organizing potential.

This discussion paper was distributed to workers groups and workers at the annual meeting of the Coalition for Justice in the Maquiladoras (CJM) in Tijuana in May 2000. During the CJM annual meeting, MSN facilitated a round table discussion of garment sector workers present at the meeting, using the paper as the basis for that discussion. Garment workers from Coahuila, Baja California, and Reynosa shared their experiences working in maquilas. The analysis presented in the discussion paper was new to the workers and advocates with whom we spoke, although all had noticed increasing numbers of garment factories in their cities and regions. Many also realized that there were also increasing numbers of laundering and distribution facilities.

The most common workplace problems raised by worker participants in the workshop related to the poor health and safety conditions in their factories. Many had experienced injuries from the machinery they operated. Long hours and poor wages were also reported.

Some workers were producing items bound for the North American market, while others were not. Only one worker had knowledge of a code of conduct in her factory. She was interested in doing more work around the code, but reported that there was no telephone number listed on the code posted in her factory to report labour violations. This worker, and several others were involved in union organizing.

Since the CJM meeting, MSN made follow-up contact with participants in the garment sector discussion, linking them to MSN resources and establishing the basis for an ongoing relationship. We have also been following up with key contacts with groups in Tehuacán, Torreón and Tijuana about the questions raised in the report. This ongoing consultation will inform and provide the base for a larger research and consultation project that will be initiated in the fall, with partial support from the IDRC. We anticipate that most of the research in this second phase of the project will be carried out by local Mexican labour rights advocacy groups. We are working closely with the Mexican Women Maquila Workers Network on this initiative.

QUESTIONS: [62]

Have you observed increasing numbers of apparel or textile manufacturing firms in your region?

Do you see a shift towards different types of production (more cutting, finishing, laundering, distribution, textile production) in your region?

If so, do you think these changes had a positive or negative impact on working conditions, for example on wages, hours of work, relations between workers and management, etc?

Have you observed manufacturers forming more long-term, stable investments in your region? For example, are foreign companies investing directly in garment and/or textile production, rather than just contracting with Mexican firms to do that production? Are they investing in other stages of production in addition to assembly? Are they investing in technology and worker and management training?

Do you believe that changing production, investment and sourcing patterns open up new possibilities for worker organizing? For example, will higher investment in more integrated and permanent production facilities mean that investors will be more reluctant to close plants and flee to other locations when workers attempt to organize?

Do you see any potential for using codes of conduct of North American brand-name companies sourcing from Mexican garment factories as part of worker rights training and/or campaigns in defense of worker rights? Are workers aware that codes of conduct exist and what they are for?

How do you think future trade deals like the CBI and FTAA will impact production and wages and working conditions in your region? For example, if NAFTA is extended to Central America and the Caribbean or to the entire hemisphere, what will Mexico do to compete with other countries and encourage continued investment in the garment for export industry in your country?

Are home-based work and small sewing workshops common in your region? Has this type of production increased in the last couple years? Is this work sub-contracted from the larger factories? Is this form of production primarily for the domestic or export market?

Are you noticing any differences in the percentage of women and men working in garment factories and or doing homework? Some statistics indicate that an increasing number of men are now working in the garment industry? Have you seen this in your region? Are men increasingly doing work traditionally done by women, such as sewing, or do they remain concentrated in traditionally male areas of work?

[62] The MSN adapts these questions to a more popular format and geared to the specific realities of the groups who are using them.

B. CANADIAN INVESTMENT IN MEXICO

Although there have been significant job losses in the Canadian apparel industry since the late 1980s, there has been relatively little research and analysis on whether Canadian apparel manufacturers have shifted some or all of their production to Mexico. This is in contrast to the plethora of articles profiling the shift in production by US textile and apparel manufacturers to the maquila factories in the northern border region of Mexico and increasingly to the garment centers in the interior. US apparel investment in Mexico increased dramatically after the signing of NAFTA. And, as illustrated earlier in this section, much of the apparel boom in Mexico is fueled by the production of US brand-name labels, sewn and exported back to the United States.

A recent report from the Mexican Trade Office based in Ottawa shows that Canadian investment as a whole in Mexico has more than tripled from $653,000 in 1993, to over $2 million in 1999.[63] Canada is now the fourth largest direct investor in Mexico. In terms of manufacturing, the most significant and fastest growing Mexican exports to Canada are auto parts and electronics.

According to the Mexican Trade Office, apparel has not become a significant Mexican export to Canada, nor have Canadian companies made significant investments in apparel manufacturing in Mexico. However, as we indicated in Section One of this report, Canadian apparel imports from Mexico have increased at a faster rate than any other country in the last six years.

An examination of the Canadian apparel industry reveals that since the implementation of NAFTA, several prominent apparel manufacturers have established facilities and/or contracted production in Mexico. This strategy seems particularly important for manufacturers exporting to the United States, since they are in direct competition with US firms investing in and sourcing from Mexico. Under NAFTA's terms, Canadian manufacturers can produce apparel with low costs in Mexico, and sell the final product on the US market duty and quota free.

Government sources tend to underestimate Canadian links with garment production in Mexico. This is because Canadian apparel produced in Mexico for the US market does not appear in Canadian import figures, and because Canadian apparel produced by Mexican contractors for the US market does not appear in Mexican figures on foreign investment. It is also worth noting that this information is much more difficult for researchers to obtain.

Nygard International is a good example of a Canadian apparel manufacturer investing in and sourcing from Mexico. Nygard is the largest and most successful women's wear manufacturer in Canada. It is also a leader in the industry in incorporating information technology into apparel production. Vogue Brassieres is an example of a Canadian manufacturer that closed down unionized factories in Canada and shifted production to a low-wage area of Mexico with a weak tradition of labour organizing and worker militancy. A case study on Nygard as well as information on Vogue appear at the end of this section.

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[63] Mexican Trade Office, Secofi-Nafta, Ottawa, *NAFTA Works for Mexico-Canada Trade 1993-1999.* http://www.nafta-mexico.org/mexico-c.htm (April 2000).

Both Nygard and Vogue are examples of large apparel manufacturers that have taken advantage of NAFTA's preferential terms to produce in Mexico primarily for the US market, and secondarily for the Canadian market. Other large Canadian manufacturers that have initiated production in Mexico are Phantom Industries, Gentle Fit Lingerie, Western Glove Works, Ballin, Canatex, Pimlico Apparel, and Canadelle.

Phantom Industries is a lingerie and hosiery manufacturer that produces the Silks brand name, and has contracts to produce other licensed labels. Phantom products are available at Sears, the Bay and specialty stores across Canada. In 1998, Phantom opened a $4 million swimwear plant in Morelos, Mexico. The plant employs 250 people, and is located in the Nustart textile city in Cuernavaca.[64]

Nustart was initiated by American textile firms wanting to expand to Mexico and provide a venue for their small North American apparel manufacturer customers to follow. One of Phantom's major suppliers, Dupont, played a role in financing the industrial park. Not only did Phantom receive financial assistance from Bancomext, the Mexican foreign trade bank, for setting up operations in Mexico, it would have had little start-up responsibility within Nustart, which according to one apparel industry magazine, provides the land, builds the infrastructure, services the properties, screens the builders and suppliers, and helps locate and train employees.[65]

It appears that Phantom's main reason for expansion in Mexico was higher wage rates in Canada. "[S]ince we started making swimwear lines three years ago, our swimsuit production has zoomed to $20 million a year in sales!," says Phantom CEO Ronnie Strasser. "To meet the demand, we've had to out-source about 50 percent of the production to contractors in Toronto and Montreal, and frankly, we've found this route a little too 'pricey.'"[66] Mexico's labour costs are apparently more in line with Strasser's expectations than homeworkers and unregulated contract shops in Montreal and Toronto. Phantom exports 90 percent of its production to the United States, and sells its "It Figures" swimwear in stores across the US.

Another large Canadian manufacturer that has made the move to Mexico is Western Glove Works. The company has contracts for the production of Anna Sui, Gap International and Club Monaco labels, as well as the Canadian production of Calvin Klein jeans.[67] They also manufacture their own Silver Jeans label. Owner Bob Silver cites similar reasons as Phantom for the companies move to Mexico. "Labor is our number one constraint" he says of a Manitoba workforce, which already includes workers from India, Laos, the Philippines, Ukraine, Vietnam and Yugoslavia.[68] In addition to

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[64] Gordon Kearns, "Building Business in Mexico," above note 26.
[65] Ibid.
[66] Ibid.
[67] Chris Bynum, "Fancy Pants in its Latest Incarnation, Basic Blue Denim Gets Gussied Up," *Times-Picayune* Nov. 2, 1999, "Making it Modular," *UNITE in Action National Union Newsletter* http://www.unite-svye.org/En?UNITE_in_ACTION/Archives/Modular/modular.html (June 2000), Myron Love, "Silver Jeans does Big Business with a different kind of Marketing Strategy," *Canadian Apparel Magazine* (March-April 1999).
[68] James Brooke, "Despite Manitoba's Labor Gap, Indians Go Jobless," *New York Times*, December 25, 1999.

apparel production, Western Glove Works provides assistance and coordination of foreign sourcing for companies interested in producing private label apparel.[69]

Labour costs also prompted Gentle Fit Lingerie of Montreal to establish production in Ixtlauaka, north of Mexcio City where the company says labour costs are “less...much, much less [than in Canada].” Gentle Fit has launched a joint venture to produce private label apparel for Victoria’s Secret. All of their Mexican production is for the US market.

Ballin, which according to its website is the leading manufacturer of men’s dress slacks in North America, has also established at least one plant in Mexico, in addition to its two Quebec facilities.[70] Like Phantom and Gentle Fit Lingerie, the United States is an important market for Ballin labels. The company has close associations with several American retailers, including Nordstroms, Sak’s Fifth Avenue and Dayton Hudson.

Production for the US market, whether it be of American or Canadian labels, appears to be an important trend for Canadian companies that have shifted production to Mexico. A final example is the Canadian manufacturer Canatex-Trimex, which is working with the Mexican Bancomext office in Vancouver to expand its production in Mexico to eight plants in Hidalgo.[71] According to the Bancomext office, the Mexican plants will produce Tommy Hilfiger and Phillips-Van Heusen private label apparel for the United States.[72]

Manufacturers like Koret Canada and Janzten Canada in Vancouver have cut jobs in Canadian facilities and increased production in Mexico as a result of US initiated restructuring. Koret was acquired by the US multinational apparel company Kellwood in December 1998. Since then Koret’s operations in Vancouver have been downsized by over two thirds. According to Vas Gunaratna at the UNITE BC office, Koret is in the process of selling most of its North American facilities, and moving production offshore to Mexico and other countries.[73] Jantzen, the subsidiary of another US multinational, VF Corp, closed its large plant in Vancouver that employed 350 people, and moved to a maquiladora in Mexico.[74]

To date, it appears that only large and mid-sized manufacturers have been setting up facilities in Mexico. More research needs to be done to determine the extent to which smaller manufacturers are contracting production in Mexico, or establishing plants themselves. Labour costs and the potential for sales in the US market appear to be the draw for those Canadian manufacturers who have made the move to Mexico. While further research is needed to document the labour conditions that exist in

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[69] Industry Canada, C*anadian Company Capabilities*.
[70] Ibid.
[71] Trade Commission of Mexico in Vancouver, “Sector ‘Textile and Apparel (investment and trade)’,” In *Strategic Plan for the Year 2000,* http://www.mexico-trade-van.com/program.asp (April 2000), Trade Commission of Mexico in Vancouver, “Apparel: Canadian Investment, Mexican Factory and Then The Big Apple....,” In *Success Stories,* http://www.mexico-trade-van.com/successdesc.asp?Story=7 (April 2000), and “Corporate News: Canadian apparel firm expanding in Mexico,” *El Financiero Weekly International,* December 6, 1998.
[72] Interview with Jose Andrade, Bancomext Vancouver, May 2000.
[73] Interview with Vas Gunaratna, UNITE BC, May 2000.
[74] Ibid.

the facilities of the manufacturers profiled, managers' emphasis on low wages, as well as the fact that production is primarily for the US market, indicate that Canadian facilities will likely mirror the conditions documented in factories of their US competitors.

Table 2.1 Canadian Apparel Investment in Mexico

Company/ Parent company	**City/ State/ Start up date**	**Products/ Labels**	**Number of Plants/ Number of Employees**
Vogue Dessous, Vogue Brassieres Inc.	Merida, Yucatán (1992) Tizimin, Yucatán (1998)	bras: Vogue Dessous, Victoria's Secret, Banana Republic, Federick's of Hollywood	1 plant in each state, 600 employees
Trimex-Canatex, Richlieu Knitting	Hidalgo (1996)	t-shirts: Tommy Hilfiger, PVH	5 plants, 3 more under construction, 800 employees
Phantom Industries	Cuernavaca, Morelos (1998)	swimwear:	1 plant, 350 employees
Ballin		men's and boy's pants and shorts: Ballin, Fellini, Mr. Leggs, Pierre Cardin, Ungaro Bertini, Cabriolet	
Canadelle, Sara Lee		Bras: Wonderbra, Playtex, Daisyfresh, Hanes Her Way, Just My Size and Ralph Lauren	
Nygard International	Torreón, Coahuila, Mexico City, and Hidalgo (contracted production) reported to be opening facilites in: Guadalajara, Jalisco, Guanajuato and Morelos	women's wear: Tan Jay, Alia	
Gildan Activewear	reported to be opening a facility in Northern Mexico	t-shirts: Gildan Activewear	
Gentle Fit Lingerie	Ixtlauaka	lingerie: Victoria's Secret	1 plant, 600 employees
Koret Canada, aquired by Kellwood in 1998			
Jantzen Canada, VF Corp			
Pimlico		casualwear: Gap, ID Wear	
Western Glove Works		jeanswear: Calvin Klein, Silver Jeans, Anna Sui, Gap International, Club Monaco, other private labels	

Vogue Brassieres Inc.[75]

The Canadian-owned Vogue Brassieres is another example of Canadian garment manufacturing restructuring. After shutting down a number of its unionized Canadian plants and opening non-union operations in Canada[76], Vogue set up two plants in the state of Yucatán, in southern Mexico. The two plants produce Vogue labels, as well as private labels for big US brand names such as Victoria's Secret and Banana Republic.

Canadian journalist, Linda Diebel, recently visited the factory and spoke with Vogue workers earning about $50 a week, working ten hour shifts. "It's just not enough...it's hard even to pay expenses like food for my children," says an employee whose wages must support three children. Other workers, mostly young women, complain of the tiring nature of the work.

The 600 plus Yucatán workforce is not unionized. The general manager for Vogue in Mexico, Denis Coutu, insists that unions are not necessary for Vogue's Mexican workers. He says, "We don't like unions...we don't want them. We feel we treat our employees properly without having to negotiate with a third party." In fact, there are no independent unions at all in Yucatán, and the last organizing attempt at a Korean-owned plant resulted in worker firings.

Yucatán's maquila industry has grown dramatically with the implementation of NAFTA. According to the Yucatán state government, employment has risen from 8,000 workers in 39 maquilas in 1994, to 31,500 workers in 136 maquilas in 1999. Maquilas, mostly foreign-owned, are largely centred in the state capital, Merida.

The government website lists some of the benefits of relocating in Yucatán as being its strategic location, its pro-business government and its pollutant-free air. Perhaps most importantly, the website states that production costs in Yucatán are 50 percent lower than in the US, as reported by a survey of 85 manufacturing plants in the state. Wages in Yucatán, it says, are the most competitive in Mexico, about half of what they are in the border region. Unions are "business friendly and limited."[77]

Coutu explains to Diebel why Vogue was forced to restructure, echoing the Yucatán government's sales pitch: "The cost of production in Canada -- minimum wage ($6.85 in Ontario) and all that -- is too high to stay competitive with American companies like Maidenform or Sara Lee [also producing in Yucatán]. We can't do it, especially if we want to sell in the States." He provides a testimony of how Canadian manufacturers are being forced to follow US trends: "Right now, the Americans are coming to Mexico in order to produce and we have to do the same thing... if, tomorrow, they go and produce in Bangladesh, we will have to do the same thing."[78]

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[75] Linda Diebel's article "Lace, sweat and tears: Mexican women who sew Canadian lingerie are pawns in a ruthless game of trade," above note 9, was the main source for this profile. We thank her for her important work.

[76] In 1978, Vogue moved its operations to Ontario from Quebec, shutting down a unionized factory in Waterloo, Quebec. It reopened the Waterloo factory five years later without a union. In 1993 it shut a second unionized plant in Cambridge, Ontario. Vogue currently has three Canadian operations, none of which are unionized.

[77] Gobierno del Estado de Yucatán, "Why Yucatán?," http://www.yucatan.gob.mx/english/why.htm (July 2000).

[78] Linda Diebel, "Lace, sweat and tears: Mexican women who sew Canadian lingerie are pawns in a ruthless game of trade," above note 9.

C. NYGARD: A CANADIAN SUCCESS STORY?

As one of the largest women's wear manufacturers in Canada, Nygard International is an important player in the Canadian garment industry.[79] Nygard has been described in international apparel industry magazines as, "on the vanguard," a trend-setter in the manufacturing and retail industries.[80]

Nygard offers a useful case study of how Canadian apparel manufacturers have reacted to changes in the industry since the introduction of free trade. Nygard has led the way in defining just-in-time and high-tech production in Canada. The United States is a key market for its women's wear lines, and it has increased investment and sourcing offshore, most prominently in Mexico.

Nygard also illustrates how difficult it can be to track down information about companies and their suppliers without corporate disclosure requirements. As a private company, Nygard has no obligation to publish public information about its operations. Any information about the company must therefore come from a myriad of external sources, and from what little the tightly oiled and controlled public relations machine will release. This presents a challenge for researchers. As soon as a researcher learns how one section of Nygard's supply chain is constructed, the company switches suppliers, sells a factory, or announces new expansion plans.

Canadian Production

Nygard International was established in Canada in 1973, and currently owns five plants in Western Canada.[81] A sixth plant in Saskatchewan was sold earlier this year.[82] Nygard has invested considerably in information technology for its Canadian facilities, particularly its ARTS2 facility in Winnipeg. Design, purchase orders, scheduling, plant loading and inventory control are all computerized with the Nygard System 2000. The centerpiece is the ARTS2 system, through which Nygard is able to offer its largest customers a 24-hour replenishment guarantee. It does so by obtaining point of sale information directly from stores, and automatically reordering fabrics and initiating manufacturing as soon as an item is sold. With this technology, Nygard is able to guarantee error-free deliveries, and claims to have eliminated the charge-backs from retailers with which other Canadian manufacturers have been struggling. By initiating these technological developments, Nygard is re-defining the terms of just-in-time delivery, and is challenging typical manufacturer-retailer relationships in Canada.[83]

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[79] In an Industry Canada report on the women's sportswear industry, Nygard International is listed as having more plants than any other manufacturer in Canada in that industry (http://strategis.ic.gc.ca/SSG/ui24428e.html). Nygard's website reports that the company's annual sales exceed $350 million (http://www2.nygard.com/corporate/nygard_international_a_world_1.html). Peter Nygard himself is reported in Canadian Business to be worth $460 million. See: *Canadian Business* (July 30/August 13, 1999) p. 86.

[80] Rocio Maria Winger, "Nygard on the Vangaurd," *Apparel Industry Magazine* (December 1998), Suzette Hill, "Supply chain management in the age of electronic commerce," *Apparel Industry Magazine* (March 1999), and Andree Conrad, "Industry powerhouses break bread, raise dough," *Apparel Industry Magazine* (March 1999).

[81] Nygard International website, http://www2.nygard.com/corporate/contact_information.html (May 2000).

[82] "Saskatchewan Government: Alberta company moves to Saskatoon," *M2 Presswire*, June 13, 2000.

[83] For a detailed analysis of Nygard's technological developments see: Rocio Maria Winger, "Nygard on the Vangaurd," above note 80 and Suzette Hill, "Supply chain management in the age of electronic commerce," above note 80.

Nygard has been exporting to the United States since 1978.[84] It currently exports 50 percent of its production to the US market, specifically to large retail chains like May Department Stores, the Mercantile Stores, Proffitts, Dillards, and Saks Fifth Avenue. As far as we know, Nygard does not produce any clothing in the United States. It does, however, have distribution centers in California and Dallas, and a design center in New York. Peter Nygard, the owner of Nygard International, has scoffed at suggestions that Nygard's presence in Canada might diminish. He says, "We're here to stay in Winnipeg...but we have to figure out how much of our growth should be here and on what basis it is grounded."[85]

Offshore Production

Label checks in Canadian stores have shown that Nygard's apparel production extends beyond Canada. A significant percentage of Nygard apparel is made overseas, particularly in Asia, where their website notes they have "extensive operations."[86] Nygard has offices/facilities in Shanghai, and Tianjin, China, and Sri Lanka, and reports that it has "dedicated factories and joint ventures" in these locations where it is involved in process planning, quality control, equipment purchases and labour monitoring.[87] Nygard apparel is also made in Indonesia, Macao, and Taiwan.

Peter Nygard has been a strong advocate for free trade. He was the only apparel representative appointed to the International Trade Advisory Committee of the Canadian government, and was named the chair of the Sectorial Advisory Group on International Trade, recommendations from which were used in the development of the FTA and NAFTA.[88] He has made presentations to the Sri Lankan government and apparel exporters association urging them to "join NAFTA, this wonderful trade organisation which will give you access to the large North American market," and stressing that "you need effective labour laws that are competitive which will offer maximum efficiency, if you are to remain competitive."[89]

Mexico

Nygard has benefited from the implementation of NAFTA and has been sourcing from Mexico for several years, mainly to service the US market. Some lines of Nygard clothing such as "Alia wrinkle-resistant" are made exclusively in Mexico. A United States International Trade Commission study on Canadian investment in Mexico reported that Nygard owned two factories in the state of Puebla, Mexico, and was sourcing its Alia and Tan Jay labels from these operations.[90] A prominent directory of Mexican maquilas confirmed this ownership.[91] In January 2000, the Maquila Solidarity Network (MSN) visited the state of Puebla, as part of an IDRC supported research trip.

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[84] Nygard International website, http://www2.nygard.com/corporate/nygard_history.html (May 2000).
[85] "Demand isn't waning despite layoffs: Garment workers needed," *Winnipeg Free Press* on Nygard International website, http://www2.nygard.com/corporate/demand_isn_t_waning_despite_la.html (May 2000).
[86] Nygard International website, http://www2.nygard.com/corporate/nygard_history.html (May 2000).
[87] Rocio Maria Winger, "Nygard on the Vangaurd," above note 80.
[88] Andrea McCracken, "Nygard: the man behind the glitter. A designer far smarter than his persona," *Manitoba Business* (November 1998).
[89] Mel Gunasekera, "Govt. urged to provide apparel guidance," *The Sunday Times*, October 12, 1997.
[90] Ruben Mata, "Canadian Involvement in Mexico's Maquiladora Industry," above note 51.
[91] Solunet 1998 database.

In Tehuacán, Puebla, one of the reported sites of Nygard investment, we found that a rapid expansion of maquilas over the last five years was transforming the city into one of the major apparel-producing hubs of the country. Where the small apparel industry had once largely serviced the domestic market, factories were now producing clothing for large North American labels, such as Gap, Guess and Levi's. Working with the Tehuacán Human Rights Commission, a local group promoting the rights of indigenous people in the community and the workplace, we had the opportunity to see first hand several factories and conduct interviews with workers and factory managers as well as neighbourhood organizers.

While in Tehucan, we interviewed Manuel Alvarez, the manager and co-owner of the Majilosa garment factory, which formerly manufactured women's wear for Nygard. We learned that the factory is part of the Confexpo Group and was never owned by Nygard. At the time of the interview, the factory employed about 200 workers. Although the factory was now producing pants exclusively for the US company, Farah, the walls of the factory office were covered with Nygard advertising posters.

Alvarez explained that his factory formerly produced exclusively for Nygard, that he wasn't aware why they had not received new contracts with the Canadian company, and that they would welcome future orders from Nygard. He spoke positively about a visit to the factory three years earlier by Peter Nygard, and about a visit he had made to Winnipeg. According to Alvarez, most of Majilosa's production has been and continues to be for the US market.

When asked whether Nygard had required his company to meet minimum labour standards in a code of conduct, Alvarez said the requirements weren't too stringent but covered the basics -- no child labour, adequate washroom facilities. According to Alvarez, the company pays on average 400 pesos a week, plus 500 pesos production bonus. The top weekly wage was 1,000 pesos. He said the gender composition of the workforce was slowly changing; there are currently 30 percent men and 70 percent women, a higher percentage of men than in the past. He noted that there was quite a bit of staff turnover. Alvarez said he had attended a training session for the Worldwide Responsible Apparel Production Certification Program (WRAP), a code monitoring initiative of the American Apparel Manufacturers Association.

After the interview, we briefly spoke with workers who were outside the factory on a lunch break. They disputed the wage figures Alvarez had said workers were receiving, claiming the average wage was lower than 400 pesos and that no one received 1,000 pesos a week. We later learned that the workers at Majilosa were represented by the Regional Confederation of Mexican Workers (CROM), a government-affiliated "official" union. An interview carried out with the local leader of the CROM revealed that workers at Majilosa had apparently staged an unauthorized job action a few months before our visit, protesting the company's failure to pay salaries owed.

Since the trip to Tehuacán, we have learned of additional links between Nygard and the apparel industry in Mexico. According to an April 2000 apparel industry magazine article, Nygard contracts apparel for the US market from Grupo Pafer Huichita, a large group of factories outside of Torreón, Mexico.[92] The MSN has been in touch with contacts in this region about the possibility of carrying

[92] Olga West, "Keeping pace with the changing face of jeans wear: profiles from the heart of La Laguna,"

out label and other research concerning this plant. This research could form part of a larger diagnostic analysis of apparel production in the La Laguna region and an examination of how it is changing. Nygard is also sourcing from the International Sewing Company, which has factories in Mexico City and the state of Hidalgo.[93]

Through other trade journals and publications, we learned of Nygard's announced investment in a 200,000 sq. ft plant in Guadalajara, Mexico that was to open in Spring 1999, and employ 2000 workers.[94] This plant was to have ARTS3 automatic replenishment technology and was to include manufacturing and distribution. Satellite sewing facilities were to open in the Mexican states of Jalisco and Guanajuato employing 4000 workers. Nygard also announced a $20 million U.S. investment in a computerized design centre in Morelos, Mexico to produce clothing for export to the U.S. and Canada.[95] The plant will be opened in textile city development, Nustart, that one of Nygard's suppliers, Burlington Industries, has played a major role in developing.[96] We are doing ongoing research to confirm the existence of these plants and learn more about their operations.

These announcements indicate that Nygard may be introducing the technology of its Canadian plants into its Mexican operations. Peter Nygard has stated that he is interested in moving the company's "cut and sew" operations closer to its fabric suppliers, and that this was part of his rationale of looking at expansion in Mexico.[97] This is symptomatic of a larger trend towards more vertically integrated production in Mexico that American textile companies like Burlington are working to promote. The plant Nygard is currently contracting from in Torreón, devotes 35 percent of its capacity to full package production, which – as we've explained – is an emerging trend in Mexico.[98]

What Does it Mean for the Workers?
There is considerable debate whether introducing new technology into Mexican factories has the potential to improve conditions for workers. Technology can signify more fixed investment in plants, which can perhaps open up more space for worker organizing. It is also unclear whether the possible shifts to vertically integrated and full package production in Mexico will be beneficial to garment workers. More research needs to be undertaken on the ground to assess whether these changes have the potential to improve working conditions and expand space for worker organizing.

From research that has already been done on the ground, however, working conditions in areas where Nygard has produced and is currently producing in Mexico are less than ideal. While management at the Majilosa factory in Tehuacán Mexico insisted that they paid premium wages, workers disputed these statements. Low wages are a common complaint of garment workers in Tehuacán. Many are

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Bobbin (April 2000).
[93] International Sewing Company (ISCO) website, http://www.isco.com.mx (August 2000).
[94] Myron Love, "Nygard to Build Massive New Plant in Mexico," *Canadian Apparel Magazine* (January/February 1999) and Rocio Maria Winger, "Nygard on the Vangaurd," above note 80.
[95] "Canadian textiles plant: Nygard International is to invest $20 mil to develop computerized design centre for fashion and clothing in Morelos," *Mexico Business Monthly* (March 1998).
[96] "Morelos es ya Destino del Capital Externo Productivo," *Excelsior*, Jueves 14 de Enero 1998.
[97] Nygard International website, http://www2.nygard.com/corporate/managing_the_supply_chain_jun.html (May 2000).
[98] Olga West, "Keeping pace with the changing face of jeans wear: profiles from the heart of La Laguna," above note 92.

forced to work several jobs to meet their families' basic needs. It is not uncommon for children to work in smaller maquilas and workshops to complement the very low wages their parents are making.

In Coahuila, where Nygard is currently contracting work, there are similar reports of low wages, long hours and forced overtime. Since the signing of NAFTA, union representation has decreased significantly in this region. Forced pregnancy testing and sexual harassment have also been reported. Further research needs to be done to document the working conditions at Nygard- owned facilities in Guadalajara and Cuernavaca, Mexico.

In Canada, three of Nygard's Manitoba facilities are certified by UNITE, the North American garment and textile workers union. During union drives in the 1980s at his plants, Peter Nygard placed full-page ads in Winnipeg newspapers stating his anti-union position.[99] At that time, the Manitoba Labour Board ruled that the company had committed unfair labour practices including; the refusal to deduct union dues, to allow the union access to the plant and to pay into the union's retirement and health and welfare funds. Nygard was ordered to pay the union and illegally laid off employees $150,000 in monies owed and fines.[100]

UNITE reports that there are fewer problems these days.[101] However, intermittent temporary lay-offs at the Winnipeg plants have been occurring. There are also complaints that wages for the mostly female immigrant workforce remain low.[102] Increased stress and pressure on workers have been the main result of Nygard's technology implementation.[103]

Nygard has clearly been setting trends when it comes to the use of technology, capitalizing on export opportunities to the US market, and profiting from offshore production. More on-the-ground research needs to be carried out to determine whether Nygard is departing from the pattern of labour rights violations in Mexico and internationally that have benefited other North American manufacturers and retailers.

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[99] Charlene Gannage, "The Canadian garment industry in transition," in *Women encounter technology: Changing Patterns of Employment in the Third World* eds. Swasti Miller and Sheila Rowbatham (London: Routledge, 1995).
[100] Ibid.
[101] Interview with Joy Santos, UNITE Winnipeg, July 2000.
[102] "Demand isn't waning despite layoffs: Garment workers needed," above note 85.
[103] Interview with Joy Santos, above note 101.