



2006

**maquila
solidarity
network**

**annual
report**

As of December 31, 2006

Number of Canadian universities, school boards and major municipal governments that have adopted No Sweat purchasing policies **29**

12 Number of additional Canadian municipal and provincial governments that have approved motions to adopt No Sweat policies

Number of representatives of companies, trade unions, and NGO, student, teacher, church social justice, and social investment organizations participating in the 2006 Ethical Trading Forum: **100**

7 Number of Mexican labour rights and women's organizations working with MSN to document the impacts of the quota phase-out on garment workers and their communities

2,000 Circulation of Maquila Network Update (English version)

Circulation of Maquila Network Update (Spanish version) **750**

375,000 Visitors to the MSN website in 2006

Visitors to the MSN's Spanish website in 2006 **100,000**

our
work
in

Dear MSN Friends and Supporters:

The year 2006 was marked by the continuing fall-out from the final phase-out of the import quota system under the Multi-Fibre Arrangement (MFA). We witnessed an alarming number of factory closures and massive worker layoffs not only in North America, but also in developing countries around the world.

As we entered the post-quota transition period of open markets, heightened global competition and industry restructuring, the Maquila Solidarity Network (MSN) worked with grass roots labour rights organizations in Mexico and Central America to document the impacts of the end of quotas on garment workers and their communities, strengthen our Southern partners' capacity to hold companies and governments accountable for illegal and irresponsible practices, and develop joint proposals to make labour standards compliance the centerpiece of national industry survival strategies.

During 2006, MSN organized and facilitated two capacity building workshops and one public forum in Mexico where labour rights groups from five garment producing centres

2006 shared information on the impacts of the quota phase-out in their communities, did a collective mapping of changes taking place, identified key actors in the industry (locally, nationally and internationally), and set priorities for action.



Meanwhile, at the international level, MSN worked together with other members of the MFA Forum – NGOs, Global



Unions, major apparel brands and multilateral institutions – to mitigate the negative impacts of the quota phase-out in the most vulnerable garment producing countries. Through our work with the MFA Forum, MSN promoted more responsible practices by brands and manufacturers and encouraged national industries and governments to adopt responsible competitiveness strategies that promote labour standards compliance and improved enforcement of national labour laws as a competitive advantage.

Also high on our priority list was the challenge posed by the growing power and influence of giant discount retailers. In 2006, MSN played a leading role in a precedent-setting

international campaign to encourage and pressure Wal-Mart to put a stop to violations of workers' rights and violent attacks on striking workers at a Wal-Mart supply factory in the Philippines.

Although many Canadian and US companies continue to resist taking action to address sweatshop abuses, MSN was highly successful in 2006 in bringing a number of additional companies to the table to discuss and debate the steps they should be taking to ensure that their apparel products are made under decent working conditions. Fourteen major US and Canadian retailers and manufacturers participated in our 2006 Ethical Trading Forum.

The response of Canadian and US companies to the Ethical Trading Action Group's (ETAG's) 2006 Transparency Report Card, which was prepared by MSN, also underlined the advances we have made on transparency and accountability. Not only did the number of companies responding to our requests for information increase significantly, but a number of companies released additional information to the public on their labour standards compliance programs in order to improve their Report Card scores.

After years of campaigning for public access to information on where our clothes are made, we were particularly pleased when Reebok joined Nike, Levi's, Timberland, and Puma in disclosing its global supply chain, and when Mountain Equipment Co-op announced that in 2008 it will become the first Canadian retailer to publicly disclose the names and addresses of the factories where its products are made.

In addition to pressuring and engaging with major retailers and brands, in 2006, MSN and our allies and coalition partners across Canada were also successful in convincing a number of public institutions to adopt ethical licensing or purchasing policies for the apparel and other products they license or bulk purchase – increasing buyer pressure on apparel companies to do the right thing.

As we continue to move forward to implement this admittedly ambitious program in 2007, our small but dedicated staff team can look back with satisfaction at all we accomplished in 2006.

At the same time, we realize that our work depends on the support and collaboration of friends, supporters, colleagues, and allies in Canada and in other countries.

We hope you find MSN's first Annual Report interesting and informative. Please feel free to contact us if you have any questions, comments or suggestions.



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Sincerely,

Lynda Yanz
MSN Coordinator



¹ ETAG members include: Canadian Auto Workers, Canadian Council for International Cooperation, Canadian Labour Congress, Canadian Union of Public Employees, KAIROS Canadian Ecumenical Justice Initiatives, Ontario Secondary School Teachers' Federation, Oxfam Canada, Steelworkers Humanity Fund and UNITE-HERE. MSN acts as the Secretariat for ETAG.

The Maquila Solidarity Network (MSN)

is a labour and women's rights advocacy organization promoting solidarity with grassroots women's, human and labour rights, and trade union organizations in Mexico, Central America, Asia and Africa working to improve wages and working conditions in maquiladora factories and export processing zones.

Since 1994, MSN has supported workers' struggles to improve their working conditions and quality of life and to win respect for their rights. We do this through policy advocacy, corporate campaigning and engagement, and participation in multi-stakeholder initiatives to promote improved labour practices and greater corporate accountability.

Working from our Toronto and Mexico City offices, MSN helps facilitate organizational capacity building and South-South exchange in order to build links of solidarity among women's, trade union and human and labour rights organizations in the global South and strengthen their ability to hold companies accountable and defend workers' rights.

MSN is one of the few labour rights organizations with both a presence on the ground, working directly with local garment worker support groups, and the ability to work at the international level.

A critical part of MSN's work is helping to bridge the gap between local worker rights organizations and companies so that workers voices can be heard at the international decision-making level.

Highlights of MSN's 2006 Program

Promoting Respect for Workers' Rights: Corporate Engagement Backed by a Credible Threat



MSN engages with brands, retailers and manufacturers whenever possible and, when necessary, mobilizes

pressure on companies to improve labour standards and practices in their global supply chains.

Engaging with the Brands

Constructive engagement with US and Canadian brands and retailers has contributed to increased transparency and greater corporate accountability.

In 2006, MSN assisted a number of local labour rights groups in garment producing countries to effectively engage with brands buying from those countries on specific cases of labour rights violations and **plant closures and worker layoffs**, including facilitating contact between local groups in Yucatan and Coahuila, Mexico and brands (Gap, Wal-Mart, American Eagle Outfitters and Gildan Activewear).

In 2006, MSN engaged with Nike, Gap, Levi's, Mark's Work Wearhouse, the Hudson's Bay Company (HBC) and



Mountain Equipment Co-op (MEC), encouraging them to provide more **transparent reports** on labour practices in their global supply chains and/or to acknowledge that their supply chain management decisions and purchasing practices can negatively affect labour practices at the factory level.

In November 2006, Mountain Equipment Co-op announced it will be publicly disclosing the names and addresses of the factories where its products are made, beginning in 2008.

At the end of 2006, MSN was able to close the books on a **long-standing dispute with Gildan Activewear** concerning the closure of the company's El Progreso sewing factory in Honduras in the midst of a third party complaint about freedom of association violations.

In collaboration with the Worker Rights Consortium (WRC) and the Honduran Independent Monitoring Team (EMIH), MSN released a final report showing that while Gildan hadn't fully complied with an agreement to give the laid-off El Progreso workers first-hire opportunities at its other Honduran sewing factories, it did improve its efforts in the second stage of the process.

In 2006, MSN was also successful in convincing leading brands to speak out against violence and threats of **violence against labour leaders** and human rights promoters.



Martin Barrios Case

On December 30, 2005, MSN launched a successful international campaign for the release from prison and protection for Mexican human rights promoter and president of the **Human and Labour Rights Commission of the Tehuacan Valley, Martin Barrios**.

In response to reports of death threats against Barrios after his release from prison in January 2006, MSN contacted and was able to convince six major brands (American Eagle Outfitters, Gap Inc., Levi Strauss, Phillips-Van Heusen, Polo Ralph Lauren and Warnaco) to release a joint Open Letter in Mexico addressed to the Governor of the State of Puebla, demanding protection for Barrios, his co-workers at the Commission, and members of his family. The letter received extensive media coverage in Mexico, as well as on an in-depth CBC Radio report in Canada, and, most importantly, helped put a stop to death threats against Barrios.

Joint Brand Letter Against Repression – Philippines

In response to **increasing violence in the Philippines** against union leaders, striking workers, and human rights activists, including the murder of Workers' Assistance Centre chairperson Bishop Alberto Ramento, MSN contacted and persuaded seven major US brands to add their names to a joint Open Letter to the Philippine President.

The joint letter raised their concerns about the violence and called on the Philippine government to ensure that labour rights NGOs are allowed to play their legitimate role and workers are allowed to exercise their lawful right to freely associate without threat of violence.

The joint Open Letter received extensive media coverage in the Philippines and in US industry press, and has played an important role in the international campaign in defense of human rights in the Philippines.

Signatories to the letter included American Eagle Outfitters, Gap Inc., Jones Apparel Group, Liz Claiborne, Phillips-Van Heusen, Polo Ralph Lauren and Wal-Mart.

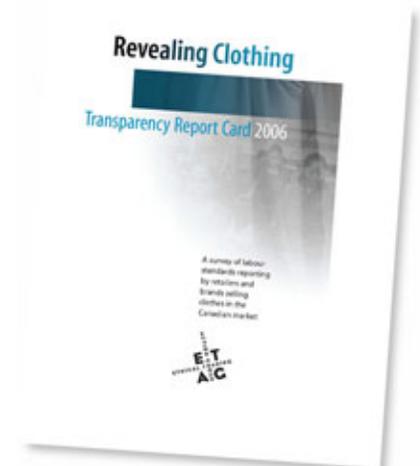
Transparency Report Card

MSN does not endorse any companies, but it does acknowledge good behaviour and name and shame companies that provide little evidence of positive action.

On December 5, 2006, MSN and our ETAG coalition partners released our second Transparency Report Card, entitled **Revealing Clothing**. Based on research carried out by MSN, the Report Card assessed and rated 30 Canadian, US and European retailers and brands selling apparel in Canada based on their public reports on their efforts to achieve and maintain compliance with international labour standards in their supply chains.

Key findings and issues highlighted in the Report Card include:

- Incremental progress by some companies on engagement with labour and non-governmental organizations, labour rights training for suppliers and management personnel, and disclosure of supply chain information; and



- The general lack of worker participation in the code implementation process, and minimal progress to date on dealing with the root causes of persistent worker rights violations, such as the negative impacts of the purchasing practices of brands and retailers.

Even before the 2006 Report Card was released, a number of companies responded to our research findings by disclosing additional information on their labour standards policies and programs.



Corporate Campaigns

When companies refuse to engage or fail to take sufficient action, MSN mobilizes support in Canada and, through our partner organizations, internationally for corporate campaigns pressuring retailers and brands to take corrective action to address serious violations of workers' rights in their supply factories.

Three important cases in which MSN was actively involved in 2006 were the Gina Form Bra factory closure in Thailand, the Hanesbrands closure in Monclova, Mexico, and the Chong Won dispute in the Philippines.

Gina Form Bra Closure – Bangkok, Thailand

In the fall of 2006, MSN acted as the Canadian contact point for the international campaign against the closure of the unionized Gina Form Bra factory in Thailand. While MSN was unsuccessful in convincing a Canadian buyer, La Senza, to

take positive action, we did join with a number of labour rights groups in Europe, the US and Hong Kong to convince Gap Inc. and The Limited to intervene in the case.

Although the campaign was unsuccessful in stopping the closure of the factory, it did facilitate face-to-face negotiations between the parent company and the union, with The Limited present as an observer, which resulted in the workers gaining a more generous severance package than in any other similar case in Thailand.

Hanesbrands Closure – Monclova, Mexico

In response to concerns raised by our Mexican partner SEDEPAC about the possible impacts of a planned closure of a Hanesbrands factory in Monclova, Coahuila in November 2006, MSN worked with SEDEPAC to develop a set of proposals to address violations of the workers' legal rights to severance pay and other benefits, as well as actions the company could take to facilitate training, provide support for job searches, and support cooperative income-generating projects of groups of former workers.

Although the company did not accept all the proposals put forward by MSN and SEDEPAC, it did provide full legal severance to employees still working at the factory at the time of the closure and reportedly ceased forcing workers to sign away their rights concerning workplace illnesses and injuries.

Wal-Mart – Cavite EPZ, Philippines

In September 2006, MSN responded to a request from our partner group in the Philippines, the Workers' Assistance Centre (WAC), to contact Wal-Mart about the unjust firings of two union leaders and 117 strikers and violent attacks by export processing zone (EPZ) police on striking workers at a Wal-Mart supply factory in the Cavite Export Processing Zone. Wal-Mart agreed to investigate the situation, but initially was not fully convinced the workers' rights were violated.

After the workers went on strike and the violence and harassment increased, MSN and the US International Labor Rights Fund (ILRF) launched a public campaign to pressure Wal-Mart to put a stop to the violence and tell its supplier to reinstate the unjustly fired workers and negotiate with the union. In response to MSN's urgent action alert, over 3,000 protest letters were sent to Wal-Mart.

Although the dispute has not yet been resolved, MSN was successful in convincing Wal-Mart to not immediately cut and run from the factory, but rather to facilitate dialogue between the factory owner, WAC and the union, and to finally acknowledge that the workers' rights have been violated and corrective action is needed.

Whatever the outcome of the dispute, an important precedent has been set. For the first time we are aware of, Wal-Mart agreed to address freedom of association violations in its supply chain.

No Sweat Campaign

With MSN's encouragement and support, a growing number of Canadian public institutions – universities, school boards, and municipal and provincial governments – are adopting ethical licensing/purchasing policies to help ensure that apparel and other products that bear their name and insignia or are bulk purchased by the institution are made under decent working conditions.

Throughout 2006, MSN and our coalition partners in the Ethical Trading Working Group (ETAG) provided resource materials, advice and support to local No Sweat coalitions campaigning and negotiating for the adoption and effective implementation of No Sweat policies.

By the end of 2006:

- Sixteen Canadian universities had adopted No Sweat licensing and/or purchasing policies;
- Two major Canadian cities, Vancouver and Toronto, had adopted No Sweat purchasing policies;

- Twelve Canadian municipal and regional governments had approved motions to adopt No Sweat policies, including Nanaimo, the Regional District of Nanaimo, Duncan, Ladysmith and North Cowichan, British Columbia; Calgary, Alberta; Saskatoon, Saskatchewan; Ottawa and Windsor, Ontario; Bathurst, New Brunswick; and Halifax and Port Hawkesbury, Nova Scotia.
- Nine school boards in Ontario had adopted No Sweat purchasing policies, including the Toronto Catholic School Board, and had agreed to participate in a Working Rights Consortium (WRC) pilot factory monitoring project.
- The Government of Manitoba had adopted a No Sweat procurement policy that would come into effect in January 2007.
- In response to national and international "Play Fair at the Olympics" campaigns, the Vancouver Olympic Organizing Committee is preparing a new ethical licensing policy for Olympic wear, due to be released publicly in 2007.



Capacity Building, South-South Exchange and Solidarity

MSN works in partnership with Mexico and Central American grass roots labour and women's rights organizations and independent monitoring groups. We carry out joint research, develop educational materials, act as a resource in capacity building workshops, and respond to requests for solidarity.

In 2006, the focus of our work in Mexico and Central America was the impact of the quota phase-out on workers, communities and countries. The objective was to ensure that workers' rights are respected in the post-quota transition period and that compliance with labour standards and enforcement of national labour law are an integral part of national industry survival strategies.

In Mexico, MSN has been supporting and helping to facilitate a new network of national and local labour and women's rights organizations based in Mexico City and in five key garment producing centres in other parts of the country, called the *Espacio*.

Through our work with the *Espacio*, MSN is helping to strengthen the capacity of local labour, women's and human rights groups to respond to the negative fall-out of the quota phase-out and more effectively engage with brands and their suppliers in ensuring respect for workers' rights during the post-quota transition.

In 2006, MSN initiated an action-research project in collaboration with

members of the *Espacio* to document the impacts of industry restructuring on workers and local communities.

Over 2006, MSN organized and facilitated two meetings of the network in Merida, Yucatan and Mexico City where the local groups shared information on factory closures and other negative impacts of the quota phase-out in their communities.

May Wong of the Hong-Kong based Asia Monitor Resource Center (AMRC) also acted as a resource person at the Mexico City workshop, as well as at a public forum co-sponsored by MSN. She discussed labour rights in China and demystified China's "threat" to jobs and labour rights in Mexico. May also took part in an exposure visit to Tehuacan, Puebla, a major jeans production centre.

In 2006, MSN continued to collaborate with the Central American regional network on Social Responsibility and Decent Work (IRSTD). IRSTD members were present at both the Yucatan and Mexico City workshops and participated in the exposure visit to Tehuacan.

In 2006, MSN opened a small office in Mexico City. The new office and the hiring of two part-time staff based in Mexico have greatly increased our ability to provide support for and mobilize solidarity with partner groups in Mexico and Central America.

Multi-Stakeholder Action

MSN believes that collaboration between companies, trade unions, NGOs, governments, and multi-lateral institutions through multi-stakeholder initiatives is essential to tackling systemic problems in the global garment industry that are blocking progress on labour standards and worker rights.

In 2006, MSN put substantial energy into the MFA Forum. MSN is represented on the MFA Forum Executive Committee.

Lesotho

MSN participated in a scoping visit to Lesotho, together with representatives of Gap Inc., Levi's, the World Bank, and the International Textile, Garment and Leather Workers' Federation (ITGLWF). The delegation met with the Lesotho government and local NGOs, companies and unions to discuss the development of a new initiative to make labour standards compliance a central element in the country's strategy to promote and grow its garment industry.



Bangladesh

Following on the Spectrum factory collapse in April 2005, MSN carried out research on Canadian companies sourcing from Bangladesh. We pressured and engaged with those companies on how they should address systemic problems in that country's garment export industry, and promoted their involvement in the MFA Forum's program in Bangladesh.



Americas Working Group

MSN continues to play a leading role in creating and facilitating the MFA Forum's Americas Working Group. Major brands and retailers sourcing from the Americas, together with the ITGLWF, Social Accountability International (SAI) and MSN, are attempting to apply the principles of the Forum's Collaborative Framework in the companies' restructuring and sourcing decisions in the Americas.

Ethical Trading Forum

On May 18, 2006, MSN organized an ETAG-sponsored Ethical Trading Forum in Toronto, entitled "Will transparent reporting lead to better labour practices? Lessons from the garment industry."

Speakers and resource people included representatives of Nike, Levi Strauss, Gap, the Retail Council of Canada, Mountain Equipment Co-op, the ITGLWF, Dara O'Rourke (a US expert on corporate accountability and transparency), and MSN.

Approximately 100 people participated in the forum, including representatives of trade unions; international development, social investment, and church-affiliated social justice organizations; student activists and teachers; the Canadian government; and a number of Canadian and US retailers and brands, including Canadian Tire (Mark's Work Wearhouse), Disney, Gildan Activewear, the Hudson's Bay Company, Roots, Sears Canada, and Wal-Mart.

The participation of major US brands in the forum opened up new opportunities for MSN to engage with a number of Canadian retailers, and the participation of the Retail Council of Canada as a speaker at the forum opened the door to MSN being invited to speak at the RCC's first conference on Corporate Social Responsibility in Toronto on October 19.

Photos, clockwise from top left:

Shirin Akhter, President of the Bangladeshi women workers' organization Karmojibi Nari

Announcement, 2006 Ethical Trading Forum

Ana Enriquez, MSN, and Astrid Valencia, Independent Monitoring Group of El Salvador (GMIES)

Lesotho government representatives



New Publications



Discussion Papers

In September 2006, MSN launched a new series of discussion papers on crucial issues facing the anti-sweatshop movement, with the publication of *Is Fair Trade a Good Fit for the Garment Industry?*

Discussion Paper #1 looks at the issues and challenges in attempting to apply the fair trade model to the garment industry.

Codes Memo

#20, February 2006 – profiles critical assessments of private sector social auditing and labour rights and CSR initiatives in China.

#21, February 2007 – provides a 2006 year-end review of company, civil society and multi-stakeholder efforts to go beyond the dominant social auditing model to tackle root causes of persistent labour rights violations.

MFA Watch

MSN provides Spanish translations of annotations of new research, industry press analysis, as well as key documents published in the global North on changes taking place in the garment industry and new developments in codes, monitoring and verification.

Our Newsletter

In 2006, MSN continued to publish and distribute our newsletter. The *Maquila Network Update* is published in both Spanish and English.



Website Upgrading

In 2006, MSN put considerable staff time, energy and resources into revamping our website in order to make it a more useful, effective and accessible tool for campaign groups, Southern labour rights organizations, CSR and social investment organizations, researchers, and interested individuals. The new website can be accessed at: www.maquilasolidarity.org

Finances

Year ended December 31, 2006

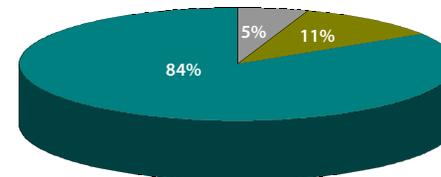
Revenue

	2006	2005
Grants		
Canadian Foundations	\$65,000	\$55,000
Churches	\$22,500	\$29,500
Non-governmental organizations	\$17,000	\$24,420
European and U.S. foundations	\$231,799	\$299,739
Canadian labour funds	\$85,000	\$83,000
Canadian federal government	\$3,100	\$2,980
Membership Donations		
Individual	\$13,656	\$16,503
Organizational	\$23,322	\$17,505
Publication Sales	\$6,994	\$2,296
Consultancies	\$11,693	\$15,633
Forums	\$5,730	\$6,450
Interest and foreign exchange	\$9,967	\$5,521
Total	\$495,581	\$558,547

Expenses

Office overhead	\$26,211	\$26,459
Administration and fundraising	\$53,665	\$33,490
Southern Program	\$229,927	\$311,682
Policy, Research and Analysis	\$120,305	\$130,276
Education and communication	\$66,467	\$53,020
Total	\$496,575	\$554,927

Breakdown of 2006 Expenses:



■ Office overhead ■ Administration and fundraising ■ Program



MSN Board of Directors 2006

Moira Hutchinson
President

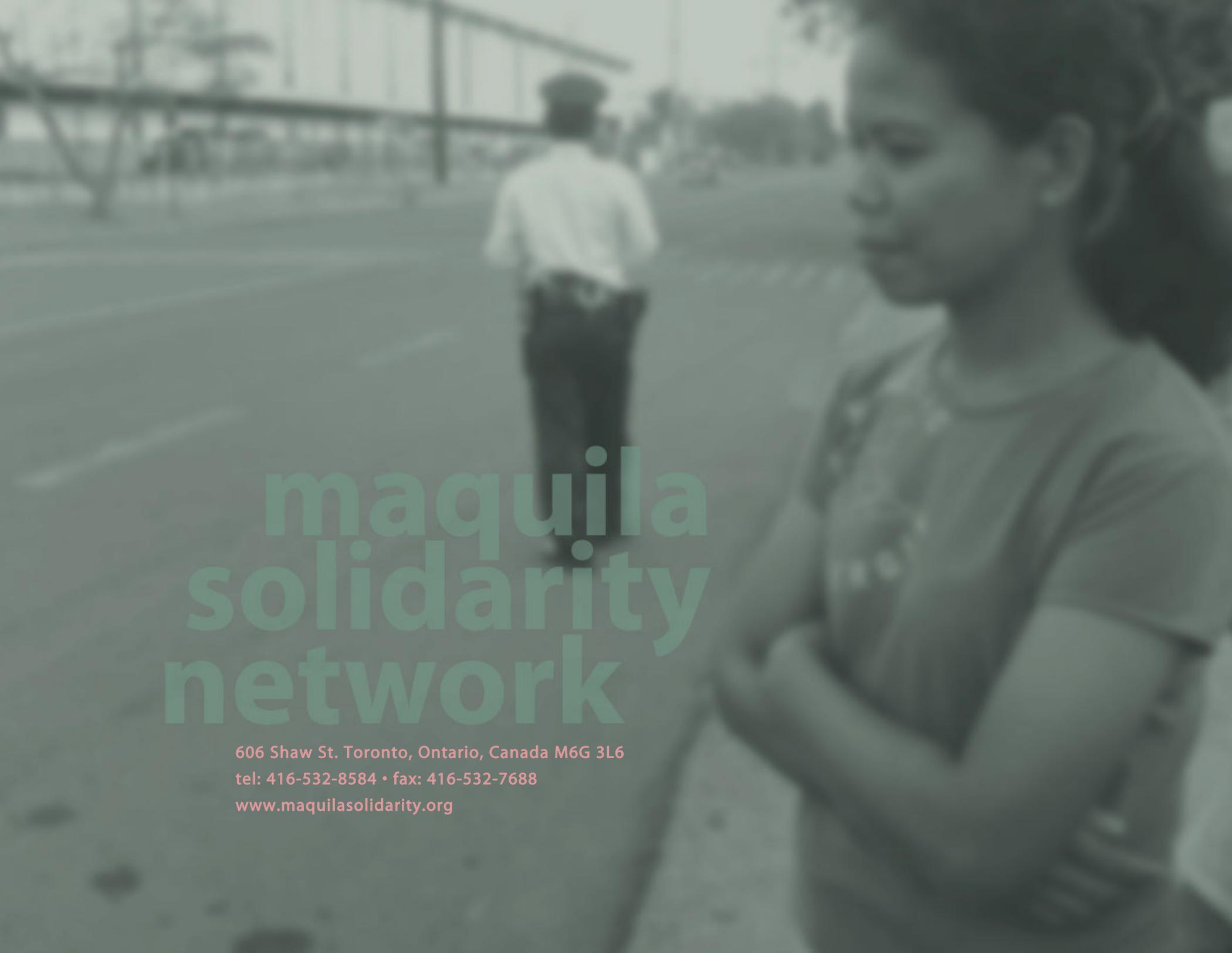
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Denny Young
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David Mackenzie

Melanie Oliviero

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