

The Changing Face of the Garment Industry

Will the Quota Phase-Out Undermine Workers' Rights?

As the December 31, 2004 deadline for the phase-out of import quotas in the global garment industry approaches, fears are growing that increased trade liberalization will not only have dire consequences for a number of garment producing countries, but could also accelerate the race to the bottom on labour standards worldwide.

Based on interviews with US firms that currently source from 40-50 countries, the US International Trade Commission estimates that those companies will consolidate their sourcing in 12-15 countries after the elimination of quotas.

While there is no consensus as to which countries will be "winners" and "losers" in the new free trade environment, most industry experts predict a significant shift in investment and orders to China, and also to India. Poor countries, like Bangladesh and Sri Lanka, which have benefited from the quota system are likely to suffer major losses in investment, garment orders and jobs.

While labour costs are not the only factor determining where companies will source from after 2005 - access to textiles and other inputs, infrastructure, and

proximity to the market are also important - cheap, available labour and prohibitions on worker organizing are two major attractions China has to offer.

Do All Roads Lead to China?

Despite China's many attractions, other countries and regions will continue to produce apparel products after 2005. For some, such as Mexico and many of the Caribbean Basin countries, proximity to the US market will offer a competitive advantage. These countries are now being told that they

need to upgrade their industries and ability to provide "full-package" services in order to attract orders from fashion-conscious US retailers and brands that require quick turn-around time to be able to constantly market new styles of clothing.

Even some "basics" manufacturers, such as Canadian T-shirt manufacturer Gildan Activewear, continue to see Central America and the Caribbean as the primary location for much of their garment production. Gildan, for example, is restructuring its manufacturing network

within the Americas, shifting much of their garment assembly to Haiti and Nicaragua, the cheapest labour countries in the region. Textile manufacturing facilities, which will feed those assembly plants, are being set up in neighbouring countries

like Honduras and the Dominican Republic.

Whether Gildan will maintain its unionized textile and yarn plants in Canada through this transition period is not yet clear.

Union-busting Opportunity

Increased competition among countries and regions could result in increased pressures on all governments to weaken labour laws and their enforcement.

There is also growing evidence that a number of major apparel manufacturers are using the quota phase-out as an opportunity to rid themselves of troublesome workers who have been speaking out about working conditions or attempting to organize to improve those conditions.

Gildan Activewear and Sara Lee Corporation recently announced the closure of sewing factories in Honduras and Mexico at the very moment those same factories were under investigation for worker rights violations.

In each case, the company argued that its decision to close had nothing to do with worker organizing or the third-party investigations but rather was being taken for purely business reasons - the need to restructure

their Americas manufacturing network in order to be competitive with Asia after the 2005.

While the companies' decisions to close these specific factories were undoubtedly part of longer-term strategies to shift at least some of their garment assembly to even cheaper labour countries, the timing of the announcements is highly suspect. The fact that both companies kept open other sewing factories in Honduras and Mexico makes those decisions even more suspicious.

The Quota Challenge

In the post-quota world, the freedom of corporations to shift production and orders from one country and factory to another without any consideration of the impact on workers or communities is not only a major challenge for workers, governments and the anti-sweatshop movement, but also for the multi-stakeholder labour standards monitoring initiatives like the Fair Labor Association (FLA).

In a July 25 letter to the FLA Board of Directors, MSN asked "whether it is acceptable for a FLA Participating Company [Gildan Activewear] to close a plant while it is under investigation in response to a third-party complaint merely because the company can get cheaper labour elsewhere?" The letter went on to say, "MSN does not believe this is acceptable behaviour,

since it assumes that the search for lower costs and increased profits takes precedence over labour standards compliance and the rights of workers."

To its credit, the FLA Board made the decision to place Gildan's membership under review and to set conditions the company must meet if it wants to retain its FLA membership. The outcome of this process could set an important precedent for other companies in similar situations.

Looking for Solutions

In anticipation of the quota phase-out, a few leading brands are engaging with NGOs and labour organizations in preliminary discussions on how to mitigate the most negative impacts of the phase-out on countries and workers that will lose quota benefits. Labour and NGO participants in these discussions, including MSN, are insisting that labour standards compliance be an essential

The Challenge: Responsible Companies Must...

- 1 Consult with international and local labour and nongovernmental organizations on restructuring plans;
- 2 Continue to source from and give preference to countries and suppliers complying with international labour standards;
- 3 Give adequate notice when ending relationships with suppliers, ensure that full severance and other benefits are provided, and support retraining and provision of alternative employment opportunities;
- 4 Advocate for enforcement of labour laws consistent with international standards, particularly regarding freedom of association;
- 5 Support industry upgrading initiatives that promote labour standards compliance as a competitive advantage; and
- 6 Adopt pricing practices that encourage rather than discourage labour standards compliance.

factor in future sourcing decisions of all retailers and brands.

Countries and suppliers that make a genuine effort to meet and maintain compliance with minimum international labour standards should be rewarded with long-term business relationships. Improved prices and other financial incentives will also be needed to encourage suppliers to invest in improved working conditions.

These emerging multi-stakeholder initiatives may not reverse the race to the bottom, but they could help promote an alternative development strategy that sees labour standards compliance as a competitive advantage.