The End of Apparel Quotas: A Faster Race to the Bottom?[1]

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Abstract

The right to organize is the worker's most effective weapon against exploitative conditions. Yet the global "race to the bottom" has turned the weapon of unionizing – and the anti-sweatshop struggle overall – into a double-edged sword. If workers organize they are likely to lose their jobs, as corporations pursue factories where unions are forbidden and cheap labor is therefore guaranteed. But if workers do not organize, their rights will continue to be violated. These conditions pose a significant challenge for the anti-sweatshop movement – a challenge that will increase with the end of apparel quotas. This paper begins by reviewing the impact of the Multifiber Arrangement (MFA) and the Agreement on Textiles and Clothing (ATC) – two regulatory frameworks that have governed global trade in these commodities for 30 years. This regulatory framework came to an end on January 1, 2005 with the WTO-mandated end of textile and apparel import quotas. A large body of research on the probable result of the end of the quota system concludes that a small number of countries (and primarily China) are likely to be the chief beneficiaries of the end of quotas, while a large number of countries are likely to suffer significant declines in their apparel and textile export industries. The paper discusses two trends which are transforming the nature of global trade in textiles and apparel (indeed, in all consumer goods): The rise of giant retailers as the key actors in the global supply chain, and the rise of giant transnational contractors – based mainly in East Asia – that are emerging as its chief suppliers. The paper concludes with a discussion of what countries can do to mitigate the impact of the end of quotas on their textile and apparel industries, as well as some suggestions for the anti-sweatshop movement.

Keywords: apparel, textile, Multifiber Arrangement, MFA, Agreement on Textiles and Clothing, ATC, quota phase-out, sweatshop, Worker Rights Consortium, WRC, United Students Against Sweatshops, USAS, China.

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Introduction: The Right to Organize and the Global Race to the Bottom

The right to organize is the worker's most effective weapon against exploitative conditions. It is also one of the basic labor rights established by the International Labor Organization. Yet the global “race to the bottom” has turned the weapon of unionizing – and the anti-sweatshop struggle overall – into a double-edged sword. If workers organize they are likely to lose their jobs, as corporations pursue factories where unions are forbidden and cheap labor is therefore guaranteed. But if workers do not organize, their rights will continue to be violated. These conditions pose a significant challenge for the anti-sweatshop movement – a challenge that will increase with the end of apparel quotas.

The global “race to the bottom” results from the systemic features of the current apparel production and distribution system. Typically, retailers place wholesale orders with so-called manufacturers, who are in fact branded marketers (Gereffi and Memedovic, 2003) that design clothing and market their label or image, but do not actually manufacture anything. Rather, fabrication is done by the independently-owned factories around the world where the manufacturers (and retailers, in their private label production) place their orders. In searching out these factories, manufacturers and retailers scour the planet for the lowest-cost production, as well as places that are free from government regulation, environmental constraints, and pressure from independent labor movements This global dynamic is driven by a downward squeeze: because large retailers such as Wal-Mart can choose among manufacturers, they have enormous leverage over wholesale prices. Since manufacturers, in turn, can place their orders anywhere on the planet they choose, their contractors are relatively powerless price-takers, rather than partners and deal-makers. While this situation may be changing with the rise of giant contracting firms (discussed below), currently this dynamic poses a significant challenge to worker organizing, since retailers and manufacturers play off competing contractors to force prices (and wages) down and thwart unionization drives.

The collegiate anti-sweatshop movement has achieved some success in combating these conditions, because in this case the retailers are colleges and universities who – under pressure from their students – have established binding codes of conduct under their collegiate licensing arrangements. An enforcement mechanism has also been created in the Worker Rights Consortium (WRC), an NGO that has played an important role in investigating charges of code violations in a number of factories that make clothing under university licensing arrangements, as well as helping to bring pressure on these factories to force compliance.

These gains are now threatened. The end of apparel quotas on January 1, 2004, threatens to greatly exacerbate the global “race to the bottom.” In this paper we examine the reasons for this, and offer some suggestions concerning what might be done by the anti-sweatshop movement.

The Multifiber Arrangement and the Agreement on Textiles and Clothing

Global trade in textiles and apparel has increased sixty-fold during the past forty years, from under $6 billion in 1962 to $353 billion in 2002. Today textile and apparel represents nearly 6% of world exports. The more labor-intensive apparel exports have grown more rapidly than textile exports, so that today apparel accounts for more than half (57%) of the total. Forty years ago, the industrialized countries dominated global exports of textiles and apparel. Today, developing countries account for half of world textile exports, and nearly three-quarters of world apparel exports (UNCTAD, 2005 forthcoming).

The globalization of apparel production has been driven by many factors, but one of the less-appreciated causes is the quota system that was put in place by the Multifiber Arrangement (MFA) in 1974. The MFA established limits on different categories of apparel and textile imports to the United States, the EU, Canada and Norway through a series of bilateral agreements between trading partners. As with previous restrictions in the area of textiles and clothing, it was supposed to be a temporary measure. The principal vehicle was an elaborate quota system, whereby each country established import quotas for detailed categories of goods from each major trading partner (for example, specifying the number of women's wool sweaters the United States could import from Hong Kong in a given year). By 1981, 80% of all imports of textiles and apparel to the United States were covered by bilateral quota agreements and consultative mechanisms (Krishna and Tan 1997).

The MFA was renegotiated four times before 1991. As global textile and apparel trade expanded, subsequent versions of the MFA became increasingly restrictive. Although as a general rule quotas were supposed to increase at least 6% each year, this limit was often much lower due to bilateral commitments that countries undertook on top of MFA obligations. Bilateral negotiations took place quite frequently, even on an annual basis, resulting in different quota annual growth rates for different products and countries.[2]

As part of the WTO-related Uruguay Round of Multilateral Trade Negotiations, the MFA expired in 1994, when it was replaced by the Agreement on Textiles and Clothing (ATC).[3] The ATC called for the phase-out of quotas on textiles and apparel over a 10-year period, beginning in January 1995 and culminating January 1, 2005.[4] This phase-out was scheduled to occur over four phases involving the scheduled removal of existing quotas, and accelerated growth rates of those remaining (see table 1). The initial stages had little impact, however, since they applied mainly to products whose imports were already below quota levels. The final phase is expected to have a strong impact over the next few years, since it applies to products that are more

[2] Quotas were administered by the exporting countries. When they were filled and therefore scarce, quota rights commanded a price, and in many countries these rights have been tradable, since in order to export, a firm either has had to buy a quota in the market or forego selling one it owns. In practice quotas have acted as an export tax, estimated by one study as equivalent (in 1999) to a 40% tariff in the United States and a 20% tariff in the EU (Kathurina, Martin, and Bharwaj, 2001: 20).

[3] The full text of the Agreement on Textiles and Clothing (ATC) can be found at http://otexa.ita.doc.gov/atc.htm; for a detailed explanation, see the WTO's website at http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm5_e.htm.

[4] While quotas were scheduled to be phased-out under the ATC, tariffs were not affected. Tariffs on apparel are much less burdensome than quotas, however. The average U.S. tariff on apparel is 17%, whereas the tariff equivalent of quotas – the amount of tariffs that would be necessary to produce the same restrictive effect as quotas – is (as previously noted) estimated to be at least twice that amount, reaching 40% or more in the case of China and other Asian exporters (cited in Nathan Associates, 2002: 11, 22).

strongly constrained by the use of quotas.[5] The ATC itself ceased to exist on January 1, 2005; it is, in the words of the WTO (2004), "the only WTO agreement that has self-destruction built in."

Table 1
Stages of United States and European Union textile and apparel quota phase-out

Stage	Component 1 Share of importing country's textile and apparel trade to be free of quota (% of 1990 import quantity)	Component 2 Growth rates in remaining quotas (%)	
		Major supplying countries	Small supplying countries
1995-1997	16	16	25
1998-2001	17	25	27
2002-2004	18	27	27
2005	49	No quotas	No quotas

Source: Nathan Associates, 2002.

While the original intent of the MFA was to protect jobs in the importing countries, its actual result was to disperse apparel production around the globe. When a country's quotas for particular items were reached, retailers and manufacturers simply looked for factories in other (lower-cost) places. The result was that production for export is today found in 130 or more countries. There are seven countries in which apparel exports constitute half or more of total merchandise exports (see Table 2): Cambodia (82%), Macao (70%), Bangladesh (68%), El Salvador (62%), Mauritius (54%), and Sri Lanka (50%). These countries may literally have the rug pulled out from under them on January 1. In Bangladesh, an estimated 1.5-2 million people work in the apparel export sector, 90% of whom are women (Khundker, 2002; Shefali, 2002; Hiller and Olfames, 2003; Kearney, 2003); in Pakistan, 1.4 million workers and a quarter of the country's GDP (Kahn, 2003). Sub-Saharan African countries face a similar situation: thanks to the United States' African Growth and Opportunity Act (AGOA) of 2000 they are beginning to export to the United States.[6] These exports are now jeopardized.

Table 2
Exporters that are highly dependent on exports of apparel and textiles, 2002[a]
(percentage share of total merchandise exports)

Economy	**Apparel**	**Textiles**	**Total**
Macao, China	70.0	13.8	83.8
Cambodia	81.7	..	81.7

[5] A quota is said to be "constraining" if it is 85-90% filled, although the EU uses a 95% threshold (Nathan Associates, 2002: note 7).

[6] AGOA is part of the United States Trade and Development Act of 2000 and exempts from quota and tariffs imports from 37 African countries if they are determined to have established, or are making continual progress toward establishing the following: market-based economies; the rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty, increasing availability of health care and educational opportunities; protection of human rights and worker rights; and elimination of certain child labor practices (www.agoa.gov).

Bangladesh	67.8	7.7	75.5
Pakistan	22.5	48.3	70.8
El Salvador	61.5	..	61.5
Mauritius	54.1	..	54.1
Sri Lanka	49.5	4.2	53.7
Dominican Rep.	50.9		50.9
Nepal	20.9	22.4	43.3
Tunisia	39.5	3.4	42.9
Honduras	37.4		37.4
Turkey	23.3	12.3	35.6
Morocco	30.4	1.7	32.1
FYR Macedonia	27.7	..	27.7
Romania	23.4	2.2	25.6
India	12.4	12.1	24.5
Bulgaria	18.6	2.2	20.8
Brazil	18.6	1.5	20.1
China	12.7	6.3	19.0
Hong Kong, China	11.1	6.2	17.3

Source: WTO. [a]Or latest year

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The End of Quotas

With the end of quotas on January 1, 2005, retailers and manufacturers are now able to source from anywhere in the world. Most studies agree that there will likely be consolidation of production into larger factories in a smaller number of locations. Industry sources claim that large US retailers and manufacturers such as the Gap, JC Penney, Liz Claiborne, and Wal-Mart that once sourced from 50 or more countries already source from only 30-40. With the elimination of quotas it is predicted that the number will fall to 10-15 ((Juststyle.com, 2003; Malone, 2002, McGrath, 2003). This will greatly increase competition among garment-producing countries, contributing to increased pressure to lower wages and weaken labor standards.

China is already the world’s largest (and, among major producers, most rapidly-growing) exporter of apparel, and has long been set up for full-package production. When combined with the country’s vast supply of productive low-cost labor, it is clear that the end of quotas means that the movement of apparel production to China will accelerate. China is also taking steps to modernize its textile industry (fibers, yarns, and fabrics), suggesting that even in this more capital-intensive sector, China may well increase its share of global production. China’s apparel exports had already reached $41 billion in 2002, approximately a fifth of the world’s total – nearly a five-fold increase since 1980. Moreover, China’s internal market for clothing is predicted to double, from roughly $50 billion in 2000 to around $100 billion in 2010, providing additional impetus to its textile and apparel industries (UNCTAD, 2005 forthcoming; WWD, 2003).

Numerous studies have attempted to predict what will happen now that quotas have been eliminated. Almost all agree: China, India, and possibly a handful of other countries such as Pakistan and Mexico (because of its proximity to the United States) are expected to be the winners; most other countries the losers. China in particular is predicted to become the big winner. Some experts predict that China will account for as much as half of the world market after 2005. Even the World Trade Organization has expressed concern: one recent WTO study (Nordås, 2004: 34) concludes that "China and India will come to dominate world trade in textiles and clothing, with post-ATC market shares for China alone estimated at 50% or more." The Nordås study (2004: 34) also notes that since "lean retailing" makes time to market (and hence geographic proximity) increasingly important. Mexico, the Caribbean, Eastern Europe and North Africa are therefore likely to remain important exporters to the US and EU respectively, and possibly maintain their market shares."

The U.S. International Trade Commission (USITC), after an exhaustive study involving testimony at public hearings, written statements provided by officials of affected countries as well as representatives of NGOs, fieldwork in Mexico, East Asia, Central America, and sub-Saharan Africa, and telephone interviews with representatives of U.S. apparel and textile producers, importers, and retailers, drew similar conclusions. The USDITC concluded that "China is expected to become the "supplier of choice" for most U.S. importers (the large apparel companies and retailers) because of its ability to make almost any type of textile and apparel product at any quality level at a competitive price" (USITC, 2004: xi). Yet at the same time the USITC also noted that

> A large number of countries likely will become major "second-tier" suppliers to U.S. apparel companies and retailers for niche goods or services. As U.S. firms seek to balance cost, flexibility, speed, and risk in their sourcing strategies, they likely will look to the second-tier suppliers to meet those needs that are not met by the first-tier suppliers. For example, production of certain goods likely will remain in Mexico and the CBERA [Caribbean Basic Economic Recovery Act] region to service U.S. buyers ' quick turnaround or mid--season order requirements, particularly for replenishment of basic items offered in a wide range of different sizes, such as men 's dress shirts and pants (USITC, 2004: xii).

There are some protections against China's growing dominance, at least in the short run. China's accession agreement to the WTO (Section D.16-17) includes a temporary "transitional product-specific safeguard mechanism," according to which WTO members threatened by "market disruption" from increased Chinese products may – if negotiations fail – "limit imports only to the extent necessary to prevent or remedy such market disruption." Additionally, some WTO members (Argentina, the EC, Hungary, Mexico, Poland, the Slovak Republic and Turkey) have their own specific reservations in China's accession agreement, designed to maintain certain restrictions against selected imports from China; these too are of short duration.[7]

[7] In December 2004 the Chinese Ministry of Commerce announced it would voluntarily impose export duties on selected, less-expensive apparel and textile items, in an effort to discourage their production and export, a move that was generally regarded as an effort to avoid externally imposed sanctions. The specifics of the plan, as well as its effectiveness, remain to be determined (Iritani and Lee, 2004).

Two Important Trends in Global Production and Distribution

Two trends in the global economy bear mention as having special bearing on post-MFA apparel production and distribution: the growing power of giant retailers, and the emergence of giant consumer-goods contractors.

The growing economic power of giant retailers: Large retail firms exert growing control over prices and sourcing locations, both through the price pressures they can exert on the independent labels they carry, and through their growing volume of private label production (now estimated to encompass as much as one third of all United States retail apparel sales). The world's forty largest retailers accounted for nearly $1.3 trillion in total sales in 2001.[8] Wal-Mart alone – with revenues of $263 billion in 2003 – accounts for nearly a fifth of total sales of the world's forty largest retailers (Appelbaum, 2005). Related to these trends, since the mid-1980s, there has been a move toward "lean retailing," particularly in the United States but also in Europe and Japan. Led by Wal-Mart and other large United States retailers, and enabled by technological changes that permitted a high degree of data sharing and other electronic interchange, retailers increasingly brought their suppliers under more direct control (Abernathy *et al*, 1999: 3), enabling them to replenish their stores on a weekly basis (Nordås, 2004: 4). This trend favors producers that can provide quick turn-around time – either because they can efficiently organize the entire supply chain, or because they are geographically close to their principal markets. While the former clearly favors China, the latter may give some advantage to Mexico, Central America, and the Caribbean countries for the United States, and Turkey and Central and Eastern Europe for the European Union (see e.g. Thun, 2001; Palpacuer, Gibbon and Thomsen, 2003).

The growing economic power of giant consumer goods contractors: The geographical concentration of production associated with the elimination of quotas also favors the growth of an already strong new sector in the global apparel commodity chain: multinationals (mainly Asian) that operate huge factories under contract with large retailers and manufacturers. Large retailers characteristically have large volume requirements, leading them to consider only large producers (1000 + workers) as potential suppliers. For example, Yue Yuen/Pou Chen Industrial Holdings, based in Hong Kong, China, is the world's largest manufacturer of branded athletic and casual footwear, producing nearly 160 million pairs of shoes in 2003.[9] It employs 242,000 people worldwide, a growth of 57% in only four years.[10] This includes an estimated 40,000 workers in its Dongguan (China) factory, and 65,000 in its Huyen Binh Chanh megafactory in Viet Nam, reportedly the world's largest shoe factory complex. About 60% of Yue Yuen's footware production is for Nike, Reebok, and Adidas (Merk, 2003); other clients include Polo Ralph Lauren, Kenneth Cole, Calvin Klein, and NBA Properties. Other examples of TNC producers include Nien Tsing (Taiwan), the world's biggest jeans manufacturers, whose Central American factories in 2000 produced 40 million pairs of jeans for Wal-Mart, JC Penney, Kmart,

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[8] Among the top forty, twelve were based in the United States and accounted for 43% of total sales. Almost all of the remaining ones are from the EU (accounting for 46%). The only Asian firms in the top forty are five Japanese firms accounting for the remaining 11% (see Appelbaum, 2005).

[9] Yue Yuen Industrial Holdings is the principal source of Pou Chen's shoe production; as of June 2004, Pou Chen held 50.1% of the stock in Yue Yuen (http://www.yueyuen.com/investor_financialHighlights.htm). Yue Yuen also has a network of more than 800 wholesale distributors and 250 outlets in China to distribute the branded products from Nike, Reebok, Adidas, and other labels made in its factories, and it has recently moved into apparel and sports accessory manufacturing (from http://www.yueyuen.com/bOverview_ businessDivisions.htm).

[10] Yue Yuen website, http://www.yueyuen.com/bOverview_productionFacilities.htm.

the Gap, Sears, and Target; Yupoon (Republic of Korea), the world's second largest cap manufacturer; and Boolim (Republic of Korea), a maker of athletic, casual, and knit wear in more than 25 countries.

To the extent that giant contractors crowd out smaller competitors, concentration of production in a handful of companies and reduced competition at the factory level may counterbalance gains from economies of scale, potentially contributing to an increase in prices. Yet at the same time increased concentration of production may also facilitate worker organization, since the large factories are vulnerable to pressure from the large retailers and manufacturers that use them. A number of successful unionization drives involving WRC investigations have occurred in such factories in recent years, including the Kukdong (now Mexmode) apparel factory in Mexico, the Yupoon's BJ&B hat factory in the Dominican Republic, and the PT Kolon Langgeng apparel factory in Indonesia.[11]

What Can Countries Do to Mitigate the Effects of the End of Quotas?

What can be done by apparel producing countries in order to retain market share following the end of quotas? Countries which are most threatened by ATC phase-out suffer from a common set of interlocking problems at the levels of production and distribution. They typically seek to compete on labor costs alone, and as a consequence their industries are usually characterized by low levels of efficiency, productivity and quality. They often rely exclusively on a single market (the United States or the EU), specializing in a handful of product lines, rather than providing product diversity. They tend to lack both backward linkages to indigenous textile industries, and forward linkages to markets, engaging in simple assembly work at the bottom of the value chain. They suffer from extremely poor infrastructure, impeding the rapid turnaround that is increasingly essential for success in a world of "lean retailing."

Enhancing working productivity through skills training and technological upgrading is one step towards diversifying production into higher value-added garments such as the more fashion-sensitive women's wear categories. Developing indigenous sources of textiles, accessories, and other inputs is another step that has been recommended frequently. Major public investments in dry ports and EPZs would improve turnaround, and governmental provision of grants, loans, or tax relief, would be of benefit. Direct funding to build capacity in the export sector can also be important, along with incentives such as reduced freight charges, reductions in utility costs, and the removal of export duties and other taxes. In countries where the tax system is biased against particular inputs (for example, man-made fibres in India, which are subject to special taxes, industrial licensing requirements, and import duties), changes in the tax code are necessary. Governments should also remove bottlenecks that result in delays in shipping and customs clearance (for example, introducing electronic data interchange at the ports and customs houses to facilitate faster clearance of imported fabrics).

[11] In these examples and others, pressure on the factories and their clients (which included Nike, Reebok, the Gap, and other major United States companies) by local independent labor unions, supported by United States and EU unions and NGOs, have caused the parent companies to allow the formation of independent unions (Esbenshade, 2004).

Finally, and importantly, labor law reform and enforcement is also a largely untapped area for change. A growing number of leading retailers and manufacturers in the United States and the EU, concerned about harsh labor practices (and the adverse publicity that can result from exposure of such practices) have developed codes of conduct that require basic labor rights and protections in their contracted factories. Countries with labor laws consistent with these codes of conduct – and the means to enforce them – could effectively market themselves to the more socially conscious United States and EU retailers and manufacturers.

The Effect of Quota Elimination on Efforts to Combat Sweatshops

The end of quotas will increase the challenges for code enforcement by making it easier for brands to shift sourcing from countries with relatively higher standards to those with lower standards. One case in point is Cambodia, a country that is currently attractive for United States manufacturers and retailers, partly because it participates in an International Labor Organization inspection program designed to improve factory conditions. This program, which was conceived by the AFL-CIO and other labor advocates, and negotiated in conjunction with a bilateral trade agreement between the United States and Cambodia, included preferential treatment in the form of extra quotas (up to an additional 14%) that are directly contingent on maintaining acceptable labor standards, including workers' right to strike and engage in collective bargaining. Eleven field monitors working for the ILO make regular factory visits and publish an on-line report (Brooke, 2004). Now that quotas have been eliminated, the labor rights portion of the treaty ceases to have an impact, since there is no longer a preferential quota as a reward for compliance – nor, indeed, an incentive to keep production in Cambodia. This threatens the limited gains that have been realized for Cambodian garment workers.

Similarly, workers in Indonesia, Bangladesh, Sri Lanka, Honduras, Mexico, and many other countries have expressed strong concern over the possibility of losing jobs. In factories operated by PT Dae Loo Leports, PT Dada, PT Panarub, and PT Kolon Langgeng in Indonesia, Kukdong/Mexmode in Mexico, Lian Thai Apparel in Thailand, and Unique Garments in Swaziland, working conditions have improved thanks to the efforts of the Workers Rights Consortium and other advocates. The widespread fear is that with the end of the quota system, retail brands and multinationals will abrogate their agreements to comply with codes of conduct and shift production to low-wage, rights-suppressed countries like China.

This anticipated shift of production to China presents a major dilemma for the enforcement of codes of conduct. China's appeal post-MFA is due to many factors,[12] but one important consideration is a highly skilled, relatively low-wage workforce that is currently prevented from asserting freedom of association. Most workers in China's export industries are not represented by any union, but even when they are, these unions are affiliated with the Chinese government who are anxious to promote investment policies. In violation of university codes of conduct, Chinese unions stifle opposition and suppress the formation of independent unions or worker organizations. This situation is changing, however, and recent reports of widespread labor disputes and strikes show growing dissatisfaction and unrest among export sector workers—and increasing tolerance of dissent by local government officials. It remains to be seen whether Chinese workers will continue to be an exploited labor market that stokes the global race to the

[12] For a detailed discussion of other factors, see UNCTAD, 2005 forthcoming.

bottom, or whether it will become an independent force in the course of China's transition to capitalism that raises standards for workers.

Thus the challenge for the anti-sweatshop movement is to defend the gains won by apparel workers to hold corporations accountable for labor standards and rights, while at the same time ensuring that these corporations now provide the post-MFA workforce, particularly the Chinese workforce, with the same labor standards and rights.

We therefore offer a number of suggestions that we believe will help secure and build on the gains that have already been won by the anti-sweatshop movement.

Defending the Gains Made in Workers' Rights

1. ***No "cut and run:" manufacturers and retailers should make no immediate change in sourcing patterns.***
   Any immediate shift in sourcing patterns by corporations will negate good faith efforts by local vendors and governments to improve labor standards compliance, and will show that corporate practices to be driven mainly by economic choice. Therefore, with the end of the MFA, as other patterns of sourcing become seemingly more advantageous, no changes in sourcing patterns should be made without reasonable cause.

2. ***Manufacturers and retailers should reward contractors who have demonstrated compliance with codes of conduct by continuing or establishing production relationships.***
   Abandoning contractors who have worked with manufacturers and retailers to improve labor standards implies that there is no such thing as corporate social responsibility. Therefore contractors who have made substantial improvements in labor conditions should not only be retained, but should be preferred by those corporations who genuinely seek to implement corporate social responsibility.

3. ***Manufacturers and retailers should establish long-term relationships with contractors.***
   Short-term relationships with contractors provides no incentive to change labor practices. Longer commitments, however, lead to shared interests, heightened trust, and greater willingness to change labor practices. Therefore manufacturers and retailers should establish long-term relationships with contractors that stabilize the business relationship, assure quality production, and improve working conditions.

4. ***Manufacturers and retailers should establish a set of guidelines that define their relationship with their contractors.***
   Currently contractors have no security about business relationships with their customers, and as a result workers have no security about their jobs. Yet economic security is basic to the survival of workers and small business owners. Therefore there should be a set of guidelines that clearly delineate the terms of the relationship between manufacturers and retailers on the one hand, and contractors on the other.

These guidelines should assume that the production relationship continues in good faith until and unless certain criteria are not met, which would give the manufacturer/retailer reasonable cause for terminating the relationship. The guidelines would also specify the terms by which this termination would take place.

5. ***Encourage consolidation of production in factories willing to comply with strong labor standards.***
Insofar as retailers and branded labels are already consolidating production in large factories owned by multinationals, pressure should be brought to bear to direct this process towards factories that are in compliance with university codes of conduct. As a growing number of these factories become unionized, production should be further consolidated in factories that have allowed the formation of independent unions.

Ensuring that Workers Rights Are Upheld in China

1. ***Manufacturers and retailers should actively enforce codes of conduct in China, including freedom of association.***
Violations of codes of conduct regularly take place in Chinese export factories, such as non-payment of wages, lack of health and safety precautions, and repression of freedom of association. Notwithstanding Chinese practice, corporations should make clear to Chinese businesses, government and workers their commitment and intent to uphold codes of conduct. Experiments with corporate approval of freely-elected union representatives and other interventions show that corporate influence can be important in changing local practice.

2. ***Manufacturers and retailers should actively promote corporate social responsibility in China.***
Chinese policymakers are only beginning to understand the history of the anti-sweatshop movement and the trend towards corporate social responsibility. However, corporations should immediately engage Chinese business counterparts, government officials, academics, unions, and other stakeholders about the importance of ethical business initiatives and the influence that they have had on modern corporate practices.

3. ***Manufacturers and retailers should work with unions and non-governmental organizations to jointly engage in strategies that will promote compliance with codes of conduct.***
Labor rights are human rights, and therefore they are of social concern to both corporations and labor activists. Whenever a diverse group of stakeholders can bring joint effort to bear upon a difficult situation, the outcome is likely to be more favorable. In the case of China and labor rights, there is evidence that shows that this kind of joint effort has yielded important results in achieving labor compliance, including in freedom of association.

Conclusion: Some Bold New Steps for USAS and the WRC to Consider

USAS and the WRC have done an excellent job of pushing the major universities of this country to take a stand against the use of sweatshop production for their logoed apparel. The student movement has confronted a major consumer of apparel and forced it to set a moral standard for its purchases. The WRC's monitoring has, in turn, opened up spaces for organizing drives so that independent unions have the hope of establishing a foothold in the notoriously exploitative export sector. These achievements are extremely significant.

The end of the MFA means that these hard-won gains may be threatened, as another major impediment to the "race to the bottom" is removed. One can view the MFA as a form of international regulation of the apparel industry, and now even that small intervention has been eliminated. Given that the unchecked free market produces a host of social ills, the removal of this last remaining government-imposed structure is clearly a move in the wrong direction. What is needed is more regulation, not less.

While USAS and the WRC must deal with the immediate crisis to their work created by the end of the MFA, and try to salvage what they can of the agreements that are already in place, perhaps this is a time to consider, once again, the bigger picture of global sweatshop production, and what can be done about it. Here are a few thoughts along those lines:

1. Universities are direct purchasers of logoed apparel, and the decision to focus on these products has made a lot of sense because of the centralized nature of orders. However, logoed apparel is also a very small proportion of the entire U.S. apparel market. While some major companies (like Nike and Adidas) have been caught in this net, global sweatshop production is much larger than this, and is not limited to apparel. Since universities are also sites where thousands of students may be mobilized in terms of their individual consuming behavior. USAS and the WRC might want to consider broadening both the vision and demands of their student constituents. Rather than focusing on individual purchasing patterns, University students could demand greater regulation of the production of all those consumer products that students purchase.

2. Global production and distribution has shifted the power relations between manufacturers and retailers. Retailers, especially the giant discounters like Wal-Mart, Home Depot, Best Buy, etc. now appear to be dominating global production. So far the USAS/WRC approach does not take this into account. One way to rectify this might be to develop a student movement to take on the giant retailers. A generation of students could be mobilized to monitor this sector, and even threaten consumer boycotts. The student movement could join with other existing movements that are eager to stop the predatory practices of Wal-Mart and other retailers. Students could bring their own unique energy and creativity to such a coalition. The generational character of their resistance might prove to be a real concern to the retailers. Of course, such an approach would have to be developed in conjunction with workers, unions and NGOs from the Global South, especially those that are asking for help in support of their campaigns. The WRC is well-equipped to conduct investigations of factories and conditions for the logoed industry, and should be able to extend this expertise to other types of targets.

3. The end of the MFA is bound to exacerbate a trend that has already developed, namely, the concentration of production in ever larger factories in a smaller number of countries, most likely in Asia and Latin America. These factories are reminiscent of the kinds of industrial plants where workers were able to organize strong unions, before the emergence of "flexible specialization," with its myriad small, mobile, hidden, subcontracting shops. As production concentrates in fewer countries and bigger factories, investments are more embedded in particular sites, and firms can not avoid a fight with labor by disappearing.

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The end of the MFA seems to put USAS and the WRC in a defensive position, holding on to their gains. But it is not necessarily a harbinger of potentially losses for the social justice movement; it also affords activists with new opportunities. It is these new possibilities that we must explore and use to gain worker power. We should use this new phase as an opportunity to reconsider our entire approach, to explore where power is shifting, and how we might better combat it. The goal of this movement has never been solely to improve university production. Rather, the universities afforded a concentrated opportunity to apply pressure on a piece of this system that could be made to respond. The bigger goal is nothing less than to change the way global corporations do business. We should use this shift to get back to that larger goal and see what can be done about it.

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