



The Cost of Free Trade:

The North American Free Trade Agreement's Negative Effects on Labor and the Apparel Industry in Los Angeles

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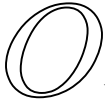
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Abstract

This paper is an analysis of the effects of NAFTA on labor and the apparel industry in Los Angeles. On a broader, more theoretical basis, this paper is about how free trade consistently disadvantages low-wage working people, often immigrants. The argument synthesizes the history of NAFTA, its inherent inequalities in its construction, the failure of the labor side agreements, and the overall impacts on the apparel industry as a result of these factors. Suggestions are presented to improve the current problems associated with NAFTA and methods to deal with the future. This work contributes to the growing works about the harms of free trade on working people in the garment industry in Los Angeles and helps to reveal to real cost of free trade.

Preface

“If a newscaster reports the torture and murder of civil rights workers in the same unemotional tone he uses to describe the stock-market or the weather, or with the same great emotion with which he says his commercials, then such objectivity is spurious--more, it offends against humanity and truth by being calm where one should be enraged, by refraining from accusation where accusation is in the facts themselves.”
-Herbert Marcuseⁱ



Over and over again we are told that globalization is the new world order and the only world order. Its meaning has been contorted to assert benefits for the world and all its inhabitants. It is justified by people in power and those struggling for power from all directions, in all forms, to the point where it has become an unarguable reality. Government and corporate elites through media and other forms, tell the world citizens that globalization is a natural process. In reality globalization is simply capitalism on a global scale. There is nothing natural or normal about globalization, or capitalism for that matter. It is only one form of economic order that has been very deliberately propagated by the world powers and made to seem normal. Capitalism tells us that the “free market” is guided by an “invisible hand” and this system will only operate fully with absolutely no constraints, in a vacuum of sorts. With terms like “free market” and “invisible hand,” capitalism and globalization has become naturalized and normalized, and something to be sought after. But this is exactly where the deceit lies.

Multitudes of laws are passed to help attain the reality of a global market. The institutionalizing of such ideas into law not only happens behind closed doors that the

citizens of the involved countries are not even aware of, but comes at the expense of most of the worlds' people. The theory behind globalization is to maximize profits (for the benefit of the producer), while keeping prices low (for the benefit of the consumer). This is predicated on the creation and maintenance of the poor and blatant disregard for the low wage workers that produce consumable goods. In order to maximize profits, working conditions, wages and other factors are forced down and kept down. It is become an inescapable reality for the world's poor. It creates a trap in which those struggling to survive must play the game in order to maintain any semblance of life.

As residents of the most culturally, economically, militarily and politically dominant country in the world that exports its ideals, we forget that another way and world view is possible. Our country's short memory and selective history and education, keeps us from realizing that other worlds have existed and do exist. We have ourselves become consumed by the consumer practices of capitalism, and through this process we choose to ignore the faces and voices that hold onto the bottom rungs of society and make our consumer choices possible. Our choices are increasingly made, not with morals in mind, but with money and material wants.

As a citizen born to this country I continue to be appalled at the horrifying choices the United States continues to make. With such economic, political and military power the United States has the potential to set a high standard for foreign economic policy, yet it has continued to take the low road, valuing capital over life. The North American Free Trade Agreement is a perfect example of an economic policy choice that makes value judgments on lives and sacrifices working people for empty promises. There is a growing body of work regarding the negative effects of free trade and the truth of free trade,

particularly in regards to NAFTA. With the approval of NAFTA, the most recent discussion of the Central American Free Trade Agreement (CAFTA) and the long term plan of the Free Trade Area of the Americas (FTAA), our world's economic problems are being exacerbated. The gap between the rich and the poor grows larger, real wages go down, purchasing power goes down, working conditions worsen, poverty is on the rise along with the multitude of poverty-related conditions.

Living in Los Angeles and attending a liberal arts school brings to light these enormous wealth disparities in US society. But LA has also brought to my attention the changes that can be made. The more I learned, the more I knew that I needed to use my time in school for something that would change society for the better. I could no longer watch these injustices continue to thrive around me, nor could I close my eyes to them like we are taught to do. I intentionally chose a major that would allow me to affect change, even if on a very local level. I began to get directly involved in labor issues on campus through the Student Labor Action Coalition, but my awareness of labor issues began much earlier. I grew up in a strongly union family that taught me the values of workers rights and the challenges facing them. When I was in high school, I experienced a specific first hand incident that made me truly realize the injustices that can and do occur to laborers, particularly immigrants. I took a trip with a local farmworker union to view the abhorrent living conditions of a group of strawberry pickers. I can still remember being horrified by the poorly built house that was overflowing with people. There was no insulation, just planks of wood for beds, no mattresses, and lighting consisted of single light bulbs. Those who did not fit in the house were forced to sleep in run down vans parked outside. They were paid per pound of strawberries picked and their

hands were stained red. This was not Mexico, nor was this was not some struggling Third World economy; this was the United States, the richest most powerful country in the world. Nor is this an anomaly, in fact, it is the status quo for immigrant workers, the backside of capitalism upon which enormous profits are made possible.

While writing this paper and trying to express the true nature of my argument, I came across many obstacles and challenges from the world of academia. The academic discourse promotes and idealizes an unreachable goal of objectivity, including the use of even handed, rational thought. However this is not my goal for this paper nor do I believe it is a possible goal. My goal for this paper is to make clear the true repercussions of globalization, to bridge the gap of misunderstanding by telling the untold stories, and to add to the discourse. I believe it is devaluing and demeaning to those I am speaking about if I attempt to dilute my words. These struggles are real, the suffering is real. I do not expect this paper to be far reaching in its current form or to change many minds upon its first reading. But I do expect it to be another work dedicated to showing the real cost of free trade and helping to plant the seed for change. Steps must be made in this direction even if they are small in impact.

Introduction

“Capitalism has set up that single unconscionable freedom – free trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation.”

–Karl Marx

“There are more merchants today, surer deliveries, and wider well-being, but are there not, also, bigger thieves, deeper injustice, and more calloused selfishness in well-being?”

-W.E.B. DuBois

lobalization has been described as “a phenomenon,” a new world order, something that has come about rather suddenly. However this is not true. The ideas behind globalization have been present for hundreds of years. The concept of opening trade, exploring and exploiting new markets, all for the sake of profit and prices is nothing new. However, where globalization appears to be something novel is in its current practices and global reach. Nearly every country in the world is now economically interdependent, particularly linking third world countries to first world countries. However in the past ten years, an increasing number of policies and organizations have been created to promote “free trade.” There has been the General Trade and Tariffs Agreement (GATT), the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA), the European Union (EU), the recent passage of the Central American Free Trade Agreement (CAFTA) and the proposed Free Trade Area of the Americas (FTAA), to name some of the more prominent. And each of these organizations has one main goal: to open markets by reduction of tariffs and thereby to promote efficient global production. In general these groups have achieved just

that. However where they have failed is on the human side of trade. Is this heightened shift towards free trade really free? Besides the beneficiaries, are there not also groups, often composed of many more people, who have experienced negative impacts?

Policies, such as NAFTA, do not appear out of thin air. As basic as it may seem, they are meticulously and carefully articulated to create a desired purpose with specific interests in mind, whether those be the interests of big business or local community groups or both. With the assistance of various affiliated institutions and individuals the government develops policies that shape our everyday lives. This paper will demonstrate how the U.S. government policy of international trade has negatively affected the apparel industry of Los Angeles, with job loss and poor working conditions that in turn has caused increasing socio-economic inequalities. I will argue that the worsening labor conditions in the Los Angeles apparel industry created by the North American Free Trade Agreement were inevitable and implicit in the biased and flawed nature of the agreement.

Most of the choices presented to us about our daily lives (whether vast or limited) are facilitated by the government, yet this reality is not often recognized. Many times those who are harmed by the intentional or unintentional consequences of policies are unaware of the role of policy in their lives. Policy makers themselves cannot always predict all the outcomes or recognize all groups affected, yet their role remains critical. Free-trade, due to its international nature, affects more groups than domestic policy and therefore has more unforeseen consequences. Measures are often put in place to protect employees on all sides; those who lose their jobs as a result of trade liberalization and those who gain jobs. But these protections have consistently not been effective enough and are often included in agreements just to pacify resistance to the agreements. It is clear

that certain interests are promoted and maintained through global trade arrangements and other interests are consistently, and I would argue deliberately, ignored – those of the low wage workers who are the backbone of the system of global capitalism. As Ralph Nader argues:

Approval of these agreements has institutionalized a global economic and political situation that places every government in a virtual hostage situation, at the mercy of a global financial and commercial system run by empowered corporations. This system is not designed to promote the health and well-being of human beings but to enhance the power of the world's largest corporations and financial institutions.ⁱⁱ

The well-being of all the communities affected by trade liberalization needs to be addressed, although it is frequently left out. These are the people who are victimized and destroyed for the sake of profit, competition and low prices. Very little has been done by large trade organizations or others to evaluate what type of problems trade liberalization is creating for the world's workers, let alone provide any protections or securities. Yet policies continue to be approved. Success in this system of international neo-liberalism is evaluated by profit margins, price reductions, sheer quantity of production, and various other measures of progress. In fact in the development of GATT and NAFTA “the regulation of commerce to protect environmental, health, or other social goals is strictly limited, and labor rights, including prohibitions on child labor, were entirely left out as inappropriate limitations on global commerce.”ⁱⁱⁱ This blatant disregard for human life and dignity must be recognized, evaluated and eventually reversed.

This paper seeks to address the “unwelcome guest”^{iv} that is left out of initial discussions about free trade – that of labor conditions, particularly in the apparel industry. This issue is discussed in terms of free trade but only upon repeated demands and is often not effectively or successfully addressed. I am most interested in looking at who benefits and who is harmed when expansive international agreements are passed without the consultation, or knowledge, of certain groups affected by it. NAFTA creates two separate worlds, one of “profits for the few” and the other of “poverty for the many”^v and solidifies these inequalities within society. The negative side of NAFTA can be clearly seen by the harmful consequences in the apparel industry in Los Angeles. The apparel industry is one of the industries most harmfully affected by trade liberalization policies,^{vi} due to the low start up costs and abundant labor pools.

Since little research has been done on the actual direct effects of NAFTA, it is difficult to obtain extensive data on the apparel industry’s changes. Most of my argument is theoretical and about the processes surrounding NAFTA. I begin my argument by describing the changes in the apparel industry in Los Angeles since the early 1990’s, outlining the sensitive nature of this industry in the pre- and post- NAFTA context. In the second part I will profile the history of the creation of NAFTA and its basic tenets and components. This section will briefly explore the labor side agreements, the negotiation processes, the key players and certain socio-political conditions that affected the decision making process. The third section will explain the explicit and direct effects NAFTA has had, and continues to have, on the apparel industry nationally and in LA. I will explore arguments made by groups and individual proponents and opponents of the agreement regarding these effects, before and after its adoption into law. This discussion ranges

from a focus on the apparel industry to the concept of NAFTA itself. The fourth section will explain the institutionalized and theoretical reasons for the negative consequences of NAFTA on the apparel industry, including the flawed logic implicit in NAFTA. There will be an emphasis on the side-agreements and their ineffective implementation since these were designed to protect the workers who are in fact being harmed by NAFTA. And the final chapter proposes solutions to deal with the problems created by NAFTA.

Chapter 1: The Los Angeles Apparel Industry

*“When I came to the United States,
I thought that making clothes would
make me a good life. Now I think it’s
better for me to go back to Mexico
because I feel like I’m a slave here.”*

-S. Sanchez, Los Angeles garment worker, 28, female^{vii}

The apparel industry is an important sector of the economy of the United States for employees and employers alike. Since the early 1990’s until present day it has gone through many changes. In 1994 it included “more than 10,000 fabric and clothing makers [who] employ more than 1.4 million people--twice as many as work in the motor vehicle industry and three times as many as in steel.”^{viii} According to the Department of Labor 2003 statistics, that number has dropped slightly to near 1.33 million nationally. Los Angeles currently represents the largest garment manufacturing area in the United States and in California, producing \$24.3 billion/year in revenue (according to the Los Angeles County Economic Development Corporation).^{ix} “[O]ver 80% of the California apparel industry is located in Southern California,”^x 70% of which is located specifically in Los Angeles.^{xi} “In terms of employment...apparel in 2000 represented almost 16 percent of total manufacturing jobs in Los Angeles.”^{xii} Within Los Angeles it is the largest industrial sector in the city.^{xiii} The number of cut-and-sew employees in Los Angeles “peaked in 1996 at 97,500 and is currently at 62,600,”^{xiv} according to the California Employment Development Department. Total employment in the industry, including cut-and-sew positions and others, exceeds this amount. Figure 1 depicts the structure of the garment

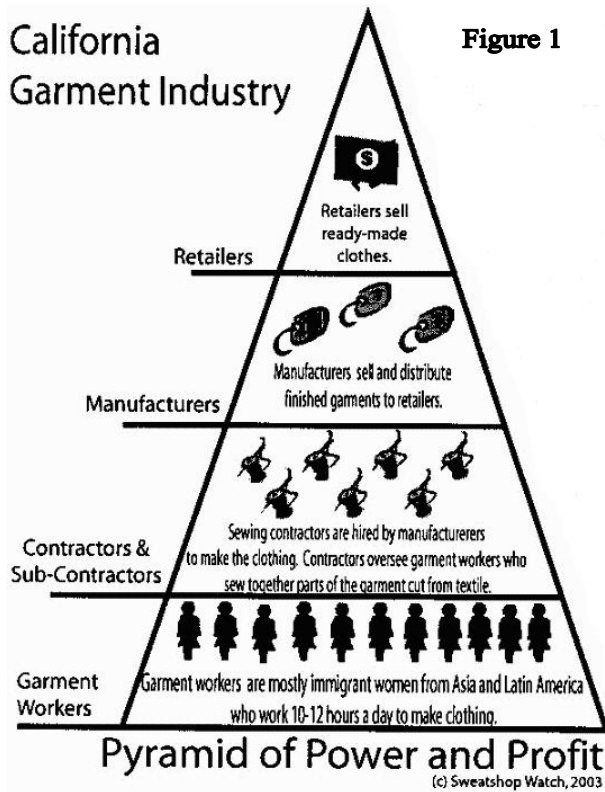


Figure 1

industry and power dynamics in California, as presented by the Garment Workers Center and Sweatshop Watch.

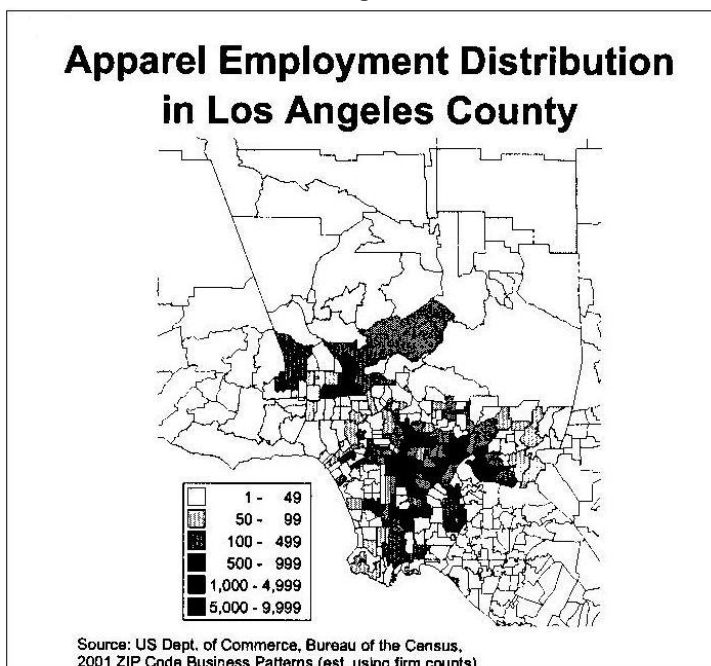
It is important to note for the apparel industry in particular that an unknown number of employees are not captured by these statistics, particularly government census information. The data available does not show undocumented workers who

are not officially reported as working, forced laborers, employees of unregistered contractors or other underground and illegal situations. The law in California requires that garment contractors register with the state “[h]owever many...fail to register and operate unlicensed shops, often failing to pay payroll taxes, workers’ compensation insurance, and avoiding other laws and regulations.”^{xv} Apparel contractors have also been known to periodically change locations or company names to avoid compliance with labor laws.^{xvi} Although “the practice of using home labor for commercial apparel manufacturing is illegal,”^{xvii} it is a reality and there have been some documented cases, such as the infamous El Monte case (which will be discussed later). While that case may have been an extreme, it is difficult to determine if it is an exception. Information regarding wages includes all sectors of the apparel industry including designers,

contractors, production workers, cannot take into account all of these unreported workplaces.

Los Angeles began dominating the apparel industry after the First World War.^{xviii} As Hollywood simultaneously evolved into a center for the movie industry and the fashion world, apparel production became even more important and successful. This shift in production also marked a shift towards predominately women’s clothing, which is still true of Los Angeles today.^{xix} The economic success of the industry can be attributed to “promotion of Hollywood-style lines of clothing” and more importantly “the availability of a large pool of immigrant laborers.”^{xx} According to the Garment Workers Center there are now 13 seasons of clothing, due to the rapid pace of the changes in trendy women’s fashion. “[T]he Los Angeles apparel industry thrives in large part because Los Angeles is a major style center, owing its traditionally close ties to the entertainment industry and its image as a mecca for casual, outdoor, active living.”^{xxi} Most of the factories that actually sew apparel are in LA’s Fashion District downtown where the factories are concentrated. The spatial density of apparel workplaces can be seen in Figure 2:

Figure 2



The Los Angeles apparel industry is comprised of over 4,000 companies, 90% of which employ fewer than 50 people.^{xxii} “The apparel industry, especially, is dominated

by small firms. Three quarters of them have fewer than 20 employees.^{xxxiii} These employees are often housed in the buildings of the Fashion District and are usually right above the garment shops where the clothes and related products are sold.

Demographics and Wages

Commonly perceived notions of the apparel industry tend to focus on the cut-and-sew workers who are predominately female and tend to ignore the more glamorous side of the industry that includes designers, logistics or distributors. While the latter group is a significant portion of the employment of the apparel industry, the former will be focused on in this paper. Although “garment operators in Los Angeles County comprise barely half of the industry’s total workforce”^{xxxiv} these are the jobs and workers that are most vulnerable to changes in the economy and have been affected most negatively. This type of work is a common “entry point”^{xxxv} for recent immigrants. According to the LA County Economic Development Corporation, among production workers in LA 81% are Latino/a – most of who are of Mexican origin (75%)^{xxxvi} – and 16% are Asian.^{xxxvii} Many of these workers are women (roughly two-thirds) - however an increasing number of men are being employed due to traditional lack of male responsibilities for the family that might interfere with work^{xxxviii} and displacing the female workers. Most workers did not complete high school and do not speak English proficiently.^{xxxix} As explained by an ex-garment worker in LA, signs are posted for jobs at the front of the factories in Spanish and you do not have to speak English to apply or get the job.^{xxx} Over three-quarters are non-citizens but may have permanent residency status and thus employment authorization.^{xxxi} In 1990, 34% of apparel industry machine operators in the US were immigrants, and now they represent the majority nationally.^{xxxii} In Los Angeles,

immigrants comprise a striking 92% of machine operators.^{xxxiii} In fact since only 34% are citizens^{xxxiv} the other 76% are unable to access federal benefits, including trade adjustment assistance programs and unemployment, which will be discussed further.

Varied reports exist on the wages of workers in the apparel industry. Higher estimates find the average production worker in LA made between \$13,628 and \$24,300 annually, with an hourly wage of between \$8.11 and \$12.52.^{xxxv} However only 3 years later in 2000 the US Census found garment workers in LA made only \$5.18 an hour, or \$10,783 annually, assuming a 40 hour work week. The Garment Worker Center that works directly with employees of the production sector of the apparel industry in LA, showed even lower data. “Workers who came to the Center [between 2001-2003] earned \$3.28 per hour and worked 52 hours per week on average.”^{xxxvi} While these workers represent the lowest of the wage workers, they also represent the injustices that can go unnoticed in the industry and the inconsistencies in reporting of wages.

Garment workers and the industry as a whole economically impacts more than its own industry. There are many indirect effects of such a large industry on other economies. “In 2001, spending by 120, 255 workers in the apparel and textile industries created another 130,000 “indirect” jobs in Los Angeles County.”^{xxxvii} Beyond job creation, the purchasing power that these workers have on the Los Angeles economy is great. Every job that is lost impacts more than just that individual and that individual’s family, but the economic multiplier effect creates unforeseen effects in terms of earnings and additional jobs. Data from the Los Angeles County Economic Development Corporation confirms this situation. In 2001, the \$2.7 billion apparel industry’s multiplier effects created an additional \$3.5 billion in indirect earnings.^{xxxviii} This number includes

all sectors of the apparel industry's varied levels of occupations. Again this is based only on documented legal workers, and excludes the impact of undocumented workers whose impact increases these conditions.

Working Conditions

A handful of newspapers and other groups have publicly featured articles on the lives of garment workers in Los Angeles. This information is incredibly valuable when assessing the status of the industry; for a system's success can be determined by the lives of its poorest. The Los Angeles Times column – *Southern California Voices* – in 1995 profiled a few garment workers in their own words, making their working conditions publicly known.^{xxxix} In the three workers' interviews, they explained their low wages ranging from \$10-\$20 per day, and \$60 to \$160 per week. Work hours for Martha Rodriguez were from 7am to 6pm during the week and 7am-1pm on Saturdays. Others worked from 9-11 hours per day and all mentioned work on Saturdays. When work demand goes down so does their wages since much of the pay is per-piece, not per hour. This promotes unsafe working conditions since workers rely on their speed to make ends meet. A more recent article from the LA Weekly profiles a garment worker whose pay has declined \$150-\$250 per week since the 1980's in the same type of job.^{xl}

The more detailed accounts of what is happening “on the ground” in the apparel industry are left to small groups and academics to seek out themselves, not the government or adjustment programs. Unfortunately much of this information that is gathered about conditions in the LA Apparel Industry is hearsay. Workers are afraid to speak up and attain a collective voice. Despite the fact that conditions are similar all over the LA area, powerlessness is widespread. It is difficult for workers to speak out about

their conditions when they feel they have no security. Many workers are not citizens which adds another element of fear to their workplaces. As one employee of an LA garment shop describes her situation:

Finally, I saw too many violations and started talking to my co-workers. We went to the Department of Labor. After I called so many times, they finally came to investigate. But when the investigators got to my shop the employer started telling people that they were immigration officers. People left and never gave a statement.^{xli}

Many garment workers are at the will of their employers. If they do not do well, they can easily be replaced, and this is well known among apparel workers. Others express similar frustrations: “I’ve tried to talk to some of my co-workers about [wages below minimum wage], but the situation is the same in all these places.” One of the reasons that workers in the apparel industry feel powerless is that they remain one of the least represented working communities in Los Angeles. Currently “[l]ess than 1% of garment workers are unionized in Los Angeles.”^{xlii} Without this legally protected collective voice in the form of a union, workers are isolated and unable to change their working conditions.

Because of the poor and worsening conditions local organizations are providing services such as the Garment Worker Center. This Los Angeles based non-profit organization specifically addresses the concerns of apparel workers and their working conditions. It was started by a group of immigrant rights groups that saw the need for an organization to address garment workers issues in particular. The groups included Sweatshop Watch, the Asian Pacific American Legal Center, the Coalition for Humane Immigrant Rights of Los Angeles (CHIRLA) and the Korean Immigrant Workers

Advocates (KIWA).^{xliii} In 2001 it opened with a mission to “empower garment workers in the greater Los Angeles area and to work in solidarity with other low-wage immigrant workers and disenfranchised communities in the struggle for social, economic and environmental justice.”^{xliiv} The Center provides educational, and leadership training, as well as workshops on issues in the workplace such as wages and hours. The Center provides free services in several languages to address the needs of many garment workers. The previously mentioned organizations also work on similar issues. This is one way that independent organizations have taken matters into their own hands when the needs of workers are urgent and widespread.

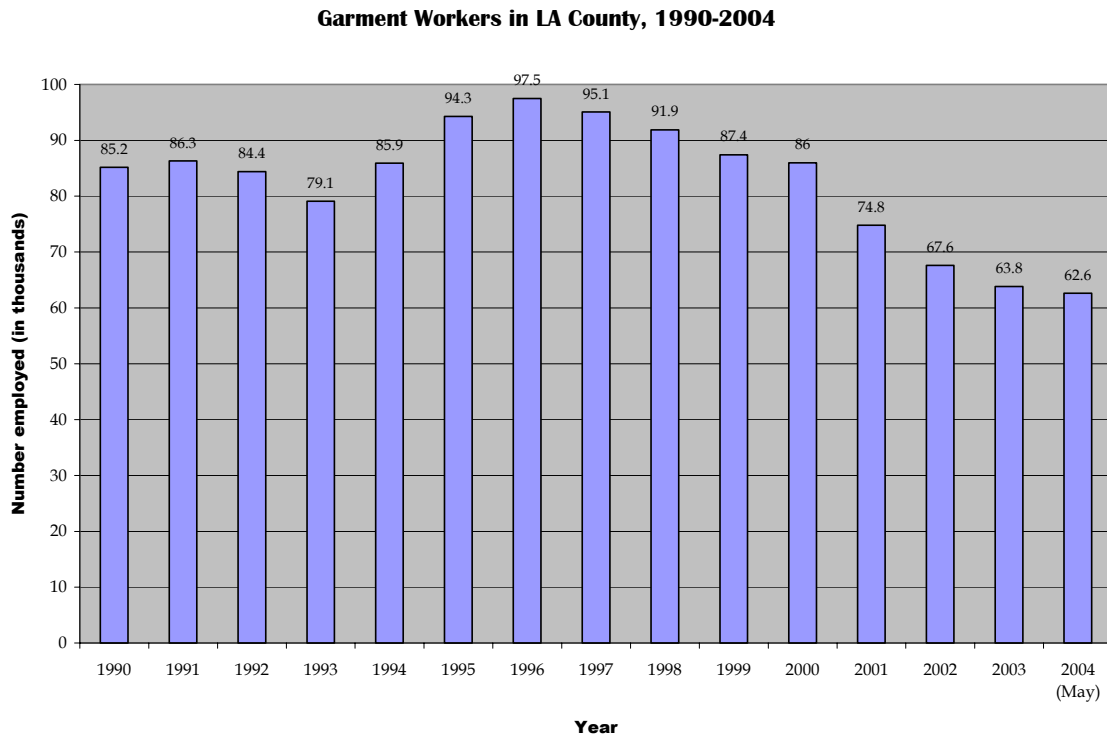
However, enforcement of labor laws remains primarily the role of the government. When the government does get involved with labor enforcement it is often after continual prodding or a tragic event such as the slave system set up in El Monte, California. In 1995, a group of 72 Thai immigrants were found in a guarded compound forced to sew clothing, literally chained inside. Some of them were retained for 7 years and they were paid only \$1.60 an hour. The state and federal law enforcement only discovered this situation when a few of the workers managed to escape.^{xliv} While this example is an exception, other government studies have found results indicative of poor conditions everywhere. The U.S. Department of Labor in 2000 found that 2 out of 3 garment factories in LA violate minimum wage and overtime laws and 3 out of 4 factories violate health and safety regulations.^{xlvi} Furthermore, the study concluded that the rate of compliance increased in 1994, but remained at the 1996 level. “The US has great laws- minimum wage, workers comp, some places have living wage, no child labor- but great laws don’t help without enforcement.”^{xlvii} Beyond the need of better

enforcement there is a lack of pre-emptive or preventative enforcement and oversight. The Wage and Hour Administrator T. Michael Kerr openly recognized that “monitoring is only one part of what must be a much more comprehensive solution to the very pervasive compliance problems in this industry, and our survey findings indicate that the quality of monitoring is suspect.”^{xlvi} Even people within the system recognize its faults and dire need for change for the protection of workers.

Despite the amount of information known about the apparel industry, there has not been much research to show the direct changes on its wage based working community. As Los Angeles Times writers David E. Bonior and Harley Shaiken point out, “for most Americans, good economic news is something they hear about on the nightly news rather than see in their paycheck”^{xlix} and this rings especially true for garment workers in LA. Most research conducted uses the general standard economic measurements to display overall employment, growth of the industry, but these standards have do not often show the true nature of what is happening. The types of measurements used to evaluate economic changes are aggregates and take into account the highest of highs, as well as the lowest of lows. “[T]here is a significant number of contract workers who are not captured by the official employment surveys...the workforce is very fluid in the cut and sew section of apparel manufacturing.”^{li} Just prior to NAFTA, people were already concerned that “current analyses are simply too aggregated, temporally truncated, and/or computationally constrained to gauge accurately NAFTA’s effects on the largest of these labor-intensive industries—the US apparel and apparel fabric industry.”^{li} However, even the general measurements do not paint a pretty picture of the current state of apparel in Los Angeles and both prior to and after the implementation of NAFTA.

Life after NAFTA

Since before NAFTA employment in the apparel industry had been declining, however the period after NAFTA shows acceleration of this occurrence. The most notable and easily quantifiable changes in this time have been in prices, employment, wages and job creation. Nationally “in 1997, 15% of garment workers were laid off since 1994, faster than another other manufacturing industry.”^{lii} In 2003 alone, 93,400 jobs were cut from the country’s apparel industry.^{liii} Not only were workers laid off faster, but



in the largest quantities.^{liv} The number of jobs lost has only increased since this time.

According to the Handbook of North American Industry “employment in the [apparel] industry is declining and is expected to continue downward through 2005. Projections to the year 2005 indicate it will then be around 771,600, or about 22 percent below the 1993 level.”^{lv} Since 1994 California has had the most net job losses in the nation at 115,723.^{lvi} In Los Angeles “apparel manufacturing employment has steadily declined since 1997”^{lvii}

with a few fluctuations after it peaked at 103,900 employees in 1996.^{lviii} Estimates in 2003 place LA employment around 67,900^{lix} and in 2005 at 62,600 for production workers.^{lx}

The post-NAFTA economy has created a situation of no escape for many producers and employees across the US. “[A]pparel is 10% cheaper than it was in 1994.”^{lxi} But employees and employers alike worry that prices cannot go any lower without putting many factories out of business. Already many businesses have had to lay-off workers and reduce costs. “Clothing companies are going out of business today at a faster rate than any other kind of manufacturer.”^{lxii} One of the main reasons for the worsening conditions in the apparel industry is due to NAFTA. In order to understand the arguments made in this paper, a detailed look at the history of NAFTA is required.

Chapter 2: Creating a Monster: The History of NAFTA

“A new world war is waged, but now against the entire humanity. As in all world wars, what is being sought is a new distribution of the world.

By the name of "globalization" they call this modern war which assassinates and forgets. The new distribution of the world consists in concentrating power in power and misery in misery.

The new distribution of the world excludes "minorities." The indigenous, youth, women, homosexuals, lesbians, people of color, immigrants, workers, peasants; the majority who make up the world basements are presented, for power, as disposable. The new distribution of the world excludes the majorities.”

- First Declaration of La Realidad for Humanity and against Neoliberalism, Ejército Zapatista de Liberación Nacional (EZLN), January 1996

The North American Free Trade Agreement went into effect on January 1st, 1994 after years of discussion and debate. It was designed “to encourage the flow of capital and goods across borders, the agreement drastically reduced tariffs and other trade barriers, eased restrictions on investment and strengthened legal protections.”^{lxiii} Upon its adoption, NAFTA established the largest free trade zone in the world, with a current combined gross domestic product of \$11.4 trillion.^{lxiv} This agreement in effect removed all barriers, both tariffs and non-tariffs, on the trade of goods between the US, Mexico, and Canada. It also addressed “newer themes such as trade in services and protection of intellectual property.”^{lxv} Proponents argued that all participants in the trade agreement would benefit with expanded economies, low prices and more jobs. Agreements such as this directed policies toward a “vision of the world where goods and services flow freely to the benefit of both producers and consumers.”^{lxvi} Trade with Canada and Mexico [in 2000] accounts for one-third of the US total, up from one-quarter in 1989.^{lxvii} Trade between San Diego and Mexico nearly tripled, from \$11.5 billion in 1994 to \$30.1 billion in 2002.

Formal negotiations began in June of 1991 after discussion from the leaders from the three involved countries. Prior to NAFTA the US and Mexico had agreed in June 1990 on free trade negotiations and Canada, under the authority of prime minister Brian Mulroney, joined the others in February of 1991.^{lxxviii} Canada and the US had a previous agreement (CUFTA) which provided much of the base for NAFTA.^{lxxix} Although NAFTA is known in the United States as a product of Bill Clinton's administration, negotiations began before he was elected. Discussions between Mexico and the US began with the administrations of presidents Carlos Salinas de Gortari and George H.W. Bush, respectively. Ironically, Clinton publicly announced his approval of NAFTA before he was elected, since his candidacy was assumed to be a change in politics from the prior 12 years of Republican control. Once elected in 1992, Clinton saw the need for talks on the side deals regarding labor and the environment, which began only *after* NAFTA had been signed by all three heads of state. The actual agreement was signed by all three parties on December 17th, 1992.^{lxxx}

The NAFTA Impetus

In the early 1990's Mexico's economy was marked by "recession, inflation, and debt for most of the previous decade."^{lxxxi} The government was able to reduce some debt with assistance from European countries but "since Mexico could not count on its creditors for economic aid, it would have to seek capital from foreign investors."^{lxxxii} And those foreign investors were to be the United States and Canada. At the World Economic Forum in Switzerland in 1990, the president of Mexico approached the US Trade Representative (who would later become one of the major US negotiators of NAFTA) about a possible free trade area between the two countries.^{lxxxiii} This move, almost in an

act of desperation, was more about relieving debt and saving a struggling economy than anything else, yet much of the rhetoric around the debates did not speak to this issue.

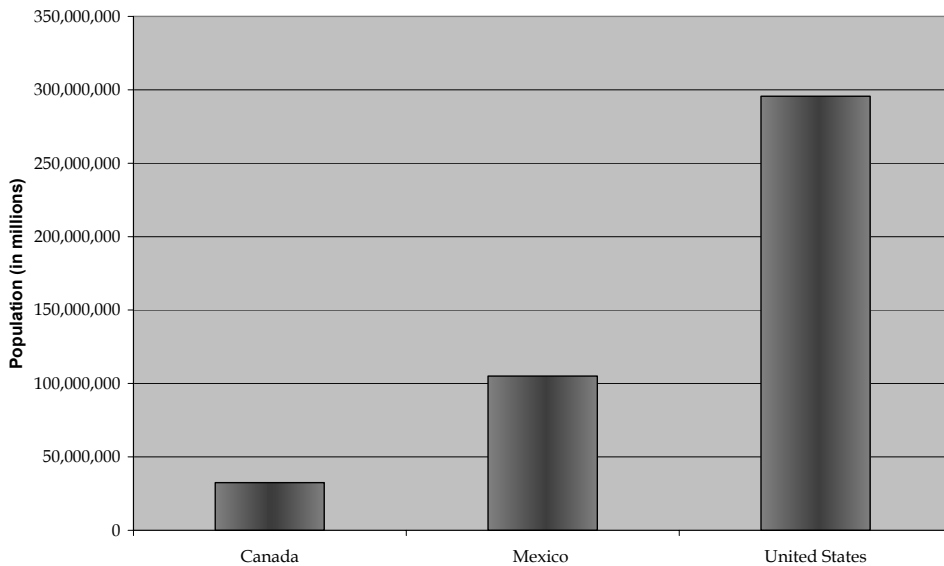
Although United States has had a generally open policy about free trade, this has not been particularly true of the other NAFTA member countries, especially Mexico. Even before the specific effects of NAFTA were shown, “[o]ne thing was clear, even in 1990, Salinas had made a momentous decision that would reverse the policies of all previous Mexican presidents since the 1910 revolution and profoundly affect the course of his people’s lives.”^{lxxiv} In the 1980’s, Mexico was one of the most closed economies in the world and now it is one of the most open.^{lxxv} Mexico has had a negative history of trade with the United States. It “suffered greatly from US intervention in the nineteenth and first half of the twentieth centuries...the principle of nonintervention by foreign powers in the international affairs of other countries thus came quite naturally to Mexico.”^{lxxvi} Despite the changes in Mexico’s economic policy over the 1980s, no change was more dramatic and showed the true new nature of Mexico’s new policies than NAFTA.

Country Profiles

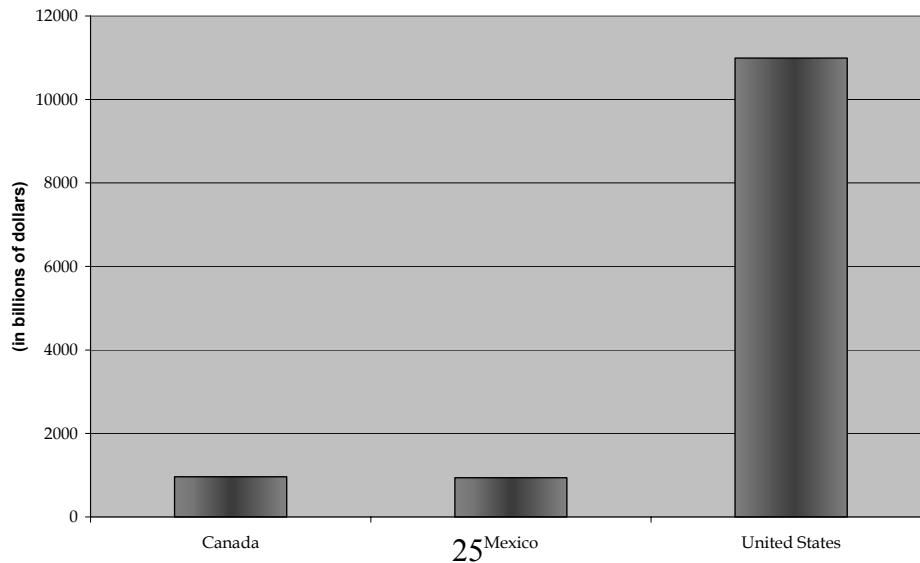
When any group of countries join an economic arrangement such as this, it is important to look at the economic situation of the members. Many arguments have been made that the unequal economies, or asymmetries, of the three member countries will in the future or have already contributed to the unequal economic, political and social effects of the agreement. “NAFTA is...the first time that sovereign developing and developed countries have been joined together in an integration scheme.”^{lxxvii} This is an important point to note since the three countries involved have extremely different

economies, not to mention political histories. “‘Market power remains the basic prerequisite to gaining concessions,’ said Canadian trade negotiator Michael Hart. “‘The more concessions one has to offer, the more concessions one is likely to gain.’”^{lxxviii} At the time of NAFTA’s passage, Mexico’s economy was one twentieth the size of the United States’.^{lxxix} Furthermore the United States is arguably the most economically and politically powerful country in the world. Mexico and Canada are considerably smaller in relation to population, GDP and per-capita GDP to a lesser extent (re: Canada, see charts below).

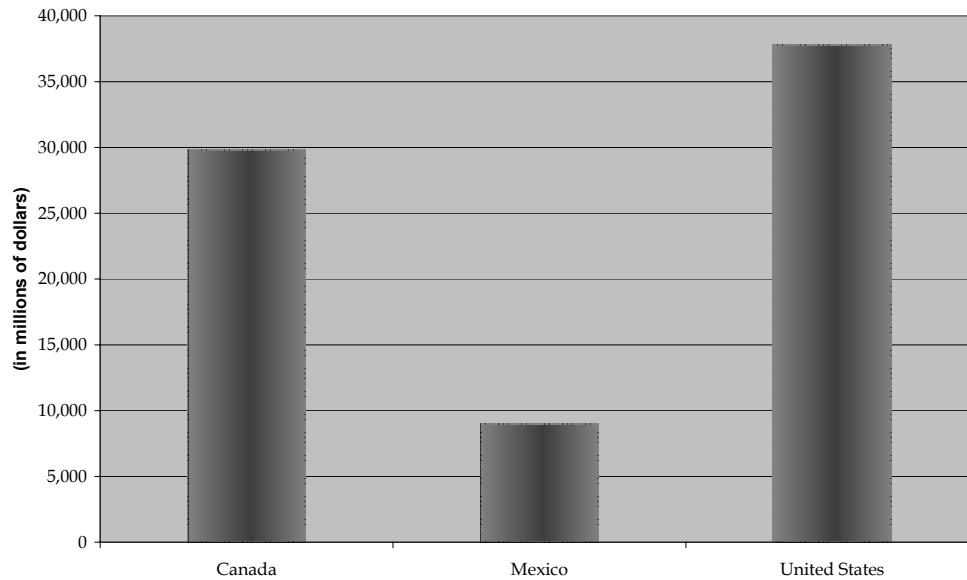
Population of NAFTA member countries- 2004



GDP of NAFTA member countries (2003)



Per Capita GDP - NAFTA member countries (2003)



Although the asymmetries were acknowledged in the text of NAFTA, many argue that they were not adequately addressed.^{lxxx} Each country approached NAFTA hoping for their country to benefit individually, but other economic and political situations affected the outcomes of this agreement.

Issues of national sovereignty were a very important part of the debates regarding NAFTA since the agreement established its own form of authority. With the passage of NAFTA “the state has ceased to be the *rector*, or moving force, of the economy.”^{lxxxii} New, exterior and collective forces are involved in approving the economic decisions for all of North America. In a sense, all countries sacrificed part of their sovereignty in order to open their markets.

Main Players

Such a large scale agreement connecting the entirety of North America required a great deal of involvement from all three countries. Each of the countries’ leaders and their administrations put together negotiating teams for the processes of developing NAFTA. As mentioned earlier, the main national leaders during the period of initial

negotiation were Carlos Salinas de Gortari of Mexico, Brian Mulroney of Canada and George H. W. Bush of the United States. Salinas' history as president has been surrounded by controversy and conflict. He was elected as a candidate of the Institutional Revolutionary Party (PRI) 1988 in an extremely close election – winning by just 50.4% of the vote. With widespread allegations of fraud his authority was questioned throughout his six year presidency.^{lxxxii} “[W]ith evidence of fraud in vote counting...Salinas entered power with a flawed mandate.”^{lxxxiii} Many analysts have assumed, in fact, that the sharpest critic of globalization and free trade, Cuauhtémoc Cardenas Solórzano of the National Democratic Front (FDN), was the actual victor in 1988. Cardenas acknowledged during the NAFTA negotiations that trade “must be an instrument of development, not an end in itself.” But Salinas did not agree and he received criticism from other political parties as well as within his own for promoting economic integration with foreign markets, particularly the United States^{lxxxiv} and emphasizing privatization.^{lxxxv} Salinas' legacy has been to “redefin[e] national sovereignty as being contingent on a strong, world-competitive private economy whose vitality is *undermined* by a strong state.”^{lxxxvi} Yet Salinas was in a position that demanded some change for the Mexican economy that was struggling with a huge foreign debt and inflation.

George H. W. Bush did not vary much from his history or party in the approval of a free trade area between Mexico and Canada. The transition was fairly easy from the previous Reagan administration with its policies favoring privatization and open markets dominated by large corporations. However, his approval ratings did decrease as the disapproval of NAFTA increased, especially during the most intense negotiation periods.^{lxxxvii} Bush's negotiating coordinator was Carla Hills, who was at the time a Trade

Representative. Hills selected Julius Katz to the position of chief negotiator. The main negotiators for NAFTA under Salinas' administration were Herminio Blanco Mendoza as chief negotiator and Jaime Serra Puche, the trade minister of Mexico.^{lxxxviii} Canada's main negotiator, John Weekes, was chosen by the Deputy Minister of Trade Don Campbell.^{lxxxix} The main negotiation overseers selected chief and deputy negotiators and arranged nineteen groups to address specialized issues. These groups together developed the main nineteen chapters of NAFTA. On the first day of negotiations "the ministers agreed to divide the negotiations into six broad areas; market access for goods; services; investment; intellectual property protection; dispute settlement mechanisms; and trade rules on subsidies, dumping, and rules of origin."^{xc}

The Negotiations

Discussions about NAFTA generated a number of studies by economists and academics regarding the potential effects of such an agreement. Information was gathered by each country's policy makers for evaluative purposes. Even this discussion received much criticism. "This research focused on trade and investment, as well as on related aspects...However, this research agenda failed to adequately address the social, labor, environmental, and political implications of NAFTA, as well as some of the economic costs and possible alternatives."^{xc} In short, the research and early debating was very narrowly focused on perceived areas of interest for the governments and associated interests. Initially the negotiations did not include these other aforementioned issues of the environment or labor. "The political debate surrounding the negotiations, however, quickly expanded the negotiations to include...other issue areas, which the three governments at first resisted. First, non-governmental organizations (NGOs) insisted on

including nontraditional issues such as the environment and labor standards in the negotiating agenda.^{»xcii}

One of the most well-known and cited studies supporting NAFTA during the main public debating period was Gary Clyde Hufbauer and Jeffery J. Schott's assessment of the agreement. Their study published by the Institute for International Economics in March 1992 explains the expected effects on all three countries and shows clear support of NAFTA. The main positive claims were that NAFTA "enables North American firms and workers to compete more effectively against foreign producers..."^{»xciii} But even these economists recognize that the "progress on labor and environment issues proceeds in half steps..."^{»xciv} While few seemed to be thoroughly satisfied with the final labor side agreement, the potential benefits from the rest of the agreement overruled any hesitations for concern among those heavily involved in negotiations.

Throughout the general negotiation process many similar remarks were heard regarding the potential costs and benefits of the agreement. "The economic gains derived by liberalizing trade are net gains – there are both winners and losers" says Howard Rosen, "[b]ut we cannot ignore the fact that critical segments of the US economy may experience severe dislocation as a result of such liberalization."^{»xcv} This was a common theme, the idea of net gains, and was counted on by the three member countries. Most people acknowledged that some sectors of the economy would be negatively affected by this change in policy, even those strongly in favor of NAFTA, yet there was hope any problems would be easily phased out within the first few years or that larger benefits would overrule these problems. Both during and after the debates and negotiations there was much criticism that the governments of all countries used selective information to

discuss NAFTA. Some noted that the negative effects foreseen were deemed as necessary evils, and just a natural part of this process. One analyst noted that “as a geographical entity, ‘the country’ may decline. But the interests of the ‘principal architects’ of policy will be ‘most peculiarly attended to.’”^{xcvi} Although certain interests were certainly more represented than others, protectors of labor and the environment were able to have some impact. Their demands lead to the creation of the side agreements, but were not represented in the actual agreement signed in 1992.

Labor Side Agreements and Assistance Programs

The ratification of NAFTA marked the true beginning of discussions regarding labor and environmental side agreements that were approved on September 14, 1993 – nearly a year after the official approval of NAFTA. The side agreements became a large issue as the date for Congress voting approached and as public opinion vacillated. The outcome of the side agreements was a make or break issue with all of the uproar over NAFTA’s negative impacts. Labor groups, unions, and other social justice organizations joined groups on the political right, such as Ross Perot, in open opposition to NAFTA and in strong support of adequate side agreements. The main concerns were that the joining of North America’s economies would lead to lack of job protection and deterioration of working conditions due to competitive pressures.

The side agreements provide “general obligations of the NAFTA Parties to provide fair treatment and enforcement of their labor and environmental laws...[they] do not speak to the establishment of any specific levels of...protection.”^{xcvii} These general obligations can be seen in the Article 1 of the text of the North American Agreement on Labor Cooperation in Appendix. Despite its criticisms it is important to note that NAALC

was the “first agreement that links labor rights and labor standards to an international trade agreement.”^{xcviii} Within NAALC, the Commission for Labor Cooperation was established as an oversight group and National Administrative Offices in each signatory country were to serve as information centers. The details of these groups and their effects on the LA apparel industry will be explored further in the next chapters.

Chapter 3: ‘Happily Never NAFTA: ^{xcix} NAFTA’s Effects

“Who will benefit from NAFTA? It is a very difficult question, but I think it is completely right to assume that in a process like this, involving a public policy change like the one we are talking about, there are going to be losers as well as winners.”

-Jesús Silva Herzog^c

“With NAFTA, I thought the idea was that they would get some of the work, and we would get some of the work, and everybody would be able to buy everybody else’s stuff. It sure hasn’t happened that way.”

-Gladys W. Jones^{ci}

Overall Industry Impacts

*T*he economies of all of the NAFTA signatory countries, governments and individuals, were altered in some form after 1994. Some of the most harmful of these effects by NAFTA have been disproportionately concentrated in the apparel industry in Los Angeles. “Although the apparel industry accounted for just 7.3 percent of all manual jobs in US manufacturing in 1998, 30 percent of the NAFTA-induced job losses documented by the US.”^{cii} Since NAFTA, there has been a massive shift of clothing and other apparel exporting and producing towards Mexico. In 1998 Mexico exceeded China as the No. 1 supplier of clothing and textiles to the US.^{ciii} Although in more recent years with the influence of other trade agreements and the expiration of the Multi-Fiber Arrangement (MFA), China has regained its place as the largest exporter of apparel and textiles to the US. The MFA was established by the World Trade Organization to protect developing economies by arranging apparel exporting quotas and expired January 1, 2005, marking a surge of apparel exports from China to the US. While this and other issues complicate the effects of international trade on the US apparel industry, the fact remains that NAFTA resulted in increased trade between the US and Mexico. Through

such a shift, this particularly sensitive industry and its low-wage employees were significantly impacted by the inequalities within NAFTA, particularly its failure to adequately address labor issues. The main economic impacts from NAFTA on the LA apparel industry have been job loss, wage decline, worsening working conditions and displacement of workers. Yet these economic effects encompass much more than just numbers, wages and jobs. Behind each dollar lost, behind each hour increased, behind each quota raised, someone's life is being compromised. This is the type of economic reflection or analysis that is often forgotten or not acknowledged. The Economic Policy Institute summed up these multifaceted impacts by stating:

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, the rise in the US trade deficit with Canada and Mexico through 2002 has caused the displacement of production that supported 879,280 US jobs. Most of those lost jobs were high-wage positions in manufacturing industries. The loss of these jobs is just the most visible tip of NAFTA's impact on the US economy. In fact, NAFTA has also contributed to rising income inequality, suppressed real wages for production workers, weakened workers' collective bargaining powers and ability to organize unions, and reduced fringe benefits.^{civ}

With the economy in a transitive period and new policy changes prior to 1994, NAFTA has exacerbated already existing economic trends.

In negotiation processes, the issue of job loss was often underemphasized and regarded as unimportant in the long term. Most job loss estimates varied from 145,000 to 490,000 workers nationally. As one of the most cited assessments of NAFTA explains

none of these figures “represents a significant share of the nearly 9 million jobs dislocated in the US economic for a variety of reasons over a five-year period.”^{cv} These attempts to explain the situation minimize the meaning of NAFTA’s impacts and distort public opinion of the agreement.

Standardizing Sweatshops

Garment workers are hugely disadvantaged by NAFTA in many ways. They are increasingly put in substandard positions as NAFTA exacerbates their working conditions. “Whereas the benefits of trade tend to be broadly dispersed across the United States, the pain is concentrated among those Americans most vulnerable to lower-cost competition,”^{cv} experts say. Garment workers in the United States are forced to compete with Mexican workers, who “start at about \$6 a day.”^{cvi} Although Chinese wages are half the Mexican rate, delivery issues favor the Mexican industry. Mexican garments are trucked to the U.S. border in two to three days--a crucial difference in the time-sensitive garment business.”^{cvi} In many very critical ways, NAFTA is “reshaping North America's economy”^{cix} and all those who make up and rely on that economy.

Nationally clothing companies, such as Ca-Ce-Len, Jos A. Bank Clothiers and others, have been forced to shut down because of inability to compete. As the owner of Ca-Ce-Len explained, “When the big orders went overseas, all that was left were small ones, [and] for those I had to compete with all the illegal home sewers.”^{cx} In a way NAFTA has promoted and allowed for sweatshop conditions everywhere. By forcing prices down due to competition with a different country’s market, US employers often have no choice but to cut major costs and create inhumane working conditions or to shut down completely. Tim Finley, the CEO of Jos A. Bank Clothiers, “found himself

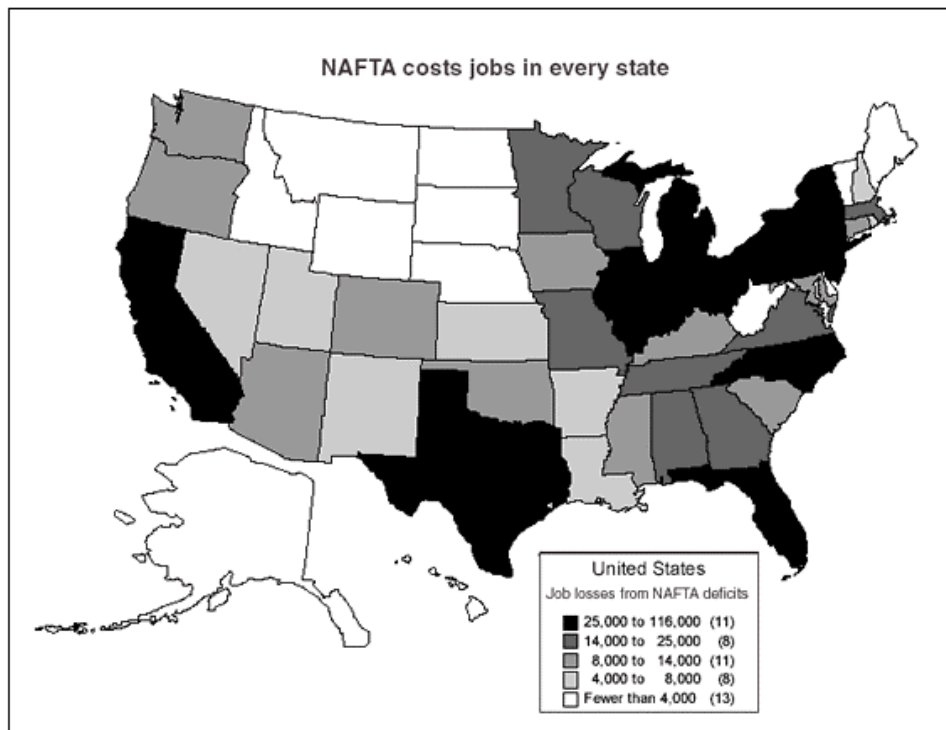
competing with Mexican based suitmakers that were underpricing him by as much as \$40 on each \$270 suit.^{”cxix} Some have described this process as a race to the bottom that free trade helps perpetuate, both in the United States and abroad. “Because of low barriers to entry-sewing machines are inexpensive and don't require much education or training to run-the industry has always chased after cheap labor.”^{cxii} But NAFTA has made the cheap labor in the garment industry even cheaper, by including Mexico in the same market as the United States and Canada, whose costs of living are significantly higher than Mexico.

Many US based companies have moved some or all of their business across the border. The most notable of the LA based brand names includes: BCBG Max Azrias, Cherokee jeans, Fredericks of Hollywood, Guess, Hot Kiss, Hurley, Juicy Couture, Karen Kane, L.E.I., Lucky Brand, Mossimo, Op, Paris Blue, Quicksilver, Roxy, Self Esteem, Seven jeans, Speedo, among others.^{cxiii} These popular and well recognized names are often portrayed as good examples of the apparel industry since they are made in the United States. Unfortunately domestically made products, especially those in Los Angeles, have just as great a chance of being made under deplorable conditions.

Job Loss and Unequal Job Creation

NAFTA has directly lead to huge numbers of job loss in the apparel industry since its inception. “Slow growth in imports from Mexico so far has made apparel the U.S. manufacturing industry experiencing the largest NAFTA-induced job loss.”^{cxiv} [From 1994] through June 18, 1997, the U.S. Department of Labor has certified 28,362 employees in the apparel industry as having lost their jobs because of NAFTA...This was the highest number certified in any one manufacturing industry...^{cxv} And these are just the reported losses with legal workplaces and employees. Estimates by private groups

place this number much higher. “The high price of 'free' trade” has been “NAFTA's failure [that] has cost the United States jobs across the nation.”^{cxvi} Some arguments have been so direct as to say that “NAFTA has from the outset been predicated on a contraction of employment and real wages. Industrial relocation to Mexico destroys jobs and depresses real earnings in the US and Canada.”^{cxvii} The very origins of NAFTA reflect its uneven and unequal nature.



Throughout this process toward freer trade, net jobs are down, but certain niches are showing job creation United States. This constitutes new managerial and logistical based jobs. “Thousands of jobs in trucking, immigration law, business consulting and other areas have buoyed the economy”^{cxviii} in San Diego specifically, as well as other border areas like Los Angeles. The “managers, designers and salespeople live on the US side while the labor intensive factories were in Mexico.”^{cxix} These types of

jobs are not the same sector as the jobs that are lost, nor can those displaced people easily transition to this type of high-skilled managerial work. Although “NAFTA supporters say the trade-off is in [San Diego’s] long-term interest, because high-skill, high-wage jobs remain on the US side” the losses still exist and are not being addressed. This remains true of all areas affected by NAFTA. “Although the new, higher-paying jobs are welcome in an industry undergoing wrenching transition, most displaced production workers lack the skills to move into those new positions. Nor are these new jobs expected to grow at a rate that will sustain garment making as LA’s leading manufacturing employer.”^{cxix}

“NAFTA exacerbates this economic recession: workers laid off in the US and Canada are not redeployed elsewhere in the economy and no new avenues of economic growth are created as a result of the dislocation of industry.”^{cxxi} Upon first glance, new jobs in higher paying brackets appear to be beneficial, but only to a certain eligible sector. Many studies of NAFTA do not reveal these imbalances. “State employment figures normally address only overall employment in an industry. But new research shows that a surge in white-collar positions helped to mask previously unrecognized losses.”^{cxvii} Without analyzing the details of employment data, the real effects of NAFTA remain hidden.

Of the workers losing their jobs as a result of NAFTA, certain groups have been harder hit in the apparel industry. In the apparel industry NAFTA disproportionately affects the low-skilled, immigrants, people of color (particularly Latinos) in working communities with a low level of formal education. Nationally only three years after NAFTA the majority of displaced workers were “women, African Americans and Latinos employed in the apparel, textile and small electronics industries.”^{cxviii} In 1999, “an astounding 47 percent of the total number of workers who received federal assistance

under a program from workers certified as having lost jobs as a direct result of NAFTA were Latino.”^{cxixiv} Latinos are particularly victimized as immigrant workers in the United States and are faced with drastic conditions that are exacerbated by NAFTA.

The problem for these dislocated clothing workers is that they have “lower educational levels and are likely to be older, female, and members of minority groups than the average dislocated worker. Their skills...are less readily transferable to other occupations.”^{cxixv} One study even revealed that immigrants who are fluent in English earn 24% more than those who do not, regardless of their qualifications.^{cxixvi} With the majority of apparel workers in Los Angeles fitting such descriptions, they are most negatively affected. “Often unrecognized and, to date, not analyzed, is the impact of NAFTA on the non-manufacturing sector of the apparel industry... The question remains whether the new NAFTA jobs are accessible to displaced manufacturing workers.”^{cxixvii} My argument is that the new jobs are not accessible to those being displaced, specifically in Los Angeles.

A recent survey by Judi A. Kessler of employers in the apparel production sector in Los Angeles shows some revealing information about NAFTA’s effects.^{cxixviii} Kessler has done numerous studies over the years since NAFTA inception, and she is one of the few who has catalogued its effects in the form of survey data. She surveyed 81 manufacturers in the LA area in the year 2000. The survey shows that 80% of the US manufacturers that have some production in Mexico moved there after NAFTA was signed in 1994. Seventy percent of those say that NAFTA was the reason for their move and 40% plan to increase manufacturing in Mexico. Companies that did not move any business to Mexico did so because of the size of their company or the need for quick turn

around time. The companies that did not have the capital and logistical capabilities to move over the border, remained in LA, as did those who had close direct markets locally. Job expansion that has occurred since NAFTA has included production assistants, managers, quality control inspectors, data entry workers, and import-export expeditor, but not production line work. These jobs require a different type of training and experience than the jobs lost in garment production and represent the growing discrepancy between jobs training and skill levels lost by NAFTA and those created.

The type of jobs that are most commonly and easily accessible for garment workers displaced by NAFTA are in other exploitative industries. Outside of the apparel industry “[m]uch of the current job growth is occurring in non-unionized industries with few benefits or advancement opportunities, including jobs such as ground-keeping laborers, food service workers, hand packers, and janitors.”^{xxxix} The Bureau of Labor Statistics “predicts that over the next decade seven out of the top 10 occupations with the most employment growth will be low-paying and only require short-term on-the-job training: nursing aides, orderlies and attendants; waiters and waitresses; janitors and cleaners; cashiers; food preparers and fast food servers; customer service representatives; and retail salespersons.”^{xxxx} These jobs are at a similar skill level as garment production workers. The skills are relatively easy to learn and often require little knowledge of English or proper documentation. Furthermore, these employees are quickly replaceable, just as garment workers are. In this way, displaced workers from the apparel industry do not experience much social mobility or job security within the industry or in other comparable ones.

NAFTA targets low-income, immigrants, people of color, who work as apparel production workers in the Los Angeles area by decreasing their job security, keeping wages low or lowering them, and in general by setting a low standard for labor conditions and the treatment of workers. While these changes have occurred, there is little discussion about why NAFTA has brought about this shift. Defenders of NAFTA often hide these negative effects by overemphasizing the positive job growth or net changes. But such changes and the neglect of the apparel industry should not come as a surprise, based on NAFTA's structure, goals and the conditions under which it was developed.

General Explanations

Much of the discussion regarding NAFTA, particularly among politicians and business, is about details and specificities such as which jobs will be lost, how goods will be transported and how management will occur. But where much of the real tension stems from involve the basic structural inequalities associated with NAFTA. Arguments regarding NAFTA are fundamentally arguments about free trade. The concept of 'free trade' is commonly used by many but understood by few. It has been described in many different ways, but it is fundamentally the spread of capitalism through the opening of trade barriers. What Noam Chomsky calls the spread of the "Third World social model" is occurring with each step in the direction towards free trade. Increasingly production is "shifted to high-repression, low-wage areas and directed to privileged sectors in the global economy."^{xxxxi} Through this process, the low-wage production areas become constrained and dependent on these market forces of demand, while the local socio-economic situation is maintained or worsened. At this same time, the privileged sectors retain their privilege and wealth. Public Citizen argues that:

...calling NAFTA a 'trade' agreement is misleading, NAFTA is really an investment agreement. Its core provisions grant foreign investors a remarkable set of new rights and privileges that promote relocation abroad of factories and jobs and the privatization and deregulation of essential services, such as water, energy and health care.^{cxxxii}

Free trade has come to be defined in terms of how it benefits the different players involved by assuming that production will naturally shift to the lowest cost areas when barriers are removed. For example, the Columbia University Encyclopedia has defined free trade as: "trade or commerce carried on without such restrictions as import duties, export bounties, domestic production subsidies, trade quotas, or import licenses." It goes on to explain that "the basic argument for free trade is based on the economic theory of comparative advantage: each region should concentrate on what it can produce most cheaply and efficiently and should exchange its products for those it is less able to produce economically."^{cxxxiii} But this definition, widely shared by advocates and presumably neutral observers, does not speak to the costs that are endured to maintain such a system.

NAFTA's failure to uphold labor laws and support low-wage working communities comes directly from its elitist nature. The entire concept of NAFTA was originally based on relieving debt in Mexico by providing increased foreign investment, not high labor standards, new jobs, or general protections for working people. "NAFTA performs poorly because the objectives of the negotiating governments were dictated by the geopolitical interests of each administration as well as by a deep commitment to a neoconservative agenda."^{cxxxiv} The entire basis of the agreement was discussed behind

closed doors among business and government leaders, often whom overlap in both categories. The initial reasoning here would obviously benefit the government of Mexico which pays off its debt, and also the foreign investors who make money from new businesses in the Mexican market. Nowhere are the rights of working people represented in the primary discussions.

A variety of explanations for its implicit failure have been made. Such arguments encompass many factors that are underrepresented or unrepresented in NAFTA. In a very articulate criticism of NAFTA, Julie Erfani explains its failures:

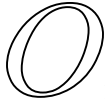
First, NAFTA lacks a bona fide social charter to standardize minimum wages and working conditions across the continent. Second, it fails to posit the long-term, transcontinental mobility of labor. Finally, it leaves in place the three signatory states' sovereign, legal authority over the movement and socioeconomic situations of people. This surviving legal-political framework of state sovereignty promises to perpetuate the vast socioeconomic inequalities already existing among peoples across the continent.^{cxxxv}

Here Erfani touches on many of the main problems with NAFTA itself, beyond the premises under which it was constructed. NAFTA goes far beyond typical trade agreements by claiming it will save and create jobs and lead to prosperity in all the signatory countries. But NAFTA does not in fact detail how this will happen. It spends hundreds of pages on how different products will be treated and traded, but it scarcely mentions job protections and labor standards in the main text. It bases its positive effects on the general concepts of capitalism and free trade which have failed over and over again throughout the world for the region's poor.

Chapter 4: Inherent Inequalities: The Biased Nature of NAFTA and the Labor Assistance Programs

“If you want to know about NAFTA, you will have to talk to businessmen or government leaders. Frankly, people like me are as badly screwed as ever.”^{xxxvi}

“NAFTA was something for the bigwigs. All that people like us can do is to sit back and watch the movie.”^{xxxvii}



One of the main ways NAFTA impacts on the apparel industry originated, is through the structure and treatment of the Labor Advisory Committee, the North American Agreement on Labor Cooperation (NAALC) and the Trade Adjustment Assistance (TAA) programs. These side agreements and components involved in the upholding of labor rights as related to NAFTA were not only created under problematic conditions, but fail to adequately protect workers, therefore perpetuating poor labor conditions associated with free trade. The Labor Advisory Committee was treated as insignificant and its concerns and recommendations were only considered in passing. In addition, the concerns of labor and other groups were barely engaged in the creation of the side agreements. Furthermore, the labor side agreement that was created failed by not addressing important issues or adequately preserving the rights that all workers are entitled. The main labor side agreement, specifically the North American Agreement on Labor Cooperation (NAALC), does not include any efforts to improve standards, nor does it include enforcement capabilities. As one US union representative pointed out, “[NAFTA] has a clear bias towards rules that favored corporations but did not consider the impact on workers...we analyzed at the time that there was just going to be a race to lower standards in all 3 countries.”^{xxxviii}

The Labor Advisory Committee

The Labor Advisory Committee was established in the Trade Act of 1974 “to provide advice and information to the United States Trade Representative and the Secretary of Labor”^{xxxix} on the negotiation objectives and options before the country enters any foreign trade agreement. The circumstances around the implementation of this policy in regards to NAFTA were precarious, to say the least. “To give just one example of how debate was precluded, take the case of the Labor Advisory Committee (LAC),” writes Noam Chomsky. “The LAC, which is based in the unions, was informed that its report on NAFTA was due on September 9. The text of this intricate treaty was provided to it – one day before. In its report, the LAC notes, ‘the Administration refused to permit any outside advice on the development of this document and refused to make a draft available for comment.’”^{cxl} The process by which the LAC and labor concerns were included indicates an approach that was superficial and insincere. The side agreements created only a façade of labor standards and enforcement and did not give any real legitimacy to what the LAC reported.

The Labor Advisory Committee itself in its official Report on NAFTA acknowledges and criticizes the limited time for its legally mandated analysis:

The [US] President’s cynical rush to enter into an agreement with Mexico and Canada has rendered the congressional directive meaningless. While the agreement was announced on August 12, 1992, copies of a complete draft were not made available to the LAC until September 8, giving the Committee insufficient time to prepare its legally required report. This is subversion of the advisory process and a crass and unprecedented demonstration of political

manipulation—an effort to inhibit informed discussion on a trade and investment agreement that has serious and far-reaching consequences for the American people.^{cxli}

This forceful statement of renouncement was signed on September 15th, 1992 by the Secretary-Treasurer of the AFL-CIO, Thomas R. Donahue, along with 98 others, and submitted to Trade Ambassador Carla Hills. The report strongly criticizes NAFTA and openly declares its opposition. “The agreement should be rejected by Congress. The LAC believes we can and must do better.” The beginning of the Report informs that NAFTA as drafted “does not promote the economic interests of the United States, and if entered into force would worsen the serious economic and social problems facing this country...the agreement is inequitable and non-reciprocal, and would encourage the transfer of US production to Mexico, and reduce domestic employment and wages.”^{cxlii} Just over 10 years after its adoption in 2005, these projected results have occurred just as predicted.

The LAC Report further explains the lack of labor provisions within NAFTA and its concern for workers in all three signatory countries. They reported that the agreement would provide much ease for investors but harm workers in the US. The number of jobs to be lost by NAFTA was estimated between 290,000-550,000 nationally, although more recent estimates have placed this between 879,000 to 1 million.^{cxliii} In contrast to these losses the report concluded that corporations, their managers and owners, would benefit greatly from NAFTA. The LAC found these inequalities in NAFTA so problematic that they requested that negotiations be reopened in order to “include specific, enforceable provisions guaranteeing the rights of freedom of association and collective bargaining” as

well as laws on minimum wages, health care and the elimination of child labor. Although not all of these concerns were adequately addressed, this report, along with numerous other voices, contributed to the creation of the side-agreements.

Labor Side Agreement

The Labor Side Agreements and Adjustment programs within NAFTA were intended to protect workers rights and provide some type of framework for this process. However, these bodies were not even discussed until a debate was generated by the public, NGOs and the LAC. Clinton realized the great importance of public opinion and he openly promoted the concerns of labor. One high profile American negotiator even admitted: “Because we initially thought that the NAFTA debate has no great public interest, we had tried to avoid raising its profile. Trade arguments can be confusing.”^{cxliv} This type of sentiment among decision makers and others in the United States is exactly the kind of thinking that leads towards problematic and selectively representative policies such as NAFTA. The assumption involved in this argument– that the public who will be drastically affected by this trade agreement should not be involved or not even told about NAFTA, especially during its formative period – is outrageous.

Although concerns about labor were eventually included in some form, they were not addressed in the main body of NAFTA. Robert E. Scott who has written extensively on NAFTA explains: “no protections were contained in the core of the agreement to maintain labor or environmental standards. As a result, NAFTA tilted the economic playing field in favor of investors, and against workers and the environment, resulting in a hemispheric "race to the bottom" in wages and environmental quality.”^{cxlv} The lack of labor concerns in NAFTA set the precedent for the agreement and gave some insight in

its effects in the future. Despite the fact that the actual text of NAFTA explains one of its resolutions is to “create new employment opportunities and improve working conditions and living standards in their respective territories” and to “protect, enhance and enforce basic workers' rights,”^{cxlvi} the agreement makes no real effort to ensure this or to protect jobs aside from the side agreements.

NAFTA has been praised by some and isolated as a unique case of integration of trade and labor and environment; however this is a misleading argument. NAFTA was never implicitly about the latter two issues. These concerns were addressed only after public protests in all three countries, the Zapatista revolt, and various complaints and concerns from Congress. Even during negotiations and the prospect of having to take more time and energy to develop a side agreement, Mexico urged for the passage of NAFTA without these protective measures. Others have expressed concerns that the creation of the side agreements was an open ploy by big business. “The fact that business may be reversing its longstanding opposition to labor side accords may also reflect their understanding that, where they have been negotiated, such agreements have proven useless.”^{cxlvii} They have argued that the side agreements provided “the political cover to reverse their opposition to NAFTA and sign the deal.”^{cxlviii} With the understanding by certain groups that these side agreements are useless, they know that the agreement will have no real impact and are willing to sign them into law.

The initial proposals of the side agreement were merely to pacify the interests of labor, not to actually affect change. “The US plan initially did not include any authority to issue subpoenas or enforce sanctions; rather, it allowed private groups to appeal to a commission with the power to carry out studies and inquiries into violations...”^{cxlix}

Furthermore, the commission's findings "would be nonbinding and would carry only moral suasion."^{cl} This weak type of structure explains the half-hearted precedent that was set at the time for labor and environmental concerns. These two issues, environment and labor, were simultaneously negotiated and not given the full specialized interest they required.

The main side agreement of NAFTA, the North American Agreement on Labor Cooperation (NAALC), was finalized and signed on September 13, 1993. Surrounded by suspicious circumstances and questionable support, it was eventually developed to create some type of protection for workers. The agreement itself sets areas of concern for each country but "do[es] not establish common minimum standards for their domestic law."^{cli} Instead they merely "indicate broad areas of concern where the Parties have developed, each in its own way, laws, regulations, procedures and practices that protect the rights and interests of their respective workforces."^{clii} This weak enforcement and promotion of universal policies stemmed partly from the fear of relinquishing sovereignty, especially from Mexico.

Beyond the conceptual outlines, the agreement set up an Evaluation Committee of Experts within the Council that would evaluate and report on labor violations. However, the only specified areas "punishable" by this Council are occupational safety and health, child labor or minimum wage technical labor standards. The agreement outlines 11 main "Labor Principles" including those three mentioned above (See Appendix). The remaining eight labor principles; prohibition of forced labor, nondiscrimination, equal pay for men and women, workers' compensation, migrant labor protection, freedom of association and protection of the right to organize, the right to bargain collectively and

the right to strike; can be evaluated but do not share equal protection under the agreement. These areas, where most violations occur, are not “susceptible to the full range of treatment that includes review, evaluation, and arbitration, with possible application of sanctions.”^{cliii} Furthermore the possible costs of violations of the country’s laws are restricted to \$20 million in fines and/or trade sanctions. But as Hufbauer and Schott point out, “any trade sanction will apparently apply to total trade and not necessarily be directed against the specific firm or industry that is engaged in a pattern of labor abuse.”^{cliv} Even the issues that lead to fines will not necessarily be directed in the right most effective areas.

The side agreement provides a mechanism for complaints to be filed by the public of one country against another country’s National Administrative Office (NAO). Reports of violations in the US will be filed with Mexico and/or Canada, so each country deals with cases from the other two. However, these discussions of labor violations only occur between governments, and not the individual companies.^{clv} This becomes problematic when there is “no mechanism to sanction companies directly or to ensure that government agencies effectively enforce regulations.”^{clvi} Critics have said that “at best NAALC did little more than create an apparatus for holding public meetings, which are often ignored by employers since the law itself provides no means to punish abuses”^{clvii} by “recommending "ministerial consultations" -- a closed-door conference among government officials” as the strongest option.^{clviii} Other options include “the writing of papers or the holding of workshops.”^{clix} But none of these provide the necessary mechanisms of policy change to uphold the rights the signatory countries agreed upon.

The process by which violations of labor laws can be discussed through NAALC is a four step process. These steps are consultation, evaluation by a committee of experts, dispute resolution and fines or trade sanctions. However, there are flaws and misuse of this system, as the UCLA Center for Labor Research and Education report indicates. The UCLA Center found that as of March 2004, only 28 complaints had been filed, with just 15 of those completely reviewed under step one, and none had gone past the first stage of consultation. Further inadequacies are exposed by the fact that violations of workers unionizing attempts cannot be discussed past this level. Outcomes to reports of violations have thus far been inter-government discussions or forums, not any type of punishment. Once reports have been filed, there is little effort to get workers themselves or support groups involved in the decision making process thereafter.

The process has been found to be very slow, which is entirely unacceptable regarding such pressing issues such as safety and child labor.^{clx} Studies have found the cases reported usually take 3 years for any action or decisions to be made. Part of this is due to the fact that the first consultation process has no time constraints. A study by the UCLA Center for Labor Research and Education found that of the 28 studies reported, none took less than a year and a half and most were still pending after 2 and a half years.^{clxi} Even workers who know the correct avenues by which to file and have support networks, have been unable to improve working conditions in a timely matter under this system. As union representative in Mexico Enrique Hernandez says, “it’s hard to give any credibility to the labor side agreement, which was just a window dressing to get us to accept NAFTA to begin with. But we have to use the tools that are available to us.”^{clxii}

Workers rights are consistently neglected and in dire need of protection, particularly in the apparel industry. For that reason a weak side agreement is better than no agreement at all, but workers, unions and support groups are not satisfied with the options currently provided. Three years after NAFTA worker-rights advocate Terry Collingsworth summed up the situation by saying, “Technically speaking, in all cases we won. But in all of these cases workers are left with a piece of paper that says ‘you were right.’ Not a single worker was ever reinstated, not a single employer was sanctioned, no union was ever recognized.”^{clxiii} Clearly the side agreement lacks the teeth for enforcement of labor laws. This weak structure provides huge spaces for violations to continuously occur without any improvement.

Trade Adjustment Assistance

Another main component of the NAFTA and any trade agreement is the Trade Adjustment Assistance (TAA) program for workers. This government program is not specific to NAFTA but applies to all trade agreements in which direct job loss occurs due to increased trade and to “assist individuals who have become unemployed as a result of increased imports from, or shifts in production to, foreign countries.”^{clxiv} Services and support are provided to workers in the form of income support, relocation allowances, job search allowances, and health care tax credits. However, the process to file a complaint is rather complex, considering many people do not understand the implications of submitting a proposal nor have access to this process. Those who are eligible to submit proposals are a group of three or more workers, a company official, or by a union or other authorized representative. For those workers who are not in unions themselves, they must file the complaint themselves. While this system is moving in the right direction, it does

not prove usable or accessible to many workers, especially apparel workers who have little job security.

Many garment workers are often trapped in unfortunate circumstances; however the trade adjustment programs are not always accessible to those who most need them. “[M]any workers losing jobs don’t know they qualify for trade-related benefits”^{clxv} often due to lack of knowledge or to inaccessibility of programs. A report by the General Accounting Office found “the federal programs for dislocated workers are underfunded, are not well-coordinated, have confusing eligibility requirements and do not provide adequate services for workers with limited English or less than a high school education.” This is especially problematic for the apparel industry since so many of the production workers do not speak English fluently, as immigrants do not know all of their rights, or do not have certain legal rights. Furthermore, this entire process completely disregards undocumented workers, who constitute a significant portion of the workforce in the apparel industry. These workers do not even have the option to apply for assistance from the government, yet they continue to contribute to the economy daily by producing and buying goods.

The TAA in relation to NAFTA has been so ineffective that in 2004 an association of workers in El Paso, Texas sued the United States Department of Labor regarding the inefficacy of this program. Their argument was based on violation of the TAA program for the poor administration of job training benefits for people with limited English proficiency (LEP) and for wasting taxpayers’ money on this ineffective program.^{clxvi} The programs that the TAA did provide were inadequate considering the

need for bilingual methods that can actually help displaced workers. To this date, no resolution to this case could be found.

Throughout the discussion of NAFTA and its labor impacts there were concerns of how supportive the programs would be. As one skeptical supporter points out, “while we supported conclusion of a NAFTA, we are concerned that the shift of attention to nonemployment issues risks underestimating potential NAFTA-related worker and community adjustment needs, and therefore, an undersizing of whatever adjustment package accompanies NAFTA.”^{clxvii} Overall it has been found that the adjustment programs under NAFTA do not fit the needs of the workers, especially those with the most concerns. One particular study, by Howard Rosen of the Trade Adjustment Assistance Coalition, analyzed the labor market programs in the industrialized countries and found that in “both absolute and relative terms, US programs are embarrassingly limited in scope. The United States provides the lowest benefits package for the shortest period of all the major industrialized countries.”^{clxviii} This same study found that “public expenditures on unemployment insurance as a percent of gross domestic product in the United States are approximately one-third of those in the United Kingdom and one-quarter of those in Canada, France and Germany.”^{clxix} Other surveys have found that 19 of 46 state workforce agencies rated Trade Adjustment Assistance as ‘inadequate.’ The federal program got a much-needed updating in 2002, thanks to Baucus, Rosen, and others, but evidence is scarce so far that it works any better.^{clxx} While some of these reports have gotten the attention of the government, many of the same problems persist.

Howard Rosen, Executive Director of the Trade Adjustment Assistance Coalition, acknowledges the need for trade assistance programs, but he too sees great room for

further government enforcement and capabilities. “TAA is a necessary Band-Aid, but it's not the solution. The real problem is finding people new jobs.”^{clxxi} Others say that “It's not that re-training is bad. Making such programs work better is, in fact, long overdue.” But the real problems lie in the nature and capabilities of such programs. And the truth remains that “the most serious consequence of NAFTA has been its failure to protect the rights of workers as promised by its supporters.”^{clxxii}

Chapter 5: Recommendations: Dealing with the Present, Looking to the Future

“The real issue is the rules of the game that will ensure that ordinary people on both sides of the border benefit from trade, and we must take steps to address these concerns. If we continue to sign weak trade agreements that ignore wages, labor rights and environmental standards, America’s working families are going to continue to pay the price. We can do better, and we must.”^{clxxiii}

As previously stated, the debate over NAFTA is fundamentally a debate over free trade. This would naturally lead the question how to ease the effects of NAFTA towards a discussion of how to ease the effects of free trade. How can these inherent problems be resolved and the dignity restored to victimized communities? While these ideas are inextricably linked, it is important and realistic to look at the specific local ways that change is being made and can be made to overcome obstacles, and empower disempowered communities. Ultimately the national government should only engage in responsible trade policies that promote the interests of all people, even if this translates to less profit in the long term, but there are a multitude of local and state changes that can be made to protect the workers currently affected.

Many organizations are working towards these goals independent of the government on a private level to promote the interests of workers most negatively affected by NAFTA’s standards and policies. In Los Angeles the most prominent of these have been the Garment Workers Center, the Korean Immigrant Workers Association, Coalition for Humane Immigrant Rights in Los Angeles (CHIRLA), Asian Pacific American Legal Center of Southern California (APALC) and Sweatshop Watch. These groups provide direct support networks for garment workers, and others, who experience labor violations and poor working conditions. Located in the core of the Garment district, workers are in

close proximity the Center and where they can receive support and training. The Center provides monthly workshops about wage and hour laws, health and safety issues and discrimination.^{clxxiv} This enables workers to learn first hand about the laws and standards in order to built community and organize among themselves. One of their goals is to “help bridge the gap between workers and organizing.” Since less then 1% of garment workers are unionized workers lack structural support are left in unsafe situations on which they have little control.

There are a variety of ways that workers rights can be protected and the burden of NAFTA can be dealt with. Many of these and other efforts are being made by private groups. Considering the type of workers who are displaced due to NAFTA and the job opportunities available, there is a great need for improved job training programs, both from the government and private groups. These skills need to include, primarily English instruction, as well as managerial skills, computer skills, and other skills that can lead to upward mobility through jobs. Studies have found that people with English fluency earn more than those who do not, regardless of education. One suggestion for how this move can be made from government action is “to bypass the cumbersome bureaucracy by providing displaced workers with a training voucher that could be used for classroom training or given to employers for on-the-job training. This proposal empowers workers, but it also makes them more responsible for their own retraining decisions.”^{clxxv}

The federal trade adjustment programs need to be improved and expanded to provide more opportunities for more workers. In this same regard, citizen status need to be expanded to those who work in the United States and contribute to the economy, or eligibility for government programs should be expanded.

“Los Angeles was built by immigrant labor. Many garment workers are immigrants who come as a result of life-threatening poverty and violence in their country. Immigrants do the dirtiest, most dangerous, and backbreaking jobs with little compensation while subjected to constant harassment, abuse, and injustice. Yet they are denied the basic life necessities like medical care, social services, and educational opportunities.”

For these reasons, the immigrant heavy sector of the apparel industry need their legal status recognized to benefit from the adjustment programs provided by the government. As people contributing to the economy both in the industry they work in and their multiplier effects on other industries, immigrants deserve the benefits that come along with all others who work in the US. Federal programs should be extended to all who work, regardless of their legal status.

Incentives should be provided to employers who give the employees training and job replacement assistance. This way, businesses are given active roles as responsible employers who can work with the government instead of against it. Companies that are unionized should also be given financial incentives, possibly in the form of lower rent, lower purchasing costs, or tax relief.

Cities, states and other localities should support and promote responsible policies such as the Sweat Free procurement policies. These have been adopted in 30 cities across the country, 1 in Canada, and continue to be introduced in new areas. These policies require all government related purchasing to fit within specific labor standards in order to protect workers and improve working conditions. Independent monitoring systems, full-time city staff to oversee the policies, and education programs for other city staff ensure

these policies will be effective. Each city must sign a contract to ensure they are not using sweatshop labor. This idea is that the leverage in bulk purchasing for cities can influence vendors and suppliers to create real improvements for garment workers. Additionally, purchasing on an individual level can have a great impact on the promotion of sweat-free and other labor responsible companies. By increasing the demand for apparel made under higher standards, consumers can affect the conditions in the industry positively for the employees within it. This increasing trend can be seen in the growing number of sweat-free apparel companies including, No Sweat, American Apparel, Sweat X (although now out of business), Just Garments, Alliance Graphics, and others.

One of the main problems that led to the inequalities in NAFTA, as outlined in the previous chapters, was the lack of dissenting opinion or alternate voices in the negotiations. This can be resolved by mandating the inclusion of labor, community, environmental, and other voices in all stages of discussions and negotiations of trade agreements. As Noam Chomsky points out how our society engages in “formal democratic procedures [that] are devoid of meaning, as citizens not only do not intrude into the public arena but scarcely have an idea of the policies that will shape their lives.”^{clxxvi} This is exactly where the problems stem from in free trade. The public arena and concerns are frequently and deliberately avoided in large trade agreements. Regardless of the intentions, this has negative effects on working people and this precedent must be stopped.

Decisions about trade that affect all of the member countries citizens are fundamentally about investment, business and net economic growth. They do not

implicitly include concerns for labor standards or support networks for workers. Bruce W. Wilkinson explains the lack of morality and humanity in free trade:

“[W]e need to move beyond the analysis of global markets and begin asking some of the old questions about right and wrong, about ultimate values regarding the worth of individuals, and about the purpose of our lives...we need to reaffirm certain moral-ethical principles if we are to have a world where humans can live indignity with reasonable amenities. A NAFTA and an ideology dedicated to promoting the interests of the transnational corporation, without an adequate moral-ethical system, will not in themselves perform this task.”^{clxxvii}

Intervention must be made on all levels in order to bring the important issues of worker standards to the forefront of discussions about free trade, and move towards protecting workers who are affected by pre-existing trade agreements.

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Appendix A

North American Agreement on Labor Cooperation

Preamble

The Government of the United States of America, the Government of Canada and the Government of the United Mexican States:

RECALLING their resolve in the North American Free Trade Agreement (NAFTA) to:

- *create* an expanded and secure market for the goods and services produced in their territories,
- *enhance* the competitiveness of their firms in global markets,
- *create* new employment opportunities and improve working conditions and living standards in their respective territories, and
- *protect*, enhance and enforce basic workers' rights;

AFFIRMING their continuing respect for each Party's constitution and law;

DESIRING to build on their respective international commitments and to strengthen their cooperation on labor matters;

RECOGNIZING that their mutual prosperity depends on the promotion of competition based on innovation and rising levels of productivity and quality;

SEEKING to complement the economic opportunities created by the NAFTA with the human resource development, labor-management cooperation and continuous learning that characterize high-productivity economies;

ACKNOWLEDGING that protecting basic workers' rights will encourage firms to adopt high-productivity competitive strategies;

RESOLVED to promote, in accordance with their respective laws, high-skill, high-productivity economic development in North America by:

- *investing* in continuous human resource development, including for entry into the workforce and during periods of unemployment;
- *promoting* employment security and career opportunities for all workers through referral and other employment services;

- *strengthening* labor-management cooperation to promote greater dialogue between worker organizations and employers and to foster creativity and productivity in the workplace;
- *promoting* higher living standards as productivity increases;
- *encouraging* consultation and dialogue between labor, business and government both in each country and in North America;
- *fostering* investment with due regard for the importance of labor laws and principles;
- *encouraging* employers and employees in each country to comply with labor laws and to work together in maintaining a progressive, fair, safe and healthy working environment;

BUILDING on existing institutions and mechanisms in Canada, Mexico and the United States to achieve the preceding economic and social goals; and

CONVINCED of the benefits to be gained from further cooperation between them on labor matters;

HAVE AGREED as follows:

Appendix B

North American Agreement on Labor Cooperation

Objectives, Obligations and Principles

Objectives of the NAALC

1. To improve working conditions and living standards in each Party's territory.
2. To promote, to the maximum extent possible, the labor principles set out in the Agreement.
3. To encourage cooperation to promote innovation and rising levels of productivity and quality.
4. To encourage publication and exchange of information, data development and coordination, and joint studies to enhance mutually beneficial understanding of the laws and institutions governing labor in each Party's territory.
5. To pursue cooperative labor-related activities on the basis of mutual benefit.
6. To promote compliance with, and effective enforcement by each Party of, its labor law.
7. To foster transparency in the administration of labor law.

Obligations under the NAALC

Levels of Protection: Affirming full respect for each Party's constitution, each Party shall ensure that its labor laws and regulations provide for high labor standards, consistent with high quality and high productivity workplaces, and shall continue to strive to improve those standards in that light.

Government Enforcement Action: Each Party shall promote compliance with and effectively enforce its labor law through appropriate government action. Each Party shall ensure that its competent authorities give due consideration to any request for an investigation of an alleged violation of the Party's labor law.

Private Action: Each Party shall ensure that persons with a legally recognized interest in a particular matter have appropriate access to tribunals for the enforcement of the Party's labor law. Each Party's law shall ensure that such persons may have recourse to procedures by which rights arising under its labor law and collective agreements can be enforced.

Procedural Guarantees: Each Party shall ensure that its proceedings for the enforcement of its labor law are fair, equitable and transparent. Each Party shall provide that final decisions on the merits of the case are in writing, made available without undue delay and based on information or evidence. Each Party shall provide the right to seek review and correction of final decisions. Each Party shall ensure that tribunals are impartial and independent. Each Party shall provide remedies to ensure the enforcement of their labor

rights. Each Party may, as appropriate, adopt or maintain labor defense offices to represent or advise workers or their organizations.

Publication: Each Party shall ensure that its laws, regulations, procedures and administrative rulings are promptly published or otherwise made available.

Public Information and Awareness: Each Party shall promote public awareness of its labor law by ensuring that public information is available and by promoting public education.

Labor Principles of the NAALC

1. Freedom of association and protection of the right to organize.
2. The right to bargain collectively.
3. The right to strike.
4. Prohibition of forced labor.
5. Labor protections for children and young persons.
6. Minimum employment standards.
7. Elimination of employment discrimination.
8. Equal pay for women and men.
9. Prevention of occupational injuries and illnesses.
10. Compensation in cases of occupational injuries and illnesses.
11. Protection of migrant workers.

From: <http://www.naalc.org/english/objective.shtml> Commission for Labor Cooperation