

# maquila network update

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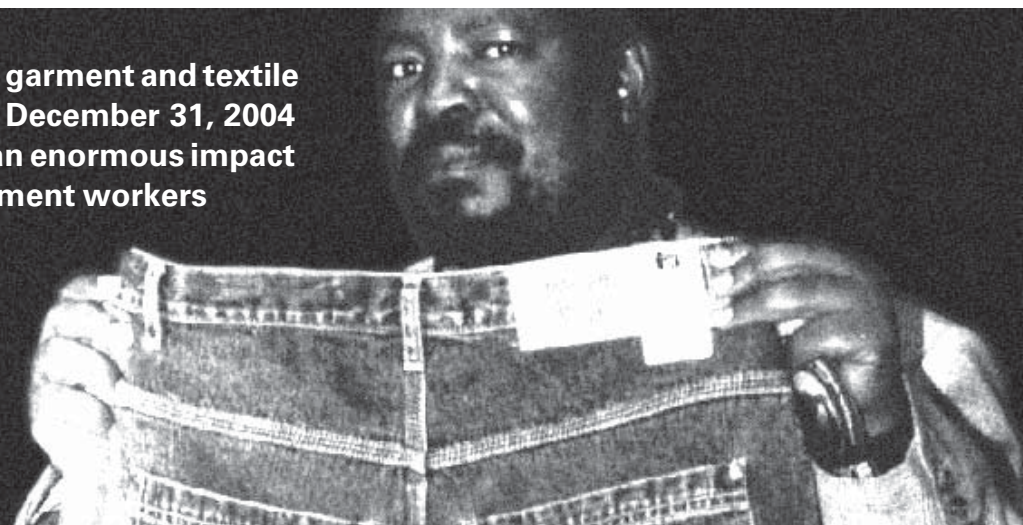
**Gildan does  
the right thing  
in Honduras**

Will they do the  
right thing in  
Canada?

**4**

## Quota phase-out threatens workers' jobs and rights

The elimination of garment and textile import quotas on December 31, 2004 is already having an enormous impact on the lives of garment workers around the world.



Poor countries like Bangladesh and the tiny southern African kingdom of Lesotho, whose garment industries developed and grew as a result of the quota system, are facing plant closures and significant job losses.

According to the Lesotho Development Corporation, in the last six months of 2004, 12,300 garment workers lost their jobs as a result of factory closures, and an additional 10,800 workers were thrown out of work in January 2005.

The United Nations Development Program estimates that 1 million workers in Bangladesh could lose their jobs as a result of the end of the quota system. The vast majority of these workers are women from rural villages, who will be left with few other employment options after their factories close.

"Factories are already closing; what are those young women in Bangladesh going to do?" said Neil Kearney, General Secretary of the International Textile, Garment and Leather Workers

Federation, at the recent World Economic Forum in Davos, Switzerland.

While labour costs in Bangladesh are extremely low, the country lacks a modern textile industry or developed infrastructure that would make it competitive with China in the new free trade environment.

### Impact in Canada

In Canada, Huntington, Quebec has become the symbol of the failure of the Canadian government to protect workers and communities threatened by the quota phase-out. Just before Christmas, this 180-year old textile mill town experienced the loss of 215 jobs. Soon after, residents learned that over 800 employees of other textile factories would soon be out of work.

Recently, Montreal-based Gildan Activewear announced

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# No Sweat policies break new ground

## maquila network update

is published quarterly in English and Spanish by the Maquila Solidarity Network (MSN). The MSN includes over 400 organizations and individuals across Canada. The MSN promotes solidarity between Canadian labour, women's and social movement groups and Mexican, Central American and Asian counterparts organizing to raise standards and improve conditions in maquiladora and export processing zones. The MSN acts as the secretariat for the Ethical Trading Action Group and is active in Stop Sweatshops campaigning.

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On February 17, 2005, the Vancouver City Council approved an Ethical Purchasing Policy and Supplier Code of Conduct that applies to the City's purchases of apparel products and fair trade agricultural products, including coffee.

The City of Vancouver's approval of the first major Canadian municipal No Sweat purchasing policy opens the door for the adoption of ethical procurement policies by other municipal and provincial governments, and even the federal government, in the coming year.

The City currently spends \$1.4 million a year on apparel and \$3.7 million on agricultural products.

After approving the policy in principle in December, Vancouver City Council instructed City staff to report back to Council on issues concerning policy enforcement, including costs associated with its implementation. Vancouver then adopted the policy and earmarked funds for its implementation.

The motion also directed staff to encourage other jurisdictions and agencies,

including the Vancouver 2010 Olympic Organizing Committee (VANOC) and the Vancouver School Board, to consider the Ethical Purchasing Policy and Supplier Code of Conduct as a model.

The Vancouver policy was drafted by the City's ethical purchasing policy task force, which included local representatives from labour, business, and non-governmental organizations, as well as members of Council and City staff.

According to Penny Parry, who participated in the taskforce as a MSN volunteer, the involvement of different sectors of the community in the development of the policy resulted in a strong code of conduct based on recognized international labour standards. Significantly, the policy also requires "full disclosure of supplier and subcontract factory locations."



### No Sweat Spreading

Already, there is growing interest among other Canadian cities in adopting similar policies. Last September, Calgary City Council resolved to adopt a policy, and Council has since commissioned a staff report on the costs of implementation. Toronto City Council approved a similar resolution in 2002. On January 18 of this year, the City of Toronto held a public meeting to consult the public on the content and implementation of a No Sweat purchasing policy. The City hopes to adopt a policy this spring.

Similar discussions are also currently taking place in

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# The quota phase-out

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it was closing two yarn-spinning plants in Quebec and Ontario. (See pages 4-5.)

## Industry Consolidation

The end of the quota system is increasing competition among countries, brands and manufacturers, and will result in production being consolidated in fewer countries and with fewer suppliers. One industry survey found that brands now sourcing clothes from 40-50 countries plan to consolidate production in 12-15 countries.

Most industry experts believe that much of the

world's garment production will be shifted to China and India, though companies will likely continue to produce in and source from other countries in order to avoid exposing themselves to unexpected risk, such as political upheaval or another SARS epidemic.

## Threat to labour standards

If protective measures are not put in place, heightened competition in the new free trade environment will not only displace millions of workers, but could also accelerate the race to the bottom on wages, working conditions and labour standards.

Not surprisingly, the country that will gain the most from the end to the quota system, China, does not permit workers to form or join unions of their choice or to bargain collectively. Taiwanese investors in China may benefit from the elimination of quotas, but Chinese workers are unlikely to see major improvements in wages or working conditions.

According to the International Confederation of Free Trade Unions (ICFTU), exploitation of workers in China “is contributing to the downward pressure on prices throughout the world and pushing global suppliers to reduce their workers’ rights in a bid to stay competitive.”

The ICFTU also points to negative actions of other

## Quota Phase-out: What’s it all about?

**Under the Multi-Fibre Arrangement (MFA), established in 1974, Canada, the US, and the European Union (EU) were allowed to set limits, called quotas, on the amount of foreign-made apparel and textile products they would allow into their countries from any specific garment-producing country.**

**Although the quota system was originally intended to protect garment and textile industries in the global North, in practice the MFA encouraged the growth of new garment industries in many developing countries that did not have restrictive quota limits on the amount of clothing they could export to the North.**

**In 1995, the Agreement on Textiles and Clothing (ATC) came into effect, under which quotas were phased out in four stages over a ten-year period and eliminated as of January 1, 2005.**

governments to limit workers’ rights in order to remain competitive in the post-quota environment, including moves by the government of the Philippines to exempt the clothing industry from the minimum wage law, and statements by the Bangladeshi government that it would raise the ceiling on overtime hours and weaken restrictions on night work for women.

## Light at the end of the tunnel?

One of the few bright spots in this gloomy picture is the possibility that the end of the quota system will encourage some brand-sensitive companies that have been the target of anti-sweatshop campaigns to establish long-term business relationships with fewer suppliers and to invest in improved working condi-

tions and labour practices in those facilities.

As well, a few countries like Cambodia are beginning to see labour standards compliance as a possible competitive advantage that might help the country to keep and attract orders from brand-sensitive buyers.

MSN is participating in an international forum that brings together brands, NGOs, labour organizations, multi-stakeholder code monitoring initiatives and multi-lateral institutions to discuss actions companies, governments, and international institutions could take to address the negative fallout from the quota phase-out on countries, workers and communities, and to take steps to ensure that workers’ rights are protected in the post-quota world.





# Gildan does the right thing in Honduras

## Will it do the right thing in Canada?

**On January 19, Montreal T-shirt manufacturer, Gildan Activewear, agreed to implement a corrective action plan to rectify well-documented worker rights violations at its El Progreso factory in Honduras and to provide job opportunities to former El Progreso workers.**

After agreement was reached on the plan, MSN suspended its three-year campaign for the reinstatement of unjustly fired union supporters. The Worker Rights Consortium (WRC), which carried out one of two investigations into alleged worker rights violations at the factory, has informed its 134 member universities that implementation of Gildan's corrective action plan will bring the company into compliance with its code of conduct obligations.

### Repairing the Damage

"If fully implemented, Gildan's corrective action plan will go a long way toward repairing the damage caused by the company's decisions to fire 80 union supporters in 2002 and 2003 and to close the Gildan El Progreso factory in Honduras during a third party complaint process," says MSN coordinator Lynda Yanz.

On July 12, 2004, in the midst of discussions with the Fair Labor Association

(FLA) and the Worker Rights Consortium (WRC) on the findings of their separate investigations, Gildan had informed the FLA and WRC that it was closing the factory on September 30 of that year. It claimed the decision had nothing to do with the audit findings or proposals for corrective action, including that it reinstate the 80 unjustly fired union supporters.

The two investigations were carried out in response to a third party complaint

filed by MSN, together with the Canadian Labour Congress (CLC) and the Independent Federation of Honduran Workers (FITH).

### First Hire Preference

Gildan's offer to open a new sewing factory in Choloma, Honduras, and to give first hire preference to former Gildan El Progreso workers, with no discrimination against fired union supporters in hirings, was a key factor in resolving the complaint.

## Gildan's commitment put to the test

Recently, Gildan's commitment to freedom of association was put to the test when another incident of freedom of association violations at a Central American factory producing Gildan products came to the attention of anti-sweatshop groups in the US and Canada.

According to the Jose Benito Escobar Sandinista Workers Confederation (CST-JBE), approximately 30 workers at the Korean-owned Nicotex garment factory in Nicaragua were fired for attempting to form a union. The CST-JBE also

alleged that management was both threatening and attempting to buy off union supporters and conducting visits to workers' homes to pressure them to renounce their affiliation with the union.

In response to requests from the US/Labor Education in the Americas Project (US/LEAP), the Worker Rights Consortium (WRC), and MSN, Gildan agreed to meet with CST-JBE leaders to hear their story and to pressure Nicotex to fully comply with its code of conduct obligations to respect the workers' associational rights.

On February 3, Gildan, Nicotex and the CST-JBE signed an agreement in which the company agreed to offer to reinstate five fired union leaders, pay them the benefits they were owed, and treat those workers with respect in the event they chose to be reinstated. In exchange, the union agreed to call off the international campaign and to withdraw its demands before the Ministry of Labour. How compliance with the agreement is to be verified is yet to be determined.

According to Gildan, the new factory will be opened by the end of March 2005 and should eventually employ 1,200 workers. Before it was closed in September 2004, the El Progreso factory employed 1,800 workers.

In addition to offering first-hire preference at the new factory, Gildan has also agreed to provide the following:

- first-hire preference at its two other sewing facilities in Honduras, with no discrimination against the fired union supporters;
- transportation between El Progreso and the Gildan factory where they are re-hired;
- relocation allowances for workers and their families that choose to be relocated; and
- training for former El Progreso workers who don't have skills required at the current and new sewing facilities.

Gildan has also agreed to independent verification of compliance with these commitments.

### Freedom of Association

In addition to these commitments made to the WRC, Gildan has also agreed to take a number of steps to comply with conditions set by the Fair Labor Association (FLA) in order to remain an FLA Participating Company. These include:

- Acknowledging there were restrictions in its El Progreso factory on workers' right to freedom of association;
- Communicating to its Honduran employees Gildan's commitment to their associational rights;
- Disbursing funds providing full back pay and severance pay for 39 union supporters fired in November 2003;
- Completing initial training by Verité on freedom of association for workers and managers in Honduras;
- Promising to apply its corrective action plan concerning other worker rights violations to all its other factories in Honduras, and
- Constructively engaging in discussions with the Maquila Solidarity Network on issues related to Gildan's implementation of FLA Standards.

On December 10, the FLA Board of Directors, which had earlier voted to terminate Gildan's membership in the Association if it didn't meet a set of conditions concerning the FLA Freedom of Association Standard, decided to accept Gildan back as a member in good standing, based on "substantial steps" taken by the company to meet those conditions.

### Has Gildan Changed?

According to Yanz, over the past few months, senior

management at Gildan have made a serious effort to resolve outstanding issues in this case and achieve remediation. "This represents a significant change in the company's approach in past years," says Yanz.

According to Yanz, MSN will continue to monitor

Gildan's labour practices in Honduras and elsewhere. "The real test of whether the company has changed will be how it treats its employees if and when they attempt to organize in other factories.

## Gildan announces closure of two Canadian factories

**On February 1, at its annual shareholders' meeting in Montreal, Gildan Activewear announced it is closing its two yarn-spinning factories in Canada, and shifting yarn production to the US.**

**As a result of Gildan's decision, 175 workers at the company's yarn plant in Long Sault, Ontario and 110 workers at its yarn factory in Montreal will be out of work by the end of March of this year. Workers in both factories were represented by unions.**

**According to Gildan, the closure of the factories was "unavoidable" because of rules of origin provisions in the US Caribbean Basin Trade Partnership Act (CBTPA), which give duty-free access to apparel products sewn in Central America, but only if the yarn used to make the products is spun in the US. Gildan also notes that the Central American Free Trade Agreement, which is expected to be approved by the US Congress in the coming year, will allow duty free access for Gildan products made in Central America with yarn spun in the region.**

**Behind Gildan's decision is the company's desire to remain competitive with manufacturers that are shifting much of their production to China and India in the wake of the phase-out of quotas at the end of 2004.**

**In the post-quota world, vertically integrated companies like Gildan, whose manufacturing facilities are still located in the Americas, are attempting to remain globally competitive by shifting sewing to the cheapest labour countries in the region, like Haiti and Nicaragua, and investing in textile facilities in neighbouring countries.**

**The decision to shut down its Canadian yarn factories might keep Gildan competitive, and profitable, but that's small consolation to the workers and communities that are losing the jobs.**

# news & notes

## Agreement reached in Grupo M dispute

The Haitian labour rights group Batay Ouvriye reports that an agreement has been reached between union and management at the CODEVI jean factory in Haiti's Ouanaminthe free trade zone. If fully implemented, the agreement could bring an end to a long-standing dispute between the workers' union, SOKOWA, and Grupo M, the Dominican manufacturer that owns the factory.

According to Batay Ouvriye, the February 5 agreement provides for the immediate reinstatement with full back pay for five workers dismissed in June 2004. In addition, 150 fired workers will be rehired when jobs are available, and a solidarity fund will be set up to support those workers until they are rehired.

Under the agreement CODEVI and SOKOWA have made a commitment to negotiate a collective agreement within six months. CODEVI management also agreed not to use military force in work conflicts and to respect workers' human rights. The agreement was reached with the assistance of a mediation team.

MSN and other worker rights groups have been calling on the International Finance Corporation (IFC) of the World Bank to use its influence to convince Grupo M to negotiate with the union. In January 2004, the IFC agreed to provide a US\$20 million loan to the company for the construction of an industrial park in the zone, under the condition that Grupo M respect the rights of its Haitian workers to freedom of association and to bargain collectively.



## North Sails wipes out

In September 2002, the European Clean Clothes Campaign

(CCC) launched an international campaign in support of over 200 workers at the North Sails Lanka factory in Sri Lanka who had been fired for going on strike. The international campaign helped the workers to achieve a Memorandum of Understanding, committing the company to negotiate with the union and respect the workers' right to freedom of association. The company also agreed that the dismissed workers would be given priority for any new hirings.

According to the CCC, management has failed to live up to its commitments, and the workers and the CCC have been forced to re-launch the North Sails campaign. They are demanding that the company reinstate the illegally fired workers, accept mediation of the dispute, and recognize the workers' right to organize and bargain collectively. For more information, visit: [www.cleanclothes.org](http://www.cleanclothes.org).

## Union leaders murdered

On November 5, US trade unionist Gilberto Soto was assassinated while visiting his mother in the city of Usulután, El Salvador. A US citizen and Salvadoran by birth, Soto was about to

begin working on a new project documenting violations of the rights of Central American port workers and drivers, including workers fired by the Danish Maersk Corporation during a fight for a union contract. Soto was a long time organizer with the International Brotherhood of Teamsters. Shortly after Soto's assassination, the Teamsters sent a 10-person delegation to El Salvador to urge the Salvadoran government to carry out a thorough investigation and bring those responsible to justice. Instead, on December 3, Salvador police arrested Soto's mother-in-law and charged her with hiring the murderers.

On November 28, Julio Rolando Raquec, Secretary-General of the Transportation Service Workers Union of Guatemala was attacked inside his house in Guatemala City. He died later that day in a hospital emergency room. In August, Raquec was assaulted by private security guards. Although government officials had received reports in May and June of a break-in at Raquec's house and a rape threat against his daughters, they failed to launch an investigation or to provide protection to Raquec and his family.

## CPP supports oppression

Despite the Canadian government's official policy discouraging Canadian companies from doing business with Burma, the government's own Canada

Pension Plan (CPP) is investing in companies directly linked to Burma's brutal military regime. According to the





Ivanhoe mines in Burma

Canadian Friends of Burma (CFOB), the CPP has investments in Ivanhoe Mines Ltd, which is involved in a joint venture with Burma's military government, and in CHC Helicopters, a Canadian company that provides transportation services to mining and other industries in Burma. The CFOB is joining with other NGOs and labour groups in demanding an end to all CPP investments in companies doing business in Burma.

### Wal-Mart closing first Canadian unionized store

A week after Local 503 of the United Food and Commercial Workers (UFCW) representing Wal-Mart workers in Jonquière, Quebec filed a binding arbitration request with the provincial Minister of Labour, the world's largest retailer announced it was closing its Jonquière store.

A conciliation process failed to reach a collective agreement between the

company and workers of the first unionized Wal-Mart store in Canada. Wal-Mart claims that the store never made money and that the union's proposals would have hindered the company's bottom-line. The UFCW announced that it will file unfair labour practices charges with the Quebec Labour Relations Board.

Meanwhile, workers at a second Wal-Mart store in Quebec have won the right to be represented by a union. The province's Labour Relations Commission has determined that a majority of the workers at the company's Saint-Hyacinthe store had signed union cards to be represented by the UFCW. Currently, workers at 12 other Wal-Mart stores in Quebec, Saskatchewan and British Columbia have applied for union representation.

Fearing more union breakthroughs, Wal-Mart has launched a media campaign

and legal challenges against Canadian provincial labour legislation that deter-

mines union certifications on the basis of signed union membership cards.



new resources

**Globalization and Cross-Border Labor Solidarity in the Americas: the Anti-sweatshop Movement and the Struggle for Social Justice**, Ralph Armbruster-Sandoval, 2005, Routledge, 223 pp.

**Disaster Looms with the Ending of the Quota System**, Samuel Grumiau, International Confederation of Free Trade Unions (ICFTU), November 2004, 54 pp. Visit: [www.icftu.org/www/PDF/rapporttextilEOK.pdf](http://www.icftu.org/www/PDF/rapporttextilEOK.pdf).

**"Why NAFTA Failed and What's Needed to Protect Workers' Health and Safety in International Trade Treaties,"** Garrett D. Brown, Maquiladora Health and Safety Support Network, December 2004, 18 pp. Visit: [http://mhssn.igc.org/NAFTA\\_2004.pdf](http://mhssn.igc.org/NAFTA_2004.pdf)

**Tae Hwa Indonesia - a case study of labour conditions in the sportswear industry**, Play Fair at the Olympics campaign (Oxfam, Global Unions, Clean Clothes Campaign), August 2004, 22 pp. Visit: [www.cleanclothes.org/ftp/04-09-fila\\_casestudy.pdf](http://www.cleanclothes.org/ftp/04-09-fila_casestudy.pdf).

**Global Game for Cuffs and Collars**, Sabine Ferenschild and Ingeborg Wick, Southwind Institute, August 2004, 68 pp. Visit: [www.suedwind-institut.de/downloads/global-game\\_download.pdf](http://www.suedwind-institut.de/downloads/global-game_download.pdf).

French-language website of the Quebec Coalition Against Sweatshops (Coalition québécoise contre les ateliers de misère). Visit: [www.ciso.qc.ca/ateliersdemisere/](http://www.ciso.qc.ca/ateliersdemisere/).

# No Sweat policies break new ground

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Halifax, Quebec City, Windsor, and other Canadian municipalities.

And, although no province has yet adopted a No Sweat purchasing policy, a joint task force has been set up by provincial, federal and territorial Ministers of Public Works to produce a draft ethical procurement policy to present to the Canadian Public Procurement Council meeting next September.

The inter-provincial task force is co-chaired by the Government of Manitoba and the Federal Government. MSN is urging its members and supporters to lobby their own provincial Minister of Public Works to include strong worker rights provisions and reporting requirements in any draft procurement policy.

## U of T takes the lead

On January 27, university administrators from across Canada met at a conference hosted by the University of Toronto to discuss cooperation among Canadian universities on the implementation of ethical licensing policies. Speakers at the conference included Kathy Stevens of the Fair Labor Association (FLA), Scott Nova of the Worker Rights Consortium (WRC), Kyle Winters from the University of Toronto, and Kevin Thomas of MSN.

U of T is proposing that Canadian universities share information on suppliers, including a list of suppliers that adhere to the codes of conduct of the FLA and WRC. U of T is offering to streamline administration of university No Sweat policies by collecting and sharing factory disclosure information with Canadian universities that adopt purchasing policies that include code provisions consistent with those of the FLA or WRC. U of T is also urging Canadian universities to join the FLA and/or WRC.

To date, 12 Canadian universities have adopted No Sweat purchasing and/

or licensing policies. Of those universities, McMaster, Guelph and Queen's universities are currently members of the WRC, the University of Alberta is a member of the FLA, and U of T is a member of both initiatives.

The FLA is a multi-stakeholder code monitoring initiative that includes over 190 universities, as well as major brand-name companies and university suppliers. The WRC is a non-profit organization that investigates alleged labour rights violations in factories producing for its approximately 135 member universities.

## Schools Could Affiliate

While in Toronto, WRC spokesperson Scott Nova also addressed a meeting

of Ontario Catholic Directors of Education, and met with No Sweat activist involved in university and school board campaigns.

As a result of the visit, Ontario Catholic school boards will be considering working with the WRC on the implementation of their No Sweat purchasing policies. The WRC would provide the school boards with a ready-made third party complaint process.

In addition to working with US and Canadian universities on implementation of ethical purchasing policies, the WRC recently decided to also work with non-university institutions on a trial basis.

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## Amnesty supports factory disclosure

**On January 23, Amnesty International (AI) presented Bloc Québécois MP Pierre Paquette with a stack of petitions bearing 13,500 signatures, calling on the Canadian government to introduce factory disclosure regulations for all apparel products sold in Canada. Representatives of AI and the Quebec Coalition Against Sweatshops handed over the petitions to Paquette, together with approximately 10,000 clothing labels, during a rally outside a Montreal Wal-Mart store. Paquette will present the petitions to the House of Commons.**

**The Quebec action adds to the pressure on the Canadian government to adopt factory disclosure regulations and other corporate accountability policies that would provide consumers information to make ethical choices and encourage companies to improve their labour practices. Factory disclosure regulations would eliminate secrecy in the industry by requiring apparel companies to publicly disclose through the Industry Canada website the names and addresses of the factories where their apparel products are made.**

**In February 2003, the government was flooded with petitions and**



*Amnesty International members present petitions outside a Wal-Mart store*

**clothing labels supporting factory disclosure regulations. In response, it convened a multi-stakeholder consultation process that culminated in roundtable discussions facilitated by the Public Policy Forum (PPF) in November 2003. One year and a half later, roundtable participants and the public are still waiting to see the report and recommendations from the discussion.**