

maquila network update

Will phase-out of
quotas undermine
worker
rights?

4



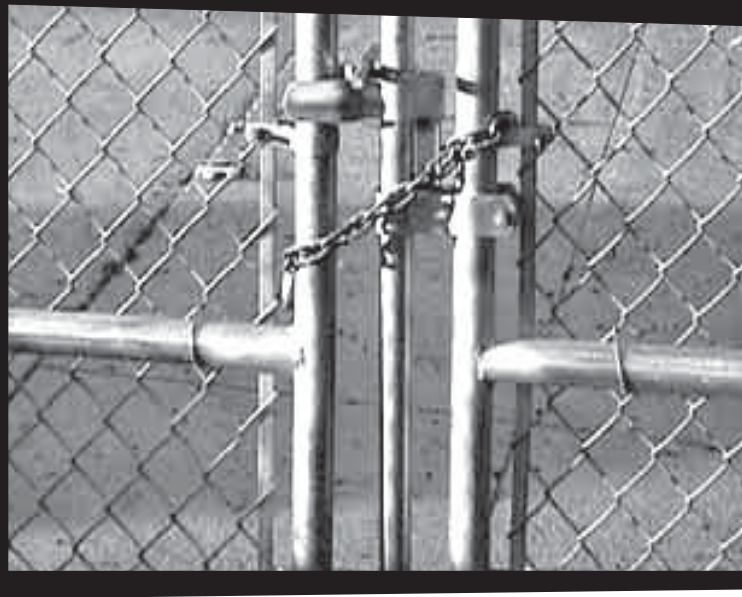
September 2004, Vol. 9 No.3

Faced with damning reports, Gildan decides to

CUT AND RUN

On July 12, Glenn Chamandy, the CEO of the Montreal-based T-shirt manufacturer, Gildan Activewear, stunned representatives of the Fair Labor Association (FLA) and Worker Rights Consortium (WRC) by announcing at a joint meeting in Washington D.C. that his company was closing its El Progreso factory in Honduras, and that the 1,800 workers at the factory would be given formal notice of the closure the following day.

Chamandy's surprise announcement effectively terminated negotiations with the two monitoring organizations on the company's corrective action plan to address worker rights violations at the El Progreso factory that had been verified by separate FLA and WRC



investigations. The two investigations were carried out in response to a formal complaint filed by MSN in December 2003, alleging that approximately 100 workers had been fired in 2002 and 2003 for supporting unions.

In its official response to the FLA and WRC reports, Gildan argues that the El Progreso plant was the least productive and cost effective

of all its sewing facilities, and that the cost of production in Haiti and Nicaragua is half that in Honduras. However,

| | | |
|---------------|---------------------------------|---|
| inside | Pressure on Grupo M | 2 |
| | Sara Lee abandons workers | 3 |
| | Quota phase-out | 4 |
| | News and Notes | 6 |
| | New Resources | 7 |

the timing and circumstances surrounding the announcement have raised suspicions that the decision was made in response to the findings of the investigations and the WRC and FLA proposals for corrective action.

Special Membership Review

On July 29, the FLA released a public statement, announcing that it was placing Gildan on a 90-day special membership review because it had "failed to achieve or maintain compliance with the FLA's standards." In its announcement, the FLA states, "Since Gildan's decision to close the factory raised questions about its commitment to freedom of association, the FLA Board believed it was essential for

-continued on page 8-

Pressure mounts on Grupo M to negotiate with Haitian workers

Pressure is mounting on the Dominican apparel manufacturer, Grupo M, to respect its Haitian workers' right to organize and bargain collectively at the company's Codevi jean factory located in Haiti's Ouanaminthe free trade zone on the country's border with the Dominican Republic.

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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Labour and anti-sweatshop organizations around the world are demanding that the company return production to the factory, reinstate union leaders and other workers dismissed in June, and negotiate with the workers' union, SOKOWA, to resolve outstanding issues.

As Grupo M's principle customer, Levi Strauss, is also being urged to bring increased pressure on its supplier to redress the unjust firings and other worker rights violations at the factory. Although Levi's took positive action earlier in the dispute to facilitate the reinstatement of fired union leaders, more recently the company allowed Grupo M to shift some of the production of a Levi's order to the Dominican Republic.

MSN and other worker rights groups are also calling upon 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.

The international campaign appears to have brought the company back to the negotiating table. On August 9, Grupo M released a

public statement pledging, "Workers dismissed on or around June 11 will be recalled as work becomes available." In the statement, the company also agrees to enter into "professionally mediated negotiations with SOKOWA..." A

mutually acceptable mediation team will assist with union-management negotiations, including on the reinstatement of dismissed workers.

Despite this positive statement, the success of mediated negotiations will require a change in the company's attitude toward the union. In April, Codevi workers appeared to have

achieved a major victory, when Grupo M agreed to reinstate 34 unjustly fired union activists and negotiate with SOKOWA. That agreement was reached at an April 13 meeting that involved SOKOWA; the Haitian worker rights group Batay Ouvriye; Grupo M; Haitian government, industry and union officials; the IFC; the Worker Rights Consortium; and Levi's. As part of the agreement, an independent observer group was set up to monitor the implementation of the agreement.



*Grupo M president
Fernando Capellan*

In May, the observers noted increases in production quotas and an escalation of intimidation, provocation and humiliation of workers by factory management.

On June 7, workers staged a one-day strike in response to mistreatment of

workers and delays in negotiations, but agreed to return to work the following day based on the understanding that Grupo M had agreed to resume negotiations with the union. However, instead of returning to the bargaining table, over the next few days, management dismissed over 350 workers, including nearly all of the union leadership.

Sara Lee decides to abandon Frontera workers

On June 10, Sara Lee Corporation announced it will close its Confecciones Monclova T-shirt factory in Frontera, Coahuila, Mexico where workers have been involved in a lengthy struggle to win the right to be represented by an independent union.

As with Gildan (see article on page 1), the decision was announced while Sara Lee was in the midst of discussions with the Worker Rights Consortium (WRC) about a corrective action plan to address worker rights violations documented in a WRC investigation into the company's labour practices.

According to Sara Lee, the factory closure will be completed by the end of 2004, although workers fear that the majority of the factory's

1,200 workers will be out of work before that date. Confecciones Monclova, which opened in 1991, was the first maquila in Frontera, a town 225 km south of the border with Texas.

Sara Lee claims its decision to close the factory has nothing to do with workers' attempts to organize, and is part of a broader decision to consolidate production in fewer facilities



Protesters converge on Sara Lee-owned T.J. Maxx store in Boston

and shift some assembly work to cheaper labour countries in the region, such as Haiti, in order to remain competitive after import quotas are eliminated in 2005.

SEDEPAC, a local worker rights organization that has supported the workers throughout their struggle, disputes the company's

claims, charging that Sara Lee is using the 2005 quota phase-out as an opportunity to rid itself of workers who have been speaking out on workplace problems and demanding respect for their rights.

While Sara Lee has announced plans to close two additional factories in Mexico, as well as one each in Honduras and Puerto Rico, it will continue to operate a

number of factories in Mexico, including one just down the road from Confecciones Monclova. Coincidentally, there has been no organizing effort at the latter plant.

The company also claims that it has always respected its employees' "lawful right of free association," and points to the fact that

Confecciones Monclova workers are "represented by one of the largest unions in Mexico, [the] Confederation of Mexican Workers [CTM]."

SEDEPAC points out that the CTM is a government-linked "official" union, and that the workers do not have the right to elect their union leaders, obtain a copy of the collective agreement, or make the democratic choice to be

represented by a democratic, independent union.

Between November 2001 and July 2002, at least 12 Confecciones Monclova workers were forced to resign for expressing grievances about workplace problems. In some cases, leaders of the official union reportedly collaborated with management in

harassing and intimidating the workers in the days leading up to their forced resignations.

SEDEPAC and a recently formed workers commission are demanding that Sara Lee keep the factory open.

However, if the factory is closed, workers want to ensure that those injured on the job get proper medical assessments and compensation and that all workers receive full

severance and other benefits owing to them. Workers report that Sara Lee is discriminating against workers who have been speaking out against their rights by providing them lower severance pay, and that the company is beginning to terminate workers' contracts on an individual basis.



Sara Lee CEO C. Steven McMillan

The Changing Face of the Garment Industry

Will the Quota Phase-Out Undermine Workers' Rights?

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

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

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

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

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

Do All Roads Lead to China?

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

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

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

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

like Honduras and the Dominican Republic.

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

Union-busting Opportunity

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

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

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

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

The Facts

The Multi-Fibre Arrangement (MFA) established a quota system limiting the amount of imports of textiles and clothing from "developing" to "developed" countries.

While the quota system did not prevent a massive shift in textile and garment production to developing countries, it did guarantee a northern market to a number of poor countries like Bangladesh and Sri Lanka, while restricting imports from countries like China with "competitive" advantage.

The Agreement on Textiles and Clothing (ATC) set in motion a 10-year phase out of quotas to bring trade in textiles and clothing in line with the rules of the World Trade Organization (WTO) by December 31, 2004.

ine



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

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

The Quota Challenge

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

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

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

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

Looking for Solutions

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

factor in future sourcing decisions of all retailers and brands.

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

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

The Challenge: Responsible Companies Must...

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

news & notes

Olympics Campaign targets Roots stores

As we went to press, Roots Canada announced that it will improve its code of conduct following demonstrations at Roots stores across Canada.

On August 11, local “Play Fair at the Olympics” campaigners delivered thousands of postcards to store managers at Roots stores in St. John’s, Halifax, Ottawa, Saskatoon, Calgary and Vancouver. On August 13, campaign volunteers picketed a Toronto Roots store, delivering another 1300 postcards to the store manager.

The campaign, which is co-sponsored in Canada by Oxfam Canada, Oxfam Quebec, the Canadian Labour Congress, and MSN, is calling on Roots to provide verifiable assurances that its Olympic-branded products are made under humane working conditions. Roots Canada currently supplies the uniforms of the Canadian, UK, US, and Barbadian Olympic teams. It also sells Olympic-branded apparel in its stores in Canada, the US and UK.

In response to the campaign, Roots released a code of conduct earlier this year. However, that code did not meet even the minimum labour standards of the International Labour Organization (ILO), nor was there any external monitoring of Roots’ Canadian subcontract factories where the company’s Canadian Olympic products are made.

After arranging and cancelling two meetings with the coalition to discuss their code of conduct and monitoring program, Roots refused any future discussions.



However on August 18, Roots announced publicly that it will improve its code of conduct to include provisions limiting working hours to a maximum of 60 per week, ensuring that workers are at least 15 years old, and addressing the right to form unions. Campaign organizers are awaiting the release of the new code to see if it meets internationally-recognized standards and whether its monitoring program will be improved.

Wal-Mart vs Canadian workers

In response to worker organizing drives in Quebec, Manitoba and Saskatchewan, the world’s biggest and most profitable retailer, Wal-Mart, is attempting to Americanize Canadian labour laws.

On August 2, 170 Wal-Mart employees in Jonquière, Quebec won the certification of their bargaining unit, becoming the retail giant’s only unionized workers in North America. According to the United Food and Commercial Workers (UFCW), a “substantial majority” of the workers signed union cards, yet Wal-Mart is considering appealing the decision.

In appeals of provincial labour board decisions and in a recent court case in Saskatchewan, Wal-Mart is attempting to challenge a fundamental, internationally recognized principle – the right of workers to organize without employer interference. To add insult to injury, a company well-known for its centralized and scripted union-busting campaigns is arguing that prohibitions on its “right” to communicate its anti-union views to its employees is a violation of the Canadian Charter of Rights and Freedoms.

In addition, Wal-Mart is also attempting to overturn progressive labour laws in Quebec and Saskatchewan, where a union representation vote is not automatically required if more than 50 percent of the relevant workers have signed union cards. Such provisions protect workers against employer interference during the sensitive period when workers are risking their jobs by signing up for a union.

King Yong defies Nicaraguan government

King Yong, a large Taiwanese-owned garment factory in Nicaragua that produces clothes for Wal-Mart and Kohl’s, is defying orders of the Nicaraguan Ministry of Labour to reinstate illegally fired union members. On March 25, three days after forming a union at the factory, 400 workers were fired, including seven members of the newly elected union executive.

The Ministry of Labour carried out an investigation, determined that the workers’ constitutional right to freedom of association had been violated, and ordered the company to reinstate the workers with full back pay. In a face-to-face meeting with the Nicaraguan Minister of Labour on May 17, the

company's lawyer told the Minister, "We will not accept this union."

What's so unusual about this case? Not the illegal firings of union members or the company's refusal to reinstate them. What makes this story newsworthy is that the government is actually trying to enforce its labour laws.



Above:
Bata
workers
and
families
protest in
Sri Lanka

Bata strike intensifies

On August 12, police carried out a brutal attack on the 600 unionized workers who have been occupying Bata's Ratmalana factory in Sri Lanka since June 22 to prevent their jobs from being outsourced to nonunion workers in subcontract factories. A large number of workers were reportedly injured, many of who were women, and some workers had to be hospitalized.

Earlier this month, the Sri Lankan Commercial and Industrial Workers Union representing the workers held a press conference to condemn a military-style intervention that had been used to evacuate the strikers from the factory. The union announced that the workers were continuing the strike at the factory gate.

The workers are demanding that Bata halt its plans to downsize the factory drastically, leaving only 150 of 600 jobs operational and relying on cheaper, non-unionized labour to complete their product lines.

On August 4, members of the Ontario

Coalition Against Poverty (OCAP) invaded the plush Bata Shoe Museum in downtown Toronto in a show of solidarity with the striking Ratmalana factory workers. OCAP members took over an area in the middle of the museum's shoe exhibits, where they announced to visitors why they were there and demanded to speak with a manager. When the manager appeared and attempted to convince them that the museum wasn't directly connected to the Bata company, they offered to stop staging such actions in the future if he would rename the building the "Museum in Solidarity with Sri Lankan Workers Fighting Bata."

Clean Up Your Computer

The UK-based Catholic Agency for Overseas Development (CAFOD) has released a mid-term review of its "Clean Up Your Computer" campaign. Working in collaboration with the Hong Kong Christian Industrial Committee and the Jesuit-affiliated Centre for Reflection and Labour Action (CEREAL) in Mexico, CAFOD is documenting working conditions in electronics factories in China and Mexico, and engaging with computer manufacturers, such as Dell, IBM and Hewlett Packard, to achieve improved conditions in the electronics sector.

According to the report, electronics workers in China suffer many of the same abuses as do garment workers - crowded dormitories, recruitment fees to gain employment, low base wages, excessive hours of work to achieve production bonuses, the intensive pace of production that results in repetitive strain injuries, and exposure to toxic chemicals.

In response to the campaign, the three companies have adopted codes of conduct, and Hewlett Packard has

initiated efforts to develop an industry-wide code. While CAFOD is supportive of these developments, it is now pressing the companies to bring their codes in line with the Conventions of the International Labour Organization (ILO), particularly concerning freedom of association. It is also calling on the companies to improve the participation of unions and NGOs in implementing their codes, and to demonstrate that their ethical supply chain programs are bringing about positive change for electronics workers.

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Workers 'sacrificed their youth and health' for Gildan

—continued from page 1—

Gildan to publicly reaffirm and communicate this commitment.”

The unprecedented decision means that Gildan must take a number of steps to be removed from the FLA’s membership review status. If it fails to do so, Gildan could face possible expulsion from the FLA. Two key conditions for Gildan’s continued membership in the FLA are that it “acknowledge that there were restrictions in the El Progreso factory on workers’ rights to freedom of association,” and implement an adequate corrective action plan. (To view the FLA Statement, visit: www.fairlabor.org.)

In assessing Gildan’s “business case” for closing the factory, the WRC report states, “On balance... the weight of the evidence argues in favor of the view that anti-union animus played at least some significant role in the decision to close this factory at this time If this view is correct, then Gildan’s action can be seen, in context, as a final and definitive retaliatory measure against workers at Gildan El Progreso for seeking to organize and for bringing their concerns about labor practices to the attention of monitoring organizations.”

Investigative Findings

According to the WRC report, its investigative team found “overwhelming evidence supporting the conclusion that Gildan Activewear El Progreso management deliberately targeted union supporters for dismissal in violation of Honduran laws....”

The report also documents other worker rights violations at the factory, such as violations of hours of work, overtime and holiday pay laws, discrimination against pregnant workers, and sexual harassment by the company doctor.

Although less detailed than the WRC report, the FLA’s public summary of its audit findings also identifies violations of freedom of association, sexual harassment, as well as hours of work, overtime pay, and holiday pay violations.

While Gildan has since taken steps to address the sexual harassment issue, according to the WRC report, to date, it has failed to adequately address the other violations. Gildan continues to deny that any workers were fired for union activity.

The FLA and WRC reports substantiate earlier findings of research carried out by MSN and the Honduran Independent Monitoring Team (EMIH) in 2002. In March 2003, Gildan threatened legal action against MSN if the report on its research findings or information from the report were made public.

Decision Angers Workers

In late July, MSN coordinator Lynda Yanz traveled to Honduras to coordinate with EMIH and other and local human rights, women’s and labour organizations and to meet with Gildan El Progreso workers regarding how to respond to Gildan’s surprise decision to close the factory.

Gildan began dismissing employees one week after it gave formal notice that the factory would be closed on September 30, and despite the company’s claim that it is meeting and exceeding legal requirements for severance pay and other compensation, El Progreso workers with whom Yanz spoke do not believe they are receiving all they are entitled to.

Workers also expressed anger at Gildan for saying it is closing the factory because it

is not as productive as other Gildan facilities. “Anyone who has visited the factory knows these are hard-working, highly productive workers who have sacrificed their youth and health for this company,” says Yanz. “Just because Gildan can get even cheaper labour in Haiti does not justify cutting and running from its responsibilities to these workers. The

'Gildan’s action can be seen, in context, as a final and definitive retaliatory measure against workers ... for seeking to organize...'

workers I spoke with believe they are being punished for telling the truth to the FLA and WRC investigators and that they are being blacklisted to prevent them from gaining employment at other factories in the free trade zone.”

The Coalition for Job Protection (CPL), which has been attempting to respond to plant closures

in the San Pedro Sula area, is working with a committee of Gildan workers to ensure that workers receive all compensation owed to them. On August 13, the coalition and workers’ committee presented the Honduran Ministry of Labour with a petition requesting that that the Ministry examine Gildan’s rationale for the plant closure and the calculation of severance and other benefits owing to the workers.

MSN is calling on Gildan to reverse its decision to close the factory and fully comply with all the recommendations for corrective action proposed by the FLA and WRC, including reinstatement and full back pay for all workers unjustly fired in 2002 and 2003. MSN is also supporting efforts in Honduras to ensure that any workers dismissed by Gildan receive just compensation and that no workers are blacklisted.