THE ASIAN CONNECTION:
The U.S.-Caribbean Apparel Circuit and a New Model of Industrial Relations*

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This article seeks to accomplish four goals. First, it will examine the historical circumstances of the rise of the U.S.-Caribbean garment production circuit from the standpoint of economic restructuring within the U.S. industry and U.S.-Caribbean trade relations and from the perspective of the major political interests involved. It will also examine the impact of this restructuring on local garment sectors and the wider host economies in the Caribbean. The article will then explore the role of the "Big Three" Asian suppliers in the contemporary restructuring as well as their role in the offshore garment sector in the Caribbean. The latter effort constitutes a preliminary investigation of an emerging area of political and scholarly interest, and it will be partly integrated into the treatment of the first two topics. Finally, while I will refer more broadly to the major garment-producing Caribbean islands, Jamaica will provide a case-study focus for my remarks here. The essay will conclude by looking briefly at the "free-zone" or "free-trade-zone" model of industrial relations and its impact on older traditions of trade unionism and labor-management practices, taking the experience of a number of Hong Kongese garment factories in the state-owned Kingston and Garmex Free Zones in Kingston, Jamaica, as an example.

The research documenting this case was conducted in 1994, but the article includes external developments up to 1996, allowing consideration of the longer-term implications for the Caribbean garment industry as a whole. One of the most critical external factors affecting this industry has been the surge in Mexican exports to the United States following the implementation of the North American Free Trade Agreement (NAFTA) in 1994 and the devaluation of the Mexican peso by half in December 1994

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and January 1995. The Caribbean countries are now struggling to get NAFTA-parity treatment for their garments under a "CBI enhancement plan" that would include garments in the duty-free regime. Currently, the loss of jobs to Mexico may make the factors accounting for the meteoric rise of the Caribbean assembly industry seem somewhat less compelling. But the U.S. Clinton administration has agreed in principle to duty-free entry for Caribbean garments. Moreover, the special role of the CBERA countries in production-sharing arrangements with U.S. industry is set to continue.[1] These arrangements make the CBERA countries as a group the largest "exporter" of garments to the United States, recently surpassing China. Acute political incentives are encouraging this development. Moreover, it is conceivable that the Mexican garment surge may level off as the labor force is shifted into "higher-tech production" and the Caribbean finds its niche in the U.S.-dominated regional industry.

THE U.S. APPAREL INDUSTRY AND MARKET

A dual structure has evolved in most of the Caribbean garment industry over the last fifteen to twenty-five years in which an increasingly marginal subsector produces for the domestic market and a more prominent export-processing enclave sector has become part of a transnational circuit. Assembly production for the U.S. market constitutes the primary raison d'être of the export-processing sector, and thus its structure is determined largely by the regulations governing the U.S. apparel trade and U.S. domestic-market requirements. Three or four different types of producers operate in the Caribbean industry: U.S. subsidiaries, Asian firms, joint ventures, and local subcontractors. Each category functions under somewhat different regulations, conditions, and constraints, but all are premised on having special access to the U.S. market and special incentives to produce in the Caribbean and employ cheap Caribbean labor.

Because the U.S. apparel market, trade regulations, and industry structure determine much of the character of production in the offshore enclave sector, a brief overview of those market and industrial conditions is necessary. Such an overview will highlight a critical dimension of the transnational-local nexus.

The importance of the United States as a market for garment exports from "developing countries" is easily borne out by figures for the last decade. In 1986 U.S. imports accounted for 44 percent of world garment imports. The United States reportedly absorbed 60 percent of all third world garment exports, compared with 25 percent bought by the European community (Aldana 1989, 29; Tucker and Hylton 1991, 4). By 1987 import penetration of the U.S. market was said to have climbed to 58 per-

1. CBERA refers to the Caribbean Basin Economic Recovery Act, passed in 1983.

cent, up markedly from 12 percent in 1970 (Rothstein 1989, 111–17). By 1992 that figure had increased to 66 percent (Figueroa 1996, 34). According to one calculation, apparel was responsible for 37 percent of the U.S. merchandise trade deficit in 1991 (NLC 1992, p. C-9). More than four-fifths of all clothing imported into the United States comes from developing and newly industrialized countries (Hoffman and Rush 1988, 25–26). Yet in the last decade, the United States produced between 40 and 50 billion dollars' worth of apparel annually, more than one-fifth of world production (Rothstein 1989, 11; USITC 1995, p. 4, t. 1). Of the apparel produced in the United States, over 90 percent of it is consumed domestically.

The apparel industry has traditionally been the most protected manufacturing sector in the United States, with the textile industry "not far behind" (Tucker and Hylton 1991, 3). According to analysts for the Overseas Development Council (a pro–free-trade think tank), the average tariff rate for textile items in the early 1990s was 17 percent, "six times higher than the average for all U.S. non-textile imports," while the "average tariff rate on apparel alone during the 1980s was 20.7 percent" (Tucker and Hylton 1991). According to many domestic producers and labor organizations, however, the apparel and textile industries are not protected enough, especially in view of the loopholes and flexibilities existing in the Multi-Fiber Arrangement (MFA), which governed U.S. and other "developed-country" import trade in apparel from 1974 to 1994. The MFA was recently replaced by the Uruguay Round Agreement on Textiles and Clothing (ATC), which took force on 1 January 1995 as part of the agreements of the World Trade Organization (WTO).

With the signing of NAFTA and the move to liberalize world trade in garments within a ten-year time frame through the General Agreements on Trade and Tariffs (GATT), the terms of the debate between free traders and protectionists have become somewhat obsolete, especially with regard to relocation of assembly operations. Notwithstanding the planned phaseout of restrictions, however, the U.S. apparel import trade is still "managed trade," with the ATC providing for a cut in tariffs on textile-based apparel by an average of 9 percent, compared with 34 percent for all trade goods (USITC 1995, 13). The old MFA was an outgrowth of an import-restraint policy that was imposed by the United States on Japan in the 1950s to curb increasing textile imports from that country. The first Multi-Fiber Arrangement, signed in 1974, was extended to include the majority of major textile-importing and -exporting countries and was renewed at four-year intervals. The MFA was based on bilateral agreements that set market quotas for individual garment-exporting countries on a product-by-product basis. Quotas were set only after substantial import penetration, with agreements varying in duration and from country to country. They included a quota limit based on product category, a year-to-year growth rate, and flexibility provisions. The issue of import restraints was brought to the negotiating table when it was determined that market disruption had occurred as a result of "dumping" or oversupplying by an offending garment-exporting party.

The "Big Three" Asian suppliers of garments to the U.S. market—Hong Kong, South Korea, and Taiwan—have been subject to increasing quota restrictions since the early 1980s. Meanwhile, the Caribbean countries, although increasingly active as reexporters of U.S.-origin assembled goods under a special set of arrangements (to be discussed later), have unused quotas. Asian suppliers consequently have adopted a policy of subcontracting or locating operations in Third World countries that do not have quota restrictions. Moreover, according to Rothstein, "The most sophisticated Asian manufacturers . . . are also establishing U.S. plants to improve the supply to U.S. customers" (Rothstein 1989, 75). Elimination of quotas is not likely to affect the Big Three's shrinking share of the U.S. market because their higher labor costs and the incremental chaneling of the labor force into higher-wage economic sectors will encourage the trend.

U.S. producers have remained competitive at opposite ends of the domestic market for textiles and apparel. They have held their own in basic or standardized "commodity products," including home furnishings and apparel items like jeans, brassieres, undergarments, hosiery, basic men's wear, and children's clothing, most of which are at least partially mass-produced in highly automated plants. U.S. producers have also prevailed in "fashion areas" catering to specialized, short-run, and rapidly shifting demands that require flexible and "quick-response" conditions of production. Import penetration has been lowest in these areas but highest in "seasonal products," capturing more than 80 percent of this intermediate—and largest—segment of the apparel market (U.S. Congress Office of Technology Assessment 1987, 16–17). Many of these imports originate from offshore contracting done by large retail chains for private-label merchandise. The Far East has played a critical role in this section of the industry.

The U.S. apparel industry is thus characterized by increasing concentration and vertical integration at the standardized-commodity end of the market and a proliferation of small immigrant contractor shops serving the fashion sector in centers like New York and Los Angeles (Rothstein 1989, 69–70, 84). The latter trend has been part of a growing split between the functions of design and merchandising (pre- and post-assembly stages) on the one hand and assembly production (consigned to subcontractors) on the other. Jobbing and contracting have increased relative to full-scale manufacturing, typified by "manufacturers" without factories who contract out all of their production. Parsons reported that between 1977 and 1982, women's outerwear manufacturers declined by 35 percent, while jobbers and contractors increased by 52 and 26 percent respectively (1988, 145). The effect has been to eliminate what was once the domestic industry's main feature: "medium-sized (50 to 100 employees), one-plant firms without the technology to compete in basic market segments and without the flexibility to compete in high fashion" (Rothstein 1989, 84).

The division between large-scale standardized operations and small "flexible shops" reflects to some extent differentiation in the production of men's and women's clothing. Companies producing men's clothing, such as Levi Strauss, are also closely tied to the textile industry (as in the production of denim). The U.S. textile industry, although embattled in the world of upscale and highly varied short-run fashion trends, is the most technologically advanced in the world. Finally, retail chains have emerged as key players in the global field, increasingly monopolizing control of the most lucrative aspects of the garment trade: design and merchandising. These segments of the industry have been revolutionized most by computer technology in the form of computer-aided design and "electronic-data-interchange" systems of stock control.[2] Hector Figueroa recently pointed out, "These department stores [Sears Roebuck, J. C. Penney, Federated Department Stores, and May Department Stores] and, more recently, fast-growing discount mass-merchandise retailers like Wal-Mart and K-Mart constitute the most important single determinant of continent-wide production patterns" (Figueroa 1996, 37). Asian firms are playing an increasingly important intermediary role in the U.S.-Caribbean production circuit, bringing with them their expertise in what might be dubbed "integrated-manufacture subcontracting." For example, Taiwanese and Korean firms in El Salvador and Honduras doing contract work for The Gap and other U.S. companies recently gained notoriety as a result of an ongoing cross-border campaign for labor rights.

According to Richard Rothstein, the market in the United States is now divided between "at least 30 apparel firms with sales of more than $200 million annually, accounting for nearly half of the industry's output" and thousands of small contractor shops. Among these, many new non-white immigrants—for example, Chinese, Koreans, and Dominicans in New York—have found an entrepreneurial niche (Rothstein 1989, 84). Examples of the large firms are the five major apparel suppliers: VF Corporation (the largest publicly held firm in the industry, a conglomerate whose apparel products include jeanswear, intimate apparel, and sportswear), Liz Claiborne, Fruit-of-the-Loom, Levi Strauss, and Sara Lee (owner of Hanes, Bali, Playtex, and Champion brands). Nearly all these five produce top brand names in jeans, hosiery, and underwear.[3] They are

2. For details, see the USITC's *Industry and Trade Summary: Apparel* (1995).

3. The USITC 1995 apparel industry and trade report noted, "Although concentration in the industry remains low overall, it is relatively high in segments such as men's trousers and men's underwear and nightwear, for which the 4 largest firms account for roughly 60 percent of the respective industry shipments" (USITC 1995, 2).

also some of the major firms utilizing the Caribbean as a platform for low-end assembly production.

The use of Caribbean Basin countries for the medium-level fashion market is selective, depending on whether the country is viewed as having developed a productive capacity in this somewhat more difficult work. Jamaica, for example, is considered to be competitive with the Dominican Republic and Costa Rica in "staple products" such as jeans, underwear, and shirts but is viewed as having a lower capacity in manufacturing requiring "flexible" and higher-skilled capabilities. The U.S. International Trade Commission pointed out nonetheless, "Although the Far East remains a major source for apparel requiring higher levels of production flexibility and management and sewing skills, production of these goods is gradually expanding in Mexico and the Caribbean countries" (USITC 1995, 7).

Some of the "largest and most efficient" U.S. apparel producers and distributors have invested in offshore clothing-assembly operations in the Caribbean, largely to produce standard items (Steele 1988, 49). The 1995 USITC apparel report confirms the success of this strategy: "U.S. apparel producers have achieved a high level of efficiency in Mexico and the Caribbean countries in assembling high-volume commodity garments whose production involves standardized runs, low-skilled operations, and few styling changes. They ship ready-cut pieces of garments to the region for sewing, the most labor-intensive stage of production. Given the increased time lag involved, production sharing is geared to garments such as basic trousers and shorts, shirts and blouses, brassieres, and underwear that have reasonably predictable consumer demand" (USITC 1995, 7).

Historically, the main focus of investment has been brassiere assembly. This was the preeminent area for overseas investment in the Caribbean by U.S. apparel companies in the 1970s, reflecting "the unusually complex assembly requirements of these garments and the unusually high labour input" (Steele 1988, 52). Production of brassieres is both highly standardized and highly detailed, and because they are lightweight, shipping costs are minimized. A large part of the U.S. domestic supply of bras is produced under the auspices of Item 807 in the U.S. Tariff Schedule. In 1986, for example, "807 bras" accounted for 72 percent of total (bra) imports and 58 percent of domestic shipments by quantity (Steele 1988, 50, 22). The four main Caribbean producers—the Dominican Republic, Haiti, Costa Rica, and Jamaica—were responsible for 37 percent of total bra imports into the United States in that year (1988, 22). Most of these were 807 bras. In 1995 the share of Harmonized Tariff Schedule 9802 (previously 807) imports in U.S. producers' shipments was highest in the category of foundation garments (mainly bras). That share made up 75 percent of the total, most of it from Caribbean producers. Other major U.S.

products that rely on HTS 9802 input are, in order of relative importance for 1995: underwear, babies' apparel, nightwear, and trousers and shorts. In absolute terms, underwear, trousers and shorts, shirts and blouses, and foundation garments make up the bulk of 9802 imports (USITC 1997a, p. 3–6, t. 3–2). These are all areas in which U.S. producers have traditionally enjoyed a comparative advantage. But now that advantage clearly depends on "production sharing" in Mexico and the Caribbean. The current major players in the underwear assembly market are Fruit-of-the-Loom and Sara Lee.

Practically all the major retailer and jobber or manufacturer groups underwrite subcontracting arrangements in the region as well. The list—including those found in the other apparel-producing countries of El Salvador, Honduras, and Guatemala under the Caribbean Basin Initiative (CBI)—is impressive. It includes Wal-Mart, K-Mart, J. C. Penney, Sears, Saks Fifth Avenue, Calvin Klein, Christian Dior, Victoria's Secret, Spiegel, Liz Claiborne, The Limited, and The Gap (Steele 1988; NLC 1992). These well-known companies hide behind anonymous subcontracting arrangements to take advantage of some of the most exploitative working conditions in the Americas today. As a result, they are increasingly being targeted by labor-rights groups, particularly the National Labor Committee, to assume responsibility and liability for the unfair labor practices implemented by their local subcontractors.

THE RISE OF OFFSHORE PRODUCTION IN THE CARIBBEAN

In the early 1980s, many garment producers began to perceive the Caribbean Basin connection, especially its cheap labor content and geographical proximity, as providing an opportunity to make their products more competitive at home and abroad. They and their political allies configured the Caribbean explicitly as part of their own conditions of production and moved to rule it out as a potential source of rival foreign imports. As Peter Steele explained,

> To counter the concern at the disruption of the U.S. textile product market, the U.S. administration began to increase the severity of the restrictions it imposed on clothing imports, most particularly but not exclusively on those from the Big Three. With respect to Caribbean suppliers, however, the policy was developed in such a way as to emphasise that their essential role was not so much to compete with U.S. industry in the U.S. market as to provide low cost labour inputs which enabled U.S. producers to compete more effectively with suppliers of garments in other parts of the developing world.
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> Thus the Caribbean manufacturers were encouraged to carry out the labour intensive operations associated with assembling garment components. At the same time the components themselves were cut in the USA from U.S. cloth as much as was possible and U.S. producers were also responsible for marketing and distributing the finished items. Against this, the USA sought to curb and, in the longer term, effectively to discourage the emergence in the Caribbean of more highly in-

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tegrated garment enterprises capable of producing items with a higher local added value—certainly in so far as these were primarily oriented towards the U.S. market. (Steele 1988, 3–4)

The use of Caribbean countries for assembly work necessitated a complete reorientation of the local industries. It represented the low-end portion of a two-pronged strategy implemented by the U.S. apparel industry for improving its competitive performance and preserving its markets: "(1) the expansion of production-sharing operations in Mexico and the Caribbean Basin and the transfer of more labor-intensive operations to these lower wage areas and (2) the adoption of quick response systems and the attendant investment in new technology and the introduction of new manufacturing, marketing, and distribution methods" (USITC 1995, 7). This strategy represents the classical Marxist combination of exploitation of "absolute surplus value" and "relative surplus value." In addition to the profit motive, important political considerations underlay the mobilization of Caribbean countries as U.S.-controlled production platforms. U.S. government policies explicitly encouraging the movement to the Caribbean were motivated by a complex mix of "geopolitical concerns [and] efforts to contain Asian countries' rising economic power" (Bonacich and Waller 1994b, 85–86).

The desire to convert the Caribbean Basin into a region of low-end production integrated into a transnational chain of apparel manufacturing beginning and ending in the United States coincided with a period of anti-imperialist political upheaval and revolution in several areas, placing the countries involved at considerable odds with U.S. designs. Washington perceived the need to restore political order by securing and consolidating U.S. military hegemony over the entire region (that newly invented geopolitical entity, the Caribbean Basin) and by restructuring the region's economy through transplanting the free enterprise model. This move was carried out under the auspices of the Caribbean Basin Initiative, which granted "deserving countries" military aid and one-way duty-free access to the U.S. market for a designated range of products.

When President Ronald Reagan signed the Caribbean Basin Economic Recovery Act (CBERA) into law on 5 August 1983, he was prompted by two fundamental motives. The most immediate and important one was to secure the Caribbean once and for all as part of the U.S. sphere of influence—politically, economically, and ideologically. Several developments had raised the specter of the spread of communism and an unprecedented threat to U.S. national-security interests in the region: Michael Manley's experimentation with radical nationalism and "democratic socialism" in Jamaica during the 1970s; the apparent triumph of the anti-imperialist and anti-dictatorship Nicaraguan and Grenadian revolutions; and the subsequent hard-liner putsch led by Bernard Coard in Grenada. According to the less-extreme Reaganite reading of the problem, economic stagnation, unemployment, and impoverishment had fueled the attraction to alternative, noncapitalist systems of government and economy as well as a growing rapprochement with formerly isolated Cuba. The United States needed to provide an antidote that would contain and ultimately reverse this trend. In the short run, this approach necessitated military intervention and buildup in the region. But most important in the long run was the aggressive promotion of private-sector-led growth and integration into the U.S. market. Reagan's Caribbean Basin Initiative constituted the discursive and instrumental centerpiece of this strategy, a package of incentives ostensibly based on "trade, not aid" and conditioned on political and economic adjustment and stabilization in the recipient countries. Adjustment and stabilization were to take place along lines strictly prescribed by U.S.-controlled multilateral agencies like the International Monetary Fund (IMF) and the World Bank and by the U.S. Agency for International Development (USAID), the primary organization responsible for administering U.S. bilateral foreign assistance.

The second major factor motivating Reagan to call for implementation of the CBI was the prospective opening of the Caribbean as a region of opportunity for U.S. trade and investment as well as a cheap labor reserve for various kinds of "light manufacturing" and processing industry, particularly those needing to gain a competitive edge or improve their performance in domestic and global markets. Although the rhetoric surrounding the CBI suggested the nurturing of a homegrown entrepreneurial class, it became increasingly obvious that the private sector in "private-sector-led growth" was to be one based in the United States. Roles envisaged for Caribbean private-sector counterparts turned out to be those of junior partner and subcontractor. The buzzwords *privatization* and *liberalization* were precise cues for denationalizing state industry and passing the advantage on to foreign capital in the tough new arena of nontraditional production for the international market.

Garment assembly has become the gauge of CBI success in the region, a somewhat ironic outcome considering the fact that the original CBI excluded garments from its range of eligibility for duty-free treatment. If the CBI had ever been seriously considered as a facilitating tool for independent Caribbean export entrepreneurship, garments would have been the first choice because of the established capacity and relatively low capital and technological requirements of the industry. In reality, goods deemed "import-sensitive" by the U.S. Congress were excluded from the U.S. system of preferences, including that set up under the CBI. Most products declared eligible by the CBI already enjoyed duty-free access to the United States through the Generalized System of Preferences (GSP), while those with the greatest growth potential (such as garments) were excluded. The CBI offers only slightly wider product coverage than the GSP. For example, products eligible for duty-free treatment only under CBERA

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in 1992 were no more than 6.8 percent (645 million dollars) of total U.S. imports from the group (see U.S. GAO 1993, 89, app. 4). The CBI was much more important as a politically focused mechanism for speeding up Caribbean integration into the U.S. economy and facilitating U.S. investment in the area (see Green 1995, 1996a).

Because the CBI was founded on the economic logic of a marriage among migrant U.S. capital, cheap Caribbean labor, and the U.S. consumer market, the local Caribbean garment industry was out. But "807 production," which had already established just such a transnational circuit of production, was in. Item 807 of the U.S. Tariff Schedule (now section 9802.00.80 of the Harmonized Tariff Schedule) provides for offshore assembly of U.S.-made components by charging reimport duty only on the value added abroad. Item 807 production by U.S. firms in the Caribbean increased as quota restrictions against Far East garment imports went into effect in the early 1980s and the announcement of the CBI prompted a flurry of free-zone construction and incentives legislation in expectant host countries.

Early disappointment at the results of the CBI after its first two years prompted another round of lobbying for improved benefits under the negotiating helmsmanship of Jamaican Prime Minister Edward Seaga, who had Reagan's ear. Exclusion of garments from special CBI consideration was particularly upsetting because the rapid closure of local firms was not being offset adequately by new foreign investment in the industry. Furthermore, protectionist interests in the U.S. apparel and textile industries as well as in the labor movement were expressing concern about the effects of 807 production and alarm at the increasing use of the Caribbean and Central America as offshore production platforms for roving Asian firms in search of unused quotas. Asian subsidiaries in the Caribbean tended to establish "cut, make, and trim" (CMT) operations, which allowed them to source their raw materials (uncut fabric in this case) from the home company or the home market.[4] U.S. textile companies and labor unions were especially unhappy.

As a way of responding positively to these pressures, Reagan allowed generous new concessions under what became known as the Caribbean Basin Textile Access Program. This program, dubbed "807A" or "Super 807" (now 9802A), granted practically unlimited quotas on garments assembled from components cut in the United States from U.S.-

4. The CMT arrangement is a U.S. trade provision by which fabric is imported into the assembly country and fully made up into garments for export to the United States, where duty is paid on the value of the operations in the assembly country. Jamaica has the highest ratio of CMT operations to 807 operations in the region, mostly as a result of Hong Kong investment. But 807 operations have grown at a faster rate and have accounted for more than half of total exports to the United States.

made cloth, on application for and negotiation of a bilateral agreement under its terms. The new concession, whose quota provisions were designated "guaranteed access levels" (GALS) was, appropriately enough, announced by President Reagan in Grenada in 1986. It was viewed as a reward to loyal allies who had supported the Grenada invasion but were dissatisfied with CBI results to date. The agreement also represented an important concession to the U.S. textile industry, which despite major retooling and increases in productivity in recent years was still sensitive to cheaper imports of superior quality, especially from the Far East. Under the regular 807 program, the piece goods were to be prepared in the United States but could be cut from imported fabric, which had become the practice. The U.S. labor movement received assurances that this "backward linkage" would preserve some jobs and stimulate the creation of others. They needed such assurances. Between 1972 and 1991, the number of production workers in U.S. manufacturing is estimated to have dropped by 7 percent, with the textile and apparel industry accounting for slightly more than three-fifths of this decline (U.S. GAO 1993, 12). The General Accounting Office (GAO) reported, "According to Commerce Department officials, the textile and apparel industry, fearing a loss of market share from import competition, formed a coalition with unions to try to save some U.S. jobs by encouraging the adoption of Super 807" (1993, 22).

Jamaica moved quickly to negotiate the first bilateral textile agreement with the United States under the terms of the Caribbean Basin Textile Access Program soon after it was announced in 1986. The gut reaction of unconvinced and diehard protectionist forces in the United States was to condemn the agreement, seeing it as a threat to that section of the industry with a smaller stake or facility in overseas relocation. Forces in the Jamaican state viewed this group as shortsighted and ignorant of its own interests. Jamaica's leading mainstream newspaper, *The Daily Gleaner*, representing what might be called the reconstructed national or regional business-elite point of view, wondered in an October 1986 editorial why protectionist U.S. business interests did not share the enlightened views of their administration and could not see that the recently signed agreement between Jamaica and the United States posed no threat to them whatsoever . . . because of its basis in the 807A program:

> So the outcry against Jamaican textiles is not new. Nor is it anything to be alarmed about. As the vice-chairman of the local Textiles and Apparel Council has pointed out, the agreement is related to the 807 Programme, an essential ingredient of which is that the material used in the manufacture of the garments must be of U.S. origin, and the 807 Programme, itself, is of limited scope.
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> Not only that. Imports of garments from Jamaica, although sizeable in local terms, represent but a drop in the ocean in respect of the total of textile imports coming into the United States. So that the thunder of the U.S. manufacturers is akin to using a sledgehammer to crush an ant. It seems strange that American business interests should be so out of harmony with the Administration, as to take

action likely to damage the good relations which the U.S. President is so anxious to build up in the Caribbean Basin.[5]

Ultimately, not all Jamaican manufacturers heaped unreserved praise on the 807A program. Their experience with the 807 program had taught them that the invisibility of Caribbean labor in products circulating at "the center" under the auspices of this or that U.S. company did not extend to the constitution of these same products as "exports" on their exit from the Caribbean. The 807 regulation was designed primarily to benefit U.S. producers and to cheapen U.S. products by routing the manufacturing process through a transnational circuit that optimizes the "comparative advantages" of the international division of labor and different "factor endowments." But the products are nonetheless calculated within the export equation when MFA quotas are being negotiated for the individual countries in which they have been assembled. This arrangement practically precludes the development of any facility in non-807 garment exports from these countries. Steele has pointed out that "CITA [the Committee for the Implementation of Textile Agreements] is less likely to 'call' a supplier country or, if it does so, is likely to give the offending product a higher quota if a substantial proportion of total shipments are carried out under 807 contracts" (Steele 1988, 48).

In the Caribbean, the CBI's 807A provision is aimed even more directly at discouraging non-807A production. The "generosity" of 807A is offset by the imposition of stricter quantitative restrictions on products manufactured wholly in the Caribbean or those of non-U.S origin in equivalent categories. For example, producers of sweaters in Jamaica "were of the opinion that the USA was determined to discourage any growth in shipments of these categories except under 807A contracts" (Steele 1988, 112). Some Caribbean producers perceive the CBI Textile Access Program as ultimately more restrictive than regular MFA-governed U.S. garment trade policy. The 807A provision and concomitant tariff restrictions are viewed as targeted primarily at East Asian CMT manufacturers in the region, and generally as a disincentive for higher value-added manufacturing or CMT investment (Steele 1988, 134).

In 1983 in the initial stages of the more generalized Caribbean export surge in garments, 807 products accounted for about 6 percent of total U.S. apparel producers' sales while about 16 percent were manufactured wholly overseas (Steele 1988, 24). Between 1982 and 1990, 807 imports quadrupled to exceed 2 billion dollars in value (NLC 1992, p. C-8, figs. 6, 7). In 1987 the CBI group accounted for 70.4 percent of all 807 garment production. The Dominican Republic was the leading supplier, accounting for 25.1 percent of total 807 garment exports, followed by Mexico (not part

5. See "Textile Row," *The Daily Gleaner*, 11 Oct. 1986, p. 8.

of the CBI), which contributed 20.3 percent (Steele 1998, 52).[6] In the same year, CBI countries accounted for 8.7 percent of U.S. apparel imports. Since 1987, apparel imports into the United States under the 807A program have grown by 76 percent annually (Safa 1993, 25). Manufacturers of jeans were particularly interested in the provision because denim is one of the few fabrics in which the U.S. textile industry is competitive with imported products. In 1991, while 79 percent of apparel imports from Caribbean Basin countries entered under special trade programs that encourage use of U.S. inputs, only 5 percent of the apparel imports from the rest of the world entered under these programs (U.S. GAO 1993, 74). Most 807 items are assembled in subsidiaries of large U.S. companies that produce standardized commodity items for the high-volume middle-to-lower market.

In 1993 the U.S. Department of Commerce pointed out simply that "apparel cut in the United States for assembly in the Caribbean Basin under the 807 tariff provision and the 807A textile program is in fact counted as part of U.S. domestic apparel production by the U.S. Census" (U.S. GAO 1993, 93, app. 4). According to the Department of Commerce, the 807 and 807A options have "become vital to the survival of the U.S. apparel industry" and "have allowed the U.S. apparel industry to remain competitive with imports from low cost manufacturers in the Far East" (U.S. GAO 1993, 92).

Far East garment exports to the United States have been overwhelmingly of wholly manufactured products even when the supplier was the subsidiary of a U.S. apparel producer. Particularly in the "Big Three" Asian countries, most suppliers have actually been independent national entrepreneurs. In the Caribbean, in contrast, garment exports to the United States are now overwhelmingly of "807 products" assembled under what is euphemistically referred to as "production-sharing arrangements." The concept of production sharing is somewhat absurd from the perspective of the location where only 20 percent of "low-end value" is added to the product as it makes its transit back to its home market and point of origin. This situation is highlighted by the fact that few plant managers in export-processing firms are Jamaican, even in plants that are Jamaican-owned. According to Larry Willmore, "Expatriates are expensive compared to local managers, and an abundance of the former in Jamaican factories reflects a scarcity of the latter" (1993, 15). Even the supervisors used to be imported, although this practice has changed over the last ten years (Willmore 1993). The concept of production sharing takes on far greater meaning when considered from the point of view of the United States. The U.S. State Department claims: "For every dollar of CBI apparel exports to the U.S., the CBI countries import 60¢ in U.S. textile

6. Steele noted, "Outside the Gulf-Caribbean regions only the Philippines (4.5 per cent of total shipments in 1987) was of any significance, although it is interesting to find that 807 work is still carried out in all the Big Three supplier countries" (Steele 1988, 52).

or apparel goods. For the Asian NICs, the corresponding figure is 2¢. The relationship is true not just for textiles and apparel, but overall: a dollar invested in the Caribbean Basin is likely to yield much greater benefits in terms of increased U.S. exports and jobs than a dollar invested in Asia" (U.S. GAO 1993, 84, app. 3).

Several features apart from the 807 provisions have made the Caribbean an attractive site for U.S. apparel producers. In the Commonwealth Caribbean, which historically has not been as closely integrated into the U.S. economy as Central America, features like extremely low wages and little unionization have had to be induced through structural adjustment. Jamaica was initially viewed as less politically stable than either Costa Rica or the Dominican Republic, and the English-speaking Caribbean as a whole received low marks for too much unionization (Green 1990). Most recently, investor confidence in Jamaica has been soured by the crime rate, which has required escalating expenditures on security. Anxious to please, the Jamaican government has undertaken or promised to undertake provision of the necessary security infrastructure.

In countries viewed as too politically unstable, U.S. companies prefer to establish an arm's-length relationship with local subcontractors rather than invest directly in a manufacturing plant. In Haiti, such "limited-exposure operations in which a Haitian businessman provides workers, plants, and equipment, while the foreign buyer provides the raw materials and purchases all the output" became the norm during the 1970s and 1980s (cited in NLC 1993, 35). The NLC's 1996 report on apparel assembly in Haiti after the return of Jean-Bertrand Aristide describes the continuation of subcontracting chains involving Haitian subcontractors, large U.S. apparel companies, licensing conglomerates (like Walt Disney), and giant retailers. At each link in the chain, incremental value is added, with the retail companies profiting most from huge markups at the merchandising end. In a typical example, the NLC found a company called Excel Apparel Exports, jointly owned and operated with Kellwood Company, which produced women's underpants for the Hanes division of Sara Lee Corporation, under the "Hanes Her Way" label sold at Wal-Mart (NLC 1996, 7). The major players in Haiti in 1996 were the large retailers (Wal-Mart, K-Mart, Sears, and J. C. Penney) and the large apparel companies (VF Corporation, Sara Lee Corporation, Kellwood, and H. H. Cutler).

Some years earlier, the U.S. Congress requested a GAO investigation into the CBI industry, in which fifty-three plants were visited in Costa Rica, the Dominican Republic, El Salvador, and Honduras. The resulting report cited access to cheaper labor as the most prominent reason for establishing or expanding Caribbean Basin facilities (U.S. GAO 1993). Other reasons given were the ready availability of labor, proximity to the U.S. market, political stability, trade incentives, and free-zone facilities. Company officials stated that while labor in the Caribbean Basin was not the cheapest, the combined benefits of reduced duties and lower transportation costs gave the region an edge over locations in the Far East. In addition to enjoying duty-free entry and exit of goods, extended tax holidays, and few if any restraints on repatriation of profits, export-processing firms pay low subsidized rents for factory shells and get free or subsidized worker training, financed (at least previously) by USAID and the Organization of American States (Green 1990).

The controversial central role of USAID in encouraging and subsidizing private U.S. investment overseas has recently come under attack, most notably by the National Labor Committee (NLC). Their 1992 report, *Paying to Lose Our Jobs*, charged that U.S. taxpayers' money was being used to subsidize job flight from the United States under the guise of foreign assistance. This study was the single most important piece of propaganda in convincing Congress to pass section 599 of the Foreign Operations Appropriations Act in the fiscal year 1993 and to renew it subsequently. Section 599 places restrictions on U.S. foreign aid that encourages or underwrites job relocation overseas or grants assistance to foreign export-processing zones and activities that contribute to violation of worker rights. The NLC report pointed out that migrant Asian companies benefited directly from USAID export-promotion funding to Caribbean Basin governments, funding that had enabled the CBI governments to open expensive investment agencies in Far East capitals. In a preface to the report, ACTWU President Jack Scheinkman fulminated against this policy:

> The [George Bush] Administration has expressed frustration over last year's $43 billion U.S. trade deficit with Japan, the $13 billion deficit with China and the $10 billion and $2 billion trade deficits with Taiwan and South Korea. Meanwhile, the government is spending U.S. tax dollars on Caribbean and Central American investment promotion offices in Taiwan and South Korea. Their goal? To draw Far Eastern manufacturing firms to the Caribbean Basin, where they will have virtually unlimited access to the U.S. market with minimal tariffs or quotas. All subsidized by our tax dollars. (NLC 1992, 2)

Although U.S. company officials interviewed in the GAO investigation claimed to be undeterred by Section 599, their sanguine outlook on Caribbean Basin locations has been increasingly modified as a result of NAFTA. Fears of the CBI countries that the quota-free, duty-free advantage of clothing from Mexico would simply overwhelm them in the marketplace have already come true. The recently concluded GATT negotiations have raised similar concerns for these small suppliers in an open world market that will include giant producers like China, India, and Pakistan. Jamaica took the lead in lobbying for special concessions that would grant the CBI countries parity with NAFTA regarding the garment sector. Legislation introduced in both houses of the U.S. Congress in 1995 providing for NAFTA-like treatment of goods previously ineligible for duty-free entry under CBI seemed set to pass but stalled after numerous postponements.[7] At the U.S.-CARICOM Summit in the Caribbean in May 1997, President Bill Clinton disappointed Caribbean leaders by stopping short of offering NAFTA parity. He proposed instead an enhancement of the Caribbean Basin Initiative that would extend tariff reductions to categories currently excluded, such as textiles. In spite of the administration's commitment, CBI enhancement is not a priority with the Republican-dominated U.S. Congress, which is far more preoccupied with the trade deal currently being negotiated with Chile. But it can be successfully pushed as a prerequisite for solving—and securing cooperation from regional governments in solving—the problems of the drug trade, money laundering, and migration to the United States, all three perceived as out of control and having major significance for U.S. national security.

The Caribbean governments will certainly continue to cite new rounds of layoffs as warranting urgent attention from the White House. Late in 1995, government officials in the Dominican Republic announced that twelve thousand workers had been laid off in the Santiago and La Vega export-processing zones. They "blamed [the] redundancies on the failure of the US to grant equivalent tariff concessions to Caribbean exporters" (*Latin American Monitor* 1995). In 1996 the situation worsened. Sixty thousand assembly workers reportedly lost their jobs when thirty-eight companies (most of them in apparel) closed down (USITC 1997a, p. 2–8, n. 32). In the same year, the Jamaican government announced the loss of forty-five hundred jobs in the garment industry and a drop in exports of 12 percent (to 377 million dollars in the first nine months of 1996) in comparison with the same period of 1995. Responsibility for the loss was again attributed to competition from NAFTA-advantaged Mexico, along with Jamaica's high-interest-rate regime and "strong dollar" (*Latin American Monitor* 1997, 3).

Emilio Pantojas-García wrote an article before the recent peso devaluation (which equalized or lowered Mexican wages relative to the major Caribbean producers). In it, he pointed out that lower wages in the major garment-producing CBI countries, the 100 percent tax exemption in the free-trade zones, and the across-the-board absence of duties and lower local-content requirement of the CBI (compared with NAFTA) might help to maintain the attractiveness of these countries over Mexico for smaller assembly companies (Pantojas-García 1994). Asian companies in particular come to mind here. But Pantojas-García views the competitive race for low value-added investment as ultimately self-defeating and out of step with future economic trends that will favor "high-tech and knowledge-intensive industries." Mexico is poised to take advantage of the opportunities provided by NAFTA for this kind of investment. In fact, although most of Mexico's manufactured exports to the United States come from

7. The legislation was known as the Caribbean Basin Trade Security Act (H.R. 553 and S. 529).

production-sharing arrangements, apparel accounted for only 9 percent of them in 1995, while accounting for 91 percent of all Caribbean Basin exports under HTS 9802 in the same year (USITC 1997a, p. 1-4, fig. 1-1).

The poor prognosis for CBI countries rendered by Pantojas-Garcia is illustrated well by the Jamaican case that will be documented here. Moreover, the ATC is expected to reduce the special NAFTA and CBI advantages of U.S.-controlled regional producers of apparel and to favor low-cost Asian exporters other than Hong Kong, South Korea, and Taiwan.

THE CASE OF THE JAMAICAN GARMENT-ASSEMBLY INDUSTRY

Through a historical coincidence, like-minded conservative political leaders came to power simultaneously in the United States and Jamaica in the wake of regimes roundly condemned for being dangerously excessive in their liberalism and leftism respectively. As a result, a "'special relationship'. . . was forged between the two leaderships [of President Reagan and Prime Minister Edward Seaga] and [Jamaica acquired a position] of centrality to the United States' Caribbean Basin strategy" (Hyett 1993, 134). Hyett went on to explain:

> U.S. assistance, which had amounted to only $56 million in the final three years of the PNP government, rose to $500 million for the first three years of the Seaga regime. With the increase, Jamaica became the second-largest per capita recipient of American aid. Loans from USAID, the IDB, and the commercial banks also began flowing into the country. Multilateral aid poured in, too, during this period. In 1981 the Seaga government negotiated its first agreement with the IMF for over $600 million, on terms more favourable to the country than had been previously allowed. The World Bank was equally supportive. In 1981–82 almost 70 percent of the Bank's Caribbean loan allocation was channelled to Jamaica. (Hyett 1993, 134)

Seaga was in fact a key consultant to Reagan in the policy formulations of the Caribbean Basin Initiative. Reagan repeatedly registered his approval of Seaga's stewardship of the Jamaican economy and held that country up as a model for the kind of development that would be rewarded under the CBI: "One early sign is positive. After a decade of falling income and exceptionally high unemployment, Jamaica's new leadership is reducing bureaucracy, dismantling unworkable controls, and attracting new investments. . . . Jamaica is making freedom work" (cited in Ramnarine 1993, 25). Seaga in turn enthusiastically embraced the regime of structural adjustment and trade liberalization that was being required by the multilateral lending agencies and the proposed Caribbean Basin Initiative. On 7 December 1982, at the annual conference of the private-sector organization Caribbean/Central American Action, he pontificated:

> Getting our economies to take serious advantage of the new export opportunities requires a fundamental psychological adjustment to accompany the necessary structural changes that must occur when we move, for example, from import substitution to export-directed production.

> This requires putting into place the requisite policy instruments which will ensure that our economies do, in fact, become more export oriented. For example, we must expose our industries to some measure of competition. Industrialization based on export-oriented production requires a different environment from that created by industrialization based on the economic isolation of protected local-market industry. Unnecessary or overgenerous protection will have to be removed and production incentives shifted away from domestic-market-oriented to export-oriented production if production for foreign markets is to be significantly increased. (Cited in Preeg 1988, 34)

As the linchpin of his new economic strategy, Seaga targeted apparel and sewn products, in keeping with the "accepted view internationally that the textile sector is the first rung on the ladder to industrial development" (JAMPRO 1991, 1). A reason perhaps more to the point is that it was "a priority sub-sector of the manufacturing sector in the Structural Adjustment Programme recommended by the World Bank" (JAMPRO 1991, 1). The challenge before his government, as Seaga saw it, was to pry the Jamaican economy loose from its moorings in an obsolete state-led, protectionist, import-substitution development model and orient it toward a liberalized model led by the private sector and exports. For the garment sector, this reorientation meant dismantling trade barriers, thereby throwing the market open to foreign competition, and providing special incentives to exporters. To these ends, the government moved quickly in 1982 and 1983 to introduce two measures: the deregulation of imports and the devaluation of the Jamaican dollar "to a competitive level to stimulate exports" (JAMPRO 1991, 2). These policy measures were accompanied by a fairly lavish and well-funded undertaking of institutional building and restructuring for export promotion.

Seaga thus set the stage for transformation of the Jamaican garment industry from one supported by small and medium-sized local enterprises producing primarily for the domestic and CARICOM markets to one that is mostly foreign-owned, large-scale, and almost entirely export-oriented and geared to the U.S. market. To understand the magnitude of the transformation that was eventually accomplished, one need only look at the picture before and after.

In 1980 the Jamaican garment industry supplied 85 percent of the garments worn by Jamaicans, employed about five thousand workers and exported 10 million dollars worth of clothing, of which 4 million was produced in free zones and plants operating under the Export Industry Encouragement Act (EIEA)—in other words, under special assembly or trade arrangements. Exports accounted for about a quarter of total production, and the majority of firms (including those producing exclusively for export) were owned by Jamaicans.

In 1992, by contrast, the garment industry supplied only 15 percent of the domestic market, while more than 97 percent of apparel exports originated in Free Zone and EIEA plants. In 1993 exports totaled 453 million, the industry employed thirty-two thousand persons, and the Jamaican share of the export industry (excluding that destined for CARICOM countries) had fallen to less than 20 percent. The CARICOM market now accounts for an insignificant share of exports, while fully four-fifths of those exports are sent to the United States. By the end of 1993, it was being reported that the garment and textile sector in Jamaica "now stands on par with bauxite and tourism as a major hard-currency earner for Jamaica."[8] Jamaica's distinction was that in 1992, it became "the largest supplier of 807 hosiery and underwear to the United States market," with brand-name companies like Maidenform, Hanes, Gitano, and Jockey International leading the field (Willmore 1993, 8). Jamaica now specializes in the assembly of "foundation" and "standard" garments for export: underwear, hosiery, brassieres, shirts, and trousers. Maidenform, a pioneer in the rise of the Jamaican garment-assembly industry, remains the largest U.S. investor in the sector, having recently expanded its operations.[9] Jamaican exports under HTS 9802 have the highest U.S. content among CBERA countries: 81 percent in comparison with 63 percent for the Dominican Republic and 49 percent for Guatemala over 1994–1995 (USITC 1997a, p. 3-3, t. 3-1).

Willmore has traced the decline in Jamaican participation in production for the extraregional export market: "In 1982 through 1984 Jamaican companies dominated the industry, with some participation by the United States companies and a virtual absence of Asians. In 1985 and 1986 exports were split almost equally among the three groups of companies. U.S. and Asian exports then grew much faster than exports by Jamaican companies. By 1991, the Jamaican share had fallen to 20% while the shares of U.S. and Asian exporters had increased to 39% and 41% respectively" (Willmore 1993, 12).

Seaga taught his successors well. They have quickened considerably the pace of privatization and liberalization of the Jamaican economy (ironically prompting cries of outrage from him that they were going too far). In May 1991, the new government of a reformed and refurbished Michael Manley abolished subsidies on basic imported food (targeted by the IMF as "a market distortion") and allowed another devaluation of the Jamaican dollar,[10] further cheapening exports and rendering a wide range of imports prohibitively expensive. On 21 September of the same year, the

8. "Still Opportunities in Exports, Tourism," *Caribbean Week* 5, no. 6 (Dec. 1993–Jan. 1994), p. 22.

9. According to Free Zone General Manager Errol Hewitt, Maidenform's subsidiary in Jamaica, Jamaica Needlecraft Limited, "was awarded the number one productivity spot in the entire Maidenform empire in 1993." Maidenform operates subsidiaries in ten countries worldwide. Field visit, 19 May 1994, Kingston.

10. By 1992 the Jamaican dollar had been reduced to an exchange value of 27 Jamaican dollars equaling 1 U.S. dollar.

government completely liberalized the foreign-exchange market, to the wild applause of the local and international business communities. On surveying the accelerated privatization and deregulation of the Jamaican economy, one high-ranking financial administrator declared proudly, "[W]e are going for broke."[11]

On the island, the abrupt reorientation of the economy under Seaga and the subsequent government led by the People's National Party (PNP) hit local industry hard. According to one report by JAMPRO, "Most manufacturers were not prepared for it," but some tried gamely "to cope with the increasing demands of American 807 contractors who were persuaded that the Caribbean region provided some alternative to the Far East" (JAMPRO 1991, 2). JAMPRO documented the fate of these local efforts:

> Despite the availability of subsidized technical assistance provided by the Government, most Jamaican manufacturers were not geared up, nor efficient enough to handle exports to third country markets in a meaningful way. They were unable to take advantage of the technical assistance available because of the cost and the orientation towards large-scale operations. This was even more evident under the 807 contractual arrangements which needed volume production. Added to this, they lacked the export orientation, the necessary experience, and the wherewithal to undertake these types of contracts.
>
> Nevertheless, those who were willing had to meet stringent quality and delivery specifications on volume orders. Some tried to work in groups to fill the orders by using one manufacturer to be the consolidator or agent representative. Furthermore, most orders required frequent style changes, thereby posing problems for manufacturers to meet delivery dates. In the end, manufacturers made marginal profits or they lost their shirts. (JAMPRO 1991, 2)

The impact of industry restructuring on local firms was double. Most companies withdrew from production for the Jamaican and CARICOM markets because of the effectively discriminatory privileging of 807-type export production and "the flooding of local markets with cheap, imported garments and accessories" (Hyett 1993, 146). Second, few of those who "rushed headlong" into 807 manufacturing succeeded, but those who did tended to limit their operations to mere subcontracting, abandoning entirely the field of integrated manufacturing. This trend was encouraged by strict government regulations separating EIEA operations, which enjoy special concessions conditioned on exclusive production for the extraregional market, from domestic operations, which enjoy far fewer concessions. Although concessions to the local industry have been improved recently, few Jamaican firms have been able to afford the complicated infrastructure required for operations separated physically and by statute.

Willmore cited the rare example of Davon Corporation, which has managed to successfully combine subcontracted 807 and CMT work with

11. "Privatization Accelerated under New Direction," *Jamaica Outlook*, 3, no. 4 (Oct. 1991), p. 2.

more fully integrated contract work for a trading company. For the latter, it "has full responsibility for sourcing the raw materials, making the patterns and cutting the cloth in addition to the normal sew and trim operations" (1993, 13).[12] Willmore reported that when the company first turned to subcontracting, it laid off all its workers and hired and trained new ones in their place. According to the plant manager, the reason was that "the operators were used to receiving 35 minutes of credit for a pair of pants that, by international standards, contained no more than 19 minutes of work. It was easier to change personnel than to reduce the piece-rates to which they were accustomed" (cited in Willmore 1993, 17). More recently, the company "returned to the domestic market in uniforms, where it had acquired a reputation" and subcontracts out the whole of this work to smaller local firms for its own label (Willmore 1993).[13] It is noteworthy that Davon conducts none of its own manufacturing for the domestic market.

Tracing the decline of the local garment industry in a 1989 report, Minister of Industry and Commerce Claude Clarke observed that in 1981, 125 active registered apparel manufacturers were producing for the domestic and CARICOM markets and employing some six thousand persons. By 1988, such manufacturers had shrunk to fewer than 30 and employment to two thousand.[14] JAMPRO reported that between 1986 and 1990, the industry lost 45 firms through closures, most of them Jamaican firms (1991, 3). With regard to export and contract work, local companies consider themselves particularly disadvantaged. They have a long list of complaints: frequent loss of foreign orders because of the tendency of principals (contractors) to shift contracts from one plant to another; lack of access to loan capital; prohibitive interest rates; failure by overseas contractors to pay for completed jobs; the low profit margins inherent in 807 work; high rates of duty on imported capital equipment, fittings, and spare parts; the need for technical assistance and training; lack of access to special export-promotion benefits, and on and on. Willmore nonetheless identified 31 Jamaican garment-processing export firms for 1992, 3 with free-zone status and the rest with EIEA status in the customs area (1993).

The three Jamaican free zones provide their corporate occupants with tax-free and duty-free concessions in perpetuity. These firms enjoy total freedom from taxes on profits, imports into the zone, and exports to countries other than Jamaica. They are also completely free to maintain

12. Integrated undertakings of this latter type are more typical of the working relationship long established between Far East manufacturers and large U.S. trading and retail companies.

13. Local firms generally do well producing uniforms and other locally specific standard items for the domestic market. They have found it harder to compete in the fashion sector of the industry.

14. "Government Dropping Tax on Finished Garments," *The Daily Gleaner*, 26 July 1989.

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foreign-currency accounts and repatriate profits. Their only requirement is to pay in local currency wages and local expenses, which are typically minimal. Special export (EIEA) concessions granted within the customs territory are somewhat more limited in scope, although less so since the removal of foreign-exchange controls. While exemption from taxes is limited to a period of ten years, "it is a simple matter for a company to change its name every five or ten years and obtain, in effect, the incentives in perpetuity" (Willmore 1993, 4). Numerous U.S. companies have been content to operate outside the free zones under these special free-zone-like arrangements. Asian companies tend to operate exclusively within the free zones. With the current push to grant full free-zone status on an individual basis, the differences may no longer be important.

The story of Jamaica's rapid rise as a garment assembler for the U.S. market is one that has been repeated throughout the Caribbean Basin, most currently with the "three jaguars" of El Salvador, Honduras, and Guatemala. These countries now surpass Jamaica in quantity of exports, although as late as 1995 Jamaica processed a larger share of U.S. content in its apparel exports than did El Salvador and Guatemala (USITC 1997a, p. 3-3, t. 3-1). El Salvador, as the latest to displace Jamaica in the export lineup, mimicked the latter's mercurial shift to becoming an offshore producer:

> Under the U.S. government's Caribbean Basin Initiative trade and aid benefits, maquiladora exports from El Salvador to the United States grew by an amazing 3800 percent between 1985 and 1994, increasing from $10.2 million to $398 million. The number of maquiladora workers producing for the U.S. market increased 14-fold, from 3,500 to 50,000. At the same time, the real wages of the maquiladora workers were slashed 53 percent—to the current 56 cents an hour or $4.50 a day, which provides only 18 percent of a family's basic needs. (NLC 1995, 4)

By 1995, El Salvador was reported to have five free-trade zones that were employing some seventy-five thousand workers.

In the 1980s, the Dominican Republic emerged as the largest non-Asian supplier of apparel to the United States, overtaking Mexico in this category. In 1994 the Dominican Republic lost its lead, due to increasing NAFTA-induced relocation of factories to Mexico. The Dominican free-zone program is considered to be the most spectacular in the Western Hemisphere, comprising thirty zones or more. No district of the country is without one. More than 160,000 workers are employed, two-thirds of them as garment workers. "In 1991, Dominican zones accounted for 62 percent of all zone exports, 60 percent of all zone workers, and 42 percent of all companies in zones in the region" (U.S. GAO 1993, 37).

Hard as it may be to fathom, Haiti was the pioneer in the Caribbean with regard to a significant world-market role in export processing.[15] Ac-

15. It should be pointed out that the promotion of Haiti as a site for light-manufacturing assembly for U.S. industry and market was also politically motivated as a strategy for coun-

cording to Alex Dupuy, "Between 1967 and 1970, nearly 100 foreign companies, primarily from the United States, signed contracts to install plants in Haiti and generated approximately 7,500 new jobs" (1989, 168). Since that time, manufactured exports have surpassed agricultural products as the country's main source of export revenues (Tirado de Alonso 1992, 64). From 1970 to 1980, assembly industry for export grew more than 20 percent a year, in contrast to a 6.9 percent annual growth rate for the manufacturing sector as a whole and a 1.1 percent rate of increase for agriculture (about half as fast as the growth of the largely rural population). Already in 1983, poverty-stricken, predominantly agrarian, and semi-feudal Haiti was exporting more manufactured goods to the United States than any other country in the subregion. After Mexico, it was the most important assembly country in Latin America (Grunwald et al. 1985, 186).

Haiti was displaced from this position by the Dominican Republic in 1984. By 1987, 85 percent of Haitian exports were manufactured (meaning assembled) goods (Tirado de Alonso 1992, 58). Moreover, peasant Haiti had become a net importer of U.S. food products (some of it as food aid "distributed" at extortionary rates to the peasants). In its heyday, Haiti's assembly sector employed up to sixty thousand workers, the largest segment being garment workers. Haiti had also acquired dubious fame as the largest assembler of baseballs for the U.S. market.

Although recent circumstances and events have severely eroded the country's assembly capacity, at the prompting of the U.S. aid bureaucracy, Haiti is poised to resume its former role. At the beginning of 1995, only thirty-nine hundred workers were employed in the assembly sector.[16] More recently, the National Labor Committee identified some fifty firms engaged in assembly production for the U.S. market, more than half of which were paying less than the legal minimum wage (NLC 1996). Among the companies for which these firms were subcontracting were J.C. Penney, Wal-Mart, Sears, K-Mart, Sara Lee, and the Walt Disney Company.

In the early 1970s, wages in both Jamaica and the Dominican Republic were substantially higher than those in Haiti and Central America. By 1987 Jamaican and Dominican wages had become "competitive" with the lowest-wage countries. This outcome was facilitated by a series of currency devaluations, which in Jamaica brought the Jamaican dollar down from 1.78 equaling 1.00 U.S. dollar in 1980 to 8.05 per U.S. dollar in 1990 (currently, one U.S. dollar equals 36 Jamaican dollars). Minimum-wage rates in the assembly sector plunged to well below fifty cents an hour (U.S.) in the late 1980s and early 1990s, approaching the low standard set by countries like Haiti and Guatemala.[17] Meanwhile Jamaica had become

tering the influence of the Cuban Revolution and shoring up an anti-communist ally next door to the U.S. nemesis in the Caribbean.

16. "What Will Democracy Bring?" *Latinamerican Press* 27, no. 13 (13 Apr. 1995), p. 4.

17. Reagan was also deregulating sweatshop-type work in the United States during the

one of the most indebted nations in the world. As Joan French observed, "Between 1979 (two years after Jamaica's first IMF agreement) and 1989, Jamaica's external debt grew from US$1.4 billion to US$4 billion," and "Between 1986 and 1988, Jamaica paid out US$874 million more in loan repayments and interest than it received in new loans" (French 1994, 166).[18]

In the 1980s "race" for structural adjustment and garment-assembly quotas, the winners were large U.S. garment producers and retailers and the losers were the Caribbean workers and their families for whom real wages declined drastically. As Haitian exports to the U.S. increased over the decade, "the wages of the Haitian workers assembling these goods were slashed by more than half" (NLC 1993, 3). In the Dominican Republic, the real hourly minimum wage declined 62.3 percent between 1984 and 1990 (Safa 1993, 27). In Jamaica, where stringent neoliberal policies produced the most dramatic adjustment in the economy, the decline in real wages was even steeper. A 1987 study found that three-quarters of all female garment workers were unable to meet their basic weekly expenses on the wages they received (Dunn 1987). Between Seaga's 1980 election victory and March 1986, consumer prices had risen almost 120 percent (Hyett 1993, 151). Thus Reagan's triumphalist views on the great Jamaican experiment have hardly borne fruit for Jamaican workers and consumers.

THE ROLE OF ASIAN FIRMS IN THE CARIBBEAN OFFSHORE SECTOR: THE EVOLUTION OF A NEW MODEL OF INDUSTRIAL RELATIONS

Hong Kong, Taiwan, and South Korea, which surpassed Japan as the primary exporters of apparel to the United States in the 1970s, have long formed the advance guard of an intermediate group between the advanced-industrial or "developed countries" and the mass of third world or "underdeveloped countries." In qualitative terms, they similarly occupy a second tier in the global hierarchy of garment traders, below the highest value-added exporters like Italy, France, the United Kingdom, and Japan (Cheng and Gereffi 1994, 64). Their textile and clothing industries have state-subsidized national—not foreign—entrepreneurial and resource roots, and their historic export thrust has been substantially an outgrowth of locally controlled and internally oriented economies.[19] Roger Waldinger has documented the role played by U.S. retailers in the

1980s. By the late 1980s, homework attached to illegal shops had increased almost ten times since 1981 and paid as little as fifty cents an hour (Mort 1988, 365).

18. The government of Prime Minister P. J. Patterson decided to continue with a shadow IMF program after its extended fund arrangement with the IMF expired in December 1995, promising to bring to an end the lengthiest IMF stabilization and structural adjustment program in the world.

19. In a relatively recent report on Taiwan, Andrew Leonard pointed out that the country

rise of the East Asian apparel complex and more generally in the internationalization of the clothing industry (1986, 74–76). Giant U.S. retailers pursued their self-interests by bypassing domestic manufacturers to obtain lower-cost private-label lines whose production was subcontracted directly to Hong Kong, Korean, and Taiwanese manufacturers. These products could then be sold at tremendous markups on the U.S. market. Sears is reputed to have reintroduced into the era of global corporate capital the old practice of pre-industrial mercantile capitalism, in which raw materials or piece goods were farmed out to rural cottages and contractors for manufacturing (see Sklair 1989, 50–51). Retail chains such as Macy's, J. C. Penney, K-Mart, and Sears now maintain full-time offices in Seoul, Taipei, and Hong Kong. There they engage in "'specification buying' in which retailers usurp the functions performed by domestic clothing manufacturers, actually designing the garment and making such decisions as which fiber to use, from whom the fiber will be obtained, who will make the fabric, and so on down the line" (Waldinger 1986, 75). The department store giants have been joined in this practice by specialty chains like The Limited, The Gap, Esprit, and L. L. Bean. Although the Big Three apparel producers cater to all sections of the U.S. market, they have a comparative advantage at the upper levels of the intermediate market, emblematized by well-made "private-label" or store-brand collections.

Growing protectionist measures against the Big Three have favored China's manufactured-exports surge of the last decade and the planned development of the Caribbean Basin countries as the site of assembly operations for ailing textile, garment, and other industries in the United States. In 1989 Hong Kong, Taiwan, and South Korea combined accounted for 43 percent of U.S. apparel imports, China for 12 percent, and Mexico and the Caribbean Basin for 10 percent. By 1993 these figures had changed to 26 percent for the Big Three, 18 percent for China, and 16 percent for Mexico and the Caribbean Basin (USITC 1995, p. 22, fig. 6). The Big Three have responded to this challenge by adjusting their onshore production base upward, toward the high end of the garment market, and by making heavy investments in subsidiary operations in the Caribbean Basin, with the U.S. market as their target. Most recently, Mexico has surged ahead, tripling the value of its textiles and apparel exports to the United States between 1993 and 1996 (USITC 1997b, 113). Although aggregate value now seems to be on a par with that of exports from Hong Kong, the 1996 ratio of quantity (square meters) to value was 1 to 1.9, compared with Hong Kong's 1 to 4.5 (USITC 1997b, 72, 113). Current figures show clearly that

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executed an effective land-reform program and achieved self-sufficiency in food production as well as a secure domestic manufacturing infrastructure before embarking on its famous "export-led drive." Moreover, Taiwan's industrialization program was state-supported. See Leonard, "Taiwan Goes Its Own Way," *The Nation*, 13 Apr. 1992, pp. 482–84. See also Vega (1985).

the U.S. apparel import trade is dominated by two potential but divergent axes: the Mexico-Caribbean Basin axis (initiated within the United States and therefore not foreign trade, strictly speaking) and the China–Hong Kong axis (an autonomous axis with huge potential for diversification of products, services, and markets).

The rapid growth of East Asian investment in the Caribbean Basin followed closely on increasing U.S. restrictions on imports from those countries in the early 1980s. Such investment is reported to have tripled in the early 1990s and to be growing faster than U.S. investment in the Caribbean Basin (NLC 1992, 65). Indeed, the level and nature of this investment appear to have prompted the early restructuring "concessions" granted under the special CBI textile program, which was designed to make the Caribbean a less attractive site for integrated garment operations (Steele 1988, 134). Asian firms have a long and sophisticated tradition of international subcontracting that involves the full range of production requirements from engineering and technical applications to highly finished assembly operations. These firms tend to establish subsidiaries with more production linkages than precut component assembly operations in the Third World. At any rate, they typically offer higher levels of local processing and a greater variety of skills than do U.S. firms. Edna Bonacich and David Waller confirmed, "In most cases, Asian projects contribute higher value-added, higher levels of investment, more development of skilled staff, and more jobs as compared to Item 807 firms" (1994a, 36). For example, most Asian-owned operations in Jamaica are of the cut, make, and trim variety (CMT) rather than the 807 variety, with fabric sourced from their home companies or associates and cut on site. Value added from labor alone has been reported to be 15 to 20 percent for 807 operations and 30 to 50 percent for CMT (Dunn 1987, 13), although others have calculated a somewhat narrower gap between the two. The inclusion of one or two additional levels of technology and skill may make CMT operations more attractive than other assembly companies to countries eager to deepen their industrial base. As a result, U.S. pressures on Caribbean governments to limit the entry of Far Eastern firms into the area have not been entirely successful. Nor are such pressures without internal contradiction in that these companies are often subcontracted by U.S. retailers. Furthermore, President Clinton's "interim trade program" proposed earlier in connection with the CBI enhancement package would have discretionary power to allow limited quantities of CBI goods that do not meet specified rules of origin (such as goods made with foreign fabric) to enter at the preferential tariff rates accorded Mexico under NAFTA. This provision has been resisted by the textile industry but reportedly welcomed by companies like Levi Strauss that want the flexibility to use cost-competitive non-NAFTA materials in their production-sharing arrangements in the Caribbean (USITC 1996, 5–7).

According to the National Labor Committee, "South Korea is the largest Asian investor in the Caribbean Basin region, particularly in Central America, with more than 140 manufacturing companies producing $150 million in annual exports to the U.S." (NLC 1992, 65). Most of Guatemala's assembly industry is Korean-owned. Far Eastern ownership in the region extends to entire free zones. Partly because of the British-European Union and English-language connection and the long-term desire to establish links with the People's Republic of China, investment from Hong Kong was targeted in the early stage of Jamaica's free-zone development. As a result, a majority of investors in the Kingston zones are from Hong Kong, with growing joint-venture initiatives coming from mainland China. The pattern of Far East investment thus depends to some extent on the choice of Taiwan or China as a targeted source. Within the English-speaking Caribbean bloc, for example, the small Eastern Caribbean islands were perceived as "cashing in" on Taiwan's anxiety over Jamaica's preference for China as an investment partner, in such instances as Dominica's extending "corporate citizenship" to groups of Taiwanese entrepreneurs. Taiwan also appears to be well entrenched in Central America.

According to one study, Hong Kong, a world leader in garment exports for more than a decade, has "gradually evolved from a garment-manufacturing center into a garment-sourcing center," for which transnational manufacturing has become a common phenomenon (Lau and Chan 1994, 117). The industry moved into maturity in the early 1980s, shifting its focus from the standard or volume market toward the upscale market and developing a greater dependence on offshore subcontracting. The main destination of investments in offshore subcontracting or wholly owned subsidiaries has been mainland China, which is not subject to the Agreement on Textiles and Clothing and is not a member of the World Trade Organization. Therefore for China and Hong Kong (now a single entity), securing a foothold in the CBI countries has meant partaking of the CBI countries' special access to the U.S. market.

In 1992 thirteen export-processing-zone (EPZ) plants from Hong Kong, seven from South Korea, and thirty-six from the United States were operating in Jamaica (Willmore 1993). The next year, the first EPZ apparel company to include mainland Chinese participation, a joint venture with a Hong Kong group, established operations in the Kingston Free Zone. Chinese investment had previously been established in a highly significant (export-oriented) cotton and polyester textile mill, a joint venture with the government of Jamaica. In a 1994 interview, Errol Hewitt, Free Zone General Manager, told me that China and Malaysia were being specially targeted as investment sources, Malaysia because it was seeking to reexport labor-intensive industries to other areas of the Third World.

Hong Kong companies, which pioneered in Jamaica's new free-zone development in the mid-1980s, have tended to set the tone for indus-

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trial relations in the zones. By 1990 Asian (mostly CMT) garment exports from Jamaica had begun to surpass those of (mostly 807) U.S. producers, making Jamaica unique in this respect (Willmore 1993, 12). But non-U.S. markets accounted for a small share of CMT exports, and more than half of all garment exports (which included production by Jamaican subcontractors) were of the 807 variety. In fact, Jamaica's garment exports now have the highest relative U.S. content of all the CBERA producers.

Although the EPZ-type U.S. presence predated Hong Kong corporate migration and remains larger on the whole, it has not been so singularly associated with the concentrated spatial and institutional configuration of the Kingston and Garmex Free Zones. In some ways, early government-sponsored mediation of tense and potentially volatile cross-ethnic industrial relations in the newly installed factories resulted in the establishment of in-factory committees that have preempted (for the time being) any assumed need to resort to confrontational union-busting tactics. The committees have helped to entrench a "no union" policy and ethic in the zones without attracting undue negative attention or sustained political resistance. This status quo, however, was achieved only after a conflict-ridden two or three years of worker, community, union, and NGO (nongovernmental organization) mobilization and agitation against unfair and offensive labor practices in the zones. This campaign prompted a historic government-appointed inquiry into the situation (see Kelly 1989).

To provide a brief context for the issues raised here and in the Jamaican case, it should be pointed out that migrant Asian factories in Central America and the Caribbean (especially in the Dominican Republic) are becoming increasingly notorious for their exploitative, even brutal labor practices and anti-union antics. The recent NLC-facilitated cross-border campaign against Mandarin International, a Taiwanese-owned plant in the San Marcos Free Trade Zone in El Salvador, uncovered tales of abuse involving the employment of minors, physical violence, death threats, forced overtime, starvation wages, and mass dismissals of workers who had signed up with a newly formed union. Mandarin subcontracts for a variety of U.S. companies, among them J.C. Penney, Eddie Bauer, Liz Claiborne, J. Crew, Casual Corner, and The Gap. The labor-rights campaign chose to focus on The Gap as Mandarin's most prominent customer and for strategic political reasons, including the opportunity for high-stakes brand-name publicity. In the end, the campaign won a landmark agreement from The Gap, the first of its kind: to submit to independent monitoring of plants where clothing is being produced.

Many Asian companies have taken advantage of the indifference shown by U.S. retailers and specialty chains toward the conditions under which their products are made. These companies have also used as opportunities corrupt and authoritarian governments and militarized free-trade zones. Horror stories continue to trickle out of the Caribbean about appalling working conditions and labor-rights violations in Korean and Taiwanese factories, many of the accounts authenticated. Yet it is important that this situation not lead to a new syndrome featuring "Asian Bad Guy versus U.S. Good Guy" or to amnesia regarding U.S. implication in far worse cases of labor and human rights abuses in Central America, some involving torture and murder. One of the most important features of capitalism at the center is that the most successful and "advanced" fractions of capital do not appear to get their hands dirty. Thus the NLC's principled stand against The Gap and other U.S. companies, while exposing the conditions at Mandarin and supporting the union there, seems like a step in the right direction.[20]

In Jamaica, one could talk about the potential for developing another kind of syndrome, that of Jamaican exceptionalism. The Free Zone Company General Manager mentioned in my interview that a recent visit to Jamaica by the AFL-CIO had convinced them of the uniqueness of the Jamaican free zones and had confirmed that "there are no sweatshops in Jamaica."[21] The viewpoint that conditions in the Jamaican zones are "a cut above" appears to be shared by others. The first policy manifesto or position paper on trade put out by the newly formed Jamaica Confederation of Trade Unions in 1994 attributed the growth and success of Jamaica's apparel industry in part to "[t]he enlightened industrial relations policy pursued nationally by the trade unions, which has contributed to greater industrial stability" (JCTU 1994, 8). This claim is ironic, especially when considered alongside the confederation's declared support for a "far more liberal" granting of "free-zone status" by the government and the effective barring of unions from the zones.[22] The Women's Action Committee (WAC) was formed out of the coalition (with the unions as participants) that had conducted the early campaign of investigation and agitation regarding free-zone conditions and labor rights. WAC perceived its own role as filling the gap left by union inaction and failure to follow up on the campaign. According to a WAC booklet, it acted "[i]n the absence of a re-

20. This step also seems at odds with older foreign-policy initiatives and institutions of the AFL-CIO, under which the NLC has formal jurisdiction (see note 22 below).

21. Interview with Errol Hewitt, General Manager, 1 July 1994, Kingston Free Zone. The conditions I saw in Jamaica's free-zone companies range from moderately good to rather bad. East Ocean Textiles is air-conditioned, which is fairly unusual but necessary given its huge size.

22. The irony continues. This pro-free-trade policy paper was partly connected with a joint union conference on GATT and NAFTA that was cosponsored by the AFL-CIO. Moreover, the paper was written by consultant Peter King, who had recently retired as the government's Trade Ambassador and chief negotiator of all its bilateral textile agreements with the United States. King is currently chairman of the Caribbean Textile and Apparel Institute. At least one prominent Jamaican trade union is not a member of the JCTU, an exclusion rooted in past ideological differences and current rivalries.

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sponse from the JTURDC and in an effort to continue the work" (WAC 1993, 11).[23] WAC was instrumental in giving evidence to the Commission of Enquiry appointed in 1988 and in preparing a detailed and relatively critical policy response to its report. WAC has also provided important educational support to women workers in the zones regarding their rights as workers and as women (WAC 1990). In particular, it has helped to raise gender consciousness around the issues. WAC researcher Leith Dunn conducted the first independent (coalition-sponsored) "participatory research" study on working conditions in the Kingston Free Zone (Dunn 1987). She reported, "WAC works closely with the Client Services Committee of the Kingston Free Zone Co. Ltd., and as a result many improvements have been made in wages, working conditions, and general facilities" (Dunn 1991, 26). Elsewhere, she has asserted, "Contrary to the confrontational strategy associated with some activist groups, WAC sought and established a relationship with women managers of the free zones" (WAC 1993, 12). WAC makes no representational claims on behalf of the workers.

Despite divergent claims, some consensus seemed to exist among all parties concerned (although rationalized differently) that the worker-management committees set up in the biggest free-zone factories provided some space for workers to voice their grievances and negotiate their conditions of work. Further, these committees constituted a certain resolution of the earlier state of volatility as well as an improvement in working conditions. They appeared to represent a modus vivendi or an acceptable compromise in the peculiar conditions of the free zones, and were even viewed as a direct result of earlier struggles. I was told bluntly by a female trade-union officer (also a member of WAC) that unionization currently was not in the best interests of the workers but that things might change in the future.[24] But when I spoke with selected interviewees (including the trade-union officer) inside and outside the zones in June 1994 and at earlier dates,[25] I had the distinct impression that people on the outside were not well informed about how things were being run on the inside. Access to the zones is limited, and special permission is required to enter the

23. The JTURDC refers to the Joint Trade Unions Research Development Centre, which cosponsored the participatory research project of the coalition (Dunn 1987).

24. The unions have not given up their attempts to gain a foothold in the free zones. A personnel officer to whom I spoke reported one recent unsuccessful effort.

25. In June 1994, I spoke with the local industrial-relations consultant who had handled much of the earlier "mediation" on behalf of the Free Zone Company. I also talked with Jamaican female personnel officers and "employee-relations committee" convenors (representing three Hong Kongese companies inside the zones) and with a couple of trade-union officers to "get a feel" for the kind of labor-relations model that had evolved and was becoming institutionalized in the free zones. (As a result of my involvement in a "sister project" in the Eastern Caribbean, I had extensive previous contact with the NGO organization that spearheaded a coalition of the unions and community-based groups in undertaking the

heavily guarded gates. Unions in particular are not welcome and are viewed as adversaries, in spite of the potential illegality of such a stance. According to my industrial-relations informant, "Labor activities are forbidden in the free zones."[26] The modus vivendi achieved has also entrenched a certain dichotomy between unionized male and nonunionized female sectors of the formal nontertiary economy.

As of 1996, no unions were operating in Kingston's free zones. One of the longest running U.S. apparel operations in Jamaica was Lawrence Manufacturing (a subsidiary of Colonial Shirts), established for over twenty years. Having changed its name at each ten-year interval to keep its duty-free status, the company had moved into the Kingston Free Zone (KFZ) with a unionized workforce in the mid-1980s.[27] The company did not last long, however, allegedly forced to close because of unprofitability. According to KFZ General Manager Hewitt, the unionized Lawrence workers were the lowest-paid in the zone, thereby substantiating his claim that "the workers' councils represent the workers much better; [after all,] they have higher pay." "Workers' councils" are variously known as "joint consultative committees" (after the Hong Kong model), "employee-management councils" (VTR International), "staff councils" (East Ocean Textiles), and "employee-relations committees" (Afasia Knitters). They represent a new breed of union substitutes to find their way into the Caribbean management tableau.[28] Similar initiatives in U.S.-owned "world-market factories" in the Eastern Caribbean were held out to workers as "better than unions." In the cases documented, they replaced legally elected unions that had been broken illegally, their members dismissed en masse (Green 1990, 1991).

Although the circumstances were not as adversarial in Jamaica, significant parallels mark both versions as a type of company union and a paternalistic form of management of young female workforces. Both versions use local Afro-Caribbean female personnel officers as gender and ethnic buffers from direct cross-cultural labor-management relations and to deflect tensions. In the final analysis, "workers' councils" are company-

early independent investigation into conditions in the free zone.) The companies in question were East Ocean Textiles, the largest of the group with 3,700 workers (but down from more than 5,000 workers in 1986–1987); Afasia Knitters (Jamaica) Limited, with 482 workers in its two zone factories; and VTR International Textiles, with 638 workers in its principal factory (all these companies had multiple factories in the zones and in some instances elsewhere). All the companies had been established between eight and ten years ago and produced woven and knitted garments (shirts, T-shirts, skirts, sweaters) for U.S. and European markets. Workforces in the factories are about 90 percent female. The following account is partly based on these interviews.

26. Interview with Dr. Cecil Goodridge, 17 June 1994, Kingston.

27. This particular instance of a unionized workforce is no indication of the U.S. EPZ unionization record, which is abysmal.

28. See note 25.

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mandated and -controlled, intended to preempt unions of any sort. They should not be mistaken for democratic or truly representative institutions, although the workers who sit on them are elected by their sections. But they play an important role nonetheless in managing tensions, airing grievances, and improving efficiency and conditions of work, and they thus could become complementary to unions. Also, because the unions that they "replace" are not always havens of democracy, anti-imperialism, and gender sensitivity, the predominantly female worker councils (mediated by local female junior officers) sometimes offer a gender comfort zone that may actually appeal to inexperienced and vulnerable women. The obvious danger is that these institutions may help postpone the needed reorientation of unions toward more democratic and gender-sensitive structures. The Caribbean labor movement urgently needs to undertake such a reorientation, and other popular organizations may want to support it.

Cecil Goodridge, a local industrial-relations consultant, was called in by the KFZ management after tensions surfaced in 1987 to "get the free zones quiet and keep them out of the news." While the workers' councils are not specific to Asian companies, he claimed to have found a workable precedent in the Hong Kong Labor Department during his search for a labor-relations model that could be adapted to Jamaican conditions (Hong Kong Labour Department 1968). In his account, the Hong Kong model of "joint consultative committees" is the one currently in place in the Kingston zones that has occasioned many inquiries. East Ocean Textiles, the largest of the free-zone companies and the center of labor unrest in the 1980s, adopted "staff councils" in 1988–1989. Two other personnel officers interviewed claimed that their companies' committees were established before this time, one as a management decision and the other as home-company policy. The supposedly worker-run committees provide meeting grounds between sectionally elected worker representatives and management for discussing certain kinds of worker grievances, problems, and suggestions. The most important differences among them lie in frequency of elections, the size of the committees, and the level of management representation. The East Ocean committee, for example, allegedly consists of forty-five workers elected yearly, with a full complement of management (including personnel staff) in attendance at the monthly meetings. The VTR counterpart consists of seven worker representatives and the local Jamaican personnel officer, who meet biweekly, with the managing director orienting newly elected committees every three months.

A critical feature of labor-management relations in the factories is ethnic makeup. Most floor supervisors are still Chinese (or Mauritian or other Asian ethnics brought in from other plants),[29] and some are male,

29. This practice is being modified in most companies. I was told that at Afasia Knitters, all the supervisors were local Jamaicans.

while all the personnel offices are fully staffed by Jamaican black women. Because early labor-management tensions were expressed as ethnic and (to a lesser extent) gender conflicts, company policy was changed. The role of personnel officers in promoting industrial peace on and off the committees is critical. They often become personal counselors and confidantes to "the girls." This role requires tactful action when the subject of the confidence is another worker's misconduct (such as stealing). They sometimes find themselves having to mediate the tendency of "the locals" to "abuse the Chinese" by "pretending not to understand them." One senior personnel officer told me that if given a choice, the workers would opt for a union, while another said confidently, "More intelligent people would choose [the committee] over a union. The less intelligent people who like excitement would prefer a union."[30]

Interviews with trade-union executive officers outside the zones revealed a new preoccupation with worker productivity, efficiency, and the use of productivity-based incentives. One male officer in particular, representing a large union (with about half female membership), balanced a visibly intense concern for increased labor productivity and company profitability with a call for companies to undertake the requisite worker training to facilitate these objectives. He insisted, "The workers may not want to hear it, but you cannot expect to get anything from a company if that company is not profitable. It is just not possible. We must have both a concern for the welfare of the worker and the profitability of the company. If a company is not profitable it closes you out of a job; it's as simple as that."

According to this union officer, unions could no longer bargain in the old ways such as demanding 60 to 100 percent wage increases because "the agenda has changed." Now wages would have to be tied to productivity, "the most critical factor" and "the key element." In his opinion, labor must learn to compete in the international market by becoming adaptable and flexible and attaining higher standards.[31] Indeed, the new labor confederation's policy manifesto on trade declares as essential to "the motivated and well-compensated workforce" needed for a successful external trade policy "the establishment of appropriate productivity incentive schemes, not only for the apparel and shipping industry where output is easily measurable but also for other industries where increased output is not as readily apparent" (JCTU 1994, 2).

The "old ways" to which this trade-union informant was referring involve what one researcher has described as "macho management," meaning direct confrontation between the union and management, a tradition he claims is giving way to industrial relations based on "bureau-

30. Interviews with personnel officers, June 1994, Kingston.

31. Other interviews and informal discussions and a perusal of union documents, conference papers, and newsletters showed these views to be far from unique to this officer.

cratic paternalism" (Moonilal 1994, 141). Older trade-union traditions in the Anglophone Caribbean were based partly on the colonial relations of production that engendered them and partly on the statist "rule-of-law" framework that governed the formal democratic concessions worked out between the Colonial Office and the nationalist labor-cum-political leaders during the transition to self-government. This negotiated compromise implied both authoritarianism and a certain automatic recognition of the adversarial but constitutional rights of labor versus capital.

The early trade unions found their strength among barefoot sugar and banana workers on local and foreign-owned plantations and among dockworkers, confirming the exigencies of an agro-export economy. Later, oil workers in Trinidad and bauxite workers in Jamaica came to occupy other strategic vantage points within the Caribbean labor movement. These were mass unions, which formed a counterpart to mass parties under lower- and upper-middle-class nationalist male leadership. They were therefore rooted in authoritarian, welfarist, populist-nationalist, male-dominant, combative, and old-fashioned (British-influenced) social-democratic modes of engagement. Most of the trade unions were allied, directly or indirectly, with rival mass political parties in a gridlock of patron-client relations that was a boon or bane for workers, especially for women (see Green 1991). But as I have pointed out elsewhere, "Although somewhat ideologically compromised from its early history, this tradition sustained a certain militancy with regard to bread-and-butter issues" (Green 1996a, 12).

The tradition has also been a source of pride to older West Indian nationals. They often pointed to the healthy liberal-democratic sustenance of trade unionism that set the West Indies apart from the militaristic-authoritarian framework of industrial relations in most of Latin America and Haiti, and also from those Caribbean countries still under various kinds of colonial arrangements. Carl Stone presented 1979 figures showing "liberal-democratic" Trinidad and Tobago, Barbados, Dominica, and Jamaica accounting for a range of 31 percent to 43 percent wage-labor unionization, compared with 5 percent for the less "liberal-democratic" Dominican Republic (Stone 1985, p. 29, t. 3). In a 1985 article, Steve Charnovitz noted that between a quarter and a third of most CARICOM labor forces were unionized, while countries like Panama, Costa Rica, the Dominican Republic, Guatemala and El Salvador had 15 percent or lower rates of unionization.[32] This distinction no longer possesses the same force. In 1994 one of my trade-union respondents estimated Jamaica's current unionization rate at a mere 19 percent of the labor force.

32. Steve Charnovitz, "Varieties of Labor Organization: The Caribbean and Central America Compared," *Caribbean Review* 14, no. 2 (Spring 1985):14–17, 42.

One Jamaican union, the University and Allied Workers Union, was ostracized or regarded with suspicion for many years by the CARICOM trade-union movement for real or perceived links with the "Communist" World Federation of Trade Unions[33] and President Trevor Munroe's own Marxist Workers' Party of Jamaica (now defunct). Ironically, Munroe regards the change in the industrial-relations culture with "realism and cautious optimism," partly reflecting his own well-publicized ideological shift (Munroe 1994, 130). According to Munroe, Jamaica's industrial relations climate is moving irrevocably away "from an old, colonial, plantation mould to a more enlightened, humanist culture" (1994, 122). In the past, "Management and labour made their name on the basis of the ability to fight each other to a standstill. Unions rivalled each other in relation to wage and fringe-benefit bargaining at the workplace and in the delivery of working-class votes to associated parties in national elections" (Munroe 1994, 127)

According to Munroe, this industrial relations culture has changed as a result of two factors: first, the disappearance of cheap energy and the reversal or reduction of global expansion; and second, the increasing popularity of "enlightened values more hostile to authoritarianism, supportive of greater democracy, enhanced social justice and practical concern for the environment" (Munroe 1994). While "colonial-type exploitation, authoritarianism, adversarialism as well as unconstructive voluntarism and legalism" are still pervasive, they are being challenged by a new model of industrial relations with four notable characteristics: a demand for more equity among the different actors in the labor process; "a new concern for participation, for employee involvement in meaningful consultation and decision making at the workplace"; "partnership, team-work, problem-solving approaches to the labour process and to raising levels of productivity"; and "a new quality of professionalism in the approach to industrial relations matters" (Munroe 1994, 128–30). Munroe seems comfortable with the prospect that the growth of free-trade zones "is going to render an increasing proportion of the labour force nonunionized and perhaps nonunionizable with traditional methods" (1994, 130). In his view, unions will have to reconsider their old commitments to regular wage increases and "high wage employment, in say, state enterprises" and adopt a more positive attitude toward options like worker ownership.

Thus Munroe appears fundamentally to endorse the trend toward integrating workers into the company team. This kind of endorsement seemed unanimous among the upper ranks of Jamaica's trade-union ex-

33. Munroe's is the union referred to in note 22. Munroe is a longtime professor of political science at the University of the West Indies. Most CARICOM unions are affiliated with the International Confederation of Free Trade Unions (ICFTU) through the Organización Regional Interamericana de Trabajadores (ORIT) and the Caribbean Congress of Labour (CCL). The complex of regional and international organizations has strong ties with the AFL-CIO.

ecutives, regardless of ideological training and orientation. At least two unionists I spoke with assured me that they had not given up on the free zones and in the same breath suggested that the workers' committees worked well. Generally speaking, I heard little during my field research in 1994 of analysis of the dangers lurking in this changing atmosphere in industrial relations.

Taking a less optimistic approach, other observers emphasize those dangers. In an article examining the impact of structural adjustment on the trade-union movement in Trinidad and other CARICOM countries, Roodal Moonilal noted that structural adjustment programs favor two informal methods of undermining trade unions: one through promoting deregulation and labor flexibility, the other by applying modern management techniques such as human-resource management (HRM) (1994, 137). Moonilal amplified this point:

> A central feature of HRM and flexibility at the workplace is the fostering of "company loyalty." A paternalist/welfare management system attempts to engender total commitment to company and constant improvement from the work force. This is usually undertaken by employee involvement strategies. The trade unions can come under attack, HRM can promise worker participation while slowly breeding worker individualism. It can also sabotage the collective bargaining process. Indeed this management approach is associated with "union-busting" activities and union avoidance techniques in developed countries whereby quality circles are used to keep unions outside decision making. (Moonilal 1994, 141)

Why would unions want to promote strategies that appear to lead to their own erosion? The answer is complex but best understood in the context of a willingness of mostly male union bosses to accept a compromise that would maintain a role for them in the modified national politics of the new world order. Although they pay lip service to the need for political deregulation and to the separation of party and union as benefiting unions, they have been lobbying to remain key actors in working out a tripartite social contract involving the government, the unions, and the private sector. These leaders' strategy is twofold: keep up the pressure in their traditional areas of strength; and sacrifice collective bargaining in favor of a tripartite commission charged with setting and managing labor standards—from a distance if necessary—in the new areas of employment affecting mostly low-paid women workers. Traditional areas of male employment such as bauxite-alumina, public utilities, and food and beverage processing remain well protected by unionization in Jamaica and have seen increased industrial action and wage hikes in recent years. This flexing of their muscles by unions has prompted the PNP government to pursue (at least in its political rhetoric) a version of the tripartite social contract. As growing numbers of women workers continue to fall behind and remain outside the national bargaining framework, their economic welfare and labor rights are becoming the business of nongovernmental or nonprofit agencies (typically run by women). Female community activists and scholar-activists increasingly tend to dismiss trade unions as ineffective and hopelessly "macho," an understandable but potentially alarming trend. In the meantime, women workers—abandoned to market forces, politically marginalized, and deprived of social protections—often fall prey in selective ways to the ideologies of individualism and incentives for it and corporate loyalty that pervade the shop-floor atmosphere in factories like the ones discussed here.

Just as the bareback and blue-collar male worker provided the focus for the old authoritarian-adversarial model of trade unionism, so does the new free-zone female worker appear to be the experimental subject in the constructing of a new model of industrial relations based on paternalistic competition and team playing. The main building blocks in this construction are the U.S. free-trade impositions and resulting U.S.-style deregulations, the strategic "Asianization" of labor-management relations, and the "contain-and-adjust" compromises of the Caribbean labor movement.

CONCLUSION

This article has outlined two major developments that are intertwined. One is the growth of a regional circuit of garment production dominated by U.S. principals and the U.S. market, dependent on the Caribbean Basin as a low-end production site, and increasingly dependent on migrant Asian firms as middlemen (despite implications of rivalry at another level). The growth of subcontracting and subsidiary operations in the Caribbean—which rests on structurally adjusted and reoriented economies and low-wage nonunionized (primarily female) labor—has brought into play profoundly unequal and complex relations of nation, class, ethnicity, and gender, globally as well as locally.

The other development is the apparently successful transplantation of free enterprise and free-trade ideological models that have "infected" and eroded long-established, if flawed, traditions and institutions of state-led development and welfare as well as labor rights and labor unions. The U.S.-dominated "free-trade initiatives" have been supported by numerous "democracy-enhancing projects" that focus on transforming and adapting the institutions of civil society in the countries of the Caribbean (COHA et al. 1990). Moreover, the U.S.-Caribbean apparel circuit is partly mediated by migrant Asian capital and industrial-relations models. In some ways, the Asian mediation makes the changeover more acceptable to local forces (at least in the peculiar circumstances of Jamaica) because of the nonwhiteness of the principals involved and the model NIC (newly industrialized country) status of their countries of origin. Caribbean unions share with the private sector and with governments a certain awe regarding the phenomenon known as the Asian miracles. They vie with their counterparts in these sectors in soliciting experts to demystify the secrets of the Asian tigers' success. In the process, Caribbean unions have learned how to make "productivity" their new bottom line.

What challenges do these new trends pose for Caribbean society? Three relate directly to the concerns raised by this article. The first surrounds the whole question of industrial policy, which is linked backward to the need for land reform and improved food self-sufficiency. If the Asian miracles have anything to teach us, it is that export success must and can grow only out of domestic strength, based on an internally linked and democratized economy. At the least, Caribbean citizens should be able to produce an important part of what they consume and be consumers of what they produce. The irony here is that the chosen "Asian lesson" has been one of euphemized modes of political suppression rather than one of economic independence.

The second challenge concerns the need to strengthen civic institutions in such a way as to increase "people's sovereignty" over those institutions and ownership of them. This goal calls for constitutional reform, which will protect certain aspects of the role of government while recognizing a new pluralistic political culture that responds to the realities of globalism. A critical accomplishment here would be providing for new kinds of popular alliances locally and internationally. A notable irony is that Caribbean unions appear to be making concessions to the corporate agenda at the very time when the AFL-CIO, under new leadership, has recommitted itself to challenging that agenda.

A third challenge is that of gender equity. The increasing occupational segregation of men and women worldwide makes this a particularly difficult challenge to meet. The problem is compounded by a matching organizational gender-typing and segregation, sometimes leading to mutual suspicion, even amid pragmatic and sensible pledges of mutual cooperation. Important initiatives launched in the early 1980s within the regional labor movement to incorporate a women's agenda as a first order of priority and to increase gender sensitivity at all levels have been sidelined somewhat by the free-trade-induced "anomalous growth" of informal-sector and free-zone female employment (see Green 1990, 1991). As indicated earlier, in some instances, female-led NGOs and community development agencies have become more important advocates of women's human and labor rights than unions (Green 1996b). Union officials whom I interviewed in Jamaica acknowledged this new agency, as well as the need for partnership and cooperation. But diverse strategic starting points and modes of organization tend to delay the programmatic initiatives that must accompany the rhetoric. While the best-known initiative, the "Women in Industry" research and action project mentioned earlier, has foundered regarding initial conception, it has opened up a number of explored and unexplored possibilities. The ultimate challenge for Caribbean nationals and workers may well be to combine responses to these individual challenges in a new kind of "flexible" people's organization that is rededicated to self-determination, participatory democracy, and social justice.

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