Third World Quarterly, Vol 23, No 4, pp 753–767, 2002

Carfax Publishing
Taylor & Francis Group

The US–Caribbean apparel connection and the politics of 'NAFTA parity'

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ABSTRACT *This article utilises a 'commodity chains' approach in order to examine the growth in the role of Caribbean offshore assembly operations in the North American apparel production complex. It specifically focuses on the recently enacted Caribbean Basin Trade Partnership Act (CBTPA), which was designed to address the diversionary consequences of the North American Free Trade Agreement (NAFTA) in terms of apparel-related investment in the Caribbean. In the process, it highlights the domestic coalition of forces within the USA which have been actively pushing for NAFTA parity for the Caribbean since 1993. In particular, it notes that contradictions within this NAFTA parity coalition account for the skewed nature of the CBTPA, as it was eventually passed. For this reason it is ultimately argued that, while this legislation is likely to enhance regional integration and further the competitiveness of US apparel firms, any developmental consequences accruing to the Caribbean from this package are likely to be fairly limited, given the restrictive nature of the legislation as well as the competitive logic of the export processing zones (EPZS) in which Caribbean apparel assembly is invariably located.*

This article explores the role of Caribbean offshore assembly operations in the North American apparel production complex. It does so by focusing on the recently enacted Caribbean Basin Trade Partnership Act (CBTPA), which was signed into law by President Clinton in May 2000 as part of a wider package of legislation designed to offer investment incentives to apparel assembly operations in sub-Saharan Africa. For the Caribbean the CBTPA was of particular significance in that it appeared to offer the prospect, at long last, of NAFTA parity for the regional apparel sector, which had been negatively affected by the preferential trade terms granted to Mexico as part of the North American Free Trade Agreement (NAFTA). Before this, the Caribbean had competed more or less equally with Mexico for apparel assembly-related investment through production-sharing incentives contained within the US Tariff Code. With the implementation of NAFTA, however, Mexico was offered a more competitive and integrated base in the North American apparel chain. The CBTPA was thus seen as the means to deal with the unintended consequences of NAFTA by enhancing the

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ISSN 0143-6597 print/ISSN 1360-2241 online/02/040753-15
DOI: 10.1080/0143659022000005364

opportunities for production-sharing between US apparel firms and Caribbean offshore assembly sites.

The article proceeds in the following order. The first section uses a 'commodity chains' approach in an attempt to highlight those factors that have led US apparel firms increasingly to locate production offshore in the Caribbean Basin and Mexico. The second section explores the role of the Caribbean in this process, focusing in particular on the extent to which US apparel-related investment in the region is predicated on a highly exclusionary format that condemns such activity to export processing enclaves. The third section considers the impact of NAFTA on this trade, highlighting in the process the coalition of forces that have actively pushed for Caribbean parity since 1993. Here, it will be argued that divisions within this coalition over the precise shape that such legislation should take account for both the timing and the character of the CBTPA, as it was eventually enacted. Ultimately it is suggested that, while this legislation is likely to enhance regional integration and further the competitiveness of US apparel firms, any development consequences accruing to the Caribbean from this package are likely to be fairly limited, given the restrictive nature of the legislation as well as the competitive logic of the export processing zones (EPZs) in which Caribbean apparel assembly is invariably located.

Global 'commodity chains' and the North American apparel production complex

In the words of Gary Gereffi and his colleagues, 'capitalism today … entails the detailed disaggregation of stages of production and consumption across national boundaries, under the organizational structure of densely networked firms or enterprises.[1] Accordingly, the most appropriate means for understanding this type of industrial structure is a detailed disaggregation of the various stages or 'nodes' of activity that constitute a particular industry, including raw materials, design, manufacture, marketing and sales. From this perspective, then, global capitalism is best expressed in terms of a series of 'commodity chains', defined as a 'network of labour and production processes whose end result is a finished commodity'.[2] In a further delineation of this approach, Gereffi has proposed a distinction between commodity chains that are 'producer-driven' and those that are 'buyer-driven'. In the case of apparel, and in other industries that rely on a high degree of labour intensity (eg footwear, consumer electronics, toys, etc), Gereffi argues that buyer-driven commodity chains have increasingly come to supplant producer-driven chains. In other words, it is now the major retailers and marketeers who dominate the industry and who, through judicious use of their considerable market power, are able effectively to control and co-ordinate the process of transnational apparel production.[3] One aspect of this change that is of considerable relevance to this article is the developmental consequence that the shift towards buyer-driven chains has had in respect of East Asia. For, as East Asian apparel firms, located in South Korea, Taiwan and Hong Kong, were incorporated into these buyer-driven chains, they were able to move rapidly from an initial assembly phase, utilising export processing zones (EPZs) near major ports, to a more generalised system of export incentives, and ultimately towards original equipment manufacturing (OEM) and original brand-name manufacturing (OBM).[4] In so doing, East Asian apparel firms enhanced the process of industrial upgrading in their region by moving up the commodity chain into higher value added 'nodes' of activity. Nevertheless, as we shall see, the extent to which this type of industrial upgrading is facilitated by transnational apparel production is largely contingent on the regimes that govern this activity.

As applied to the restructuring of the North American apparel industry, the insights of a commodity chains approach are considerable. First, in delineating the changing governance structure of the apparel commodity chain—namely, a shift from producer-driven to buyer-driven networks—this approach highlights the growing importance of US retailers and marketeers in controlling and co-ordinating apparel supply networks. Over the past several decades this change has occurred in the context of a 'retail revolution' in the USA,[5] which has led to, among other things, a growth in the buying power of major retailing chains. Of particular importance in this respect has been the emergence of large discount chains (eg Wal-Mart, K-Mart and Target) on the one hand, and speciality clothing retailers (eg The Gap, The Limited and Liz Claiborne) on the other. In both cases, the success of these firms has been predicated upon a strategy of 'contract manufacturing' involving a variety of low-cost production sources (mainly in East Asia), whereby these firms procure raw materials from overseas and then contract out or license the entire manufacturing process to an offshore, and usually independent, developing country firm.[6] While this strategy offers US retailers low-cost production and organisational flexibility, it has, nevertheless, had the effect of marginalising the role of domestic apparel manufacturers in the US clothing industry.

The growing power of US retailers in the apparel supply chain has, as a consequence, led to a paradoxical situation in which much of the growth in apparel imports—which has been of such concern in the USA—has in fact been organised and co-ordinated by US firms locating production overseas.[7] The impact of this shift on the North American apparel sector has been considerable: between 1970 and 1997 employment fell from 1.4 million to 0.8 million; and the industry currently has the highest attrition rate of any US manufacturing sector, accounting for 9% of all business failures in the US economy in 1997.[8] Nonetheless, most of these casualties have been heavily concentrated in the range of smaller and medium-sized companies; the larger US apparel firms have been able to offset competition from apparel imports by engaging in their own form of offshore production. Unlike the sourcing strategies of the major retailing chains, however, which have mostly relied upon a first (Hong Kong, Taiwan, Korea and China) and second tier (Malaysia, Philippines, Indonesia, etc) of Asian suppliers, the sourcing strategies of US apparel firms have primarily engaged Mexico and, increasingly, the Caribbean in transnational garment production. It is this emerging regional pattern that is addressed in the remainder of the article.

The contrast in geographical sourcing options between the major US retailers and apparel manufacturers is not the only major difference between these two types of firm. In fact, underlying this difference, there lies a crucial variation in the strategic rationale of these two approaches towards locating production overseas. For the US retailers, as we have seen, the major consideration has been to reduce costs and maximise organisational flexibility. For this purpose, these firms have often engaged in different forms of 'contract manufacturing' that, in essence, hands over the entire production process to the overseas firm (or, more usually, a network of firms). From a commodity chains perspective, the advantage of this type of arrangement—which is often referred to as 'cut, make, and trim' or 'full package'—is that it gives the overseas firm a crucial stake in co-ordinating a variety of backward linkages with the domestic economy, while also enabling such firms to engage in the process of industrial learning that ultimately facilitates upgrading to higher value added manufacturing activity.[9]

In contrast, the approach of North American apparel manufacturers towards offshore sourcing has been designed to reduce costs by taking advantage of low wages in the Caribbean and Mexico for simple assembly operations, while aiming to retain the higher value added activities (cutting, dyeing, grading, etc) in the USA. This approach takes advantage of the US Tariff Code provision 807 (now superseded by the Harmonised Tariff Schedule 9802), which provides production-sharing incentives for Caribbean Basin Initiative (CBI) beneficiaries and US firms. These provisions permit duty exemption of the value of US-made components that are returned as part of articles assembled abroad; for the purpose of US customs duty, items are evaluated only on the basis of the value added by the foreign assembly operation.[10] The growth in 807/9802 production has been particularly pronounced in the manufacture of highly standardised apparel items, including jeans, T-shirts and underwear. Much of this trade has been orchestrated by leading US branded-apparel firms, including Levi Strauss, VF Corporation (who produce the Wrangler and Lee brands) and Sarah Lee (a major underwear supplier, whose labels include the Haines brand) and it involves a variety of assembly operations in Mexico and the Caribbean Basin. Nevertheless, these assembly operations enjoy few of the benefits of their East Asian counterparts. The restrictive nature of the 807/9802 regime effectively rules out any opportunity for creating backward linkages with the domestic economy, or industrial upgrading to higher value added manufacturing activities. Moreover, these problems are exacerbated in many cases by the prohibitive nature of these countries' domestic laws, which are often designed to restrict these operations to export processing enclaves (see below).

These problems notwithstanding—and they are considerable—the growth in 807/9802 trade in the last decade or so has been a key factor in the reorientation of global apparel production. Put simply, what is happening here is that transnational apparel production is increasingly reflecting a regional dynamic, in which each of the core regions—North America, the European Union and Southeast Asia—is turning to its own respective peripheries for low cost production.[11] In the North American context this can be seen in the fact that, between 1993 and 1997, East Asia's share of US apparel imports fell from 70.4% to 57.9%, while in the same period the share of Mexico, the Caribbean and Central America grew from 16% to 26.8% (almost 30% in 1998).[12] Additionally, the proportion of US apparel imports accounted for by 807/9802 production, coming almost exclusively from Mexico, the Caribbean and Central America, rose from 10% to 21%.[13] The regionalisation of North American apparel trade and production, as we shall see, has been both enhanced and skewed by the implementation of NAFTA. Still, it is important to recognise that the benefits flowing to US firms engaging in production sharing, through the 807/9802 programme and now NAFTA, have gone primarily to the larger apparel companies. The smaller US firms—which constitute much of the industry but lack the links to low-cost supply—have found themselves increasingly marginalised by this process.[14] Instead, many of these firms have found themselves relocating to areas within the USA in which wage-depressing tactics are still prevalent. This has been particularly evident in regions, including southern California, Miami and New York/New Jersey, where a high concentration of (often illegal) immigrant labour is to be found. In many cases this has led to a recreation of the sweatshop working conditions classically found in 'Third World' EPZS.[15]

The Caribbean 'offshore' development model

As we have seen, the Caribbean, along with Mexico and Central America, has been increasingly integrated into a North American apparel production complex over the past several decades. Nevertheless, the key to understanding the Caribbean's role in this nexus does not lie, primarily, with the sourcing strategies of US apparel firms or even the 807/9802 programme but—and this is where a 'commodity chains' approach is less useful—with the reorientation of US–Caribbean economic relations that was facilitated by the CBI. Launched with great fanfare in February 1982, the CBI represented the economic corollary to the Reagan Doctrine, which had manifested itself in the early 1980s with the militarisation of much of the Central American isthmus and the eventual invasion of tiny Grenada in the Caribbean.[16] In essence, the CBI (codified into law as the Caribbean Basin Economic Recovery Act (CBERA), which came into effect on 1 January 1984) promised 'security through development' by offering an innovative package of trade and investment incentives to designated Caribbean states. While it always promised more than it could deliver, courtesy of the numerous exemptions (including textiles and apparel), the CBI was, nevertheless, of huge symbolic importance. In practical terms it led to two important developments that were crucial in re-ordering US–Caribbean economic relations: (1) it tied the region economically more tightly to the USA; (2) it established the 'Caribbean Basin' (essentially, the Caribbean and Central America lumped together) as the geopolitical grouping around which subsequent regional policies were to be designed.

In the area of textiles and apparel, the launching of the CBI led directly to the Special Access Program (SAP, but known as 807A), which was established in 1986. The SAP offered relatively generous quotas to CBI beneficiaries, in addition to those provided by the terms of the international Multi-Fibre Arrangement (MFA),[17] as a means to enhance production-sharing operations between US firms and CBI assembly operations. Nevertheless, this regime differed from the 807/9802 package in one crucial aspect: while the original 807 regime stipulated only that garments had to be made with fabric cut in the USA in order to qualify for preferential treatment, 807A fabric has to be made *and* cut in the USA. Thus—and despite the fact that 807A was very much couched in a 'trade not aid' discourse—the strategy behind the 807A programme was clearly an attempt on the part of the US textile industry to control production-sharing operations in order to ensure that only US fabrics were used. In fact, the establishment of the SAP was, as Steele has suggested, part of a broader strategy to 'curb and, in the longer term, effectively to discourage the emergence in the Caribbean of more highly integrated garment enterprises capable of producing items with a higher local added value—certainly insofar as they were primarily orientated toward the US market'.[18]

While the strategy behind the 807/9802 programme may have led to the active discouragement of more integrated garment enterprises within the Caribbean, the majority of CBI states have not sought to challenge this philosophy. Indeed, the provisions governing the various CBI EPZs, where 807/9802 apparel assembly is almost invariably located, are explicitly designed to isolate these operations from the rest of the domestic economy. Typically, such stipulations provide for: (1) duty- and tax-free importation of all capital equipment; (2) duty-free entry of all raw materials; (3) complete exemption from income tax; (4) freedom from currency restrictions and financial reporting; and (5) strict limits on the amount of production for the local market (usually around 10%).[19] The result of these measures has been effectively to limit the possibility for either backward (sourcing) or forward (marketing) linkages creating spillover into other economic areas, thus preventing the possibility of the growth of a more integrated Caribbean apparel sector. In the absence of such linkages, the economic benefits accruing to Caribbean states through production-sharing operations are questionable: Deere and Melendez estimate that, since 1985, the value added in Caribbean of 807/9802 exports has never exceeded 32%; and for 807A production, the figure is as low as 26%.[20] Comparing this with traditional exports, such as sugar and coffee, whose value added component is often as high as 90%, they suggest that a US$1 million decline in sugar exports would have to be offset with a US$3.8 million increase in garment exports to guarantee the same level of foreign exchange.[21] Thus even with significant growth in apparel production-sharing operations, such trade is unlikely to compensate for the loss of foreign exchange from traditional commodities.

Moreover, given the competitive logic of the EPZ model, Caribbean states have increasingly faced a situation in which a series of 'incentive wars' has been fought in order to attract US apparel-related investment. This highly competitive environment has led, among other things, to competitive bidding to offer the longest tax holidays, leading to a situation in which up to 40% of Caribbean exports to the USA provide virtually no fiscal income to the host government.[22] Perhaps more worrying still, however, has been the tendency for Caribbean states to enter into 'competitive devaluations' as a means of increasing, albeit temporarily, export competitiveness. In the case of the Dominican Republic, for instance, Kaplinsky argues that the spectacular growth in EPZ employment during the 1980s was directly attributable to a significant decline in real wages caused by a series of dramatic currency devaluations: in this period real wages in the Dominican Republic paid by foreign investors more than halved, at the same time as they rose by 15% in the USA.[23] Nevertheless, such a strategy works only insofar as it offers a temporary advantage until neighbouring EPZs realign their currencies; after which, such wage depressing tactics become highly contingent upon a continuing fall in local purchasing power for Caribbean workers and a corresponding lowering in their standard of living.[24]

Despite all this, measured by the more limited criteria of maintaining export receipts and employment levels in the context of falling commodity prices, declining investment levels and the debilitating consequences of structural adjustment and debt servicing, with regard to apparel assembly-related investment, the Caribbean offshore development model has been something of a 'success'. During the 1980s the export of apparel from the Dominican Republic, Haiti and Jamaica grew annually by more than 20%.[25] In the Dominican Republic itself (the region's largest EPZ economy and leading Caribbean exporter of apparel to the USA) this growth has been even more spectacular: in 1988 apparel constituted 78% of total manufacturing exports, worth a total of US$183.3 million, and representing an increase of 333.4% since 1981.[26] In the past decade this trend has continued throughout the region. By June 1999 the CBI region as a whole accounted for nearly 20% of total US apparel imports, while its shares of the 807/9802 apparel trade had risen to 55%.[27]

The politics of 'NAFTA parity'

Since 1994 NAFTA has changed significantly the terms of the debate regarding apparel assembly in the Caribbean region. In a number of important ways NAFTA threatened the Caribbean's position in this trade by offering Mexico a more competitive and integrated base in the North American apparel chain. This came, first, from the more liberal rules of origin contained within the NAFTA treaty. Under the so-called 'yarn forward' ruling, garments can be made and cut in *either* the USA, Mexico or Canada and still qualify for tariff free and quota free treatment. What is more, NAFTA signatories also benefit from Tariff Preference Levels (TPLS) which allow for the use of fabric of any origin as long as it is cut and sewn in the NAFTA trade area.[28] This means that Mexico gained considerably more scope for co-ordinating backward linkages with the domestic economy than the Caribbean is allowed under the much more restrictive 807/9802 regime. Already, evidence is mounting that the privileged position afforded to Mexico under NAFTA has propelled the state towards a much more integrated, 'full package' form of garment production.[29]

In the short term, also, Mexico's position within the North American apparel production complex was considerably enhanced by the dramatic devaluation of the peso that took place between December 1994 and January 1995. This undoubtedly contributed to the tripling of Mexican apparel exports during the 1990s, much of it as a result of trade and investment diversion from the CBI region. Such diversion, it was claimed, accounted for 150 apparel plant closures in the Caribbean, with the loss of some 123 000 jobs, in the 1995–96 period alone.[30] This problem prompted the major US apparel and textile producers to highlight the extent to which the viability of Caribbean assembly operations and their own competitive edge were intertwined. In fact, during the 1990s these actors formed part of a wider constituency within the USA that actively lobbied the Clinton administration for some form of parity for the Caribbean. Unfortunately, however, because of the attempts to control the content of the

'NAFTA parity' agreement by different sections of the apparel production complex —most notably the textile industry—when the relevant legislation was finally passed it did little to address the fundamental issues that NAFTA had raised.

Because of its comparative lack of resources, the Caribbean was never likely to launch the type of spectacular public relations effort that was presented by the government of Mexico at the time of the NAFTA debate in the USA. Over the entirety of the Clinton period, nevertheless, it did manage effectively to articulate the view in Washington that the region had been affected negatively by the implementation of NAFTA, causing particular damage to its apparel sector. Generally speaking the region was also able to exploit its relatively healthy relationship with President Clinton to push his administration in the direction of NAFTA parity legislation. In actual fact, Clinton backed such a bill on numerous occasions—most notably during a historic meeting in Bridgetown, Barbados, attended by the President and 15 Caribbean states in May 1997.[31] Nevertheless, despite the enthusiastic rhetorical support that the president offered, his ability to deliver parity for the Caribbean was highly contingent on gaining sufficient support within Congress for the enactment of such legislation. For this reason, as far as the Caribbean was concerned, the successful passage of NAFTA parity legislation was ultimately determined by the domestic coalition of forces within the USA which actively lobbied Congress from 1993 onwards. It is to this coalition to which we now turn.

The textile and apparel lobby

The support of the textile and apparel industries proved to be crucial to the Caribbean in terms of convincing a reluctant and deeply sceptical Congress to support NAFTA parity legislation. Historically, this lobby had represented one of the most formidable protectionist forces in the USA, and is still the industry most often characterised as the 'benchmark' against which the activities of other 'special interests' measure their success.[32] As represented by the peak associations of the industry, the American Textile Manufacturers Institute (ATMI) and the American Apparel Manufacturers Association (AAMA), the industry reversed its long-standing resistance to foreign imports in the late 1980s and 1990s by seeking to embrace the benefits of offshore production. The reasons for this are not difficult to fathom. As previously discussed, the shift from producer-driven supply chains to buyer-driven ones has generally come about at the expense of US textile and apparel manufacturers, as retailers increasingly turned to 'full package' East Asian imports. For the ATMI and AAMA, therefore, the option of production-sharing through the 807/9802 programme allowed the industry to respond in two ways: (1) it enabled US textile and apparel manufacturers to reduce production costs by relocating their most labour intensive activities offshore, while retaining the higher value added activities within the USA; and (2) it ensured that a growing proportion of US apparel imports were constituted with fabric made and cut in North American textile mills.

In this light it made sense for the textile and apparel industry to support NAFTA parity legislation insofar as it would lead to a further increase in 807/9802 production and would have strengthened the competitive position of those US firms with existing assembly operations in the Caribbean. Nevertheless, despite this, the ATMI and the AAMA were deeply divided over the precise shapes that such legislation should take. In the end, it was this dispute which accounted for the skewed nature of the NAFTA parity bill, as it was eventually passed. For the AAMA, on the one hand, the option of 807/9802 had served not only as a means to meet the standards set by US retailers for cheaper garments, but also as a response to the increasing demands of the textile industry. During the 1980s these demands manifested themselves in a drive for larger orders, higher prices for inputs and favourable payment schedules.[33] For this reason the apparel industry saw in offshore sourcing the benefit of more flexible access to cheaper materials from overseas. It therefore made sense for the AAMA to seek the most liberal rules of origin it could possibly achieve under any 807/9802 enhancement or NAFTA parity agreement. This was the position which the AAMA duly took in demonstrating support for the 1997 package, 'The Caribbean Trade Enhancement Act', which contained relatively liberal rules of origin. In the end, however, such liberal language proved too controversial to survive the Congressional bargaining process, and the package was withdrawn from a budget proposal at the last minute by the Clinton administration because of fears of a Democratic revolt in Congress.[34] Despite this setback, the AAMA continued to support the passage of NAFTA party legislation that contained this type of provision.

For the textile industry, on the other hand, support for the 807/9802 production-sharing scheme—and therefore any NAFTA parity legislation—had always been conditional on the understanding that it be predicated on the use of fabrics both made *and* cut in the USA.[35] This position proved to be highly significant, given the tremendous influence that the industry holds over the making of US textile trade policy—an influence which is considerably enhanced by the fact that the industry is heavily concentrated in a small number of politically powerful US states.[36] It was this privileged position that allowed the textile industry and the ATMI increasingly to set the terms of the debate regarding the 807/9802 programme in the 1990s. For instance, in 1995 the Department of Commerce, at the behest of the textile industry, issued a series of 'calls' (temporary quotas) against a number of Caribbean exporters of undergarments and pyjamas on the pretext of 'market disruption'. Although ostensibly concerned with protecting US industry from rapid import expansion, the real motive behind these calls was an attempt to shift Caribbean countries away from 807 production (containing non-US fabric) and towards 807A (using US-made fabric only).[37] This position gained considerable support within policy-making circles—particularly in the Senate—and became the prime objective for the ATMI regarding the passage of NAFTA parity legislation.

The Miami connection

In addition to the support—albeit conditional—of the textile and apparel lobby, NAFTA parity for the Caribbean also hinged on the backing of the state of Florida. During the 1990s Florida and, in particular Miami, emerged as the 'gateway to the Caribbean' and in the process attempted to highlight the various 'interdependencies' that existed between the state and the Caribbean region. In textiles and apparel Miami basically constitutes the hub for US–Caribbean 807/9802 production-sharing operations: Balkwell and Dickerson estimate that between 3500 and 5000 apparel-related firms are currently active in South Florida, including contract cutters, warehouses and sewing machine suppliers.[38] Much of this activity takes advantage of the fact that—in contrast to Mexico—the Caribbean generally lacks textile infrastructure (partly as a result of the restrictive nature of the 807/9802 regime), so much of the cutting is done in Miami, prior to the fabric being sent offshore for assembly. Miami also co-ordinates much of the 'remake' industry, which repairs defective garments arriving from the Caribbean before they reach US retailers.[39] More generally, the state of Florida is also the Caribbean's largest trading partner in the USA. In 1999 total Caribbean trade with Florida was worth US$22.8 billion and 40% of total US exports to Latin America and the Caribbean passed through the state.[40] Clearly, the CBI and 807/9802 legislative packages have facilitated much of this trade. So, in the same way that NAFTA has threatened to undermine Caribbean assembly operations and the competitive privileges enjoyed by US apparel firms. Florida, as a principal beneficiary of these linkages, was also threatened by this legislation.

For this reason, the state of Florida sought to assert itself as a 'sub-state' actor[41] and push for NAFTA parity for the Caribbean as a means of maintaining its own privileged position in the 807/9802 apparel trade. Admittedly, much of this effort was disparate and, at times, incoherent, involving a variety of actors, such as the state's Senators and House representatives, the state governor and his executive agencies and various government–business partnerships, such as Enterprise Florida and the Florida Partnership of the America.[42] Nevertheless, it was not ineffective, with the state's Senators and House representatives unquestionably taking an aggressive position in the US Congress in favour of both CBI enhancement and NAFTA parity. Still, the support of Florida was by no means unconditional. It was, for instance, tempered by the fact that a more comprehensive package, containing cutting as well as sewing provisions, for the Caribbean might have threatened Florida's own position in this trade. In particular, it was feared that such a move might undermine Florida's role in 807/9802 apparel transhipments, as fabrics would then be free to go straight from the textile mills in other parts of the southeast directly to the Caribbean, effectively ruling Florida and the port of Miami out of the apparel production chain.[43]

The Caribbean Basin Trade Partnership Act (CBTPA): towards 'NAFTA parity'?

In the end, it was these contradictions within the NAFTA parity coalition that accounted for much of the delay in its eventual passage. Furthermore, these contradictions were exacerbated by the generally hostile political climate within the USA in the late 1990s towards preferential trade deals. In fact, in the post-NAFTA environment Congress itself became increasingly sceptical towards the wider idea of a Free Trade Area of the Americas (FTAA), which is scheduled to be implemented by 2005. In more specific terms the idea of extending NAFTA provisions to the CBI region was most vehemently opposed by US labour organisations. As part of the AFL–CIO coalition, the Union of Needle Trades, Industrial and Textile Employees (UNITE), which represents what remains of the US textile and apparel manufacturing industry, took a particularly assertive role in opposing parity for the CBI region, as it had done the original NAFTA agreement. In the 1990s such opposition manifested itself in a series of 'shock tactics' designed to expose the appalling working conditions found in EPZs, particularly those in Central America. In 1992 action of this nature had led to the withdrawal of funds from a US Agency for International Development (USAID) sponsored project, promoting the establishment of EPZs in Central America, after a *60 Minutes* television exposé claimed—on the basis of labour union investigations—that such initiatives were effectively subsidising the export of American jobs.[44]

Despite this hostile political climate, the CBTPA was eventually approved by both the House and the Senate by relatively large margins, and was signed into law by President Clinton on 18 May 2000. In the end this was made possible after supporters of the bill within the Senate attached it to a separate piece of legislation, aimed at offering Africa similar production-sharing incentives to those enjoyed by the Caribbean under CBI. This move offered more chance of success, given that there was much more support in Congress for a trade deal with Africa than there was for either the CBI or for extension of the provisions of NAFTA. On the other hand, though, this move came with a price: the CBI region has had to defer to the much more restrictive rules of origin that were contained within the 'Africa bill'. In fact, the rules of origin matched closely those that the textile industry had been hoping for, stipulating not only that garments had to be made with US fabric in order to gain duty and tariff-free treatment, but also that garments would have to be sewn with thread formed exclusively in the USA. Moreover, the restrictive nature of this language was compounded by the fact that, in other areas which are generally more liberal, the wording was left deliberately vague in an attempt to appease those federal agencies—including the Department of Commerce and US Customs—which were opposed to the bill but were responsible for its implementation.[45] For instance, one aspect of the CBTPA was to allow for knit fabric made in the Caribbean from US yarns to be given tariff-free treatment. Even here, though, access to the US market is governed by strict limits (equivalent to 250 million square metres per year), to be allocated on a 'first-come, first-served' basis. Understandably, this was received with some consternation by the smaller Caribbean nations, such as Jamaica, which feared that it would benefit the larger Central American states, eg Honduras and Guatemala, which already possessed textile-making facilities, at their expense.[46]

More worryingly, since the CBTPA was passed into law Congressional leaders have already begun to make significant attempts to claw back many of the most important provisions granted to the Caribbean through this package. On 6 December 2001 the US House of Representatives voted—by a margin of one vote—to approve the 'Bipartisan Trade Promotion Act' (TPA), more commonly known as 'fast track' trading authority. In approving this legislation, which in theory grants the president the authority to enter into trade negotiations without Congressional approval, members representing the textile caucus stipulated that certain conditions would have to be met if they were to support the agreement.

As specifically related to the Caribbean, this meant that fabrics dyed and finished in the region—which were originally permitted to enter the US duty-free—would no longer qualify for duty-free entitlement under the terms of the CBTPA agreement. At the time of writing the full extent of these amendments to the CBTPA was still to be fully determined and these proposals await Senate approval. All the same, even if the Senate comes up with amendments that are more favourable to the Caribbean garment industry, this episode goes to show the inherent danger of building an industrial strategy on the basis of non-reciprocal trade preferences that can be unilaterally withdrawn at any point.[47]

This latter point notwithstanding, it is still clear that overall the CBTPA gives considerably better market access for Caribbean apparel than was permitted under the 807/9802 regime, through the extension of the duty-free provisions to the value added in the region. In the short term, also, regional apparel production is unlikely to be hampered by the strict rules of origin of the CBTPA, given that the overwhelming majority of Caribbean apparel is made in this fashion. In the longer term, however, the CBTPA is unlikely to address the fundamental disparity between Mexico and the Caribbean in terms of their contrasting roles in the newly emerging North American apparel production chain. For, while the NAFTA provisions are generally designed to encourage the use of North American fabrics, Mexico still has considerably more scope for establishing backward linkages with domestic suppliers. In addition, NAFTA is also facilitating Mexico's move away from simple apparel assembly operations towards higher value added activities in the form of vertically integrated, full-package garment production. In contrast, the CBTPA offers the Caribbean neither the scope nor the opportunity for establishing such linkages. As a result, the CBTPA threatens to lock the Caribbean into a low value added form of apparel assembly that is isolated to a series of export processing enclaves. In the absence of a mechanism for moving beyond this format, it is unclear what long-term economic benefits apparel assembly offers the region, beyond strengthening the competitive position of US clothing firms.

Conclusion

In the final analysis the politics of NAFTA parity are revealing of the emerging political economy of US–Caribbean relations on a number of levels. On one level, by utilising a commodity chains approach, we have been able to discern the major economic forces underlying the regionalisation of the North American apparel production complex. The global sourcing strategies of US retailers and marketeers have forced domestic apparel manufacturers to engage in their own form of offshore production through the 807/9802 scheme in order to remain competitive in their market. In the process Caribbean EPZs have found themselves increasingly integrated into a commodity chain that ties regional apparel assembly operations into a dense network of production, distribution and marketing in the USA. On another level, however, in terms of the timing and character of the CBTPA package, a commodity chains approach is less useful. Mitchell Bernard has made the point that 'unless a network analysis is infused with social depth and considerations of power, it offers political economy as a domain limited to state–firm interaction, and the management and locational strategies of corporate managers'.[48] In other words, what is missing from a commodity chains framework is an analysis of the politics of transnational production. As we have seen in respect of the US–Caribbean apparel connection, the regimes governing this trade to a large degree reflect particular configurations of power, involving the state and competing interest groups. For this reason it is perhaps more pertinent to focus on the NAFTA parity coalition itself, rather than on the sourcing strategies of US clothing firms. What this focus has revealed is that contradictions within the NAFTA parity coalition, more than anything else, account for the skewed nature of the CBTPA, as it was eventually enacted. In fact, mirroring the deeper cleavages within the US state–society complex, the CBTPA represented an uneasy compromise between internationally orientated (retailers, apparel manufacturers) and domestically orientated (the textile industry, labour, etc) groups. As such, these developments do not bode well for continued preferential treatment for the Caribbean, or for the wider FTAA process as the region as a whole seeks to grapple with the issue of hemispheric free trade.

Notes

The research for this article has been made possible by the financial support of the Economic and Social Research Council (ESRC). I would like to thank Scott Barfield, Jean Grugel, Graham Harrison, Tony Payne and Petr Kopecky for helpful comments, criticisms and suggestions at various stages of the writing of this article.

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5 Gereffi, 'The organisation of buyer-driven commodity chains', p 104.
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7 P Dicken, *Global Shift: Transforming the World Economy*, London: Sage, 1998, p 303.
8 United Nations Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Investment in Latin American and the Caribbean: 1999 Report*, Santiago: ECLAC, LC/G 2061, p 173.
9 Gereffi, 'International trade and industrial upgrading', p 55.
10 For more details on these provisions, see United States International Trade Commission (USITC), *Production Sharing: The Use of US Materials in Foreign Assembly Operations, 1995–1998*, Washington, DC: USITC, 1999.
11 Dicken, *Global Shift*, p 293.
12 ECLAC, *Foreign Investment*, p 180.
13 *Ibid.*
14 A Glasmeier, JW Thompson & A Kays, 'The geography of trade policy: trade regimes and location decisions in the textile and apparel complex', *Transactions: Institute of British Geographers*, 18, 1993, p 29.
15 Taplin, 'Strategic reorientations of US apparel firms', pp 211–212.
16 Surprisingly, Emilio Pantojas Garcia has been one of the few commentators to link the CBI explicitly with the political and security focus of the Reagan Doctrine, as applied to Central America and the Caribbean. See E Pantojas Garcia, 'Restoring hegemony: the complementarity among the security, economic and political components of US policy in the Caribbean Basin during the 1980s', in: J Rodriguez Beruff, J Fuguroa & JE Green (eds), *Conflict, Peace, and Development in the Caribbean*, London: Macmillan, 1991, pp 22–61.

[17] At the time of writing six CBI beneficiaries were eligible for the Special Access Programme: Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti and Jamaica. Interestingly, also, before the implementation of NAFTA, Mexico had benefited from a parallel agreement under the terms of the so-called 'special regime'. For more details, see USITC, *Production Sharing*.

[18] P Steele, *The Caribbean Clothing Industry: the US and Far East Connections*, London: Economist Intelligence Unit, 1988, special report No 1147, p 4.

[19] GK Schoepfle & JF Perez-Lopez, 'Export assembly operations in Mexico and the Caribbean', *Journal of InterAmerican Studies and World Affairs*, 31 (4), 1989, pp 134–135.

[20] C Deere & E Melendez, 'When export growth isn't enough: US trade policy and Caribbean Basin economic recovery', *Caribbean Affairs*, 5, 1992, p 66.

[21] *Ibid*, pp 66–67.

[22] M Mortimore, 'Apparel based industrialisation in the Caribbean Basin: a threadbare garment?', *Cepal Review*, 67, 1999, p 131.

[23] R Kaplinsky, 'Export processing zones in the Dominican Republic: transforming manufactures into commodities', *World Development*, 21 (11), 1993, p 1860.

[24] *Ibid.*

[25] CD Deere *et al, In the Shadow of the Sun: Caribbean Development Alternatives and US Policy*, Boulder, CO: Westview Press, 1990, p 167.

[26] HI Safa, 'Export manufacturing, state policy, and women workers in the Dominican Republic', in: E Bonacich *et al* (eds), *Global Production: The Apparel Industry in the Pacific Rim*, Philadelphia, PA: Temple University Press, 1994, p 251.

[27] USTIC, *Production Sharing*, p 27; and ECLAC, *Foreign Investment*, p 183.

[28] H Welling, 'Caribbean boon: lurching after NAFTA', *Apparel Industry Magazine*, August 2000, p 14.

[29] See, for example, G Gereffi & J Bair, 'US companies eye NAFTA's prize', *Bobbin*, March 1998, pp 26–35.

[30] L Rohter, 'The impact of NAFTA pounds economies of the Caribbean', *New York Times*, 30 January 1997.

[31] For more on the significance of this summit, see AJ Payne, 'The new politics of Caribbean America', *Third World Quarterly*, 19 (2), 1998, pp 205–219.

[32] See B Stokes, 'Still cut from a different cloth?', *National Journal*, 22 April 2000.

[33] Gereffi, 'The organisation of buyer-driven commodity chains', p 103.

[34] Confidential interview with a senior official, American Textile Manufacturers Institute, Washington, DC, 15 September 2000. Others attributed the failure of the 'Caribbean Trade Enhancement Act' to unilateral opposition from the Chicago-based textile giant, Fruit of the Loom. On this, see 'Fruit of the Lobbyist', *Wall Street Journal Europe*, 30 July 1997.

[35] Clearly, this position contrasts significantly with the much more liberal language of the NAFTA 'yarn forward' ruling. Accounting for this discrepancy, industry sources suggest that stricter rules of origin were required in the case of 807/9802 production to prevent competitors in East Asia taking advantage, particularly through the practice of illegal transhipment. Confidential interview with senior ATMI official, Washington, DC, 15 September 2000.

[36] Steele estimates that half the textile industry is concentrated in just six states: New York, California, Pennsylvania, North Carolina, Georgia and Tennessee. P Steele, *The Caribbean Clothing Industry*, p 12.

[37] Interestingly, though, not all sections of the US textile industry were in favour of this move. For vertically integrated textile and apparel firms, such as Fruit of the Loom, which until fairly recently still manufactured 90% of its underwear domestically, these 'calls' were welcome. For other textile and apparel firms, such as Sarah Lee, on the other hand, with substantial investments in overseas facilities throughout the Caribbean and Central America, moves to restrict 807/9802 production were fiercely resisted. Regardless, in the end these 'calls' were deemed to be illegal anyway, after Costa Rica brought and won a historic case before the World Trade Organisation (WTO). ECLAC, *Foreign Investment*, pp 194–195. On the WTO ruling, see 'US underwear quotas found by the WTO to be unfair to Costa Rica', *Wall Street Journal Europe*, 12 November 1996.

[38] C Balkwell & KG Dickerson, 'Apparel production in the Caribbean: a classic case of the new international division of labour', *Clothing and Textiles Research Journal*, 12 (3), 1994, p 10.

[39] G Gereffi, 'The Mexico–US connection: economic dualism and transnational networks', in: R Tardanico & MB Rosenberg (eds), *Poverty or Development: Global Restructuring and Regional Transformation in the US South and the Mexican South*, New York: Routledge, 2000, p 86.

[40] 'Trade Development Act of 2000: a Florida opportunity', http://www.Americasnet.net/eng/index.htm, retrieved 8 June 2000.

[41] For more on the role of Florida as a 'sub-state' actor in the context of US–Caribbean relations, see T Heron & AJ Payne, 'Microregionalisation across Caribbean America', in: S Breslin & G Hook (eds), *Microregionalism and World Order*, London: Palgrave, forthcoming.

[42] See AJ Payne, 'Rethinking United States–Caribbean relations: towards a new mode of transterritorial governance', *Review of International Studies*, 26 (1), 2000, pp 78–79.

[43] See J Bussey, 'Clinton signs Africa–Caribbean trade bill into law', *Miami Herald*, 19 May 2000.

[44] K Bradsher, 'Congress sets to rein in foreign aid agency', *New York Times*, 4 October 1992; and A Cockburn, 'Offshore and out of line', *New Statesman and Society*, 2 October 1992.

[45] Confidential interviews, Trade Subcommittee of the House Committee on Ways and Means, Washington, DC, September 2000.

[46] See K James, 'Caribbean appeals on US trade', *Financial Times*, 2 December 2000.

[47] S Lamar, 'Problems and politics of the TPA', http://www.bobbin.com/BOBBINGROUP/BOBBINMAG/index.html, retrieved 22 March 2002.

[48] M Bernard, 'States, social forces, and regions in historical time: towards a critical political economy of Eastern Asia', *Third World Quarterly*, 17 (4), 1996, p 655.