Mill Closings Hit Hard in Central America

By Ginger Thompson
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SAN SALVADOR Mondays are hiring days at the hulking garment factories that in the past 15 years helped lift this struggling country up from war and bring some 90,000 families out of extreme poverty. By 7 a.m. hundreds of women like Gloria Campos were lined up, hoping to get a tiny piece of the prosperity.

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But shifting global trade rules threaten to reverse El Salvador's industrial revolution. Employment in the garment industry declined in 2004, for the first time in a decade.

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The government puts the number of jobs lost at nearly 6,000. Factory managers said the number was almost twice as high. Thousands more jobs will be lost in 2005, they predicted, threatening to drive up this country's biggest export to the United States: its people.

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Trouble in Central America's garment industry, brewing for years, has now heightened as the end to global textile quotas spreads the wealth from clothes manufacturing to other parts of the developing world. But as close and nimble neighbors to the United States, exporters here believed that U.S. buyers would keep their workers busy to have a fast and easy alternative to Asia. And free trade agreements promised to buffer the region from outside economic forces.

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That thinking comforted exporters across Central America, where an estimated 1,000 textile and apparel factories employ some 500,000 people. But now, with no more quotas, the United States and Europe buy where it is cheap. Increasingly that means China.

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And here, as in Mexico, the trade agreements have led to more disappointment than promise. As the biggest U.S. name brands hunt for bargains halfway around the world, the factories that have become the engine of Central America's formal economy have begun to sputter. In the first two months of this year, experts said, 18 plants in Guatemala, Honduras, Costa Rica and the Dominican Republic closed; some 10,000 jobs were lost.

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Nicaragua, which has Central America's most devastating rates of poverty and the lowest wages, was the only country that enjoyed an expansion in its young garment industry. Textile powerhouses like Guatemala and Honduras, the third-largest clothing exporter to the United States after China and Mexico, have managed to maintain a rough stability, but industry representatives said that they expected orders to dry up by summer at many factories.

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So far, however, the end of the 1974 Multi-Fiber Agreement has hit hardest in El Salvador. Part of the reason, industry experts said, was that four years ago, this country adopted the dollar as its official currency, giving it no room to allow for a devaluation to keep exports competitive. As a result, it has the highest labor and transportation costs in the region.

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Hiring days put a human face on the unfolding drama. Long employment lines were filled mostly with ragamuffin mothers who had not finished grade school. These were not new applicants, but seamstresses with years of experience, who spoke as if they had been hit by some storm that no one told them was coming.

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For the past seven years, Campos, 42, who has three children, had worked in assembly factories, and the $5 she earned each day at these maquiladoras was her family's only income.

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Then, in December 2003, her employers skipped town without notice. They had told their 400 other workers that they were shutting down the factory for the Christmas holiday. But the factory never reopened. The company left without paying severance.

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She quickly found work at another garment-making operation. That one closed last October. Campos has been standing in lines every Monday since.

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"I come every week with a lot of hope, and every week I go home feeling sad," she said. "If I don't find a job soon, I don't know how I am going to survive."

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Yolanda Mayora de Gavidia, the economy minister, said during an interview that the country's garment industry shrank 3 percent last year as eight apparel manufacturers closed operations.

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"Most factories are going to go," Gavidia said. "We know we are going to be affected by China."

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It is the same sobering story being told in faraway places like Mongolia, Cambodia and southern Africa. But in Central America, a two-day drive from Texas, the crisis in the apparel industry will almost certainly ripple up the continent to the United States.

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With garment factories moving rapidly out of Mexico, Central America has become the most important customer to U.S. textile mills. More than 70 percent of the garments produced in Central America are made with U.S. fabric and yarn.

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"If we go belly up," said an exporter, Francisco Escobar Thompson, who closed one of his four plants last year and faces closing another in 2005, "the United States will go belly up."

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In this desperately poor corner of the world, rising unemployment could also make for a lot more empty bellies and surging waves of undocumented migrants. With the agricultural sector all but abandoned, maquiladoras provide more than half of the jobs in El Salvador's struggling formal economy. More than 40 percent of the population is unemployed or underemployed, and an estimated 100,000 people migrate to the United States each year.

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Gavidia tried to offer a little hope, saying some of this country's garment factories might survive if they were able to upgrade to produce fashion apparel, which relies on high technology, closer communication with clients and fast delivery.

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"We cannot compete with China on low wages, and we don't want to," Gavidia said. "But our proximity to the United States gives us an advantage in special niches, where clients need high quality and fast turnaround."

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Escobar and other maquiladora owners have staked the future of their businesses on the Central America Free Trade Agreement, which includes Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and the Dominican Republic. The agreement, which aims to give permanent duty-free access to the market in the United States for Central American exports, ignited angry protests recently across the region from workers who fear that freer trade will open the door to harsh competition from the United States.

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In Guatemala, one person was killed this month in clashes between police officers and protesters who had set up roadblocks along principal highways.

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The agreement has won approval by the governments of Guatemala and Honduras. Opponents across the region say that their governments have allowed little public debate. Conservative legislators in El Salvador passed the agreement in a predawn session in December.

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In Washington, the Senate is scheduled to hold hearings on the agreement after Easter, and the Bush administration hopes to have the measure passed before the end of May. But it faces a tough fight from the U.S. textile industry and from union groups worried about abusive labor practices in Central American factories.

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In the past year, Escobar, whose company assembles undergarments and moisture-resistant outerwear, has completely turned around two of his factories. Under their new process, his employees design the patterns, select fabrics, assemble the garments and ship direct to chain stores.

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If producing garments from design to delivery took 100 steps, his factories used to complete the last 20. Now, he said, they can handle up to 80.

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"It's hard to tell from day to day because we never know what China is going to do," he said. "Things look good today. But I don't know what to expect a few months from now."