

**NO SPACE  
NO CHOICE  
NO JOBS**

**NO LOGO**

*You might not see things yet  
on the surface, but underground,  
it's already on fire.*

— Indonesian writer Y.B. Mangunwijaya, July 16, 1998

**NAOMI KLEIN**



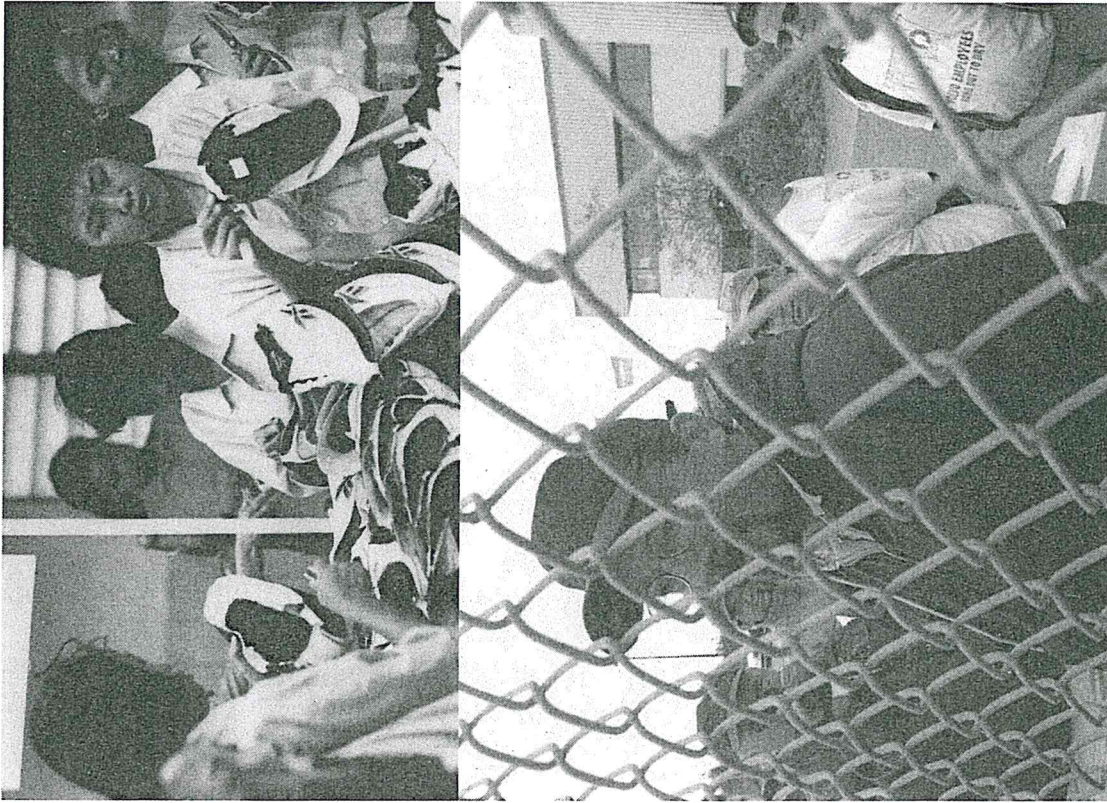
## THE DISCARDED FACTORY

Degraded Production in the Age of the Superbrand

*Our strategic plan in North America is to focus intensely on brand management, marketing and product design as a means to meet the casual clothing wants and needs of consumers. Shifting a significant portion of our manufacturing from the U.S. and Canadian markets to contractors throughout the world will give the company greater flexibility to allocate resources and capital to its brands. These steps are crucial if we are to remain competitive.*

— John Ermatinger, president of Levi Strauss Americas division, explains the company's decision to shut down twenty-two plants and lay off 13,000 North American workers between November 1997 and February 1999

Many brand-name multinationals, as we have seen, are in the process of transcending the need to identify with their earthbound products. They dream instead about their brands' deep inner meanings — the way they capture the spirit of individuality, athleticism, wildness or community. In this context of strut over stuff, marketing departments charged with the managing of brand identities have begun to see their work as something that occurs not in conjunction with factory production but in direct competition with it. "Products are made in the factory," says Walter Landor, president of the Landor branding agency, "but brands are made in the mind."<sup>1</sup> Peter Schweitzer, president of the advertising giant J. Walter Thompson, reiterates the same thought: "The difference between products and brands is fundamental. A product is something that is made in a factory; a brand is something that is bought by a customer."<sup>2</sup> Savvy ad agencies have all moved away



from the idea that they are flogging a product made by someone else; and have come to think of themselves instead as brand factories, hammering out what is of true value: the idea, the lifestyle, the attitude. Brand builders are the new primary producers in our so-called knowledge economy.

This novel idea has done more than bring us cutting-edge ad campaigns, ecclesiastic superstores and utopian corporate campuses. It is changing the very face of global employment. After establishing the "soul" of their corporations, the superbrand companies have gone on to rid themselves of their cumbersome bodies, and there is nothing that seems more cumbersome, more loathsome corporeal, than the factories that produce their products. The reason for this shift is simple: building a superbrand is an extraordinarily costly project, needing constant managing, tending and replenishing. Most of all, superbrands need lots of space on which to stamp their logos. For a business to be cost-effective, however, there is a finite amount of money it can spend on all of its expenses — materials, manufacturing, overhead *and* branding — before retail prices on its products shoot up too high. After the multimillion-dollar sponsorships have been signed, and the cool hunters and marketing mavens have received their checks, there may not be all that much money left over. So it becomes, as always, a matter of priorities; but those priorities are changing. As Hector Liang, former chairman of United Biscuits, has explained: "Machines wear out. Cars rust. People die. But what lives on are the brands."<sup>3</sup>

According to this logic, corporations should not expend their finite resources on factories that will demand physical upkeep, on machines that will corrode or on employees who will certainly age and die. Instead, they should concentrate those resources in the virtual brick and mortar used to build their brands; that is, on sponsorships, packaging, expansion and advertising. They should also spend them on synergies: on buying up distribution and retail channels to get their brands to the people.

This slow but decisive shift in corporate priorities has left yesterday's non-virtual producers — the factory workers and craftspeople — in a precarious position. The lavish spending in the 1990s on marketing, mergers and brand extensions has been matched by a never-before-seen resistance to investing in production facilities and labor. Companies that were traditionally satisfied

with a 100 percent markup between the cost of factory production and the retail price have been scouring the globe for factories that can make their products so inexpensively that the markup is closer to 400 percent.<sup>4</sup> And as a 1997 UN report notes, even in countries where wages were already low, labor costs are getting a shrinking slice of corporate budgets. "In four developing countries out of five, the share of wages in manufacturing value-added today is considerably below what it was in the 1970s and early 1980s."<sup>5</sup> The timing of these trends reflects not only branding's status as the perceived economic cure-all, but also a corresponding devaluation of the production process and of producers in general. Branding, in other words, has been hogging all the "value-added."

When the actual manufacturing process is so devalued, it stands to reason that the people doing the work of production are likely to be treated like detritus — the stuff left behind. The idea has a certain symmetry: ever since mass production created the need for branding in the first place, its role has slowly been expanding in importance until, more than a century and a half after the Industrial Revolution, it occurred to these companies that maybe branding could replace production entirely. As tennis pro Andre Agassi said in a 1992 Canon camera commercial, "Image is everything."

Agassi may have been pitching for Canon at the time but he is first and foremost a member of Team Nike, the company that pioneered the business philosophy of no-limits spending on branding, coupled with a near-total divestment of the contract workers that make its shoes in tucked-away factories. As Phil Knight has said, "There is no value in making things any more. The value is added by careful research, by innovation and by marketing."<sup>6</sup> For Phil Knight, production is not the building block of his branded empire, but is instead a tedious, marginal chore.

Which is why many companies now bypass production completely. Instead of making the products themselves, in their own factories, they "source" them, much as corporations in the natural-resource industries source uranium, copper or logs. They close existing factories, shifting to contracted-out, mostly offshore, manufacturing. And as the old jobs fly offshore, something else is flying away with them: the old-fashioned idea that a manufacturer is responsible for its own workforce. Disney spokesman Ken

Green gave an indication of the depth of this shift when he became publicly frustrated that his company was being taken to task for the desperate conditions in a Haitian factory that produces Disney clothes. "We don't employ anyone in Haiti," he said, referring to the fact that the factory is owned by a contractor. "With the newsprint you use, do you have any idea of the labour conditions involved to produce it?" Green demanded of Cathy Majtenyi of the *Catholic Register*.<sup>7</sup>

From El Paso to Beijing, San Francisco to Jakarta, Munich to Tijuana, the global brands are sloughing the responsibility of production onto their contractors; they just tell them to make the damn thing, and make it cheap, so there's lots of money left over for branding. Make it *really* cheap.

#### Exporting the Nike Model

Nike, which began as an import/export scheme of made-in-Japan running shoes and does not own any of its factories, has become a prototype for the product-free brand. Inspired by the swoosh's staggering success, many more traditionally run companies ("vertically integrated," as the phrase goes) are busy imitating Nike's model, not only copying the company's marketing approach, as we saw in "No Space," but also its on-the-cheap outsourced production structure. In the mid-nineties, for instance, the Vans running-shoe company pulled up stakes in the old-fashioned realm of manufacturing and converted to the Nike way. In a prospectus for an initial public stock offering, the company lays out how it "recently repositioned itself from a domestic manufacturer to a market-driven company" by sponsoring hundreds of athletes as well as high-profile extreme sporting events such as the Vans Warped Tour. The company's "expenditure of significant funds to create consumer demand" was financed by closing an existing factory in California and contracting production in South Korea to "third party manufacturers."<sup>8</sup>

Adidas followed a similar trajectory, turning over its operation in 1993 to Robert Louis-Dreyfus, formerly a chief executive at advertising giant Saatchi & Saatchi. Announcing that he wanted to capture the heart of the "global teenager," Louis-Dreyfus promptly shut down the company-owned factories in Germany, and moved to contracting-out in Asia.<sup>9</sup> Freed from the chains of production, the company had newfound time and money to create a Nike-

style brand image. "We closed down everything," Adidas spokesperson Peter Csanadi says proudly. "We only kept one small factory which is our global technology centre and makes about 1 percent of total output."<sup>10</sup> (See Table 9.1, Appendix, page 473.)

Though they don't draw the headlines they once did, more factory closures are announced in North America and Europe each week—45,000 U.S. apparel workers lost their jobs in 1997 alone.<sup>11</sup> That sector's job-flight patterns have been equally dramatic around the globe. (See Table 9.2, Appendix, page 475.) Though plant closures themselves have barely slowed down since the darkest days of the late-eighties/early-nineties recession, there has been a marked shift in the reason given for these "reorganizations." Mass layoffs were previously presented as an unfortunate necessity, tied to disappointing company performance. Today they are simply savvy shifts in corporate strategy, a "strategic redirection," to use the Vans term. More and more, these layoffs are announced in conjunction with pledges to increase revenue through advertising spending, with executives vowing to refocus on the needs of their brands, as opposed to the needs of their workers.

Consider the case of Sara Lee Corp., an old-style conglomerate that encompasses not only its frozen-food namesake but also such "unintegrated" brands as Hanes underwear, Wonderbra, Coach leather goods, Champion sports apparel, Kiwi shoe polish and Ball Park Franks. Despite the fact that Sara Lee enjoyed solid growth, healthy profits, good stock return and no debt, by the mid-nineties Wall Street had become disenchanted with the company and was undervaluing its stock. Its profits had risen 10 percent in the 1996-97 fiscal year, hitting \$1 billion, but Wall Street, as we have seen, is guided by spiritual goals as well as economic ones.<sup>12</sup> And Sara Lee, driven by the corporeal stuff of real-world products, as opposed to the sleek ideas of brand identity, was simply out of economic fashion. "Lumpy-object purveyors," as Tom Peters might say.<sup>13</sup>

To correct the situation, in September 1997 the company announced a \$1.6 billion restructuring plan to get out of the "stuff" business by purging its manufacturing base. Thirteen of its factories, beginning with yarn and textile plants, would be sold to contractors who would become Sara Lee's suppliers. The company would be able to dip into the money saved to

double its ad spending. "It's passé for us to be as vertically integrated as we were," explained Sara Lee CEO John H. Bryan.<sup>14</sup> Wall Street and the business press loved the new marketing-driven Sara Lee, rewarding the company with a 15 percent jump in stock price and flattering profiles of its bold and imaginative CEO. "Bryan's shift away from manufacturing to focus on brand marketing recognizes that the future belongs to companies — like Coca-Cola Co. — that own little but sell much," enthused one article in *Business Week*.<sup>15</sup> Even more telling was the analogy chosen by *Crain's Chicago Business*: "Sara Lee's goal is to become more like Oregon-based Nike Inc., which outsources its manufacturing and focuses primarily on product development and brand management."<sup>16</sup>

In November 1997, Levi Strauss announced a similarly motivated shake-up. Company revenue had dropped between 1996 and 1997, from \$7.1 billion to \$6.8 billion. But a 4 percent dip hardly seems to explain the company's decision to shut eleven plants. The closures resulted in 6,395 workers being laid off, one-third of its already downsized North American workforce. In this process, the company shut down three of its four factories in El Paso, Texas, a city where Levi's was the single largest private employer. Still unsatisfied with the results, the following year Levi's announced another round of closures in Europe and North America. Eleven more of its North American factories would be shut down and the total toll of laid-off workers rose to 16,310 in only two years.<sup>17</sup>

John Ermatinger, president of Levi's Americas division, had a familiar explanation. "Our strategic plan in North America is to focus intensely on brand management, marketing and product design as a means to meet the casual clothing wants and needs of consumers," he said.<sup>18</sup> Levi's chairman, Robert Haas, who on the same day received an award from the UN for making life better for his employees, told *The Wall Street Journal* that the closures reflected not just "overcapacity" but also "our own desire to refocus marketing, to inject more quality and distinctiveness into the brand."<sup>19</sup> In 1997, this quality and distinctiveness came in the form of a particularly funky international ad campaign rumored to have cost \$90 million, Levi's most expensive campaign ever, and more than the company spent advertising the brand in all of 1996.

### "This Is Not a Job-Flight Story"

In explaining the plant closures as a decision to turn Levi's into "a marketing company," Robert Haas was careful to tell the press that the jobs that were eliminated were not "leaving," they were just sort of evaporating. "This is not a job-flight story," he said after the first round of layoffs. The statement is technically true. Seeing Levi's as a job-flight story would miss the more fundamental — and more damaging — shift that the closures represent. As far as the company is concerned, those 16,310 jobs are off the payrolls for good, replaced, according to Ermatinger, by "contractors throughout the world." Those contractors will perform the same tasks as the old Levi's-owned factories — but the workers inside will never be employed by Levi Strauss.

For some companies a plant closure is still a straightforward decision to move the same facility to a cheaper locale. But for others — particularly those with strong brand identities like Levi Strauss and Hanes — layoffs are only the most visible manifestation of a much more fundamental shift: one that is less about where to produce than how. Unlike factories that hop from one place to another, these factories will never rematerialize. Mid-flight, they morph into something else entirely: "orders" to be placed with a contractor, who may well turn over those orders to as many as ten subcontractors, who — particularly in the garment sector — may in turn pass a portion of the subcontracts on to a network of home workers who will complete the jobs in basements and living rooms. Sure enough, only five months after the first round of plant closures was announced, Levi's made another public statement: it would resume manufacturing in China. The company had pulled out of China in 1993, citing concerns about human-rights violations. Now it has returned, not to build its own factories, but to place orders with three contractors that the company vows to closely monitor for violations of labor law.<sup>20</sup>

This shift in attitude toward production is so profound that where a previous era of consumer goods corporations displayed their logos on the façades of their factories, many of today's brand-based multinationals now maintain that the location of their production operations is a "trade secret," to be guarded at all costs. When asked by human-rights groups in April 1999 to disclose the names and addresses of its contract factories, Peggy Carter, a vice president at Champion clothing, replied: "We have no interest in our

competition learning where we are located and taking advantage of what has taken us years to build."<sup>21</sup>

Increasingly, brand-name multinationals — Levi's, Nike, Champion, Wal-Mart, Reebok, the Gap, IBM and General Motors — insist that they are just like any one of us: bargain hunters in search of the best deal in the global mall. They are very picky customers, with specific instructions about made-to-order design, materials, delivery dates and, most important, the need for rock-bottom prices. But what they are *not* interested in is the burdensome logistics of how those prices fall so low; building factories, buying machinery and budgeting for labor have all been lobbed squarely into somebody else's court.

And the real job-flight story is that a growing number of the most high-profile and profitable corporations in the world are fleeing the jobs business altogether.

#### The Unbearable Lightness of Cavite: Inside the Free-Trade Zones

Despite the conceptual brilliance of the "brands, not products" strategy, production has a pesky way of never quite being transcended entirely: *somebody* has to get down and dirty and make the products the global brands will hang their meaning on. And that's where the free-trade zones come in. In Indonesia, China, Mexico, Vietnam, the Philippines and elsewhere, export processing zones (as these areas are also called) are emerging as leading producers of garments, toys, shoes, electronics, machinery, even cars.

If Nike Town and the other superstores are the glittering new gateways to the branded dreamworlds, then the Cavite Export Processing Zone, located ninety miles south of Manila in the town of Rosario, is the branding broom closet. After a month visiting similar industrial areas in Indonesia, I arrived in Rosario in early September 1997, at the tail end of monsoon season and the beginning of the Asian economic storm. I'd come to spend a week in Cavite because it is the largest free-trade zone in the Philippines, a 682-acre walled-in industrial area housing 207 factories that produce goods strictly for the export market. Rosario's population of 60,000 all seemed to be on the move; the town's busy, sweltering streets were packed with army jeeps converted into minibuses and with motorcycle taxis with precarious sidecars, its sidewalks lined with stalls selling fried rice, Coke and soap. Most of this

commercial activity serves the 50,000 workers who rush through Rosario on their way to and from work in the zone, whose gated entrance is located smack in the middle of town.

Inside the gates, factory workers assemble the finished products of our branded world: Nike running shoes, Gap pajamas, IBM computer screens, Old Navy jeans. But despite the presence of such illustrious multinationals, Cavite — and the exploding number of export processing zones like it throughout the developing world — could well be the only places left on earth where the superbrands actually keep a low profile. Indeed, they are positively self-effacing. Their names and logos aren't splashed on the façades of the factories in the industrial zone. And here, competing labels aren't segregated each in its own superstore; they are often produced side by side in the same factories, glued by the very same workers, stitched and soldered on the very same machines. It was in Cavite that I finally found a piece of unswathed space, and I found it, oddly enough, in a Nike shoe factory.

I was only permitted one visit inside the zone's gates to interview officials — individual factories, I was told, are off limits to anyone but potential importers or exporters. But a few days later, with the help of an eighteen-year-old worker who had been laid off from his job in an electronics factory, I managed to sneak back to get the unofficial tour. In the rows of virtually identical giant shed-like structures, one factory stood out: the name on the white rectangular building said "Philips," but through its surrounding fence I could see mountains of Nike shoes piled high. It seems that in Cavite, production has been banished to our age's most worthless status: its factories are unbrandable, unswathworthy; producers are the industrial untouchables. Is this what Phil Knight meant, I wondered, when he said his company wasn't about the sneakers?

Manufacturing is concentrated and isolated inside the zone as if it were toxic waste: pure, 100 percent production at low, low prices. Cavite, like the rest of the zones that compete with it, presents itself as the buy-in-bulk Price Club for multinationals on the lookout for bargains — grab a really big shopping cart. Inside, it's obvious that the row of factories, each with its own gate and guard, has been carefully planned to squeeze the maximum amount of production out of this swath of land. Windowless workshops

made of cheap plastic and aluminum siding are crammed in next to each other, only feet apart. Racks of time cards bake in the sun, making sure the maximum amount of work is extracted from each worker, the maximum number of working hours extracted from each day. The streets in the zone are eerily empty, and open doors — the ventilation system for most factories — reveal lines of young women hunched in silence over clamoring machines.

In other parts of the world, workers live inside the economic zones, but not in Cavite: this is a place of pure work. All the bustle and color of Rosario abruptly stops at the gates, where workers must show their ID cards to armed guards in order to get inside. Visitors are rarely permitted in the zone and little or no internal commerce takes place on its orderly streets, not even candy and drink vending. Buses and taxicabs must drop their speed and silence their horns when they get into the zone — a marked change from the boisterous streets of Rosario. If all of this makes Cavite feel as if it's in a different country, that's because, in a way, it is. The zone is a tax-free economy, sealed off from the local government of both town and province — a miniature military state inside a democracy.

As a concept, free-trade zones are as old as commerce itself, and were all the more relevant in ancient times when the transportation of goods required multiple holdovers and rest stops. Pre-Roman Empire city-states, including Tyre, Carthage and Utica, encouraged trade by declaring themselves "free cities," where goods in transit could be stored without tax, and merchants would be protected from harm. These tax-free areas developed further economic significance during colonial times, when entire cities — including Hong Kong, Singapore and Gibraltar — were designated as "free ports" from which the loot of colonialism could be safely shipped back to England, Europe or America with low import tariffs.<sup>22</sup> Today, the globe is dotted with variations on these tax-free pockets, from duty-free shops in airports and the free banking zones of the Cayman Islands to bonded warehouses and ports where goods in transit are held, sorted and packaged.

Though it has plenty in common with these other tax havens, the export processing zone is really in a class of its own. Less holding tank than sovereign territory, the EPZ is an area where goods don't just pass through but are actually manufactured, an area, furthermore, where there are no import and

export duties, and often no income or property taxes either. The idea that EPZs could help Third World economies first gained currency in 1964 when the United Nations Economic and Social Council adopted a resolution endorsing the zones as a means of promoting trade with developing nations. The idea didn't really get off the ground, however, until the early eighties, when India introduced a five-year tax break for companies manufacturing in its low-wage zones.

Since then, the free-trade-zone industry has exploded. There are fifty-two economic zones in the Philippines alone, employing 459,000 people — that's up from only 23,000 zone workers in 1986 and 229,000 as recently as 1994. The largest zone economy is China, where by conservative estimates there are 18 million people in 124 export processing zones.<sup>23</sup> In total, the International Labor Organization says that there are at least 850 EPZs in the world, but that number is likely much closer to 1,000, spread through seventy countries and employing roughly 27 million workers.<sup>24</sup> The World Trade Organization estimates that between \$200 and \$250 billion worth of trade flows through the zones.<sup>25</sup> The number of individual factories housed inside these industrial parks is also expanding. In fact, the free-trade factories along the U.S.-Mexico border — in Spanish, *maquiladoras* (from *maquillar*, "to make up, or assemble") — are probably the only structures that proliferate as quickly as Wal-Mart outlets: there were 789 *maquiladoras* in 1985. In 1995, there were 2,747. By 1997, there were 3,508 employing about 900,000 workers.<sup>26</sup>

Regardless of where the EPZs are located, the workers' stories have a certain mesmerizing sameness: the workday is long — fourteen hours in Sri Lanka, twelve hours in Indonesia, sixteen in Southern China, twelve in the Philippines. The vast majority of the workers are women, always young, always working for contractors or subcontractors from Korea, Taiwan or Hong Kong. The contractors are usually filling orders for companies based in the U.S., Britain, Japan, Germany or Canada. The management is military-style, the supervisors often abusive, the wages below subsistence and the work low-skill and tedious. As an economic model, today's export processing zones have more in common with fast-food franchises than sustainable developments, so removed are they from the countries that host them. These pockets of pure industry hide behind a cloak of transience: the contracts

come and go with little notice; the workers are predominantly migrants, far from home and with little connection to the city or province where zones are located; the work itself is short-term, often not renewed.

As I walk along the blank streets of Cavite, I can feel the threatening impermanence, the underlying instability of the zone. The shed-like factories are connected so tenuously to the surrounding country, to the adjacent town, to the very earth they are perched upon, that it feels as if the jobs that flew here from the North could fly away again just as quickly. The factories are cheaply constructed and tossed together on land that is rented, not owned. When I climb up the water tower on the edge of the zone and look down at the hundreds of factories, it seems as if the whole cardboard complex could lift up and blow away, like Dorothy's house in *The Wizard of Oz*. No wonder the EPZ factories in Guatemala are called "swallows."

Fear pervades the zones. The governments are afraid of losing their foreign factories; the factories are afraid of losing their brand-name buyers; and the workers are afraid of losing their unstable jobs. These are factories built not on land but on air.

#### "It Should Have Been a Different Rosario"

The air the export processing zones are built upon is the promise of industrialization. The theory behind EPZs is that they will attract foreign investors, who, if all goes well, will decide to stay in the country, and the zones' segregated assembly lines will turn into lasting development: technology transfers and domestic industries. To lure the swallows into this clever trap, the governments of poor countries offer tax breaks, lax regulations and the services of a military willing and able to crush labor unrest. To sweeten the pot further, they put their own people on the auction block, falling over each other to offer up the lowest minimum wage, allowing workers to be paid less than the real cost of living.

In Cavite, the economic zone is designed as a fantasyland for foreign investors. Golf courses, executive clubs and private schools have been built on the outskirts of Rosario to ease the discomforts of Third World life. Rent for factories is dirt cheap: 11 pesos per square foot — less than a cent. For the first five years of their stay, corporations are treated to an all-expenses-paid

"tax holiday" during which they pay no income tax and no property tax. It's a good deal, no doubt, but it's nothing compared to Sri Lanka, where EPZ investors stay for ten years before having to pay any tax.<sup>27</sup>

The phrase "tax holiday" is oddly fitting. For the investors, free-trade zones are a sort of corporate Club Med, where the hotel pays for everything and the guests live free, and where integration with the local culture and economy is kept to a bare minimum. As one International Labor Organization report puts it, the EPZ "is to the inexperienced foreign investor what the package holiday is to the cautious tourist." Zero-risk globalization. Companies just ship in the pieces of cloth or computer parts — free of import tax — and the cheap, non-union workforce assembles it for them. Then the finished garments or electronics are shipped back out, with no export tax.

The rationale goes something like this: *of course* companies must pay taxes and strictly abide by national laws, but just in this one case, on this one specific piece of land, for just a little while, an exception will be made — for the cause of future prosperity. The EPZs, therefore, exist within a kind of legal and economic set of brackets, apart from the rest of their countries — the Cavite zone, for example, is under the sole jurisdiction of the Philippines' federal Department of Trade and Industry; the local police and municipal government have no right even to cross the threshold. The layers of blockades serve a dual purpose: to keep the hordes away from the costly goods being manufactured inside the zone, but also, and perhaps more important, to shield the country from what is going on inside the zone.

Because such sweet deals have been laid out to entice the swallows, the barriers around the zone serve to reinforce the idea that what is happening inside is only temporary, or is not really happening at all. This collective denial is particularly important in Communist countries where zones house the most Wild West forms of capitalism this side of Moscow: this is *definitely* not really happening, *certainly* not here where the government in power maintains that capital is the devil and workers reign supreme. In her book *Losing Control?*, Saskia Sassen writes that the zones are a part of a process of carving up nations so that "an actual piece of land becomes denationalized...."<sup>28</sup> Never mind that the boundaries of these only-temporary, not-really-happening, denationalized spaces keep expanding to engulf more and



more of their actual nations. Twenty-seven million people worldwide are now living and working in brackets, and the brackets, instead of being slowly removed, just keep getting wider.

It is one of the zones' many cruel ironies that every incentive the governments throw in to attract the multinationals only reinforces the sense that the companies are economic tourists rather than long-term investors. It's a classic vicious cycle: in an attempt to alleviate poverty, the governments offer more and more incentives; but then the EPZs must be cordoned off like leper colonies, and the more they are cordoned off, the more the factories appear to exist in a world entirely separate from the host country, and outside the zone the poverty only grows more desperate. In Cavite, the zone is a kind of futuristic industrial suburbia where everything is ordered; the workers are uniformed, the grass manicured, the factories regimented. There are cute signs all around the grounds instructing workers to "Keep Our Zone Clean" and "Promote Peace and Progress of the Philippines." But walk out of the gate and the bubble bursts. Aside from the swarms of workers at the start and end of shifts, you'd never know that the town of Rosario is home to more than two hundred factories. The roads are a mess, running water is scarce and garbage is overflowing.

Many of the workers live in shantytowns on the outskirts of town and in neighboring villages. Others, particularly the youngest workers, live in the dormitories, a hodgepodge of concrete bunkers separated from the zone enclave by only a thick wall. The structure is actually a converted farm, and some rooms, the workers tell me, are really pigpens with roofs slapped on them.

The Philippines' experience of "industrialization in brackets" is by no means unique. The current mania for the EPZ model is based on the successes of the so-called Asian Tiger economies, in particular the economies of South Korea and Taiwan. When only a few countries had the zones, including South Korea and Taiwan, wages rose steadily, technology transfers occurred and taxes were gradually introduced. But as critics of EPZs are quick to point out, the global economy has become much more competitive since those countries made the transition from low-wage industries to higher-skill ones. Today, with seventy countries competing for the export-

processing-zone dollar, the incentives to lure investors are increasing and the wages and standards are being held hostage to the threat of departure. The upshot is that entire countries are being turned into industrial slums and low-wage labor ghettos, with no end in sight. As Cuban president Fidel Castro thundered to the assembled world leaders at the World Trade Organization's fiftieth-birthday celebration in May 1998, "What are we going to live on?... What industrial production will be left for us? Only low-tech, labor-intensive and highly contaminating ones? Do they perhaps want to turn a large part of the Third World into a huge free trade zone full of assembly plants which don't even pay taxes?"<sup>29</sup>

As bad as the situation is in Cavite, it doesn't begin to compare with Sri Lanka, where extended tax holidays mean that towns can't even provide public transportation for EPZ workers. The roads they walk to and from the factories are dark and dangerous, since there is no money for streetlights. Dormitory rooms are so overcrowded that they have white lines painted on the floor to mark where each worker sleeps—they "look like car parks," as one journalist observed.<sup>30</sup>

Jose Ricalafrente has the dubious honor of being mayor of Rosario. I met with him in his small office, while a lineup of needy people waited outside. A once-modest fishing village, his town today has the highest per capita investment in all of the Philippines—thanks to the Cavite zone—but it lacks even the basic resources to clean up the mess that the factories create in the community. Rosario has all the problems of industrialization—pollution, an exploding population of migrant workers, increased crime, rivers of sewage—without any of the benefits. The federal government estimates that only 30 of the zone's 207 factories pay any taxes at all, but everybody else questions even that low figure. The mayor says that many companies are granted extensions of their tax holiday, or they close and reopen under another name, then take the free ride all over again. "They fold up before the tax holiday expires, then they incorporate to another company, just to avoid payment of taxes. They don't pay anything to the government, so we're in a dilemma right now," Ricalafrente told me. A small man with a deep and powerful voice, Ricalafrente is loved by his constituents for the outspoken positions he took on

human rights and democracy during Ferdinand Marcos's brutal rule. But the day I met him, the mayor seemed exhausted, worn down by his powerlessness to affect the situation in his own backyard.<sup>31</sup> "We cannot even provide the basic services that our people expect from us," he said, with a sort of matter-of-fact rage. "We need water, we need roads, we need medical services, education. They expect us to deliver all of them at the same time, expecting that we've got money from taxes from the places inside the zone."

The mayor is convinced that there will always be a country — whether Vietnam, China, Sri Lanka or Mexico — that is willing to bid lower. And in the process, towns like Rosario will have sold out their people, compromised their education system and polluted their natural resources. "It should be a symbiotic relationship," Ricafrente says of foreign investment. "They derive income from us, so the government should also derive income from them.... It should have been a different Rosario."

#### Working in Brackets

So, if it's clear by now that the factories don't bring in taxes or create local infrastructures, and that the goods produced are all exported, why do countries like the Philippines still bend over backward to lure them inside their borders? The official reason is a trickle-down theory: these zones are job-creation programs and the income the workers earn will eventually fuel sustainable growth in the local economy.

The problem with this theory is that the zone wages are so low that workers spend most of their pay on shared dorm rooms and transportation; the rest goes to noodles and fried rice from vendors lined up outside the gate. Zone workers certainly cannot dream of affording the consumer goods they produce. These low wages are partly a result of the fierce competition for factories coming from other developing countries. But, above all, the government is extremely reluctant to enforce its own labor laws for fear of scaring away the swallows. So labor rights are under such severe assault inside the zones that there is little chance of workers earning enough to adequately feed themselves, let alone stimulate the local economy.

The Philippine government denies this, of course. It says that the zones are subject to the same labor standards as the rest of Philippine society: workers

must be paid the minimum wage, receive social security benefits, have some measure of job security, be dismissed only with just cause and be paid extra for overtime, and they have the right to form independent trade unions. But in reality, the government views working conditions in the export factories as a matter of foreign trade policy, not a labor-rights issue. And since the government attracted the foreign investors with promises of a cheap and docile workforce, it intends to deliver. For this reason, labor department officials turn a blind eye to violations in the zone or even facilitate them.

Many of the zone factories are run according to iron-fist rules that systematically break Philippine labor law. Some employers, for instance, keep bathrooms padlocked except during two fifteen-minute breaks, during which time all the workers have to sign in and out so management can keep track of their nonproductive time. Seamstresses at a factory sewing garments for the Gap, Guess and Old Navy told me that they sometimes have to resort to urinating in plastic bags under their machines. There are rules against talking, and at the Ju Young electronics factory, a rule against smiling. One factory shames those who disobey by posting a list of "The Most Talkative Workers."

Factories regularly cheat on their workers' social security payments and gather illegal "donations" from workers for everything from cleaning materials to factory Christmas parties. At a factory that makes IBM computer screens, the "bonus" for working hours of overtime isn't a higher hourly wage but doughnuts and a pen. Some owners expect workers to pull weeds from the ground on their way into the factory; others must clean the floors and the washrooms after their shifts end. Ventilation is poor and protective gear scarce.

Then there is the matter of wages. In the Cavite zone, the minimum wage is regarded more as a loose guideline than as a rigid law. If \$6 a day is too onerous, investors can apply to the government for a waiver on that too. So while some zone workers earn the minimum wage, most — thanks to the waivers — earn less.<sup>32</sup>

#### Not Low Enough: Squeezing Wages in China

Part of the reason the threat of factory flight is so tangible in Cavite is that compared with China, Filipino wages are very high. In fact, everyone's wages

are high compared with China. But what is truly remarkable about that is that the most egregious wage cheating goes on inside China itself.

Labor groups agree that a living wage for an assembly-line worker in China would be approximately US\$87 cents an hour. In the United States and Germany, where multinationals have closed down hundreds of domestic textile factories to move to zone production, garment workers are paid an average of US\$10 and \$18.50 an hour, respectively.<sup>33</sup> Yet even with these massive savings in labor costs, those who manufacture for the most prominent and richest brands in the world are still refusing to pay workers in China the 87 cents that would cover their cost of living, stave off illness and even allow them to send a little money home to their families. A 1998 study of brand-name manufacturing in the Chinese special economic zones found that Wal-Mart, Ralph Lauren, Ann Taylor, Esprit, Liz Claiborne, Kmart, Nike, Adidas, J.C. Penney and the Limited were only paying a fraction of that miserable 87 cents — some were paying as little as 13 cents an hour. (See Table 9.3, Appendix, page 474.)

The only way to understand how rich and supposedly law-abiding multinational corporations could regress to nineteenth-century levels of exploitation (and get caught repeatedly) is through the mechanics of subcontracting itself: at every layer of contracting, subcontracting and homework, the manufacturers bid against each other to drive down the price, and at every level the contractor and subcontractor exact their small profit. At the end of this bid-down, contract-out chain is the worker — often three or four times removed from the company that placed the original order — with a paycheck that has been trimmed at every turn. "When the multinationals squeeze the subcontractors, the subcontractors squeeze the workers," explains a 1997 report on Nike's and Reebok's Chinese shoe factories.<sup>34</sup>

#### "No Union, No Strike"

A large sign is posted at a central intersection in the Cavite Export Processing Zone: "DO NOT LISTEN TO AGITATORS AND TROUBLE MAKERS." The words are in English, painted in bright red capital letters and everyone knows what they mean. Although trade unions are technically legal in the Philippines, there is a widely understood — if unwritten — "no union, no

strike" policy inside the zones. As the sign suggests, workers who do attempt to organize unions in their factories are viewed as troublemakers, and often face threats and intimidation.

One of the reasons I went to Cavite is that I had heard this zone was a hotbed of "troublemaking," thanks to a newly formed organization called the Workers' Assistance Center. Attached to Rosario's Catholic church only a few blocks from the zone's entrance, the center is trying to break through the wall of fear that surrounds free-trade zones in the Philippines. Slowly, they have been collecting information about working conditions inside the zone. Nida Barceñas, one of the organizers at the center, told me, "At first, I used to have to follow workers home and beg them to talk to me. They were so scared — their families said I was a troublemaker." But after the center had been up and running for a year, the zone workers flocked there after their shifts — to hang out, eat dinner and attend seminars. I had heard about the center back in Toronto, told by several international labor experts that the research and organizing on free-trade zones coming out of this little barebones operation is among the most advanced being done anywhere in Asia.

The Workers' Assistance Center, known as WAC, was founded to support the factory workers' constitutional right to fight for better conditions — zone or no zone. Zeman Toledo is the center's most intense and radical organizer, and though he is only twenty-five and looks like a college student, he runs the center's affairs with all the discipline of a revolutionary cell. "Outside the zone, workers are free to organize a union, but inside they cannot stage pickets or have demonstrations," Toledo told me in my two-hour "orientation session" at the center. "Group discussions in the factories are prohibited and we cannot enter the zone," he said, pointing to a diagram of the zone layout hanging on the wall.<sup>35</sup> This catch-22 exists throughout the quasi-private zones. As the International Confederation of Free Trade Unions report puts it: "The workers are effectively living in 'lawless' territory where to defend their rights and interests they are constantly forced to take 'illegal' action themselves."<sup>36</sup>

In the Philippines, the zone's culture of incentives and exceptions, which was intended to be phased out as the foreign companies joined the national economy, has had the opposite effect. Not only have new swallows landed,

but unionized factories already in the country have shut themselves down and reopened inside the Cavite Export Processing Zone in order to take advantage of all the incentives. For instance, Marks & Spencer goods used to be manufactured in a unionized factory north of Manila. "It only took ten trucks to bring Marks & Spencer to Cavite," a labor organizer in the area told me. "The union was eliminated."

Cavite is by no means exceptional in this regard. Union organizing is a source of great fear throughout the zones, where a successful drive can have dire consequences for both organizers and workers. That was the lesson learned in December 1998, when the American shirtmaker Phillips-Van Heusen closed down the only unionized export apparel factory in all of Guatemala, laying off five hundred workers. The Camisas Modemas plant was unionized in 1997, after a long and bitter organizing drive and significant pressure placed on the company by U.S. human-rights groups. With the union, wages went up from US\$56 a week to \$71 and the previously squalid factory was cleaned up. Jay Mazur, president of the Union of Needletrades, Industrial and Textile Employees (UNITE) — America's largest apparel union — called the contract "a beacon of hope for more than 80,000 maquiladora workers in Guatemala."<sup>37</sup> When the factory closed, however, the beacon of hope turned into a flashing red danger signal, reinforcing the familiar warning: no union, no strike.

Patriotism and national duty are bound up in the exploitation of the export zones, with young people — mostly women — sent off to sweatshop factories the way a previous generation of young men were sent off to war. No questioning of authority is expected or permitted. In some Central American and Asian EPZs, strikes are officially illegal; in Sri Lanka, it is illegal to do anything at all that might jeopardize the country's export earnings, including publishing and distributing critical material.<sup>38</sup> In 1993, a Sri Lankan zone worker by the name of Ranjith Mudiyansele was killed for appearing to challenge this policy. After complaining about a faulty machine that had sliced off a co-worker's finger, Mudiyansele was abducted on his way out of an inquiry into the incident. His body was found beaten and burning on a pile of old tires outside a local church. The man's

legal adviser, who had accompanied him to the inquiry, was murdered in the same way.<sup>39</sup>

Despite the constant threat of retaliation, the Workers' Assistance Center has made some modest attempts to organize unions inside the Cavite zone factories, with varying degrees of success. For instance, when a drive was undertaken at the All Asia garment factory, the organizers came up against a very challenging obstacle: worker exhaustion. The biggest complaint among the All Asia seamstresses who stitch clothes for Ellen Tracy and Sassoon is forced overtime. Regular shifts last from 7 a.m. to 10 p.m., but on a few nights a week employees must work "late" — until 2 a.m. During peak periods, it is not uncommon to work two 2 a.m. shifts in a row, leaving many women only a couple of hours of sleep before they have to start their commute back to the factory. But that also means most All Asia workers spend their precious thirty-minute breaks at the factory napping, not talking about unions. "I have a hard time talking with the workers because the workers are always very sleepy," a mother of four tells me, explaining why she has had no luck in her attempts to bring a union to the All Asia factory. She has been with the company for four years and still lacks basic job security and health insurance.

Work in the zone is characterized by this brutal combination of tremendous intensity and nonexistent job security. Everyone works six or seven days a week, and when a big order is due to be shipped out, employees work until it is done. Most workers want some overtime hours because they need the money, but the overnight shifts are widely considered a burden. Refusing to stay, however, is not an option. For instance, according to the official rule book of the Philips factory (a contractor that has filled orders for both Nike and Reebok), "Refusal to render overtime work when so required" is an offense "punishable with dismissal." The same is true at all the factories I encountered, and there are many reports of workers asking to leave early — before 2 a.m., for instance — and being told not to return to work the next day.

Overtime horror stories pour out of the export processing zones, regardless of location: in China, there are documented cases of three-day shifts, when workers are forced to sleep under their machines. Contractors often face heavy

financial penalties if they fail to deliver on time, no matter how unreasonable the deadline. In Honduras, when filling out a particularly large order on a tight deadline, factory managers have been reported injecting workers with amphetamines to keep them going on forty-eight-hour marathons.<sup>40</sup>

#### What Happened to Carmelita ...

In Cavite, you can't talk about overtime without the conversation turning to Carmelita Alonzo, who died, according to her co-workers, "of overwork." Alonzo, I was told again and again — by groups of workers gathered at the Workers' Assistance Center and by individual workers in one-on-one interviews — was a seamstress at the V.T. Fashions factory, stitching clothes for the Gap and Liz Claiborne, among many other labels. All of the workers I spoke with urgently wanted me to know how this tragedy happened so that I could explain it to "the people in Canada who buy these products." Carmelita Alonzo's death occurred following a long stretch of overnight shifts during a particularly heavy peak season. "There were a lot of products for ship-out and no one was allowed to go home," recalls Josie, whose denim factory is owned by the same firm as Carmelita's, and who also faced large orders at that time. "In February, the line leader had overnights almost every night for one week." Not only had Alonzo been working those shifts, but she had a two-hour commute to get back to her family. Suffering from pneumonia — a common illness in factories that are suffocatingly hot during the day but fill with condensation at night — she asked her manager for time off to recover. She was denied. Alonzo was eventually admitted to hospital, where she died on March 8, 1997 — International Women's Day.

I asked a group of workers gathered late one evening around the long table at the center how they felt about what happened to Carmelita. The answers were confused at first. "Feel? But Carmelita is us." But then Salvador, a sweet-faced twenty-two-year-old from a toy factory, said something that made all of his co-workers nod in vigorous agreement. "Carmelita died because of working overtime. It is possible to happen to any one of us," he explained, the words oddly incongruous with his pale blue *Beverly Hills* 90210 T-shirt.

Much of the overtime stress could be alleviated if the factories would just hire more workers and create two shorter shifts. But why should they? The government official appointed to oversee the zone isn't interested in taking on the factory owners and managers about the overtime violations. Raymondo Nagrampa, the zone administrator, acknowledged that it would certainly be better if the factories hired more people for fewer hours, but, he told me, "I think I will leave that. I think this is more of a management decision."

For their part, the factory owners are in no rush to expand the size of their workforce, because after a big order is filled there could be a dry spell and they don't want to be stuck with more employees than work. Since following Philippine labor law is "a management decision," most decide that it is more convenient for management to have one pool of workers who are simply forced to work more hours when there is more work and fewer when there is less of it. And this is the flip side of the overtime equation: when a factory is experiencing a lull in orders or a shipment of supplies has been delayed, workers are sent home without pay, sometimes for a week at a time. The group of workers gathered around the table at the Workers' Assistance Center burst out laughing when I asked them about job security or a guaranteed number of working hours. "No work, no pay!" the young men and women exclaim in unison.

The "no work, no pay" rule applies to all workers, contract or "regular." Contracts, when they exist, last only five months or less, after which time workers have to "recontract." Many of the factory workers in Cavite are actually hired through an employment agency, inside the zone walls, that collects their checks and takes a cut — a temp agency for factory workers, in other words, and one more level in the multiple-level system that lives off their labor. Management uses a variety of tricks in the different zones to keep employees from achieving permanent status and collecting the accompanying rights and benefits. In the Central American maquiladoras, it is a common practice for factories to fire workers at the end of the year and rehire them a few weeks later so that they don't have to grant them permanent status; in the Thai zones, the same practice is known as "hire and fire."<sup>41</sup> In China, many workers in the zones have no contracts at all, which leaves them without any rights or recourse whatsoever.<sup>42</sup>

It is in this casual new relationship to factory employment that the EPZ system breaks down completely. In principle, the zones are an ingenious mechanism for global wealth redistribution. Yes, they lure jobs from the North, but few fair-minded observers would deny the proposition that as industrialized nations shift to higher-tech economies, it is only a matter of global justice that the jobs upon which our middle classes were built should be shared with countries still enslaved by poverty. The problem is that the workers in Cavite, and in zones throughout Asia and Latin America, are not inheriting "our" jobs at all. Gerard Greenfield, former research director of the Asian Monitoring and Resource Centre in Hong Kong, says, "One of the myths of relocation is that those jobs that seemed to be transferred from the so-called North to the South are perceived as similar jobs to what was already being done before." They are not. Just as company-owned manufacturing turned — somewhere over the Pacific Ocean — into "orders" to be placed with third-party contractors, so did full-time employment undergo a mid-flight transformation into "contracts." "The biggest challenge to those in Asia," says Greenfield, "is that the new employment created by Western and Asian multinationals investing in Asia is temporary and short-term employment."<sup>43</sup>

In fact, zone workers in many parts of Asia, the Caribbean and Central America have more in common with office-temp workers in North America and Europe than they do with factory workers in those Northern countries. What is happening in the EPZs is a radical alteration in the very nature of factory work. That was the conclusion of a 1996 study conducted by the International Labor Organization, which stated that the dramatic relocation of production in the garment and shoe industries "has been accompanied by a parallel shift of production from the formal to the informal sector in many countries, with generally negative consequences on wage levels and conditions of work." Employment in these sectors, the study went on, has shifted from "full-time in-plant jobs to part-time and temporary jobs and, especially in clothing and footwear, increasing resort to homework and small shops."<sup>44</sup>

Indeed, this is not simply a job-flight story.

### A Floating Workforce

On my last night in Cavite, I met a group of six teenage girls in the workers' dormitories who shared a six-by-eight-foot concrete room: four slept on the makeshift bunk bed (two to a bed), the other two on mats spread on the floor. The girls who made Aztek, Apple and IBM CD-ROM drives shared the top bunk; the ones who sewed Gap clothing, the bottom. All were the children of farmers, away from their families for the first time.

Their jam-packed shoebox of a home had the air of an apocalyptic slumber party — part prison cell, part *Sixteen Candles*. It may have been a converted pigsty, but these were sixteen-year-old girls, and like teenage girls the world over they had covered the gray, stained walls with pictures: of fluffy animals, Filipino action-movie stars, and glossy magazine ads of women modeling lacy bras and underwear. After a little while, serious talk of working conditions erupted into fits of giggles and hiding under bedcovers. It seems that my questions reminded two of the girls of a crush they had on a labor organizer who had recently given a seminar at the Workers' Assistance Center on the risks of infertility from working with hazardous chemicals.

Were they worried about infertility?

"Oh, yes. Very worried now."

All through the Asian zones, the roads are lined with teenage girls in blue shirts, holding hands with their friends and carrying umbrellas to shield them from the sun. They look like students coming home from school. In Cavite, as elsewhere, the vast majority of workers are unmarried women between the ages of seventeen and twenty-five. Like the girls in the dorms, roughly 80 percent of the workers have migrated from other provinces of the Philippines to work in the factories — a mere 5 percent are native to the town of Rosario. Like the swallow factories, they too are only tenuously connected to this place.

Raymondo Nagrampa, the zone administrator, says migrants are recruited for the zone to compensate for something innate in "the Cavite character," something that makes local people unfit to work in the factories situated near their homes. "I don't mean any offense to the Cavite personality," he explained, in his spacious air-conditioned office. "But from what I gather, this particular character is not suited for the factory life — they'd rather go

into something quickly. They do not have the patience to be right there in the factory line." Nagrampa attributes this to the fact that Rosario is so close to Manila "and so we can say that the Cavitenians are not running scared with regard to getting some income for their daily subsistence...."

"But in the case of those from the provinces, from the lower areas, they are not exposed to the big-city lifestyle. They feel more comfortable just working in the factory line, for, after all, this is a marked improvement from the farm work that they've been accustomed to, where they were exposed to the sun. To them, for the lowly province rural worker, working inside an enclosed factory is better off than being outside."

I asked dozens of zone workers—all of them migrants from rural areas—about what Raymondo Nagrampa had said. Every one of them responded with outrage.

"It's not human!" exclaimed Rosalie, a teenager whose job is installing the "backlights" in IBM computer screens. "Our rights are being trampled and Mr. Nagrampa says that because he has not experienced working in a factory and the conditions inside."

Salvador, in his 90210 T-shirt, was beside himself: "Mr. Nagrampa earns a lot of money and he has an air-conditioned room and his own car, so of course he would say that we prefer this work—it is beneficial to him, but not to us.... Working on the farm is difficult, yes, but there we have our family and friends and instead of always eating dried fish, we have fresh food to eat."

His words clearly struck a chord with a homesick Rosalie: "I want to be together with my family in the province," she said quietly, looking even younger than her nineteen years. "It's better there because when I get sick, my parents are there, but here there is no one to take care of me."

Many other rural workers told me that they would have stayed home if they could, but the choice was made for them: most of their families had lost their farms, displaced by golf courses, botched land-reform laws and more export processing zones. Others said that the only reason they came to Cavite was that when the zone recruiters came to their villages, they promised that workers would earn enough in the factories to send money home to their impoverished families. The same inducement had been offered

to other girls their age, they told me, to go to Manila to work in the sex trade.

Several more young women wanted to tell me about those promises, too. The problem, they said, is that no matter how long they work in the zone, there is never more than a few pesos left over to send home. "If we had land we would just stay there to cultivate the land for our needs," Raquel, a teenage girl from one of the garment factories, told me. "But we are landless, so we have no choice but to work in the economic zone even though it is very hard and the situation here is very unfair. The recruiters said we would get a high income, but in my experience, instead of sending my parents money, I cannot maintain even my own expenses."

So the workers in Cavite have lost on all counts: they are penniless and homeless. It's a potent combination. In the dormitories, sleep deprivation, malnutrition and homesickness mingle to create an atmosphere of deep disorientation. "We are alien in the factories. We are also alien in the boarding-house because we all come from faraway provinces," Liza, an electronics worker, told me. "We are strangers here."

Cecille Tuico, one of the organizers at the Workers' Assistance Center, was listening in on the conversation. After the workers left to make their way through Rosario's dark streets and back to the dormitories, she pointed out that the alienation the workers so poignantly describe is precisely what the employers look for when they seek out migrants instead of locals to work in the zone. With the same muted, matter-of-fact anger I have come to recognize in so many Filipino human-rights activists, Tuico said that the factory managers prefer young women who are far from home and have not finished high school, because "they are scared and uneducated about their rights."

#### The Zones' Other Product: A New Kind of Factory Worker

Their naiveté and insecurity undoubtedly make discipline easier for factory managers, but younger workers are preferred for other reasons, too. Women are often fired from their zone jobs in their mid-twenties, told by supervisors that they are "too old," and that their fingers are no longer sufficiently nimble. This practice is a highly effective way of minimizing the number of mothers on the company payroll.

In Cavite, the workers tell me stories about pregnant women forced to work until 2 a.m., even after pleading with the supervisor; of women who work in the ironing section giving birth to babies with burns on their skin; of women who mold the plastic for cordless phones giving birth to stillborn infants. The evidence I hear in Cavite is anecdotal, told to me quietly and urgently by women with the same terrified expression I saw when conversation turned to Carmelita Alonzo. Some of the stories are certainly apocryphal — fear-fueled zone legends — but the abuse of pregnant women in export processing zones is also well documented and the problem reaches far beyond Cavite.

Because most zone employers want to avoid paying benefits, assigning workers to a predictable schedule or offering any job security, motherhood has become the scourge of these pink-collar zones. A study by Human Rights Watch that has become the basis for a grievance under the NAFTA side agreement on labor found that women applying for jobs in the Mexican maquiladoras routinely had to undergo pregnancy tests. The study, which implicates such investors in the zones as Zenith, Panasonic, General Electric, General Motors and Fruit of the Loom, found that “pregnant women are denied hiring. Moreover, maquiladora employers sometimes mistreat and discharge pregnant employees.”<sup>45</sup> The researchers uncovered mistreatment designed to encourage workers to resign: pregnant women were required to work the night shift, or to take on exceptionally long hours of unpaid overtime and physically strenuous tasks. They were also refused time off work to go to the doctor, a practice that has led to on-the-job miscarriages. “In this way,” the study reports, “a pregnant worker is forced to choose between having a healthy, full-term pregnancy and keeping her job.”<sup>46</sup>

Other methods of sidestepping the costs and responsibilities of employing workers with children are reported on a more haphazard basis throughout the zones. In Honduras and El Salvador the garbage dumps in the zones are littered with empty packets of contraceptive pills that are reportedly passed out on the factory floor. In the Honduran zones there have been reports of management forcing workers to have abortions. At some Mexican maquiladoras, women are required to prove they are menstruating through such humiliating practices as monthly sanitary-pad checks. Employees are kept on twenty-

eight-day contracts — the length of the average menstrual cycle — making it easy, as soon as a pregnancy comes to light, for the worker to be dismissed.<sup>47</sup> In a Sri Lankan zone, one worker was reported to be so terrified of losing her job after giving birth that she drowned her newborn baby in a toilet.<sup>48</sup>

The widespread assault on women’s reproductive freedoms in the zones is the most brutal expression of the failure on the part of many consumer-goods corporations to live up to their traditional role as mass employers. Today’s “new deal” with workers is a non-deal; one-time manufacturers, turned marketing mavens, are so resolutely intent on evading any and all commitments that they are creating a workforce of childless women, a system of footloose factories employing footloose workers. In a letter to Human Rights Watch explaining why it discriminated against pregnant women in the maquiladoras, General Motors stated plainly that it “will not hire female job applicants found to be pregnant” in an effort to avoid “substantial financial liabilities imposed by the Mexican social security system.”<sup>49</sup> Since the critical report was published, GM has changed the policy. It remains, however, a stark contrast to the days when the company made it a banner policy that the adult men working in its auto plants should earn enough not only to support a family of four but to drive them around in a GM car or truck. General Motors has cut about 82,000 jobs in the U.S. since 1991 and expects to cut another 40,000 by the year 2003, moving production to the maquiladoras and their clones around the globe.<sup>50</sup> A far cry from those days when it proudly proclaimed, “What’s good for General Motors is good for the country.”

### Migrant Factories

Within this reengineered system, the workers aren’t the only ones on a day pass. The swallow factories that employ them have been built to maximize flexibility: to follow the tax breaks and incentives, to bend with the currency devaluations and benefit by the strict rule of dictators. In North America and Europe, job flight is a threat with which workers have become all too familiar. A study commissioned by the NAFTA labor commission found that in the United States, between 1993 and 1995, “employers threatened to close the plant in 50 percent of all union certification elections.... Specific, unambiguous threats ranged from attaching shipping labels to equipment



throughout the plant with a Mexican address, to posting maps of North America with an arrow pointing from the current plant site to Mexico." The study found that the employers followed through on the threats, shutting down all or part of newly unionized plants, in 15 percent of these cases — triple the closing rate of the pre-NAFTA 1980s.<sup>51</sup> In China, Indonesia, India and the Philippines the threat of plant closure and job flight is even more powerful. Since the industries are quick to flee escalating wages, environmental regulation and taxes, factories are made to be mobile. Some of these swallow factories may well be on their third or even fourth flight, and as the history of subcontracting makes clear, they touch down more lightly at each new stop.

When the flying multinationals first landed in Taiwan, Korea and Japan, many of their factories were owned and operated by local contractors. In Pusan, South Korea, for instance — known during the eighties as "the sneaker capital of the world" — Korean entrepreneurs ran factories for Reebok, L.A. Gear and Nike. But when, in the late eighties, Korean workers began to rebel against their dollar-a-day wages and formed trade unions to fight for better conditions, the swallows once again took flight. Between 1987 and 1992, 30,000 factory jobs were lost in Korea's export processing zones, and in less than three years one-third of the shoe jobs had disappeared. The story is much the same in Taiwan. The migration patterns have been clearly documented with Reebok's manufacturers. In 1985, Reebok produced almost all its sneakers in South Korea and Taiwan and none in Indonesia and China. By 1995, nearly all those factories had flown out of Korea and Taiwan and 60 percent of Reebok's contracts had landed in Indonesia and China.<sup>52</sup>

But on this new leg of the journey, the factories were not owned by local Indonesian and Chinese contractors. Instead they were owned and run by the same Korean and Taiwanese companies that ran them before the move. When the multinationals pulled their orders from Korea and Taiwan, their contractors followed, closing up shop in their home countries and building the new factories in countries where labor was still cheap: China, Indonesia, Thailand and the Philippines. One of these contractors — the largest single supplier for Reebok, Adidas and Nike — is a Taiwanese-owned company called Yue Yuen. Yue Yuen has closed most of its factories in its homeland of

Taiwan and chased the low wages to China, where it employs 54,000 people in a single factory complex. For Chi Neng Tsai, one of the company's owners, it simply makes good business sense to go where the workers are hungry: "Thirty years ago, when Taiwan was hungry, we also were more productive," he says.<sup>53</sup>

Taiwanese and Korean bosses are uniquely positioned to exploit this hunger: they can tell workers from personal experience what happens when unions come in and wages go up. And maintaining contractors who have had the rug pulled out from under them once before is a stroke of management genius on the part of the Western multinationals. What better way to keep costs down than to make yesterday's casualties today's wardens?

It is a system that doesn't do much for the sense of stability in Cavite, or for the Philippine economy in general, which is already unusually vulnerable to global forces, since the majority of its companies are owned by foreign investors. As Filipino economist Antonio Tujan told me, "The contractors have displaced the Filipino middleman."<sup>54</sup> In fact, Tujan, the director of a Manila-based think tank highly critical of Philippine economic policy, corrects me when I refer to the buildings I saw inside the Cavite Export Processing Zone as "factories." They aren't factories, he says, "they are labor warehouses."

He explains that since all the materials are imported, nothing is actually manufactured in the factories, only assembled. (The components are manufactured in yet another country, where the workers are more highly skilled, though still cheaper than U.S. or European workers.) It's true, now that Tujan mentions it, that when I climbed up the water tower and looked down on the zone, part of what contributed to the unbearable lightness of Cavite was that apart from one incinerator, there were no smokestacks. That's a bonus for the air quality in Rosario but odd for an industrial park of Cavite's size. Neither was there any local rhyme or reason to what was being produced. When I walked the zone's freshly paved streets, I was surprised by the variety of manufacturing going on. Like most people, I had thought that Asian export zones were mostly filled with garment and electronics producers, but not Cavite: a factory making car seats sat next to one making sneakers, across the way from a factory with dozens of aluminum speedboats piled up by its gate. On

another street, the open doors of a factory revealed racks of dresses and jackets, right next to the plant where Salvador made novelty key chains and other small toys. "You see?" says Antonio Tujan. "We have a country whose industry is so deformed, so unbelievably mishmash, that it cannot exist by itself. It's all a myth, you know. They talk about industrialization in the context of globalization, but it's all a myth."

No wonder the promise of industrialization in Cavite feels more like a threat. The place is a development mirage.

### The Shoppers Take Flight

The fear that the flighty multinationals will once again pull their orders and migrate to more favorable conditions underlies everything that takes place in the zones. It makes for an odd dissonance: despite the fact that they have no local physical holdings — they don't own the buildings, land or equipment — brands like Nike, the Gap and IBM are omnipresent, invisibly pulling all the strings. They are so powerful as buyers that the hands-on involvement owning the factories would entail has come to look, from their perspective, like needless micromanagement. And because the actual owners and factory managers are completely dependent on their large contracts to make the machines run, workers are left in a uniquely weak bargaining position: you can't sit down and bargain with an order form. So even the classic Marxist division between workers and owners doesn't quite work in the zone, since the brand-name multinationals have divested the "means of production," to use Marx's phrase, unwilling to encumber themselves with the responsibilities of actually owning and managing the factories, and employing a labor force.

If anything, the multinationals have more power over production by not owning the factories. Like most committed shoppers, they see no need to concern themselves with how their bargains were produced — they simply pounce on them, keeping the suppliers on their toes by taking bids from slews of other contractors. One contractor, Young Il Kim of Guatemala, whose Sam Lucas factory produces clothing for Wal-Mart and J.C. Penney, says of his big-brand clients, "They're interested in a high-quality garment, fast delivery, and cheap sewing charges — and that's all."<sup>55</sup> In this cutthroat

context, each contractor swears he could deliver the goods cheaper if the brands would only start producing in Africa, Vietnam or Bangladesh, or if they would shift to homeworkers.

More blatantly, the power of the brands may occasionally be invoked to affect public policy in the countries where export zones are located. Companies or their emissaries may make public statements about how a raise in the legal minimum wage could price a certain Asian country "out of the market," as Nike's and Reebok's contractors have been quick to tell the Indonesian government whenever strikes get out of hand.<sup>56</sup> Calling a strike at a Nike factory "intolerable," Anton Supit, chairman of the Indonesian Footwear Association, which represents contractors for Nike, Reebok and Adidas, called on the Indonesian military to intervene. "If the authorities don't handle strikes, especially ones leading to violence and brutality, we will lose our foreign buyers. The government's income from exports will decrease and unemployment will worsen."<sup>57</sup> The corporate shoppers may also help draft international trade agreements to reduce quotas and tariffs, or even lobby a government directly to loosen regulations. In describing the conditions under which Nike decided to begin "sourcing" its shoes in China, for instance, company vice president David Chang explained that "one of the first things we told the Chinese was that their prices had to be more competitive with our other Far East sources because the cost of doing business in China was so enormous. ... The hope is for a 20 percent price advantage over Korea."<sup>58</sup> After all, what price-conscious consumer doesn't comparison shop? And if a shift to a more "competitive" country causes mass layoffs somewhere else in the world, that is somebody else's blood on somebody else's hands. As Levi's CEO Robert Haas said, "This is not a job-flight story."

Multinational corporations have vehemently defended themselves against the accusation that they are orchestrating a "race to the bottom" by claiming that their presence has helped to raise the standard of living in underdeveloped countries. As Nike CEO Phil Knight said in 1996, "For the past 25 years, Nike has provided good jobs, improved labor practices and raised standards of living wherever we operate."<sup>59</sup> Confronted with the starvation wages in Haiti, a Disney spokesperson told *The Globe and Mail*, "It's a process all

developing countries go through, like Japan and Korea, who were at this stage decades ago."<sup>60</sup> And there is no shortage of economists to spin the mounting revelations of corporate abuse, claiming that sweatshops are not a sign of eroded rights but a signal that prosperity is just around the corner. "My concern," said famed Harvard economist Jeffrey D. Sachs, "is not that there are too many sweatshops but that there are too few... those are precisely the jobs that were the stepping stones for Singapore and Hong Kong and those are the jobs that have to come to Africa to get them out of back-breaking rural poverty."<sup>61</sup> Sachs's colleague Paul Krugman concurred, arguing that in the developing world the choice is not between bad jobs and good jobs but between bad jobs and no jobs. "The overwhelming mainstream view among economists is that the growth of this kind of employment is tremendous good news for the world's poor."<sup>62</sup>

The no-pain-no-gain defense of sweatshops, however, took a severe beating when the currencies of those very countries supposedly benefiting most from this development model began crashing like cheap plates. First in Mexico, then Thailand, South Korea, the Philippines and Indonesia, workers were, and in many cases still are, bringing home minimum-wage paychecks worth less than when the "economic miracle" first came to bless their nations years ago. Nike's public-relations director, Vada Manager, used to claim that "the job opportunities that we have provided to women and men in developing economies like Vietnam and Indonesia have provided a bridge of opportunity for these individuals to have a much better quality of life,"<sup>63</sup> but by the winter of 1998, nobody knew better than Nike that that bridge had collapsed. With currency devaluation and soaring inflation, real wages in Nike's Indonesian factories fell by 45 percent in 1998.<sup>64</sup> In July of that year, Indonesian president B.J. Habibie urged his 200 million citizens to do their part to conserve the country's dwindling rice supply by fasting for two days out of each week, from dawn until dusk. Development built on starvation wages, far from kick-starting a steady improvement in conditions, has proved to be a case of one step forward, three steps back. And by early 1998 there were no more shining Asian Tigers to point to, and those corporations and economists that had mounted such a singular defense of sweatshops had had their arguments entirely discredited.

The fear of flying has been looming large in Cavite de late. The currency began its downward spiral a few weeks before I arrived, and since then conditions have only worsened. By early 1999, the price of basic commodities like cooking oil, sugar, chicken and soap had increased by as much as 36 percent from the year before. Paychecks that barely made ends meet now no longer accomplish even that. Workers who had begun to find the courage to stand up to management are now living not only under the threat of mass layoffs and factory flight but with the reality. In 1998, 3,072 businesses in the Philippines either closed down or scaled back operation — a 166 percent increase over the year before.<sup>65</sup> For its part, Nike has laid off 268 workers at the Philips factory, where I had seen, through the surrounding fence, the shoes lying in great piles. A few months later, in February 1999, Nike pulled out of two other Philippine factories as well, these ones located in the nearby Bataan export zone; 1,505 workers were affected by the closures.<sup>66</sup> But Phil Knight didn't have to do the dirty work himself — he just cut the orders and left the rest to the contractors. Like the factories themselves, these job losses went unswathed.

The transience woven into the fabric of free-trade zones is an extreme manifestation of the corporate divestment of the world of work, which is taking place at all levels of industry. Cavite may be capitalism's dream vacation, but casualization is a game that can be played at home, and contracting out, as *Business Week* reporter Aaron Bernstein has written, is trickling up. "While outsourcing started in manufacturing in the early 1980s, it has expanded through virtually every industry as companies rush to shed staff in everything from human resources to computer systems."<sup>67</sup> The same impetus that lies behind the brands-versus-products and contracts-versus-jobs conflict is fueling the move to temp, part-time, freelance and homework in North America and Europe, as we will see in the next chapter.

This is not a job-flight story. It is a flight-from-jobs story.

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