

International Solidarity against the Runaway Factory: On Labor's Tri-Continental Linkage in Tainan Enterprises Campaign¹

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Abstract:

Under the capitalist globalization, investments move to the developing countries, for the cheaper labor forces and loose enforcement of labor protection. To confront with that, the best facility is labor's international solidarity. This report takes Tainan Enterprises campaign as an example, explaining how workers could establish the triangular solidarity: organizing rank-and-file workers in the manufacturing countries, finding the weakness of the OEM suppliers in the middle to hit it, and pressuring the buyers with the consumer campaign in the West. And, what is to be done next for the still weak grassroots organizing of workers.

Keywords:

Tainan Enterprises, garment industry, industries' moving-out, El Salvador, sweatshop, international solidarity, Just Garments

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² Ching-Jen Labor Health & Safety Service Center was closed down in January, 2006. The international linkage of Ching-Jen was moved to Taiwan Labor Information & Education Association (TLIEA). –2007 footnote.

0. Foreword

It seems that in Central America, many labor campaigns come after earthquakes or volcano explosions. What we are going to tell you is not an exception.

During January and February 2001, severe earthquakes rocked the land of El Salvador. Many buildings collapsed and 1,168 people died. But workers in Taiwanese-invested Tainan Enterprises (TE) were not allowed to go home to see how their families had fared, because the management kept the plant operating and refused the workers emergency leave. Instead they had to stay on the shop floors where facilities had been affected by the earthquakes and posed dangers. Further more, the company's administration collected donations from TE laborers, but contributed it towards the relief of the earthquake victims in the name of the company only. Workers felt very angry due to the employers' pretentiousness.

At that time, two union representatives came out to express labor's disagreement with the abuses by the management. This opened the workers' struggle in Tainan Enterprises' campaign.

1. The background

1.1. Tainan Enterprises the typical Taiwanese company

Tainan Enterprises is a Taiwanese-owned garment factory, manufacturing for the big brands and retailers like Gap, Ann Taylor, Target, Kohl's and so on. It has other plants in Taiwan, Cambodia, China and Indonesia.³ TE began to invest in El Salvador in 2000. Tainan Enterprises in El Salvador (TE/ES) was located in the San Bartolo Free Trade Zone (FTZ) at Ilopango, a suburb of state capital, San Salvador. It had two plants called TS1 and TS2 inside the free trade zone. Before the dispute between the union and the management, it hired about 1,500 workers in total.

The textile and garment industry was once Taiwan's most important sector. It employed the most workers and earned the most foreign exchanges for Taiwan. But after the 1980s, more and more countries opted for an export-oriented economy. Huge amounts of workers poured into FTZs (or export-processing zones -EPZs; maquiladoras in Central America) to work on the production lines. Taiwan businessmen began to move out seeking cheaper labor forces and more (Multi-Fibre Arrangement) quotas that had already been filled in Taiwan, whose 'outward' capitals aimed firstly at China, secondly South East Asia, and a few went to Central America and Southern Africa.

³ Tainan Enterprises manufactures in Jordan since 2004 through indirect investment.



Plate 1. The front gate of San Bartolo Free Trade Zone.

Although TE is a public shareholding company, the company board and management is controlled by the Taiwanese Yang family, meaning that TE is run like a family business. TE factories in Taiwan are located in the countryside and EPZ far away from the influence of the labor movement. Nowadays the workers are middle-aged women. Despite some labor disputes, they never formed a union. Thus the management of TE never had to negotiate with organized labor. Later this revealed a shortcoming of TE when the El Salvador campaign had been launched; TE management had little idea about labor's right to freedom of association and collective bargaining.

1.2. Taiwan government

Besides TE, other Taiwanese companies have investments in Salvadoran FTZs, mostly garment factories. They went to Central America to take advantage of the Caribbean Basin Initiatives (CBI⁴) and other schemes that followed, to sell their products on the US market. Taiwan government also encourages them to go there, with incentives such as preferential loans and government subsidies.

Due to political isolation in international society, Taiwan only has formally diplomatic relations with few countries, most of them in Central America. Taiwan government tries all the ways to establish and maintain the formal relations, like economic aid and the encouragement of Taiwanese businessmen to invest in Central America. Ever since 1992, there have been numerous Taiwan governmental missions to Central America, including every year at least two led by Taiwan's President, Vice President or Prime Minister, accompanied by Taiwan capitalists. The Taiwan government facilitates outward investment to Central America to consolidate diplomatic relations there, and significantly, to reduce Taiwan's capital outflow into China.

⁴ The CBI was passed in 1983 by the US parliaments. The legislation, which sought to promote economic revitalization and to expand private sector opportunities in the Caribbean region, designated certain Caribbean and Central American countries eligible for duty-free exports to the US.

The first priority of Taiwan's diplomatic policy is to compete against the Chinese government. To this end Taiwan's diplomats foster friendships with the dominant blocs in Central America to keep the status quo. Unfortunately those blocs are controlled by guys who are usually right-wing conservatives with vested interests, and are unwilling to take care of the welfare of the peasants and workers. So it's not strange that Taiwan's embassies there dislike listening to labor demands and stand by their capitalists.

1.3. Taiwanese labor groups

In year 2000, a labor dispute broke out in Nicaragua. Workers in a Taiwanese-owned company, Nien-Hsing Textile, organized a union and tried to collectively bargain with the employers. In response the management fired the union's leaders and other selected members. Some concerned Taiwan labor groups and individuals established a temporary collation called Taiwan Solidarity with Nicaraguan Workers (TSNW)⁵ to take part in an international campaign about the dispute.

After that it was felt necessary to establish more permanent co-operation. So TSNW transformed into Focus on Globalization (FoG), whose main components are Ching-Jen Labor Health & Safety Service Center, Coolloud Web, Asia-Pacific Labor Update (APLU), Linkage, Green Citizens Action Alliance, and individual activists such as Professor Chen Hsin-Hsing. FoG's focus was on cross-border campaigns and globalization issues.

1.4. The union

Due to the advice from a lawyer introduced by Taiwan Embassy, at the beginning when TE set the factories in El Salvador, it immediately contacted a labor federation FENASTRAS to establish a local branch inside the factories. FENASTRAS is a protection union, taking money from the employers to form a fake union that can legally prevent workers from organizing themselves. After the two union representatives, Joaquin Alas Salguero and Ruben Ulises Orellana, made demands for rank-and-file workers, they received no support from the union.

But the interesting thing is that they founded another federation STIT. After Salvadoran 12-year civil war, STIT was not operated any more in reality but it is still registered in the Ministry of Labor. Because it's very difficult to register a new union in El Salvador, they adopted the name STIT to set up a new local inside the factories, transforming the fake local into a genuine one.

⁵ For Nien-Hsing Nicaragua campaign, see http://www.catholic.org.tw/cicm/cicm_works/Chingjen/E5-01.htm.

2. The fight began

On 26 February, 2001, Joaquin and Ruben were fired by TE/ES. In response they made a complaint to Gap. TE/ES recognized them as employees on 19 March but still refused them to enter the factories, only paying their salaries at the main gate. In July, the Ministry of Labor recognized the STIT local in TE/ES. In order to press for the two leaders to enter the factories, STIT launched its first strike on 26 August. On 17 October, TE/ES announced worker suspensions in some sectors where were organized by STIT as a warning.

As a result of the interventions with the Salvadoran government by AFL-CIO, US/LEAP and other organizations, TE/ES signed an agreement with STIT to readmit the two union leaders on 30 November. After a short peace, more worker suspensions were imposed in March, 2001. In the same month, STIT had recruited enough members in TS2 (more than 50% plus one) and was qualified to demand collective bargaining. On 5 April, Donald Wu the Vice Chairman of TE announced more suspensions in TS2, arguing that the buyers had not placed enough orders and TE couldn't make profits in El Salvador. On 22 April, the suspensions extended to TS1.

STIT filed a request with the Ministry of Labor to negotiate a collective bargaining agreement on 18 April. The union had enrolled 250 members out of a total 400 workers in TS2. The next day the AFL-CIO together with FoG talked with representatives from TE Taiwan headquarters. TE representatives alleged that the suspensions were due to insufficient orders and the labor performance of Salvadoran workers couldn't meet management's expectations, which meant TE/ES couldn't make profits. TE told the delegates that the factories would only be closed temporarily and would rehire the workers once production resumed. But the business news sections of Taiwanese newspapers showed that the shutdown in El Salvador was forever and TE had prepared to ship all the machinery back to Taiwan.

It is most important to note that the main customers of TE denied that they had stopped placing orders with TE. And STIT found evidences to prove that the orders originally intended for El Salvador plants had been out-sourced. Taiwan groups also indicated some questionable items in TE's financial balance sheets⁶, showing that TE/ES was not unable to make profits. But TE intended to avoid collective bargaining with Salvadoran workers.

⁶ From the 2001 Annual Financial Report of TE, we found the 'profit' of the TE Indonesian Plant was MINUS 9,792,000 TWD (1USD = 34 or 35 TWD in 2001), and TE/ES was also MINUS 101,073,000 TWD in that year. But at the same time TE in Virgin Islands made an actual profit of 378,136,000 TWD. (Other plants are indirect investments.) The manufacturing plants lost money but the holding company made a lot of profit! We can reasonably assume that the manufacturing plants had not lost money but the actual profit had been transferred to the Virgin Islands for the tax break. The data was obtained from the Market Observation Post System of Taiwan Stock Exchange: <http://newmops.tse.com.tw/>.

2.1. Rank-and-file struggles in El Salvador

After management's total stoppage at the two plants, TE/ES workers all lost their jobs; union members were black-listed. They couldn't find any work in that FTZ and possibly had to make livings elsewhere. It was a hardship for the union organization and a setback for the struggles. But STIT leaders refused to accept severance pay from the company. They confronted the difficult situation with iron backbones to consolidate the union members. Members also succeeded in preventing the company from shipping the machinery out with complaints to the labor court. Supporting groups like CEAL tried their best to look for any possible resources to keep the struggles going and maintain a national alliance of concerned organizations.



Plate 2. STIT launched a march rally protesting Tainan Enterprises.

On May Day, 2002, STIT launched a rally in downtown San Salvador, seeking support from the general public. On 13 June, the international day of action, STIT organized a protest in front of Taiwan Embassy and TE/ES office to express the workers' demand for the freedom of association.

2.2. Pressuring to the brand names in the US

From the beginning of TE campaign, groups from labor side kept close contacts with the main customers of TE, especially Gap, Ann Taylor and the Limited. The Solidarity Center and US/LEAP urged the brand names to correct the labor rights violations of TE. Campaigners don't want the buyers to cut the orders and run, but to demand their supplier, TE, to respect the right to freedom of association. Most of the brand names agreed with the principle and told TE that they were concerned about the labor dispute in El Salvador. Only Ann Taylor was not bothered. On the international day of action, Campaign for Labor Rights (CLR) proposed a

joint campaign⁷ to conduct protests at Ann Taylor stores all over the US.

2.3. Solidarity campaign in Taiwan

The duty of the Taiwan groups was to look into the background and find the weakness of the company. We learned that TE chairman Tony Yang is a prestigious member of the Presbyterian Church in Taiwan. We petitioned the church requesting an investigation into TE's labor rights violations, endangering Yang's position in the church.



Plate 3. Taiwan groups protested in front of TE's Taipei office on international day of action.

Through the internet, we launched an endorsement campaign to pressurize the company, at the same time raising the awareness of the general public. We distributed materials about the labor dispute in El Salvador to the media, trying to influence the values of TE on the stock market, and asking TE to negotiate with the union. On the international day of action (Taiwan date: 12 June), FoG together with Taiwan labor unions and student activists protested in front of TE's Taipei office, forcing TE management to immediately come out and talk to FoG delegates.

2.4. The decisive hit to Tainan Enterprises

After the international day of action, TE management showed willingness to negotiate with the union. But they also expressed that they didn't know what to do, because they never had such an experience before.

⁷ "Stop Union Busting At Ann Taylor Factory", CLR Labor Alert posted June 5, 2002, <http://www.clrlabor.org/alerts/2002/stopunionbustingatantaylorfactoryinternationalcall.html>.

The situation didn't give TE much time to rest. Workers in TE's other production sites around the world began to join the solidarity line by Salvadoran workers' side. The first shoot was from FTUWKC, an independent Cambodian union federation that has a local branch at TE's Cambodia plant. The president⁸ of the union issued a solidarity letter on 28 June:

We want to make it clear that Tai Yang⁹ El Salvador's abuses are not seen as an isolated incident, but a reflection of your company's overall attitude towards workers. The FTUWKC is committed defending Cambodian workers in a global context and we will not allow Tainan to use us as scabs. As members of the worldwide union movement that we are cooperating with on this matter, the FTUWKC demands that Tainan reopen its El Salvador factory.

Then four Indonesian union federations including FSPTSK, FNPBI, GSBI and SBSI GARTEKS organized the 'Indonesian Unionists in Solidarity with Tainan Enterprises Workers' and demand the same to the company on 10 July.

TE management in these two countries explained to workers that the closing of El Salvador plant would mean more orders for their own countries and more jobs for the workers. But the response of the unions was that they **'will not allow Tainan to use (them) as scabs'**. The condition developed so far that TE had troubles with the church, the customers, the labor groups, and its own workers all over the world at the same time. All the pressuring finalized the first negotiation between STIT and TE in San Salvador, which took place on 11 and 12 July.

3. The empire stroke back? The tense atmosphere in San Salvador

Supporting the labor array in the negotiation, representatives from ITGLWF, AFL-CIO, UNITE and supporting NGOs including CEAL, US/LEAP and FoG gathered together in San Salvador during that week. Opposing them, the right-wing ruling classes of El Salvador also looked for chances to break the negotiation.

On 5 July, a maquila reported chemical smells and some initial symptoms of toxic contamination. The source was the Singaporean-owned Hoon's Apparel in Olocuilta Free Trade Zone, half way between San Salvador and the international airport. More than seven hours later, when the complaints had increased, Hoon's management ordered an evacuation of

⁸ The president of FTUWKC Chea Vichea was assassinated on 22 January, 2004. About the incident see <http://www.cleanclothes.org/urgent/04-01-22.htm>.

⁹ Tai Tang is the name of TE in Cambodia.

the plants. In total 288 women workers were admitted to hospitals for treatment of poisoning. Red Cross staffs found a chlorine leak in one of the tanks in the factory. Chlorine is a toxic gas that could have caused the reported symptoms of stomach pain, irritation of the nose and throat, vomiting, dizziness, and loss of consciousness. The following Monday 8 July, a similar thing happened and 244 workers were sent to the hospitals. Investigators from the Ministry of Environment attempted to investigate but were illegally denied access by the maquila's private security forces.

The governmental National Emergency Committee (COEN) cited 'lack of evidence' of the present of toxins and declared that this was a case of collective hysteria on the part of the maquila workers, while the Ministry of Labor refused to rule out the possibility that the workers were boycotting the factory. The executive director of the maquila owners' organization, Salvadoran Clothing Industry Association (ASIC), in support of the sabotage theory, called it an 'attack against the health of Salvadoran workers, against investment, and against the country'. This insult to the Salvadoran workers was soon backed up by the President Francisco Flores, who proceeded to spread rash allegations of 'terrorism' and a 'criminal act' by union groups who 'want to attack the maquila sector'.

The two local major newspapers preferred to give weight to the claims of sabotage and terrorism in their coverage the event. The Prensa Grafica published a photo of a letter written by Joaquin the Secretary General of STIT on 5 July requesting an audience with the Ministry of Labor. This photo insert was placed under the headline "Maquila Owners Denounce Sabotage", strongly suggesting a connection between his request and the toxic poisoning. Both daily papers published inaccurate and inflammatory statements regarding the presence of international union and solidarity organizers who came to support STIT. Neil Kearney the General Secretary of ITGLWF arrived in El Salvador on 9 July to accompany the union in their dialogue with TE. He was mentioned several times in the papers in overt suggestions that his presence was related to the alleged acts of sabotage.

In the whole the Salvadoran garment sector, there is no collective bargain agreement between labor and management at all. The union organizing of STIT in TE/ES is a historic milestone that met the legal qualification to collectively bargain with the company. But the shutdown of TE/ES gave the pro-capitals an excuse to counter back the labor movement's success with the pull out of foreign investments and the loss of job opportunities. However, if international labor solidarity can force TE to reopen its plant in El Salvador, this is excellent evidence that union organization can both take care of workers' welfare and jobs security at the same time. For this reason the ruling classes don't want to see the achievement of the negotiation and very

eager to break it.¹⁰

Negotiation moderator, Neil Kearney, and the US unionists strongly protested to the El Salvador government for portraying workers as ‘terrorists’. The labor side successfully resisted the reactive pressures from the ruling classes and made the negotiation go through. TE management expressed their apology for the abuse and closure, but was still unable to understand workers’ demands. They didn’t want to go back to El Salvador to invest anymore and tended to spend money on workers’ compensations only. They didn’t know that what workers want are jobs and the union.

4. Return of the workers

Eventually the first negotiation didn’t reach any concrete deal. But it started communications between both sides. After five months, the second negotiation took place on 21 November. STIT Secretary General Joaquin Alas and TE Vice Chairman Donald Wu signed an agreement in San Francisco, US. TE promised to set up a new plant for ex-TE/ES workers and provide a compensation fund for the blacklisted union members. STIT and TE would jointly compose the board of the new plant. Meanwhile the union would handle the day-to-day operations. The new plant would begin with 100 workers and then see operation expand. TE committed to pay the first six months of salaries.

The new plant was named ‘Just Garments’¹¹, where ‘just’ means the ‘justice for labor’. It is as we know the first ever factory in Central America owned and managed by the union. Besides, in order to ensure the new plant keeps operating, supporting labor groups also persuaded the labels like Gap to provide continuous orders for Just Garments.¹²

The reactive ruling classes of El Salvador didn’t give up the harassment about the agreement for the new plant. The maquila owners boycotted Just Garments so TE couldn’t rent a suitable site inside the FTZ. After TE found a vacant factory outside the FTZ, the Ministry of Trade postponed the permit to ship out the necessary equipment from the former TE/ES factory in the FTZ to the new plant until August 2003.

¹⁰ For the whole story referring to the poisoning and the ‘sabotage theory’, see “SCANDAL OVER MASS POISONING IN MAQUILA”, CRISPAZ electronic newsletter July 19, 2002, by Miranda R. Buffam & Jeanne Marie Ridders, <http://www.crispaz.org/news/list/2002/0719.htm>.

¹¹ The website of Just Garments http://www.justgarments.net/INGLES/TODO_ING.HTM. Just Garments co-operates with CRISPAZ and No Sweat Apparel to have the service of shop-on-webs: <http://www.storesonline.com/site/482759/page/408950> http://www.nosweatapparel.com/miva/merchant.mvc?Screen=CTGY&Category_Code=CASUAL.

¹² Just Garments was closed in April, 2007, due to not enough orders. About the details see US/LEAP website “Just Garments Closes; Forced to End Efforts as Sweat-free Producer” , 15 May, 2007, <http://usleap.org/node/394> -2007 footnote.

Another eight months were spent on the technical problems of the production and the communication with the brand name companies. On 19 April, 2004, UNITE together with Gap had a press conference in San Francisco, US, to announce formally the establishment of Just Garments¹³. The Tainan Enterprises campaign was totally settled by that time. From the shutdown of TE/ES, two years already passed.

5. Lessons from the Tainan Enterprises campaign

5.1. Not just another story of workers' misery

Many anti-sweatshop campaigns talk of the misery resulting from child labor, low wages, long working hours, forced overtime, sexual harassment, and occupational accidents..., etc. We believe these stories all happen in El Salvador, and are very likely the background for why TE/ES workers organized a union. But the TE/ES case is not just another misery story. When TE offered money instead of reopening the plant, workers refused, and instead launched the union to protect jobs security, raise welfare, and respect freedom of association.

5.2. The triangle co-operation of labor's international solidarity

The contemporary global supply chains are typically composed of manufacturing plants in developing countries, the Original Equipment Manufacturer (OEM) suppliers from newly industrialized countries, and the brand names in the advanced capitalist states. To confront the chain, labor groups should organize rank-and-file workers in the manufacturing countries, find the weakness of the OEM suppliers in the middle to hit it, and pressure the buyers with a consumer campaign in the West. Coordinating these three aspects may increase the power to defeat exploitative sweatshops; the TE campaign is a good example of such.

5.3. The cross-boarder linking TE workers all over the world

The most important part in the campaign is still grassroots organizations of workers. Since a labor force is definitely necessary for production to make profits, what scares the employers most is a total stoppage by workers. Without positive organizing of grassroots workers, consumer campaign cannot possibly attain the goal. Additionally, in the TE case labor groups successfully linked TE/ES workers with TE counterparts in Cambodia and Indonesia. We believe the support from Cambodian and Indonesian TE workers was the key issue that made TE owners compromise. Workers' international solidarity is more practical than

¹³ "Gap Inc. agrees to union factory Retailer to help displaced workers at El Salvador plant", *San Francisco Chronicle*, Apr 20, 2004, by Jenny Strasburg.
<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2004/04/20/BUG7J67JFO1.DTL>.

consumer-oriented campaigns to achieve workers' goals.

5.4. Targeting strategy

When launching an anti-sweatshop campaign, what's the best target? The factory under the most miserable working conditions? Certain brand names? The biggest supplier? All these are possible. But in terms of labor organizing, the best target is where the workers have already a consolidated organization, enough support locally and abroad to win the struggle, and the potential to extend the organization. Just like TE case, international labor solidarity forced TE to re-open the plant. Thus not only the union can survive, but workers in Just Garments are also the advent guards of STIT, extending the organization by unionizing more garment factories around the FTZ.

6. What is to be done next?

Organizing the unorganized/ joint collective bargain in a TNC?

Even though STIT has international links with TE workers in Cambodia and Indonesia, the linkage is made through the international network of supporting labor groups but not the union confederations themselves, partly because of the language problem. If the campaign continues, could we mobilize union confederations in Cambodia and Indonesia to take more actions to support the struggle in El Salvador? Were the rank-and-file TE workers in Cambodia and Indonesia aware of the international campaign and involved in the solidarity actions? We are not sure about the answer but we believe it shall be important parts of the campaigning goals.

In addition, TE workers in Taiwan and China were absent in the campaign because they are not organized. If they could join the international labor campaign, then the strength of TE workers would double. Targeting of next anti-sweatshop campaign is a similar situation. It would be much more effective if labor groups try to mobilize workers in different factories owned by the target company, then the demands of the workers are more likely to be realized. Much forward planning behind the scenes is necessary before the campaign is launched.

If workers are not already organized, then the campaign could be a good opportunity to organize the unorganized. It's a great pity that we Taiwan's labor groups didn't prepare well by taking the opportunity of the campaign to organize Taiwan's TE workers. If we manage to organize all the workers in a TNC, then next step could be synchronized demands for bargaining across the board of factories or countries, with workers' cooperating instead of competing, to defeat the 'race to the bottom' of labor wages and working conditions. #

Abbreviations:

AFL-CIO= The American Federation of Labor and Congress of Industrial Organizations

CEAL= Centro de Estudios y Apoyo Laboral/ Center for Labour Studies and Support

FENASTRAS= Federación Nacional Sindical de Trabajadores Salvadoreños

FNPBI= National Front for Indonesian Workers Struggle

FSPTSK= The Federation of Garment, Textile and Leather Trade Unions

FTUWKC= Free Trade Union of Workers of the Kingdom of Cambodia

GSBI= The Federation of Independent Unions

ITGLWF= International Textile, Garment and Leather Workers' Federation

SBSI GARTEKS= The Indonesian Prosperity Trade Union –Garment and Textile

Solidarity Center= American Center for International Labor Solidarity, AFL-CIO

STIT= Sindicato de Trabajadores de la Industria Textiles/ Industrial Union of Textile Workers

UNITE= Union of Needletrades, Industrial and Textile Employees

US/LEAP= U.S./Labor Education in the Americas Project