

The Impact of Global Production Systems on Trade Union Strategies

The Case of Export Processing Zones (EPZs) in Namibia

Herbert Jauch

Labour Resource and Research Institute (LaRRI)

May 2006

Introduction

Since the mid-1990s, the idea of establishing Export Processing Zones (EPZs) has found support among several governments of Southern Africa. This development is linked to the increasing acceptance of “globalisation” and neo-liberal policies across the region. Attempts to become “internationally competitive”, to move towards export-led growth, and structural adjustment programmes (SAPs) are now characterising most Southern African countries and most governments regard EPZs as a suitable strategy to find a “niche” in the global economy. The World Bank regards the introduction of EPZs as a signal of a country’s departure from import substitution towards an export-oriented economy (World Bank 1991). In other words, EPZs are seen as a first step in the process of liberalising trade and integrating national economies into the global economy. Ultimately, the whole country is supposed to operate like an EPZ.

The governments of Southern Africa are justifying EPZs by claiming that they will bring foreign investment, new industries and jobs to their countries. Zimbabwe, Namibia, Malawi and Mozambique have already passed national EPZ laws and EPZ proposals “in disguise” are even appearing in South African policy documents. This paper examines some of the recent EPZ developments in the region with special emphasis on Namibia and the Malaysian clothing and textile company Ramatex.

Global Experiences

Export Processing Zones are not a new phenomenon and, according to the ILO, the first zone was set up in 1929 in Spain. The 1970s then saw the EPZs boom, mostly in developing countries of Latin America, the Caribbean, Asia and to a lesser extent Africa (ILO 1998). A common characteristic of EPZs is the provision of special incentives to attract (mostly foreign) investment for export production. These incentives range from tax holidays, duty-free exports and imports, free repatriation of profits to the provision of infrastructure and the exemption from labour laws. However, there are differences in the way countries set up and operate their EPZs. Some operate as fenced-in zones, others are single factories that were awarded EPZ status (Export Processing Units – EPU) and others are part of industrial parks or special economic zones (Jauch and Keet 1996). China alone has 7 different types of zones ranging from industrial parks to entire cities and high technology zones (ILO 1998). These differences have resulted in great difficulties to

establish the exact number of EPZs and EPZ workers worldwide. Available Figures indicate that there are 200 – 850 EPZs employing between 4 and 27 million workers (ZCTU 1994, ILO 1998).

At first sight, it thus seems that EPZs created a significant number of jobs. This might be the case in some countries, but a closer examination reveals that jobs created through EPZs are often not cost-effective and of poor quality. EPZ host countries incur two types of costs. Firstly, the direct costs for establishing EPZ infrastructure and subsidised services. Secondly, the indirect costs in the form of foregone government revenue and national income as a result of exemption from taxes, import and export duties etc. The Kenyan government, for example, spent 40 billion shilling on establishing EPZs but created only 2000 new jobs. It can be argued that many more jobs could have been created if this money had rather been spent on job creation in the small scale manufacturing sector or other large job creation programmes in the broader economy (ZCTU 1994).

In addition, it needs to be pointed out that EPZ jobs are not always new jobs, but are sometimes created at the expense of existing jobs outside the zones. In Mexico, for example, employment in the EPZs ("maquiladoras") grew by 10,4% in 1995, but this was accompanied by job losses of 9% in Mexico's manufacturing industries outside the zones. In other words, employment in manufacturing industries shifted towards the EPZ sector without increasing the total number of jobs (ILO 1998). This process was described as the "maquiladorisation" of the Mexican economy. The overall problem of unemployment has remained.

The question of labour standards continues to be one of the most controversial aspects of EPZs. An ILO report noted that collective bargaining and sound tripartite relations are extremely rare in EPZs. Instead, high labour turnover, absenteeism, stress, fatigue, low productivity and labour unrest still characterise most EPZs (ILO 1998). Many EPZ companies try to compete in a globalising market on the basis of cheap prices. They try to improve their performance by intensifying work, thus putting more pressure on workers to reach higher production targets. Although EPZ wages are sometimes higher than comparable wages outside the zones, this is often achieved through piece-rates and production incentive schemes that increase the take-home pay at the expense of longer hours and more intensive work. Due to the generally low wage levels, workers are amenable to working extra hours – just to make ends meet. In Nicaragua, for example, women workers in the EPZ garment industry work 12 – 14 hours per day to earn US \$ 140 per month (ILO 1998).

The unionisation rate among EPZ women workers is low and "traditional" ways of recruitment have shown to be ineffective. Most unions are dominated by men and do not give issues which are important to women the necessary attention. Male union leaders tend to consider women's issues in employment, such as equal wages, maternity leave or child-care facilities, as secondary. They seem to be interested in female membership only when it increases the union's rank and file. As a result, women workers in some EPZs have developed alternative forms of organisation, which often have virtually no relations with trade unions. This poses a major challenge to the labour movement, which has to develop effective strategies not only to attract EPZ women workers, but also to serve their interests (Rosier 1995, Rosa 1985).

EPZ investors are often hostile towards trade unions and express strong opposition to international labour standards. A case in point is Pakistan where strikes were forbidden.

The Pakistan government told the ILO that it was not in a position to correct major legal violations of trade union rights in its EPZ because the repressive law in question represented a precondition set by foreign companies for investment (ICFTU 1991). Transnational Corporations (TNCs) also played a major role in maintaining abusive legislation in Malaysia. In countries such as the Dominican Republic and Sri Lanka, EPZ companies made it clear that a “union free” environment is crucial for their continued investment.

An ICFTU survey on trade union rights in EPZs in the early 1990s noted that *“the danger facing the free trade union movement is that EPZs became established as links in a global chain used by internationally mobile capital to set off a competitive downward spiral in the observance of international labour standards”* (1991). The extreme competition for foreign investment between EPZ host countries, and their willingness, in the process, to compromise on worker rights and conditions poses a threat to the established achievements and continuing work of trade unions in such countries. In most cases, it is a question of host governments not exerting themselves to monitor and enforce national labour legislation within EPZs, even where national labour legislation formally applies, for fear of frightening off the foreign investors (Jauch and Keet 1996).

Southern Africa’s First Casualty: Labour Rights

The suspension of national labour laws as an incentive for investors became reality in Zimbabwe and Namibia when they passed their national EPZ laws in 1994 and 1995 respectively. The exclusion of the provisions of the national labour acts drew immediate criticism from the labour movements. The Zimbabwe Congress of Trade Unions (ZCTU) engaged in intense lobbying with government and even sought support among local businesses. After a tripartite delegation had visited the EPZs in Kenya and Mauritius in November 94, a submission was made to government, which argued that Zimbabwe’s Labour Relations Act should apply because:

- It is no longer viable to compete on the basis of cheap labour as the global emphasis is shifting to technological capacity building, which requires skilled workers.
- Cheap unskilled labour tends to produce poor quality products, while high value added products of skilled workers are more competitive.
- Poor working conditions provoke dissatisfaction and labour unrest, as well as lower productivity and poorer product quality.
- It is morally unacceptable to remove the gains Zimbabwean workers have made since independence (ZCTU 1994).

The case of Namibia

In Namibia, the initial exclusion of the labour act from EPZs has also been a topic of heated debate. The government argued that both local and foreign investment in the first five years of independence had been disappointing and that EPZs were the only solution to high unemployment. President Sam Nujoma described the exclusion of the Labour Act as necessary to allay investors' fear of possible industrial unrest. He promised that regulations on conditions of employment would be put in place to address the fears of workers. In the meantime, however, he declared that *“the non-application of Namibia's Code in the EPZ Regime is a delicate compromise which is necessary to achieve the larger goal of job creation”* (The Namibian, 30 October 1995).

Namibia's major trade union federation, the National Union of Namibian Workers (NUNW), opposed the exclusion of the labour act as a violation of both the ILO convention and Namibia's constitution. The union federation instructed its lawyers to challenge the constitutionality of the EPZ Act in court. However, during a high level meeting between the government, the ruling SWAPO party and the NUNW, in August 1995, a highly controversial compromise was reached which stipulated that the labour act will apply in the EPZs, but that strikes and lock-outs would be outlawed for a period of 5 years (The Namibian 23 August 1995). Although this compromise was greeted with mixed responses from Namibian unionists, it was formally endorsed during a special meeting between the NUNW and its affiliates in September 1995.

In 1999, the NUNW asked the labour movement's Labour Resource and Research Institute (LaRRI) to carry out a comprehensive study of Namibia's EPZ programme. LaRRI's study was published in March 2000 and found that EPZs had fallen far short of the government's expectations of creating 25 000 jobs and facilitating skills and technology transfer needed to kick-start manufacturing industries in the country. At the end of 1999, the EPZs had created very few jobs although millions of dollars had been spent on promoting the policy and on developing infrastructure with public funds. LaRRI's study received extensive media coverage and drew an immediate response from the Ministry of Trade and Industry, which is in charge of the EPZ programme. The Ministry's Offshore Development Company (ODC) argued that it was too early to measure the success and failures of the programme, as EPZs would only show results in the long term. Citing Mauritius as the example to follow, the ODC claimed that the island had to wait 20 years to see positive results.

However, the Namibian government had set itself the target of 25 000 EPZ jobs by the end of 1999 and LaRRI's study showed that only 400 jobs had been created. The study also pointed to poor labour conditions as a likely source of future conflicts. Namibian unions were particularly opposed to the clause in the EPZ Act, which made strikes and lockouts illegal for a period of five years. The unions demanded that this clause should be amended to grant the right to strike to all workers, including those in the EPZs. The National Union of Namibian Workers (NUNW) tabled LaRRI's report for discussion in the tripartite Labour Advisory Council (LAC). The Council invited the ODC and the Investment Centre to provide additional information and debated the merits of the EPZ programme. It then concluded that: *"the EPZ did not fulfil their aims and objectives with regards to creating 25 000 jobs within the first five years, increasing the amount of manufactured goods produced, expanding industrial development and assisting in the transfer of skills and technology in the zones"*. The Council was also concerned with the current clause in the EPZ Act suspending strikes and lockouts in EPZs, which constituted a contravention of international labour standards, and especially the Freedom of Association Convention (No. 87), which Namibia has ratified. The Council agreed to recommend to the Minister of Labour to *"advise Parliament not to re-enact the clause in the EPZ Act which prohibits strikes and lockouts in the zones... The Council also resolved to establish a tripartite task force to evaluate the general impacts of EPZ operations in Namibia and advise the Council accordingly"* (Labour Advisory Council, 5th Annual Report 1999).

Desperate to show some success of the EPZ programme, the Ministry of Trade and Industry then granted EPZ status to a poultry plant in Karibib (western Namibia) as well as mining companies like Ongopolo (copper mine in Tsumeb, northern Namibia) and the Skorpion Zinc mine and refinery in southern Namibia, owned by the Anglo American Corporation, which invested US \$ 454 million. The Skorpion project is expected to employ over 500 people and to contribute about US \$ 118 million annually to Namibia's GDP which

would mean an increase of 4-5% (Namibia Economist, 20-26 July 2001). Although the mining companies Ongopolo and Skorpion Zinc obtained EPZ status for their processing operations only, it is likely that they will use the EPZ status to gain complete tax exemption for their profits. Simple accounting tricks like transfer pricing will ensure tax exemption and deprive the Namibian state of tax revenue from the mining sector, which has so far contributed significantly to the national income. However, the former Minister of Trade and Industry regarded the Ongopolo and Skorpion Zinc mining ventures as proof that the EPZ programme is working. He indicated that without the EPZ status, Skorpion would not have been a viable project. In a two-page advertisement that was placed in several newspapers, the former Minister wrote that these investments should silence the EPZ *“detractors and restore confidence in the (EPZ) regime and in Namibia’s capacity to attract investors of substance”* (The Namibian 27 September 2000).

Integration into a global production network

By 2001, Namibia still had not managed to attract any large production facility through its EPZ programme. This changed when the Ministry of Trade and Industry announced that it had succeeded to snatch up a N\$ 1 billion project ahead of South Africa and Madagascar, which had also been considered as an investment location by the Malaysian clothing and textile company Ramatex. This was achieved by offering even greater concessions than those offered to other EPZ companies, such as corporate tax holidays, free repatriation of profits, exemption from sales tax etc. Drawing in the parastatals providing water and electricity (Namwater and Nampower) as well as the Windhoek municipality, the Ministry put together an incentive package which included subsidised water and electricity, a 99-year tax exemption on land use as well as over N\$ 100 million (US \$ 16,6 million) to prepare the site including the setting up of electricity, water and sewage infrastructure. This was justified on the grounds that the company would create 3000 - 5000 jobs during the first two years and another 2000 jobs in the following two years. The plant (which represents the first textile company in Namibia) turns cotton (imported duty free from West Africa) into textiles for the US market. Ramatex' decision to locate production in Southern Africa was motivated by the objective to benefit from the Africa Growth and Opportunity Act (AGOA) which allows for duty free exports to the US from selected African countries who meet certain conditions set by the US government. These conditions include commitment to a “free market economy” (including privatisation), the elimination of barriers to US trade and investment, protection of intellectual property rights, the elimination of subsidies and price controls etc. (Jauch and Shindondola 2003; Jauch 2006).

Who is Ramatex?

Ramatex Berhad was established in 1982 as Gimmill Industrial (M) Sdn., a small textile manufacturing plant in Batu Pahat, Malaysia. The Ramatex Group, as it is now known today, expanded vertically from dyeing and knitting mills into yarn manufacturing in 1989 and continued its growth into finishing fabrics and printing in 1992. On November 12, 1996, the Ramatex Group was officially listed on the Kuala Lumpur Stock Exchange. Ramatex is the undisputed leader in the Malaysian textile industry. Today members of the Ma Family who originally set up the business are still the majority shareholders, owning 59 percent. They also still play an active management role (Mollet 2001).

Ramatex Berhad has subsidiaries in China, Mauritius, Namibia and South Africa. Ramatex has three garment factories in the Eastern Cape South Africa owned by 2 of its subsidiaries: SA Tai Wah Textiles (Pty) Ltd and the May Garment Company (Pty) Ltd. On 16 September 2003, SA Tai Wah and May Garment gave notice that their operations In

Dimaza, Eastern Cape, South Africa would cease resulting in job losses for 2 500 workers. Apparently, this was due to the company's relocation of production to Namibia.

With a turnover of about U\$ 200 million a year, the Ramatex group currently operates from three major manufacturing facilities in Malaysia, China and Namibia. The Malaysian facility mainly caters for the export quota markets, whereas products manufactured in China are mainly aimed at the Chinese domestic market and non-quota customers. The production in Namibia services the US market under AGOA.

The company has similar operations in all three countries consisting of spinning mills, knitting plants, dye and print houses and also operates (under the subsidiary names Gimmill Industrial and Fulong) several sewing plants. The company's total annual capacity stands at around 50 million kilograms of yarn, 30 million kg of knitted and dyed fabric and 75 million garments. The operations in Namibia are envisaged to reach 16 million kg of yarn, 12 million kg of fabric and 3,6 million garments per annum within five years (Jauch and Shindondola 2003).

Ramatex in Namibia

Even before the company began its operations in 2002, it made headlines, as it became the most talked about investment in Namibia. The debate around Ramatex revolved around the massive size of its operations, the establishment of a new industry and the controversies surrounding the company's environmental impact and working conditions. Due to its massive operations, government expected that this particular investment would help reduce the high unemployment rate in Namibia.

In 2003, the Labour Resource and Research Institute (LaRRI) carried out a study to investigate the working conditions and experiences of Ramatex workers. The main findings of LaRRI's study were:

- Ramatex workers earn very low wages. Workers who have completed training earn N\$3-00 per hour, for overtime they earn an extra N\$1.50. Trainees receive N\$ 1.50 per hour plus 75 cents for overtime. Even when workers work long hours of overtime, they only reach about N\$ 700.00 (U\$ 100) per month.
- Most workers are forced to work overtime to supplement their basic salaries so that they can cover their basic expenses such as rent, water, food and transport. Most workers still have to share their limited income with their extended families and children.
- Both low salaries and long working hours have a severe impact on Ramatex workers. Due to low salaries, most workers have to walk long distances to and from work. By the time they reach the factory, they are exhausted. When leaving the factory in the evening most workers still walk back long distances. Since most workers are women, they do not feel safe to walk back home.
- Workers are not provided with protective clothing, which they regard as a basic necessity when working at Ramatex. Some workers have developed chest problems whereas others had allergic reactions due to exposure to the dust from the fabric. This has created another burden for the workers because they have to cover their own medical costs.
- Work-related accidents seem to be an everyday occurrence. One worker lost a finger because she got cut by one of the machines at the factory. Another had an injury to her eye caused by a needle. The workers reported that when they get injured and take sick leave, it is regarded as unpaid leave. Because workers are denied paid sick leave, they end up working even when they are sick or injured.

- Workers further complained about the humiliation they endure when they get searched especially as they enter the factory in the morning, when they leave or when they visit the bathroom. Women workers were particularly concerned about the body searches and indicated that it was uncomfortable for them, especially when they have their menstrual cycles.
- Workers reported inhumane treatment from their supervisors. The workers feel trapped because they cannot take their grievances to their supervisors in whom they have no confidence. Some workers who asked for compassionate leave were told to go and never come back. Disputes and disciplinary procedures are characterised by endless signing of warning letters without any explanation.
- Workers frequently reported that they were verbally abused by their supervisors and often told how “lazy and useless” they were (Jauch and Shindondola 2003).

Economic significance of Ramatex

Ramatex and its subsidiaries in Namibia currently employ about 7000 workers. Given Namibia’s small manufacturing sector that accounted for only 23 000 jobs in 2000 (latest figures available), this represents a significant number of jobs. However, over 2000 of the Ramatex employees are migrant workers from Asia, mainly China.

All Ramatex products are currently exported to the USA but figures about volumes and sales are not made public. As an EPZ company, Ramatex does not pay any import and export duties nor any corporate tax. As a result, Ramatex does not contribute towards government revenue. However, the Ministry of Trade and Industry claims that the company created many indirect jobs, for example in the transport industry, which moves containers between Windhoek and the port of Walvis Bay. The number of indirect jobs is difficult to quantify although private transport companies like Maersk and the parastatal Trans Namib seem to benefit from Ramatex’ operations.

The Namibian government hopes that the creation of favourable conditions for Ramatex will lead to the attraction of more global textile companies to Namibia. Defending Ramatex’ practices and attacking the company’s critics, the government is at pains to point out that workers and unions should be patient and refrain from making demands that could scare away foreign investors (Jauch 2006).

Asian migrant workers

Namibian immigration laws and regulations as well as the country’s Affirmative Action (Employment) Act of 1998 prescribe that work permits for foreign nationals shall only be issued if the required skills cannot be found locally. In addition, employers are requested to employ Namibian understudies to ensure skills transfer. Against this background, it is most unusual that Ramatex was allowed to import a large number of Asian migrant workers. Most of them are employed as mere production workers with basic salaries of around US\$ 300 - 400 per month plus payment for overtime work. Their salaries are thus higher than those compared to their Namibian counterparts and the company obviously believes that Asian workers are more productive. There are also indications that the import of Asian workers serves the company’s strategy of divide and rule. Workers are divided according to nationalities, they receive different remuneration and benefits and they find it hard to communicate with each other. As a result there was hardly any joint action by the Ramatex workers. Protests over working conditions over the past few years by Namibian, Filipino and Bangladeshi workers were isolated from each other and workers found no support from the Chinese. Chinese workers are fairly content with their working conditions and merely

try to save as much money as possible through excessive overtime during their 2-3 year contracts (LaRRI 2005).

III-treatment of Bangladeshi workers

A different case was that of Bangladeshi migrant workers. Ramatex brought in the first group of 66 in 2003, followed by a second group of 418 in 2004. These workers came to Namibia because of the promised salary and benefits such as free food and accommodation. They had learned about the Ramatex jobs in Namibia through advertisements in local newspapers. They were recruited through agents in Brunei and in Bangladesh whom they had to pay up to US \$ 3 500 of which only US\$ 1000 was recorded with receipts.

The first group of workers was employed as sewers with a monthly salary of US\$ 200. Quality controllers earned US\$ 300 per month. The workers' contracts had been signed in Bangladesh and set out the monthly wages. They also contained a clause stating that: "The basic accommodation and food shall be provided by the employer, in accordance with the local situation in Namibia". The employer (Ramatex) was also responsible for the air ticket and for reimbursing the workers for "all approved medical expenses for in-house or designated clinic or hospital for medical treatment".

The Bangladeshi workers received only 7 days of annual leave, while the Namibian Labour Act (1992) prescribes a minimum of 24 consecutive days annual leave. The workers had hoped that they would be able to recover their "agency fees" and save some money that they could send home to their families. However, after only 6 weeks in Namibia, Ramatex unilaterally changed their contracts by canceling the provision of food and reducing the quality controllers' salary from US\$ 300 to US\$ 200 per month. This again was an open violation of the Namibian Labour Act (LaRRI 2005).

In August 2004, Ramatex decided to fire the first group of 66 workers, claiming that they had not been productive enough. However, during July and August 2004, Ramatex had brought in another 418 Bangladeshi workers who were all unskilled workers and were paid US\$ 120 per month – significantly lower than the first group. These 418 workers (all men) were accommodated under atrocious conditions in a house in Windhoek. Namibia's largest trade union federation, the National Union of Namibian Workers (NUNW) observed that conditions there were "even worse than those of the notorious migrant worker hostels in colonial Namibia" (NUNW press statement, 10 September 2004).

The Bangladeshi workers joined NAFAU in September 2004 but were deported at the end of that month after protesting against their treatment. Ramatex in collaboration with the Namibian police arranged for their swift deportation. The NUNW stated that:

"The Bangladeshi workers' experiences point to an international syndicate of labour brokers who engage in human trafficking. Their operations are similar to those syndicates that offer young women in Eastern Europe and South-East Asia seemingly attractive jobs (or husbands), and then sell them into the sex trade. The labour brokers essentially resort to blackmail as they force workers to pay huge amounts in hard currency (mostly undocumented) in order to get contacts... We would like to point out that when workers stand up for their rights, some government officials and ministries point to the need for protection of the "national interest". We are not sure what is really meant by "national interest". Does it mean excluding workers' rights and trampling on their dignity? Does government believe that the

national interest is identical with the interest of transnational corporations?" The NUNW also raised questions "about the relationship between the company and the Namibian government which has granted and continues to grant hundreds of work permits to unskilled and semi-skilled Asian workers who carry out tasks that could easily be performed by Namibian workers" (Press statement, 10 September 2004).

Trade union responses

Before the arrival of Ramatex, there was no textile industry in Namibia and consequently no textile workers' union. The Namibia Food and Allied Workers Union (NAFAU) decided to add this sector to its scope but the union was confronted with many challenges in the process. When Ramatex started its operations in early 2002, it refused the union access to its premises, forcing union organisers to meet workers outside the factory during lunch breaks and after working hours. As workers suffered from skin rashes and allergies due to dust particles, highly exploitative wages and unfair labour practices, tensions boiled over. In July 2002, the Ministry of Labour issued an ultimatum to the company requesting the compulsory registration with social security for all Ramatex workers.

In August 2002, more than a thousand Ramatex workers downed tools in protest against vague work contracts, which they believed set their monthly salary at N\$ 360 (US\$ 60). The strike was abandoned when NAFAU and the Ministry of Labour intervened to allay workers fears. Ramatex claimed that workers would receive performance-related pay on top of their basic N\$ 360, which would bring up their salary to around N\$ 800 (US\$ 133) per month. The company agreed to take the striking workers back and announced that workers would be paid N\$ 3 per hour plus production-related incentives.

In September 2002, the Ramatex Executive Director complained to the Namibian Prime Minister that the Windhoek Municipality was not granting Ramatex sufficient additional land (at discount rates) for expansion. Ramatex threatened that unless their request was granted, they might move to other countries. However, the municipality pointed out that there was simply no more land available at the existing site and that Ramatex had illegally used some of its land for the construction of worker's hostels. On several occasions the company had refused to discuss these illegal building activities and even continued the construction without approved plans – in violation of the City's written instructions.

In the weeks that followed, the Ministry of Trade and Industry (particularly the Investment Centre) and Ramatex tried to address some of the conflicts, which they attributed to a "clash of cultures". An agreement was reached between the Municipality and the Ministry of Labour and Ramatex finally signed a recognition agreement with NAFAU in October 2002. This agreement covers the Namibian workers but does not apply to the Asian migrant workers.

In April 2003, however, tensions boiled over once again. Following a spontaneous strike over poor wages and conditions of service by over 3 000 workers on 14 April, the Ramatex management closed the factory for two weeks and threatened to eliminate the architects of the strike. The company also declared its intention to fire all workers. NAFAU tried to negotiate the re-opening of the factory but was unsuccessful and was even accused by some workers of selling out their demands.

When the factory re-opened its doors on 28 April, Ramatex wanted to fire 600 workers whom they accused of "masterminding" the strike. After negotiations between the

company, NAFAU and the Labour Commissioner during which Ramatex was (once again) reminded about Namibia's labour laws, workers were issued with new contracts. The company also accepted that all accused workers would have to be given fair hearings.

However, in May 2003, Ramatex suspended 416 workers (without pay) accusing them of masterminding the strike. Shortly afterwards, several hundred Asian workers downed tools demanding wage increases and better conditions of service. This strike lasted just a few hours and was kept under wraps by the company, which did not even report it to the Ministry of Labour. The company claimed that some Buddhist workers wanting to observe the religious festival of "Wesak" prompted the work stoppage. However, this explanation was contradicted as Ramatex dismissed seven of the striking Asian workers and sent them back home.

Although NAFAU managed to negotiate the re-instatement of most workers, several of its shop stewards were dismissed after disciplinary hearings, thus weakening the union's power at the plant.

By October 2003, Ramatex and NAFAU had reached some agreements. The company agreed that NAFAU should come up with a scheduled time to introduce courses and seminars for supervisors and management. In addition, the company agreed that workers could elect two full-time shop stewards and one union official. These officials are supposed to be entitled to a fully furnished office on the company premises.

Despite the recognition agreement and the promises made by the company, NAFAU was unable to make progress on substantive issues. For example, the company had agreed to introduce a transport allowance in early 2005 but this was never implemented. On several occasions, NAFAU reported Ramatex to the Office of the Labour Commissioner for unfair labour practices and the company's unwillingness to negotiate in good faith. Despite several attempts to find a solution through mediation, no agreement was reached. The company never increased its wages or benefits over the past 4 years. Negotiations between the union and Ramatex are extremely difficult as the company threatens to relocate and still enjoys the support of the Namibian government. The Permanent Secretary of the Ministry of Trade and Industry claimed that Ramatex' wages were not low by international standards. This confirmed government's view that unions should not pressurise Ramatex for better working conditions, as this would endanger the company's future in Namibia. Indications are that following the end of the Agreement on Textiles and Clothing (ATC) in January 2005, the company will relocate production to Cambodia and China in the near future. Ramatex already closed one of its Namibian subsidiaries in 2005, retrenching 1 500 workers.

Conclusion

Ramatex represents a typical example of a global production chain in the area of globalisation. The experiences in Namibia are in line with international trends of Transnational Corporations (TNCs) spreading their operations globally in search for increased profits. The fact that Ramatex managed to play out three Southern African countries against each other shows how TNCs utilise their bargaining position to gain increasing concessions from host countries, which are desperate to attract investors. Ramatex' s employment practices are in line with other global textile companies who prefer young women workers who are seen to be "docile" with "nimble fingers" and less likely to join trade unions or resist company management.

The first few years of Ramatex operation in Namibia have been characterised by many controversies. Many of the conflicts and tensions have remained unsolved, as they are dealt with at the “political level” (directly with the Namibian government) instead of being addressed as a labour issue. As a result, Ramatex has contributed to the establishment of a large number of “working poor” in full-time employment, unable to meet even their basic needs. This is in sharp contradiction of the Namibian government’s stated objective of promoting decent work in line with ILO standards.

Based on our findings, LaRRI recommended that Namibia's current EPZ policy should be reviewed because it did not promote socio-economic development. We also urged that:

- the environmental impact assessment study on Ramatex should be made public to allow debate on possible environmental threats and how they can be prevented;
- trade unions should negotiate better salaries and working conditions through collective bargaining;
- Ramatex should review its contracts and labour practices and bring them in line with Namibian laws and standards including compensation for accidents at work, implementation of affirmative action and collective bargaining in good faith.

Namibia’s experiences with EPZs in general and Ramatex in particular point to the urgent need to ensure (at the very least) compliance by foreign investors with national laws and regulations, workers rights, as well as environmental, health and safety standards. Experiences elsewhere have shown that compromises on social, environmental and labour standards in the name of international competitiveness lead to a “race to the bottom”. The Namibian government as well as trade unions will have to demonstrate that they are serious in defending these rights that were only won through long and bitter struggles.

There are, however, limits to what can be achieved at the national level and trade unions have to deal with transnational corporations like Ramatex and the consequences of globalisation at 2 additional levels. Firstly, they need to tackle these highly mobile corporations through cross-border bargaining and pressure as attempted by the Global Union Federations (GUFs). In the case of Ramatex, the International Textile, Garment and Leather Workers Federation (ITGLWF) brought together unions from all countries where Ramatex operates. During a workshop in Namibia in February 2003, shop stewards and union officials from various Ramatex plants in Mauritius, Malaysia, South Africa and Namibia exchanged their experiences, comparing wages, benefits and trade union rights. They agreed to tackle the company jointly, supported by the ITGLWF head office, in an attempt to achieve “upward harmonisation” of labour standards and a standard recognition agreement for all Ramatex plants. Although this aim was not yet achieved, such co-ordinated global strategies are undoubtedly a key component of trade union struggles with global corporations.

Secondly, trade unions will have to tackle the fundamentals of the neo-liberal global order. EPZs as a development strategy for Southern Africa are often promoted on the basis of the Mauritian model. Such comparisons not only ignore the very specific conditions of the small Indian Ocean island (such as a comparatively high level of education and an established local business community), but also the very different global conditions, which prevailed when Mauritius embarked upon its EPZ programme 30 years ago. Today’s attempts by Southern African states to introduce EPZs as a solution to economic problems is not only bound to fail, but is likely to threaten attempts towards regional economic integration for the following reasons:

1. International experiences with EPZs since the 1960s have shown that they are unlikely to lead to sustainable economic development. On the contrary, they are deepening developing countries' dependency on foreign capital and can have a detrimental effect on national industries. With a few exceptions, they have also not been a solution to unemployment, have not resulted in large foreign exchange earnings and have not led to noteworthy skills transfer to workers. As the ILO study noted: *"The very concept of export processing zones, with duty-free imports being assembled for exports, implies that the impact on the host countries will be limited"* (ILO 1998). Most EPZ countries do not have a strategy, targeted incentives or the necessary agencies to promote linkages between local firms and EPZ companies. Southern African countries seem destined to fall into the same trap as their incentives packages are likely to attract companies who are interested to exploit them for short-term gains without being prepared to invest in new technologies, skills upgrading or social benefits.
2. As Dot Keet pointed out, Southern Africa is facing a highly competitive - in fact ruthless - global economy *"in which there is really little prospect for any of the Southern African countries being able to offer terms and prospects that will really create successful EPZs - even on their own terms"* (Jauch and Keet 1996). At a time when Southern Africa is still trying to establish EPZs, they are already superseded by more sweeping neo-liberal policies which create ever more favourable conditions for international capital. The ILO pointed out that today's global production chains are no longer targeting merely cheap, compliant labour and a trade union free environment. Instead, human resource development and market access are major considerations for investment decisions. Investors do not only consider low nominal wages but also unit labour costs, taking productivity and skills availability into account. According to the ILO, significant amounts of investment are flowing into higher wage EPZs (like Singapore and Malaysia) due to favourable productivity and unit labour costs there (ILO 1998). By contrast, Southern Africa tries to attract EPZ investments on the basis of cheap labour, which will attract only the lowest quality of investors who are least likely to succeed in global competition.
3. In their desperate attempts to attract foreign investment on almost any terms, the governments of Southern Africa are entering into competition with each other. They compete for the same investors by offering ever-increasing concessions to foreign capital. This competition for investment produces a downward spiral in EPZ conditions where the benefits accrue with the investors and the costs with the host countries. As SADC member states scramble for foreign investment, EPZs are likely to erode existing social, labour and environmental standards.

Even where governments are intent on defending the social gains made, they find themselves in a weak position to do so. The lack of alternative programmes for effective economic development and job creation places governments in a weak position to negotiate adherence to labour, social and environmental standards with foreign investors. This has to be the starting point for the labour movement and the project on Alternatives to Neo-Liberalism in Southern Africa (ANSA) is an attempt to develop a different and comprehensive development strategy for Southern Africa. Our region simply cannot afford a continuation of the free reign of capital and its exploitative practices. Instead, we need to create mechanisms of democratic control to ensure sustainable development that will benefit Africa's working people.

Sources:

Endresen, B. and Jauch, H. 2000. **Export Processing Zones in Namibia: Taking a closer look.** Windhoek: LaRRI.

International Confederation of Free Trade Unions 1991. **Annual Survey on Violations of Trade Union Rights.** Brussels: ICFTU.

International Labour Organisation 1998: **Labour and social issues relating to export processing zones.** Geneva: ILO.

Jauch, H. and Keet, D. 1996. **Export Processing Zones in Southern Africa: Social Political and Economic Implications.** Cape Town: ILRIG.

Jauch, H. 1997. Regional Mirage: Southern Africa and the EPZ. **Southern Africa Report** 12(4), September 1997.

Jauch, H. 2002. Export processing zones and the quest for sustainable development: a Southern African perspective. **Environment & Urbanisation** Vol. 14, No 1, April 2002.

Jauch, H. and Shindondola, H. 2003. **Ramatex: On the other side of the fence.** Windhoek: LaRRI.

Jauch, H. 2006 (forthcoming). Africa's textile industry: The case of Ramatex in Namibia. In Jauch, H. and Traub, R. (eds). **The future of the textile and clothing industry in Sub-Saharan Africa.** Bonn: FES and LaRRI

Labour Advisory Council 1999. **5th Annual Report.** Windhoek: LAC.

Labour Resource and Research Institute 2005. **Asian migrant workers at Ramatex in Namibia.** Report prepared for the International Labor Rights Fund. Windhoek: LaRRI.

Mollet, A. 2001. **Profile of Ramatex: A Malaysian Group with investments in China and South Africa.** Textile Outlook International.

National Union of Namibian Workers. **Press statement,** 10 September 2005.

Newspaper articles, 2001-2006: **The Namibian; Namibia Economist; New Era, Die Republikein.**

Republic of Namibia 1995. **EPZ Business Plan.** Windhoek: Ministry of Trade and Industry.

Rosa, K. (1985). "Organising women workers In Free Trade Zones: Sri Lanka." **Women's Journal** No. 4, September 1985.

Rosier, M. (1995). "Women organising in Export Processing Zones." In Mulders, M. and Osch, T. (eds.). **New trade union perspectives: Organising women workers in agriculture, export processing zones and the informal sector.** Amsterdam: CNN and FNV.

Shikongo, JJ. NAFU acting assistant general secretary, *personal communication*, 06 September 2005.

World Bank (1991). *Export Processing Zones*. Washington, DC: World Bank

Zimbabwe Congress of Trade Unions et.al. (1994). *Report of the tripartite study tour to Mauritius and Kenya*. Harare: ZCTU et.al.