

Attracting FDI for self-destruction? The case of Ramatex in Namibia

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for Amandla!, 9 May 2008*

The closure of the Ramatex clothing and textile factory in Windhoek on 6 March 2008 marked the end of one of the most controversial investments in Namibia since independence. This article sketches some of the events surrounding the company's operations in Namibia and suggests that a fundamentally different approach to foreign investments should be pursued in future.

EPZ policies

When Namibia passed the Export Processing Zones (EPZ) Act in 1995, 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. The EPZ Act went as far as suspending the application of the Labour Act in EPZs which government described as necessary to allay investors' fear of possible industrial unrest. Namibia's trade unions on the other hand opposed the exclusion of the Labour Act as a violation of both the ILO convention and Namibia's constitution. After lengthy discussions a "compromise" was reached which stipulated that the Labour Act would apply in the EPZs, but that strikes and lock-outs would be outlawed for a period of 5 years.

By 1999, 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, EPZs had created only about 400 jobs although millions of dollars had been spent on promoting the policy and on developing infrastructure with public funds. In 2001, Government argued that it was too early to the Ministry of Trade and Industry announced that it had succeeded to snatch up a project worth N\$ 1 billion 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 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 close to 10 000 jobs. The plant turned cotton (imported duty free from West Africa) into textiles for the US market (duty free under the Africa Growth and Opportunity Act - AGOA).

The first casualty: labour rights

A study of Ramatex carried out by the Labour Resource and Research Institute (LaRRI) in 2003 found widespread abuses of workers rights. These included forced pregnancy tests for women who applied for jobs; non-payment for workers on sick leave; very low wages and no benefits; insufficient health and safety measures; no compensation in case of accidents; abuse by supervisors; and open hostility towards trade unions etc. Tensions

boiled over on several occasions as the company was unwilling to address the workers concerns. After spontaneous work stoppages in 2002 and 2003, Ramatex finally recognised the Namibia Food and Allied Workers Union (NAFAU) as the workers' exclusive bargaining agent in October 2003. The recognition agreement was supposed to pave the way for improved labour relations and collective bargaining. However, the union was unable to make progress on substantive issues and on several occasions 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.

By September 2006, the company had not raised wages and benefits and claimed that its operations in Namibia were running at a loss. Ramatex' workers, however, had run out of patience and declared that they would go on strike unless their wages were significantly improved. When the company refused to meet their demands, they went on strike in October 2006, bringing the operations to a standstill. Within 2 days, workers achieved what 4 years of negotiations had failed to deliver: Hourly wage increase from N\$ 3 to N\$ 4 plus the introduction of some benefits such as housing and transport allowances.

Throughout its operations in Namibia, Ramatex used a significant number of Asian migrant workers, mostly from China, the Philippines and Bangladesh. Although the company had claimed that they were brought in as trainers, most of them were employed as mere production workers with basic salaries of around U\$ 300 - 400 per month. Their salaries were thus higher than those compared to their Namibian counterparts and the company obviously believed that Asian workers were more productive. The import of Asian workers also served the company's strategy of "divide and rule". Workers were divided according to nationalities, they received different remuneration and benefits and they found it hard to communicate with each other. As a result there was hardly any joint action by all 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 their Chinese counterparts. Protest by migrant workers usually resulted in the immediate deportation, for example in the case of the Bangladeshis in 2004.

Economic significance of Ramatex

At the height of their Namibian operations in 2004, Ramatex and its subsidiaries employed about 7000 workers, including over 1000 Asian migrant workers. Following retrenchments in 2005 and 2006 (including the closure of one subsidiary), this number dropped to 3 400 (including 400 Asian migrants) in early of 2007 and further to about 3000 by the end of that year. These trends provided a clear indication that Ramatex was preparing for closure in Namibia in line with a global trend of a massive relocation of clothing and textile producers from Africa to Asia. This followed the end of the global clothing and textile quotas in 2005 and could be observed all over the continent. In Ramatex' case, the company indicated on its own website that it was planning to expand production in Cambodia and China. Currently negotiations are under way for the establishment of 2 new plants in Vietnam. Ramatex' global strategy always regarded Namibia as a temporary production location although the Namibian government seemed to think otherwise.

Ramatex' claims of making huge losses in Namibia seem devoid of truth. The following 2 tables compare the company's export earnings from the sale of its Namibian products in the USA with its total labour costs. Labour costs accounted for 11% of export earnings in 2004 and for about 16% in 2006. Ramatex pays no taxes in Namibia, receives water and electricity at subsidised rates and is exempted from import duties in the USA. It is thus

almost impossible for the company to make losses in Namibia and the truthfulness of Ramatex' claims is highly questionable.

Table 1: Ramatex wage bill for 2004 compared to export earnings (in US\$)

Category of workers	No of workers	Export earnings (Namibian products): US\$ 78 839 000	Annual Wages (per worker)	Total
Namibian workers	5 400		90 x 12 = 1 080	5 832 000
Asian workers	800		300 x 12= 3 600	2 880 000
Total	6 200			8 712 000
Wage as % of export earnings				11.05%

Table 2: Ramatex wage bill for 2006 compared to export earnings (in US\$)

Workers	No of workers	Export earnings (Namibian products): US\$ 33 259 000	Annual Wages (per worker)	Total
Namibian workers	3 400		100 x 12 + 1 200	4 080 000
Asian workers	400		300 x 12= 3 600	1 440 000
Total	3 800			5 520 000
Wage as % of export earnings				16,6 %

The closure

Ramatex workers had observed that the company was shipping equipment out of the country since 2007. They reported this to their union but when confronted, Ramatex denied having any plans to close down production. In early March 2008, workers were told to go home at 16h00 in the afternoon, due to a power failure at the plant. When workers returned the next morning, they found the factory gates closed and were told that Ramatex had closed its operations. They were offered no compensation and decided to camp out at the factory, putting pressure on the company, their union and the Namibian government. The latter finally issued an instruction that Ramatex managers would only be allowed to leave the country if they paid workers what was legally due to them. This however, only amounted to one month severance pay and one week's wage for each year of service. Workers thus found themselves literally back in the streets with a few hundred Rands and almost no prospects of finding another job.

Lessons to be learned?

Ramatex represents a typical example of a transnational corporation playing the globalisation game. Its operations in Namibia have been characterised by controversies, unresolved conflicts and tensions. Worst affected were the thousands of young, mostly female workers who had to endure highly exploitative working conditions for years and in the end were literally dumped in the streets without any significant compensation.

Overall, Ramatex' presence in Namibia was a disaster for the country and some hard lessons will have to be learned to avoid a repeat in future. When dealing with foreign investors there is an urgent need to ensure (at the very least) compliance 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", a process of self-destruction. In the case of Ramatex, the Namibian government abandoned its role as regulator and some government officials behaved like public relations officers of the company. They defended Ramatex against criticism and concerns raised by workers, unions and some NGOs.

The Ramatex case has shown the problems of blindly accepting any investment as beneficial. Instead of adopting an open-door policy towards foreign investment, Namibia (and Africa in general) need to adopt selective policies that channel investments into certain strategic sectors that will have a lasting developmental impact. Such policies were pursued with some success in parts of South-East Asia. They require a very clear and strategic development agenda that is not based on blind faith in foreign investment as the panacea to our development problems.

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 breaking the chains of dependency. The project on Alternatives to Neo-Liberalism in Southern Africa (ANSA), for example, is an attempt to develop a different and comprehensive development strategy for the region. Another example is Venezuela where workers have taken over companies that were closed down by investors. Instead of merely accepting their fate, workers have taken over factories under their own management and perhaps the time has come for Southern Africa to become bolder in the struggle against for social justice. Workers cannot remain mere victims of investment decisions.