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Ingeborg Wick

The social impact of the liberalised world market for textiles and clothing

Strategies of trade unions and women´s organisations

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Preface

Structural change in the global textile and clothing industry has been marked by massive relocations of production over the last few decades, over the course of which millions of jobs have been lost in the industrialised countries and created in the developing countries. The liberalisation of the world textile and clothing market commenced with the end of the quota system in 2004. The question as to effective union representation of the primarily female employees has thus become more pressing than ever.

The reason for this is that the multinational import enterprises operating in this sector are able to increase their market shares by reducing costs and eliminating competition as a result of the GATT and WTO policy of opening up markets – a policy which is not linked to any social-policy regulation – and control over their global value chains. In a liberalised market, employees at different sites can be even more easily played off against one another while impeding union representation of them. The beneficiaries of this development are less those people who obtain jobs. Their everyday working lives – as the case study on China here shows – are marked by numerous violations of labour and women's rights. It is, rather, above all the multinational enterprises, which are not bound to any global social obligations, which benefit.

Ingeborg Wick, the author of the OBS-Studie, works at SÜDWIND – Institute for Economics and Ecumenism – performing research at this institute together with other scholars who are led by the conviction that many people all over the world are suffering from the impact of global business operations and that there is a direct connection between the wealth of a few and the poverty of many, especially in the developing countries. In addition to analyses of problems, the researchers at SÜDWIND also develop strategies for sensitising government, business and consumers, who also bear responsibility, to the skewed development in the developing countries, at the same time offering solutions to bring about more justice in the world economy and promote the interests of the poor.

By publishing this study the Otto Brenner Stiftung is seeking to alert the public to the social consequences of the liberalised world market for textiles and clothing, using the case examples of China, South Africa and Germany/the European Union. We hope that in addition the results of this study will help us make a small contribution to trade unions, works councils and women's organisations in the textile and clothing sector working even more effectively for enforceable labour and women's rights throughout the world. The ILO agenda for decent work and the demands of the UN Development Fund for Women points us in the right direction.

Frankfurt am Main, November 2009

Jupp Legrand | Wolf Jürgen Röder

Directors
of the Otto Brenner Foundation

Foreword

Trade unions throughout the world are working to counter the purported inevitability of economic processes by shaping and structuring human coexistence in a socially compatible way. The textile, clothing and leather economy began experiencing the down side of “free world trade” early on. Elementary human and labour rights are being disregarded and trodden upon all over the world in order to create “favourable conditions to attract investment”. Dozens of countries in the Third World have set up “export-processing zones” in which businesses are exempt from taxes and free to exploit workers.

Numerous countries suppress, harass and persecute free trade unions, at the most only allowing trade unions which are licensed by the government and which do not have the right to strike.

At the mercy of the dictates of business enterprises, workers in these sectors labour for starvation wages under miserable conditions. But the governments of many supplier countries no longer rely simply on these brutal forms of “export promotion”. On top of all this they subsidise their industries, providing them electrical energy for a pittance, turning a blind eye to environmental regulations, avoiding export restrictions with falsified origin papers and circumventing imports and, finally, closing off their domestic markets.

A global trade free of state paternalism, free of state intervention – that was the mantra-like creed of the free-trade dogmatists with which they rejected the reactions of the Western industrialised countries to the growing flood of imports from developing and newly industrialising countries.

A study by Ingeborg Wick – carried out thanks to the generous support of and published by the Otto Brenner Foundation – shows how employees are played off against each other in a liberalised market and how in many cases a “race to the bottom” is taking place through the undercutting of standards.

Multinational enterprises take advantage of this undercutting strategy in competition between the various countries as they see fit so that they can replace poorly paid jobs by even more poorly paid jobs.

Given all this, the demand for a social clause which covers at a minimum the core labour standards of the International Labour Organisation (ILO), which were forwarded as far back as 1970, is more relevant than ever.

The International Textile, Garment & Leather Workers’ Federation (ITGLWF) is keeping this topic on the political agenda. As the representative of 220 million trade unions in 110 countries, the ITGLWF has been working successfully to improve living and working conditions for its 10 million employees in alliances with numerous non-governmental organisations.

Decent work with wages which are enough to live on have been and will remain the central demand of the international trade union movement.

Manfred Schallmeyer
President, International Textile, Garment &
Leather Workers’ Federation

Summary

This study addresses issues such as how the surge in the liberalisation of world trade in textiles and clothing following the end of the quota regime in 2004 has affected the situation of the mostly female employees of this industry and what measures need to be taken in order for these workers to be better able to assert their rights both at the work place as well as, more generally speaking, the various production sites of the industry.

These questions are explored taking the examples of the countries China, South Africa and Germany/the EU, which are considered to be the “winners” and “losers” in recent developments. Above and beyond the immediate questions, the study also makes a contribution to the ongoing analysis of the social consequences of globalisation, which has come to a head on an unprecedented scale at present in the current global economic crisis.

The contradictions and skewed developments in free trade policy have already had a particularly severe impact on the textile and clothing industry over the last few decades, as the liberalisation of national markets and global shifts in production have allowed multinational importers to expand their market shares while eliminating the competition, thereby accelerating the “race to the bottom” in social standards. Through the location of labour-intensive industries such as the textile and clothing industry in global tax and tariff enclaves, the almost total disregard for workers’ rights has become the norm in this sector. Business enterprises play off employees at different sites against each other as part and parcel of their global cost-reduction strategies, thus fostering a competitive situation among them while impeding a common defence and representation of interests.

The country studies on China, South Africa and Germany/the EU illustrate this process in all its clarity: the elimination of production sites and jobs in Germany/the EU and South Africa is justified by business enterprises by citing lower production costs, for instance in China, where labour rights are systematically violated. The logic of this appears downright absurd in South Africa, whose textile and clothing industry’s wages are considered to be too high in international competition, although the disadvantaged black, primarily female employees are considered to be among the poor strata of this society.

This global production and procurement by business enterprises has been made possible by the liberalisation policy of GATT and the WTO, whose international agreements and activities ignore labour and social rights issues.

The comparative look at the country case studies focusing on the situation of employees shows that, just like in the case of China, workers have scarcely profited from the increasing growth of the industry and exports. In spite of quantitative and qualitative differences between these countries, the comparison also illustrates that the surge in liberalisation has brought about a growth in precarious jobs. Finally, the high level of female employment in this sector has not led to any fundamental improvement in the position of women in the working world and the societies of these countries.

As a strategic framework to counter this policy of discrimination and the principle of “divide and rule” with regard to employees, this study recommends steps be taken to implement the Decent Work Agenda of the ILO and the key demands of the UN Development Fund for Women (UNIFEM).

It is only by fighting for the global implementation of these demands that the prevailing trend towards playing off employees against each other through competition between countries and production sites – and this is the trend not only in this sector – can be stemmed. By the same token, the demands of the ILO and UNIFEM should also be turned into enforceable rights.

1 Introduction

The end of the World Trade Organisation's (WTO) ten-year Agreement on Textiles and Clothing (ATC) on 31st December 2004 opened a new chapter in the restructuring process which the international textile and clothing industry has been undergoing over the last four decades. The global relocations from the industrialised to the developing and transformation countries since the 1960s have been accompanied by quota arrangements (i.e. restrictions on quantities) in international textile and clothing trade protecting markets in the industrialised countries and putting the brakes on strong exporting countries such as China, but stabilising weak providers like Cambodia.

In the course of this global outsourcing, millions of jobs have been shed in the industrialised countries and created in the developing countries. The vast majority of these were held by women, who generally predominate throughout the world in labour-intensive industries such as textiles/clothing or electronics. Approximately 800,00 jobs in the textile and clothing industry have been lost in Germany alone over the last 40 years. Female employees who were previously usually not integrated into the labour market have been recruited on a massive scale for this industry in developing countries.

The global outsourcing of the textile and clothing industry has gone hand in hand with an almost complete erosion of the labour and social rights of employees, as this industry is export-oriented and has thus concentrated in so-called export-processing zones and in the informal economy of the countries of the global South. Violations of labour rights in this industry have become the norm in the everyday working lives of the majority of employees, as is documented by a large number of studies and publications over the last two decades.

In most industrialised countries such as Germany, only the remnants of clothing production – especially in the area of design and marketing – remain, even if in the case of the USA, Great Britain and Italy special parts of production, high-priced products closely geared to the market have been preserved. The headquarters of the multinational trading enterprises and brand-name companies, which are at the vanguard of global procurement systems with thousands of direct and indirect suppliers (whose production they largely control by virtue of their market power) are located in the industrialised countries. In contrast to the clothing industry, a streamlined, productive, high-tech textile branch has remained in some industrialised countries. Germany leads the world, for example, in the manufacture of technical textiles.

Accelerated globalisation in the production of textiles and clothing over the last 40 years is a result of the quota regime of GATT (General Agreement on Tariffs and Trade) and the WTO. To avoid the trade restrictions set out in the Cotton Agreement (1962–1973), the Multi Fibre Arrangement (1974–2004) and the ATC (1995–2005), which applied to the world textile market over this period, many manufacturers shifted production to more and more countries which had not yet exhausted their quotas. When the ATC expired in 2004, the quota system was eliminated and a wave of liberalisation was initiated, leading to sharper international competition between around 160 producing countries.

The in part dramatic effects of the transformation of the textile and clothing production structure for many countries, industries and employees have been exacerbated by the world economic crisis which set in during 2008.

In its report entitled "Current Global Trends in Employment" from May 2009, the ILO estimates that the number of unemployed in the world will increase by 39 to 59 million over the period 2007–2009 while the number of poor will rise by 200 million (ILO 2009). The global economic downturn will hit groups of the population with low income – which include workers in the textile and clothing industry – particularly hard, after growing social injustice had already been witnessed in the majority of countries during the most recent phase of economic expansion (ILO

2008). In the last two decades, according to the ILO, the wage ratio in approximately two-thirds of the countries with hard data, i.e. the share of wages in Gross Domestic Product (ibid.), has declined. As a result of this downward trend, the implementation of the no. 1 UN Millennium goal of cutting the number of people living in extreme poverty in half by 2015 has become more distant than ever.

Women in the world are especially affected by this development. In spite of some success in the fight against discrimination against women, global poverty still has a female face: Two-thirds of the world's poor are women – a result of their disadvantaged position in labour markets and society. This especially goes for women in developing countries, but in the industrialised countries the structural disadvantage faced by women is also a statistical fact.

Against this background, the competitive situation which has come about as a result of the massive loss in jobs in the industrialised countries and the shift of production to the developing countries between primarily female employees of the global textile and clothing industry over the last few decades is all the more tragic, as the main actors profiting from this competitive situation are the multinational corporations, whose economic power allows them to dominate the working lives of workers at different sites in their global network of production and chains of supply and profit from playing off employees against each another.

It is for this reason that the focus of this study is on the question of female labour in the line of fire between competition and solidarity. It addresses the issue of what strategies trade unions, women's organisations and other civil society groups should develop in order to support and strengthen the representation of employee interests in the global textile and clothing industry beyond the lines of conflict between alleged winners and losers. The explosive issue of relocations of production sites and their consequences for employees in other sectors will also be touched on in the context of this question.

Post-ATC developments in the textile and clothing industry will first be examined in the global framework as well as in China, South Africa and Germany/the EU as background to the main question explored by this study. At the same time, current data from international organisations, governments, enterprises, trade unions and non-governmental organisations on production, trade and employment will be collated and analysed. These developments will then be evaluated and used as the basis for conclusions and a discussion of future prospects in chapter 6.

The reference framework for the actions recommended by this study is provided by the Decent Work Agenda of the ILO and the core demands of the UN Development Fund for Women (UNIFEM). Above and beyond their status as "soft law", this study calls for additional steps in the direction of binding international law laying down labour, social and women's rights and providing for sanctions ("hard law"), without which the impact of voluntary measures will remain limited.

2 Global trends after the expiry of the WTO Agreement on Textiles and Clothing (ATC) in 2004

The contradictions and skewed developments of liberalisation policy over the last decades became especially painfully evident particularly early on in the global textile and clothing industry, the effects of which we are experiencing at present on a larger scale as a profound overproduction and world economic crisis – which began as a financial crisis in the USA in 2007–2008.

2.1 Liberalisation policy and susceptibility to economic crisis

The liberalisation of national markets and shifts in production in the textile and clothing industry have allowed numerous multinational import enterprises to expand their market shares by forcing the competition out of business and initiating a race to the bottom in social standards. In this industry's focus on exports, most developing countries tend to neglect their own markets, which in comparison to the overproduction and oversaturation of the main consuming regions of the USA, the EU and Japan have remained undersupplied.

The surge in liberalisation following the expiry of the ATC at the end of 2004 and the decline of industry and trade in the wake of the crisis which set in will cause these conflicts to come to a head.

The most recent global trends in the textile and clothing sector are presented in the following.

2.2 New quotas against China 2005–2008

As a result of the massive increase in Chinese exports to the EU and USA at the beginning of 2005, the governments of the latter imposed new quotas on China as allowed until the end of 2008 under Art. 242 of China's Accession Agreement to the WTO of 2001. The EU quotas introduced on 10th June 2005, which limited Chinese imports in ten product categories to growth rates of 8–12.5% during the period from June 2005 to December 2007, expired on 31st December 2007 to be replaced by a joint monitoring system of the EU and China. The U.S.-American quotas instituted on 8th November 2005, which limited a total of 34 categories of Chinese T&C imports to growth rates of 10–17% for the years 2006–2008, ended on 31st December 2008. South Africa, Brazil and Turkey had also slapped new quotas on Chinese imports as a result of increased Chinese textile and clothing imports, with these quotas expiring at the end of 2008.

After the expiry of quotas introduced under Art. 242 at the end of 2008, it is expected that China's share of exports in the international textile and clothing trade will continue to grow, as the country still produces at lower prices in spite of some increases in costs. As a result of the impact of the international financial crisis and plummeting demand, however, the export rate may slacken as domestic Chinese industry focuses more on the Chinese market (see chapter 3).

This development will not least be influenced by possible WTO restrictions on Chinese textile and clothing trade after 2008 as well. Under Art. 16 of China's WTO Accession Agreement, quotas may also be imposed on individual Chinese textile and clothing products until 2013. Moreover, both the Anti-Dumping Agreement (WTO Art. VI) and the Safeguard Agreement (WTO Art. XIX) allow measures restricting trade with China until 2015.

At any rate, there will be an intensified wave of liberalisation beginning in 2009 which will further transform the global textile and clothing market. Although highly dramatic developments in numerous less competitive countries such as declining exports, price drops, closures of factories and losses of jobs, which had been predicted by some analyses for the period beginning in 2005, have not been witnessed, this is probably due not least to the retarding effect of the new US and EU quotes imposed on China. Nevertheless, the impact on some regions, countries, industries and employees has been devastating enough, as the first balance sheets of the International Labour Organisation (ILO), governments, trade unions and NGOs show with regard to countries such as South Africa (see chapters 2 and 4).

2.3 Trade

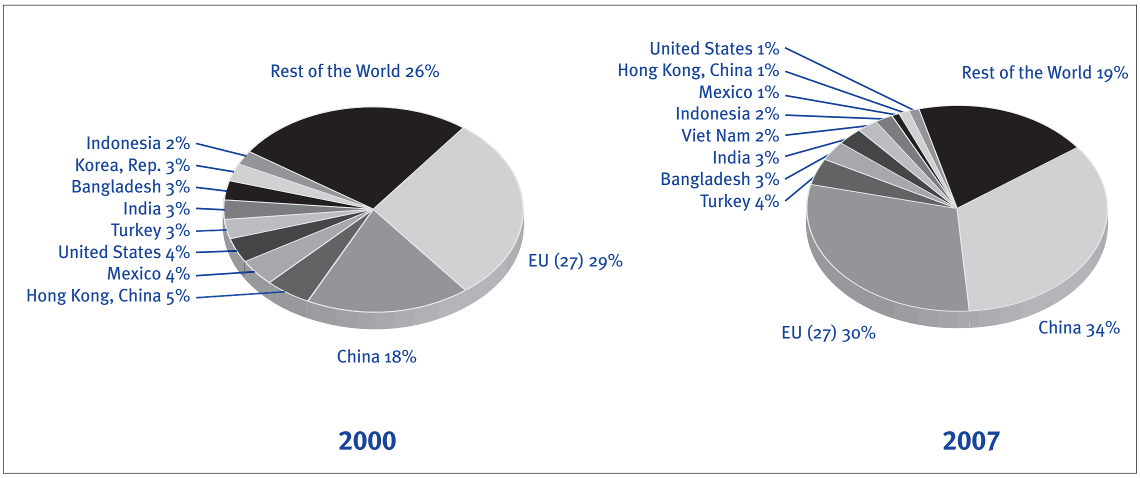
Valued at US$ 238 billion, global textile exports in 2007 accounted for 1.7% of total exports of goods in the world, while global clothing exports valued at US$ 345 billion achieved a share of 2.5% (WTO 2008). Global textile exports turned in growth rates of 4% to 9% over the period 2005–2007, with clothing exports registering increases of

6% to 12%. Nevertheless, the respective share of global exports of goods accounted for by these brands declined: textile exports only had a 2.4% share in 2002, while the figure for clothing exports was 3.2% (ibid.).

As a result of the global economic crisis following in the wake of the financial crisis which began in the USA in 2008, consumption of textiles and clothing and hence production and trade in this sector will contract significantly. The initial impact of this decline on consumption, the industry and jobs can already be witnessed at present, as reports from the countries of Cambodia, Indonesia, Honduras and Nicaragua related in the following indicate.

As expected, China has expanded its market share in world textile and clothing exports considerably since 2005, even if this expansion has not been as great as was expected in the run-up to the end of the ATC. In spite of the new quotas and higher production costs in China, Chinese textile exports grew by 23%, 19% and 15%, respectively, in the years 2005–2007, with the global market share in 2007 rising to 23.5%. With regard to clothing exports, growth rates between 2005 and 2007 were 20%, 29% and 21%, respectively, while China's share in world clothing exports increased from 25% in 2005 to 33.4% in 2007 (ibid.). The trend over the years 2000–2007 is illustrated in the following table:

Figure 1: Shares in world clothing exports 2000 and 2007



Source: WTO 2008

In addition to the main winner, China, several countries have also registered growth in exports, especially in the clothing sector, even if on a much smaller scale. The following two tables show the winners and losers over the period 2004–2007:

Table 1: Post-ATC winners 2004–2007

Country	Increase in exports (%)
China	73
Macedonia	56
India	45
Cambodia	45
Indonesia	30
Bangladesh	28
Pakistan	13
Sri Lanka	13
Turkey	8
Morocco	4

Source: MFA Forum 2008

Table 2: Post-ATC losers 2004–2007

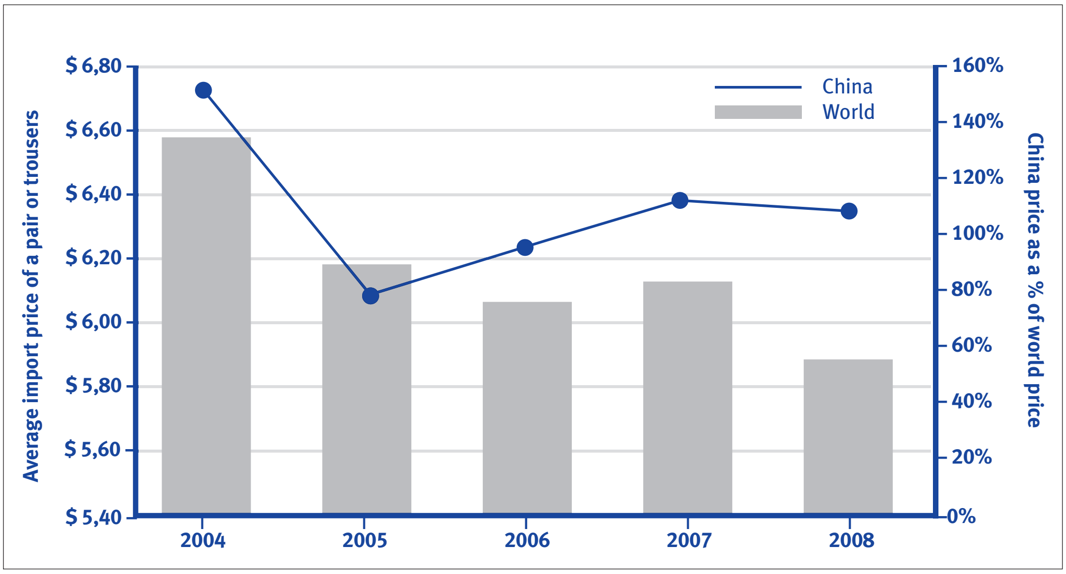
Country	Decline in exports (%)
South Africa	-75
South Korea	-61
Dom.Rep	-48
Mexico	-31
Rumania	-28
Guatemala	-25
Mauritius	-16
Lesotho	-16
Philippines	-12
El Salvador	-12
Honduras	- 6
Thailand	- 3
Tunisia	- 1

Source: MFA Forum 2008

Falling prices

With the end of the ATC and sharper international competition, export prices for textile and clothing products began to drop in 2005. The reasons for this were the end of the quota price and the cheap producers' penetration of the liberalised world market, to which multinational importers then received unimpeded access. The graph shown below, "US Import Price on Trousers 2004–2008", shows how greatly prices e.g. on Chinese trouser exports to the USA fell in 2005, after which they began rising again until 2007. On global average, by contrast, prices have fallen more here than those for Chinese products since 2004.

Figure 2: Trouser exports to the USA: price as a % of the world average



Source: MFA Forum 2008

An additional factor in the price structure of textile and clothing products and trade in this sector is revaluations and devaluations in the international currency system. The revaluation of the Chinese Yuan vis-à-vis the US Dollar by 2% in 2005, which replaced the Chinese policy of the fixed exchange rate with the US Dollar of 8.2 Yuan = 1 US Dollar since 1997, and additional revaluations in 2008 have made Chinese exports to the USA more expensive, for instance, and cheapened imports from countries such as Bangladesh or Vietnam where wages were already lower than in China. In order not to jeopardise the competitiveness of this sector any more, the Chinese government reintroduced tax rebates for exports and contemplated additional measures to bolster trade.

Post-ATC trade policy

The leading industrialised countries were able to largely have their way at the multilateral and bilateral levels in the international textile and clothing trade after the end of the ATC as well. In doing so, they have made use of trade-policy instruments such as tariff escalation, rules of origin, anti-dumping procedures and safeguard procedures as is reflected in WTO negotiations and numerous trade agreements. Numerous preferential tariff treatments of developing countries through general preference systems could, for example, scarcely have an impact because rules of origin and tariff escalation prevent use being made of preferential treatment. Generally speaking, the industrialised countries are putting pressure on developing and transformation countries to lower their tariffs on textiles and clothing, some of which are high, in order to boost their own export possibilities (see chapter 5).

Table 3: Tariffs on textiles and clothing in selected countries (%)

Country	Industrial goods	Textiles	Clothing
China	12.3	9.7	16.2
India	31.4	40.3	43.5
South Africa	12.7	22.2	45.0
EU	2.5	6.5	11.5
USA	2.2	7.7	11.4

Source: WTO/UNCTAD/ITC 2008

Contrary to demands by trade unions for sectoral treatment, the industrialised countries have been clamouring for the inclusion of international textile and clothing trade in the NAMA negotiations of the Doha development round since 2005 – although without success to date.

The reason for this is that the Doha round is gridlocked at present, above all due to the ongoing opposition of the transformation and developing countries to the agricultural protectionism of the industrialised countries.

As a result, the industrialised countries have increasingly shifted the focus of their liberalisation agenda to bilateral and regional trade relationships. The recent negotiating process of the EU with the ACP states over the "Economic Partnership Agreements" (EPA) is one example of this. According to free-trade dogma, asymmetrical trade relationships are supposed to be increasingly displaced by reciprocal trade agreements, in which the interests of disadvantaged countries and groups of the population are scarcely taken into account.

2.4 Structural change in the global textile and clothing industry

Labour-intensive industries such as the textile and clothing, the toy, IT and consumer goods industries are nowadays characterised by decentralised production networks in export countries of the South, which are for the most part controlled by trading and brand-name enterprises which are headquartered in the industrialised countries (Appelbaum 2008). Generally speaking, these enterprises do not manufacture their products themselves, nor do they own their own factories. They are responsible, however, for the development of designs and markets in which to sell their brand-name products. Their purchasing power is on the rise as a result of the growing concentration among enterprises, which often allows them to exert a decisive influence on the type and quantity of products manufactured by suppliers.

Suppliers and licensees in these industries fight for contracts from multinational enterprises in international competition by giving in to the pressure exerted on them to lower prices or even undercutting offers from competitors. By the same token they have above all sought to reduce their labour costs. This has resulted in a race to the bottom with respect to social standards, the effects of which more and more people and national economies have felt over the last few years.

After the end of the ATC, numerous producing countries in the textiles and clothing sector which were less competitive lost their advantage of relatively stable trade relationships. Beginning in 2005 they were subjected to direct competition from producing countries which had competitive advantages. These above all include

- Access to high-value textile products,
- Short production and supply cycles,
- A well developed infrastructure (transport, telecommunications, electricity and financial services, etc.)
- High labour productivity and lower unit-labour costs, and
- Preferential access to the market.

(Audet 2007)

Suppliers which can offer a "full-service package", i.e. those suppliers which create primary products, guarantee production, organise warehouse storage and transport and operate at lower costs, have been contracted by more and more retail and brand-name enterprises in this sector over the last few years, as this has allowed the latter to reduce costs. Given the effects of the economic crisis, in which risks and costs will be increasing shifted to external actors, this trend will tend to intensify. Moreover, the proximity of suppliers to the main consumer markets will become more important, as time and costs can also be saved in this manner.

Production sites already began concentrating over the last few years as part of the trend towards "leaner" production of textiles and clothing, with small and medium-sized factories being closed in favour of big ones, and direct relationships being established between importing enterprises and suppliers, i.e. without any brokers or agents acting as middlemen. In this process, suppliers have on the one hand become more dependent on multinational import companies, while on the other hand integrated chains of suppliers' management systems in the countries producing textiles and clothing have also strengthened their positions in the value chain of import companies (Appelbaum 2008).

With a view to this structural change in industry and the end of the ATC, textile retailers and brand-name companies have already begun to make their global procurement systems "leaner" over the last few years. One part of this strategy is to decrease the number of suppliers and supplier countries which have made this transformation possible with the aim of reducing costs.

Thus, for example, adidas reduced the number of supplier countries from 66 to 59 and the number of suppliers from 898 to 701 over the period 2003–2005. Puma crossed 107 suppliers off the list in the years 2005–2006, leaving a total of only 369. GAP eliminated 23%, i.e. 615 factories on its list of 2,672 suppliers worldwide in 2005–2006. It is expected that companies such as Wal-Mart, Inditex and numerous others will drastically reduce their supplier chains in the coming years (Knappe 2004). It is difficult to forecast what the repercussions of this will be for employees and countries and this is only beginning to be explored at present.

Multinational import companies have confronted growing criticism of violations of workers' rights in their global supply chain over the last view years with corporate social responsibility strategies. The impact of these on employees has been very limited, however (Barrientos/Smith 2006) and should for this reason not be overestimated. Nevertheless, the CSR programmes of these companies have in the meantime become an important factor in image campaigns in the global competition between centres of production (Wick 2009).

2.5 Employment

The total number of employees in the world textile and clothing industry is estimated at almost 30 million (ILO 2005b). There are of course only vague estimates of non-registered informal employees, such as an ILO study from

1996, for instance, which estimates that there are 5 to ten times as many informal workers as formal employees in the sector. Frequent fluctuations in estimates of formal employees are due to the fact that statistics often reflect estimates of informal workers as well.

Even following the wave of worldwide outsourcing, employment in the labour-intensive textile and clothing industry has remained a female domain: approximately two-thirds of employees are women. This often applies to an even greater degree to the clothing industry, in which the level of technological development is low and employees with low qualifications predominate. The percentage of males is generally higher in the area of textiles. The high percentage of women among employees is a result of gender-specific discrimination against women in the labour market and society, which assigns women the lowest level of jobs. Their percentage among informal employees in the overall economy is correspondingly high: 81% and 82%, respectively, in Sub-Saharan Africa and South Asia, 61% in East Asia and the Pacific (UNIFEM 2008). In view of this discrimination, it is not surprising that two-thirds of the poor in this world are women.

Fluctuations in employment statistics in the world textile and clothing industry are an expression of the highly complex structure of production in this sector, which developed under the quota regime of GATT and the WTO over the last few decades. The jobs of employees in approximately 160 production countries are largely located in the informal economy and in free-export zones (FEZ) which are hardly protected by labour and social rights. Aside from the electronics sector, the textile and clothing industry dominates production in the majority of the 3,500 FEZ in 130 countries with 66 million workers (Boyenge 2007). Women make up the overwhelming majority of the workforce in the world's FEZ as well.

The data base on the number of closures of factories and losses of jobs in the world since the end of the ATC is rather scanty and unsystematic (MFA Forum 2008: 5, ILO 2005b). Current information is available from individual countries, however, even if detailed analyses on the topic are rare.

The intermediate balance sheet published upon the occasion of the ILO conference on post-ATC developments in Geneva in 2005 stated that approximately 150,000 jobs had already been lost in 15 countries. In addition to this, there are statistics from individual governments from countries such as Lesotho, Kenya, Mauritius, Malawi, Namibia, South Africa, Rumania, Morocco, the USA and the EU, which at that time totalled about 150,000 (Ferenschild/Wick 2005). On the whole, the data published on closures of production sites and losses of jobs – as serious as these were for the persons affected in many cases – fell short of some predictions made before the end of the ATC, according to which millions of jobs were expected to be lost in the world (ITGLWF 2003). These forecasts did not take new quotas against China into account, however, which is why developments may be much different after their termination at the end of 2008.

Statistics are available for several individual countries in addition to China which show the impact of post-ATC structural change and the initial impact of the world economic crisis on the textile and clothing industry and jobs (see chapter 3):

- In Cambodia, for example, 30 factories were closed in 2008, as a result of which 62,000 workers lost their jobs (Cambodia Daily 21st November 2008).
- In Indonesia a total of 95 factories have closed since 2005, with approximately 100,000 jobs being lost (Tempo 9th October 2005). The Textile Association is forecasting 120,000 redundancies in 2009 and the Employers' Association a 30% decline in production (The Jakarta Post 13th January 2009).
- In Honduras und Nicaragua thousands of employees in the Maquilas (export-processing zones) in the textile and clothing industry face the possibility of losing their jobs.

The end of the ATC has had an impact not only on the quantity, but also on the quality of employment. These secondary effects may well even be exacerbated by the world economic recession.

One striking aspect of this trend is the saving on labour costs through precarious employment and contract work in which employees experience losses both financially and in terms of workers' and social rights. In the most recent post-ATC country study, the Indonesian research facility AKATIGA determined that employers had saved up to 60% on labour costs by resorting to this type of employment (AKATIGA 2008).

Other current analyses and studies stress the practice of overtime, low wages, repression of trade unions and discrimination against women as salient features in developments relating to working conditions and labour relations over the last few years (ITUC/ITGLWF/CCC 2008, Maquila Solidarity Network 2009, Wick 2009). According to statistics from the ITGLWF, real wages of employees in the textile, clothing and shoe industry have declined by 25% over the last ten years, while overtime has risen by 25% (ITGLWF 2009). Rising prices for foodstuffs (the price of rice has skyrocketed 60% since 2007–2008) and oil and mounting inflation have subjected workers in the textile and clothing industry to enormous social and human hardship since 2007–2008.

Given these structural and crisis-related developments, satisfying the demands of unions of employees in this sector and their allies constitutes an enormous challenge.

3 China: Boom for whom?

Shortly after the onset of the Chinese policy of liberalisation in 1979, the party and government leadership set up the first special economic zones (or "export-processing zones") in the provinces of Guangdong and Fujian in the vicinity of Hong Kong. At the heart of these economic activities was the textile and clothing industry, which as a labour-intensive industry soon became a reservoir for millions of unemployed from rural and urban areas.

In contrast to numerous other developing countries, in which export-processing zones have also been established since the 1960s, China was successful in setting in motion a modernisation of its economy with the textile and clothing industry taking the lead – and with all the positive and negative consequences of such a path of development, as the discussion in the following using this sector as an example will show.

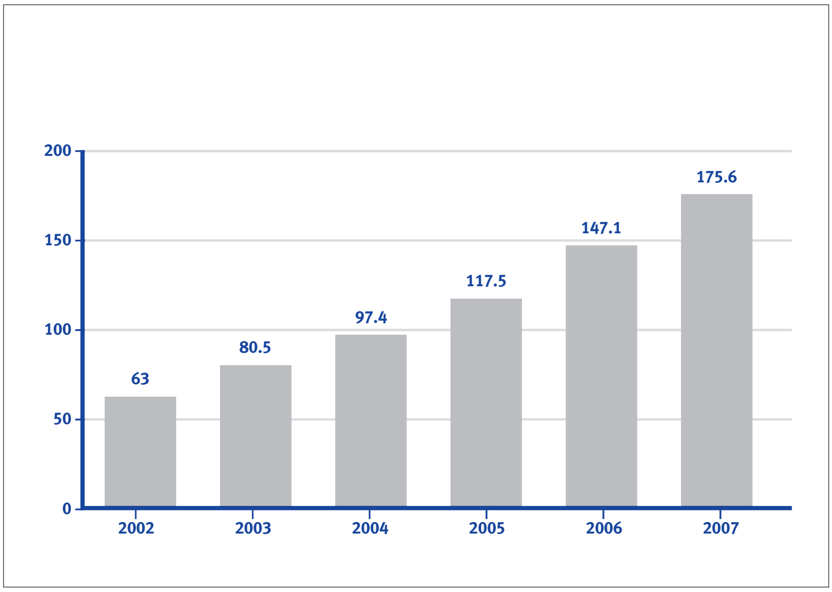
3.1 Basic data on industry and trade

At present the textile and clothing industry is centred in the provinces of Zheijiang, Guangdong, Jiangsu, Shanghai, Shandong and Fujian – which account for 82% of total production in the sector in China (Wick 2007:36) – still an important branch of industry. The more than 50,000 textile and clothing companies produce revenue of approximately US$ 483 billion per year, i.e. about 14% of the Gross Domestic Product (Xu 2009). Textile and clothing exports only account for 14% of total exports of the country, however (bfai 2008b) – in comparison to almost 25% in 1997. The electronics industry, with a share of 28.5%, has long since passed this sector in terms of total exports (bfai 2008b).

China now has a complete vertical textile chain – beginning with textile machinery, raw materials, fibres, yarns and threads to printing and dyeing mills all the way to packaging, woollen textiles and industrial textiles. This is an important competitive advantage compared to most other producing countries, which depend on imports of input products in one form or another.

As the most important exporter of textiles and clothing in the world, with a 30% share of the world market (this figure was only 3.7% 30 years ago!), China has eliminated its competitors in the world market with a broad-based strategy. Productivity in this branch has been boosted by the modernisation of the machinery park supported by massive government subsidies, the port and road network infrastructure has been expanded and improved, while the labour force has been kept competitive by means of a laissez faire policy when it comes to respect for labour laws (Ferenschild/Wick 2004). In spite of lower hourly wages in other producing countries, this has meant lower unit labour and production costs, on the basis of which Chinese textile and clothing exports almost trebled between 2002 and 2007 after the country entered the WTO, as the following graph shows:

Figure 3: China's textile and clothing exports (in billions of US Dollars)



Source: Xu 2009

With textile and clothing imports from China amounting to US$ 36.2 billion, the USA is China's largest individual market for this branch. The most important importing region, however, is the EU, with imports worth US$ 39.7 billion (WTO 2008). China's textile and clothing exports to the EU almost doubled between 2003 and 2007, growing from € 14.4 billion to € 28.3 billion and accounting for a total of 35.8% of total exports in this branch in 2007 (EU 2008). EU textile and clothing exports to China are on a completely different scale: although these rose from € 479 million to € 864 million over the period 2003–2007, they only accounted for 2.6% of total EU exports in this sector (ibid.).

3.2 Employment

More than 20 million people are employed at present in the Chinese textile and clothing industry, approximately 80% of whom came from rural areas (Xu 2009). Approximately 100 million people depend on this sector (ibid.).

Official statistics only list around 4.5 million employees (Wong 2008a), as they fail to take into account small and medium-scale enterprises, even though these enterprises are of importance in this sector. Looking at the total number of Chinese workers – 764 million people out of a population of 1.3 billion – in terms of jobs this continues to be a key sector of the Chinese economy. It is also for this reason one of the ten key economic sectors which was to benefit from € 450 billion under the three-year crisis programme resolved by the Chinese government in October 2008.

An integral element of the economic liberalisation policy of Deng Xiaoping after 1979 was the promotion of privatisation of state-owned enterprises and attraction of foreign capital to special economic zones while maintaining a draconian censorship and repression of political, civil and trade union rights.

In the transition from an agrarian to an industrial and service-based society, millions of migrant workers from rural areas are flooding into the cities and special economic zones in order to escape poverty. The price for their employment in the rising textile and clothing industry has been high, however: Chinese labour laws and international human rights and labour stands of the UN and the ILO have been systematically suspended. Even 30 years later, just like other labour-intensive sectors where mass production prevails which are centred in the Pearl River Delta, the norm in this branch is characterised by massive violations of labour rights (Lüthje 2008). Among these are above all excessive overtime, subsistence wage levels and the repression of trade union and women's rights. China's textile and clothing, IT, toy and household appliances industries have attained their leading position in international competition not least thanks to extreme exploitation of workers.

The roots of this are to be found in the strong segmentation of labour markets and workforces along gender and ethnic lines (Lüthje 2008). Workers for these labour-intensive industries were recruited from poor, far-off provinces in China by government and private employment agencies early on. These workers have been enticed down to the present day by lodging in factories' own dormitories – a financial advantage for the employees which, however, is soon enough overshadowed by unlawful working times at starvation wages, withheld wages and fines. Moreover, this form of lodging facilitates control over the mobility and unions representing employees (Wick 2007: 41–44, Wick 2009: 37).

In contrast to the construction industry and municipal services, female workers have accounted for the overwhelming majority of employees in the sectors of light industry down to the present. Even though they have often worked for more than a decade in the region of southern China and there has been an international outcry over everyday working conditions at companies supplying multinational import companies through numerous studies, awareness of this problem within China has only improved marginally. Discrimination against this strata is closely linked to the system of household registration (hukou – a system from the 1950s aimed at stemming rural exodus), which in spite of some adjustments turns migrants to the boomtowns into second-class citizens. One consequence of this legal discrimination is also a weak unions representing these employees at the worksite.

One core problem besetting Chinese labour relations is the system of the single state trade union federation, the "All-Chinese Federation of Trade Unions" / ACFTU). Although following a revision it allows the election of factory-based unions, this is subject to the approval of the ACFTU. Numerous analyses, including a current SÜDWIND study on working conditions at suppliers of special sales goods for Aldi located in the Pearl River Delta published in February 2009 reveal that these just like additional reforms of labour law over the last few years have for the most part bypassed the migrant workforces of labour-intensive industries in Southern China (Lüthje 2008, Wick 2009). Here inactivity on the part of state labour inspectors is the prevailing practice. The "trade union" structures created at most companies are usually controlled by the employers, which means that workers do not place any trust and confidence in them (Wick 2009).

The privatisation process in China has led to redundancies of millions of workers which have not been compensated for by the creation of the same number of new jobs. The textile and clothing industry is a prime example of this development.

Approximately 3.8 million employees in this sector lost their jobs through the privatisation of state-run enterprises in the years 1996–2001 (Wong 2008a). The situation above and beyond this sector was similarly dramatic: the restructuring of the macro economy and privatisation over the period 1996–2002 was accompanied by the loss of 40 million jobs, i.e. 37% of jobs in state-run enterprises (Wong 2008a). It was this shock therapy that prepared China for its entry into the WTO at the end of 2001 and the new quality of competition in the world market.

The creation of new jobs in the modernised Chinese textile and clothing industry in the years after 2001, when exports almost doubled, turned out to be modest by comparison, however. Estimates for the period 2001–2005 vary between 220,350 and around 900,000 new jobs (Yin 2006 and Wong 2008a).

The textile and clothing industry was not the only sector to experience a growing scissors movement between the number of redundancies and the creation of new jobs:

The Chinese Ministry of Labour is projecting a total of 12 to 13 million additional unemployed per year over the next few years, but only approximately 8 million new jobs (Lüthje 2006: 68). On top of this growing army of unemployed, approximately 60% of whom are women (Lipinsky 2006: 25), there will be around 150 million surplus workers in rural areas looking for work to subsist.

Against the background of these social disruptions, labour conflicts and procedures before the labour courts in China have been on the rise over the last few years.

Table 4: Labour conflicts in China 2001–2005

Year	Number of conflicts	Number of employees
2001	155,000	467,000
2002	184,000	610,000
2003	226,000	801,000
2004	260,000	765,000
2005	314,000	740,000

Source: Chahoud 2008a

These labour conflicts have been for the most part spontaneous and outside of ACFTU structures. They are the subject of complaints pending before labour courts and petitions to government offices and agencies, with which persons dependent on wages are practicing new forms of protest against discrimination at the workplace and social insecurity. At the same time, several officially registered non-governmental organisations have sprouted – even if only in rudimentary form – to act as union representatives of employees (Chang 2008: 27).

To confront the growing social demands which are being forwarded by the victims of modernisation and distribute the fruits of China's development in a more just manner, the party and government leadership has started up several labour-law initiatives over the last few years. The Labour Contract Law, the Job-Promotion Law and the Labour Conflict Law, which are aimed at strengthening the individual rights of employees, entered into force on 1st January 2008.

Multinational enterprises and chambers of commerce in the USA and the EU had protested against this legislative initiative (New York Times, 13th October 2006), as they believed that the strengthening of the legal rights of employees would make production and procurement more expensive in China. In spite of some restrictions, the new

Employment Agreement Act, for example, constitutes a significant improvement for the large number of people with precarious jobs, as an employment agreement for full-time employees has to be set out in writing and temporary jobs have to be limited. A survey conducted by the Chinese People's Congress as recently as 2005 indicated that 80% of all private companies surveyed – especially in the textile and clothing branch – had not concluded any written employment agreements even though this was required by a 1995 law (China Daily, 29th December 2005). It was also common practice at 60% of companies to date to only sign temporary employment agreements with a term of up to one year (Chahoud 2008a: 3).

But scepticism is warranted with regard to the application of the new laws. After all, the violation of labour law provisions has been part of the official modernisation policy since the end of the 1970s for large sections of wage-earners in order to promote economic growth and growing market shares in international competition. In view of the most recent crises in industrial modernisation in China, there are indications that application of the newest labour-law provisions is to be restricted (Wong 2009: 4). It is to be feared that the closure of thousands of factories in the Pearl River Delta which had already taken place by December 2007 will even reinforce this trend in the future (Wong 2009: 2).

In addition, China is confronted with an additional task of gargantuan dimensions at present. The international financial crisis hit the country on a massive scale even months before the onset of the global economic recession: according to official statistics, 20 million migrant workers had already become unemployed and had returned to their homes by February 2009 (epo.de, 2nd February 2009). Even though there is no information on what sectors these migrants come from, it is probable that a significant percentage of them were working in the Chinese textile and clothing industry.

3.3 The initial effects of the global financial and economic crisis

With the expiry of ATC in 2004, the Chinese government discontinued a host of promotional measures for the domestic textile and clothing industry in order to accommodate the pressure for liberalisation on the part of WTO member countries. Together with additional reforms, these steps led to an increase in the prices of production and exports in this branch, subsequently bringing about relocations of production sites within China as well as changes in employment strategies by multinational companies purchasing their goods. On top of this is the impact of the global economic recession since 2008.

The government measures taken since 2005 include the elimination or reduction of textile export rebates and an increase in wages in the Pearl River Delta of approximately 20% and the revaluation of the Chinese currency, the Yuan, which had been pegged to the American dollar since 1997.

The increase in wages was a consequence of rising costs of living and the shortage of labour in the Pearl River Delta, which among other things had come about as a result of improved state subsidies for people living in rural areas.

The new Labour Contract Law has contributed to an increase in production costs. According to the Chinese Textile and Clothing Industry Association, the adoption of this law caused labour costs to jump by 20% to 30% (Xu 2009). An additional inflationary factor has been the revaluation of the Chinese currency. The Yuan was revaluated by almost 20% in several steps between 2005 and 2008 (from 8.28 Yuan to 1 dollar over the period 1997–2005 and to 6.83 Yuan to 1 dollar at the end of 2008). This fact along with the declining demand from abroad has led to waning exports of IT products (-17.5% between January 2008 and January 2009) and slowing growth rates in textile and clothing exports (SZ, 11th February 2009).

The textile and clothing sector is listed as one of the ten main sectors receiving support in the national economy in China's economic stimulation package instituted in October 2008. Under this programme, this sector is to be supported through export tax breaks and tariff reductions on imports of cotton from the USA and low-interest loans.

In view of the expected continued decline in demand from abroad, the government and industry especially want to strengthen domestic consumption: domestic demand as a percentage of total demand for the textile and clothing industry rose from 67% to 77% between 2000 and 2007 (Xu 2009). Whether this strategy will succeed in view of the closures of factories and mass redundancies remains to be seen.

3.4 The textile and clothing sector and the implementation of the Decent Work Agenda of the ILO

The four main demands of the ILO agenda for humane and dignified work in China's textile and clothing sector can at best be expected to be implemented in sub-sectors, and even here only to a limited extent in view of the social crises accompanying the general economic crisis. This sector will probably experience a declining trend in new jobs and the implementation of labour rights in 2009. As far as social security programmes and benefits are concerned, the crisis programme instituted by the Chinese government in October 2008 provides for support for certain sectors. In contrast, there will probably be tougher going for the social dialogue with forces outside the ACFTU structures, as the government traditionally confronts threats to social and political stability with all the power it can muster.

Within the framework of its economic stimulation programme, the Chinese government has initiated a programme to expand housing construction, the transport network, the health and education sector, environmental protection and award loans to small and medium scale enterprises which is hoped to benefit the textile and clothing sector – one of ten key sectors of the economy. This programme also aims to boost average incomes throughout the country – a key demand of employees in labour-intensive industries, as they see themselves forced to work excessive overtime in order to pay the cost of living as a result of their lower wages (Wick 2009: 25).

Government and enterprises have not only developed strategies to improve social standards in the textile and clothing industry within the framework of "Corporate Social Responsibility" (CSR) since 2005. In line with the CSC 9000T standard, published by the China National Textile and Apparel Council in 2005, the government has also launched CSR measures for central state-owned enterprises – without any civil society involvement, however. The degree of impact has been limited to date, however: so far only 11 out of 150 state-owned companies under the control of the central government have issued CSR reports, and only 300 out of approximately 50,000 textile and clothing companies have signed the voluntary CSC 9000T standard (Chahoud 2008b: 23). It is highly unlikely given thousands of enterprises' current struggle for survival in this sector that voluntary commitments by enterprises will become more attractive and effective than in the recent past, when rights for migrant workers backed by sanctions have been for the most part disregarded.

In spite of all the current impediments caused by the crisis, the ACFTU is promoting the ILO agenda for humane work, in particular for companies to pay retirement, health and unemployment insurance benefits and for the creation of a pension insurance system for migrants (Cri 14.02.09).

The Hong Kong non-governmental organisation Globalisation Monitor, which has worked closely for many years now with partner organisations in the focal regions of labour-intensive industries in Chinese coastal regions, champions the rights of independent unions for employees and more international cooperation among trade unions to combat the social effects of neoliberal policy (Au 2005).

3.5 Portrait of a Chinese silk twister

I was a farmer in a rural area. After the land was gradually taken away for use by factories and to build homes, there was nothing left for the peasants to do other than to take up temporary jobs to get by. Some people still have a bit of land, but only a few. It is by far not enough to feed them. Things were not always the way they are today. In the past, you used to receive a small amount of compensation when your land was taken away.

I came to the Qunguan silk factory in 2001. Since it was closed in 2004 I have been working in Si'erke. Qunguan was a municipal company under collective ownership. For people who were registered in rural areas (hukou), it was difficult to find work in the area. Just like in Qunguan, people had to first pay a lot of money before they could get a job. You had to pay 5,000 to 6,000 Yuan (around € 500–600) to get work. This money was not reimbursed. The development of Qunguan depended on the comparative regional advantage it had with silkworms. But after 2001 the silk industry had passed its zenith. By 2003 all local silk businesses in the textile and clothing sector had collapsed – including state-run enterprises such as the Xuzhou cotton textiles factory and the Xinyi yarn factory. Not a single one survived. Many workers in the textile and clothing factories went to southern China to look for jobs in this or other industries.

Recently the southern textile industry has been moving towards the north and local governments have been opening special industrial zones. Experienced workers like me usually work at private companies which belong to owners from the south.

Silk factories like Qunguan in part served as training sites for the silk companies of the south. Textile workers in our region were very well trained, but they usually switched to privately owned companies belonging to southern bosses. These companies usually do not hire any apprentices. (...)

I still recall quite well the time at Qunguan. One person operated a maximum of seven machines. It was not like now, where a person has to run 20 machines. Moreover we had breaks and relations between the colleagues were really good. The manager positions were for the most part held by workers. After Qunguan was closed, the volume of work at Si'erke got bigger and bigger, but wages scarcely rose at all. The workers were split because the working environment was so wretched and workers' wages were not fair, including relative to each other. This led to tougher competition and a lot of conflicts. When I came to this textile factory in 2004, it was a priority development project in Xuzhou. (...)

In the textile and clothing industry we had 12-hour working days, not including overtime. This is the usual practice, whether in northern or southern China. I am a silk twister. There are 30 employees on a shift and one person operates 20 machines. We have to run around and are on our feet for 12 whole hours. The working environment is really ghastly. The air is full of dust. In the summer temperatures can reach 40 to 50 degrees centigrade, but there is no air conditioning. Employees sweat so much that they look like they have been swimming. What's more, lubricants used for spinning the silk and oil squirt out of the machines. It makes us so dirty that we can hardly recognise each other.

Among the 30 employees on a shift, at the most three of them earn more than 1,000 Yuan each month. Even if our wage is calculated according to piece numbers, nobody can earn more than 1,400 Yuan. So there is a limit to how much you can earn, but there is no minimum for wages. For instance many employees earn less than 800 Yuan a month, 30% only receive 500 to 600 Yuan. The prep workers can earn more than 2,000 Yuan and do not even have to stay in the factory hall. Because of the poor conditions, relations between the workforce and the management are tense. So are relations between the workers: they often fight for one or two more machines so that they can earn a little bit more money (one machine more means 4 more Yuan). As a result of this competition, there are often conflicts between the workers. Nobody has an employment agreement, social insurance or any other benefits, but the management pays close attention to the conduct and attitudes of the workers. They pay a lot of money for teachers who provide instruction to the employees.

> They ask us questions like: "If the company experiences hard times and can not pay wages for three months, would you help out?" Then we have to watch a "motivational" film. After that we are given homework. These lessons take up five hours a week. To get it over with, we go against our better judgment and perform the homework in line with the directions of the teachers. (...)
>
> These companies, founded in the north by bosses from the south, pollute our environment and exploit cheap labour with the support of the local government.
>
> (from: May Wong "Voices from Below", AMRC Hong Kong 2008. Translation into German: S. Ferenschild)

4 South Africa: Looming collapse of the textile and clothing industry?

In the international debate over the repercussions of the end of the ATC for the textile and clothing-producing countries, South Africa is considered to be one of the losers (ILO 2005b), if not THE loser (MFA Forum 2008a). Some sources even believe that this branch could collapse here (Fundira 2009: 11).

What development has the South African textile and clothing industry had over the last few years and what are the reasons for this? These questions are examined in more detail in the following.

4.1 Basic data on industry and trade

During the period of the apartheid regime in South Africa between 1948 and 1994, the government pursued a policy of import substitution and protectionism, placing a high tariff wall around the South African economy, which produced to a great degree to meet domestic demand – not least with the aim of confronting the growing isolation of the racist state in the international community. This orientation towards the domestic market also applied to the textile and clothing industry. With a few exceptions, the focus here was on a production with a low level of value-creation.

Soon after the first democratic elections in 1994 South Africa joined the WTO and opened its markets to international competition. When the national currency, the Rand, was devaluated several times in the second half of the 1990s until 2002 and the promotional programme of the government, the "Duty Credit Certificate Scheme", was instituted, the textile and clothing industry was able to increase its exports. When the Rand was revaluated by around 20% in 2002, however, and more and more textile and clothing imports began streaming into the country, particularly from China, production, employment and exports began to decline precipitously.

The approximately 1,600 textile and clothing factories, most of which were under South African ownership, are especially located in the provinces of Western Cape, Kwazulu Natal and Gautteng, around the major cities of Capetown, Durban and Johannesburg. Informal, small factories in rural regions account for an especially high share of production in the clothing sector (Vlok 2006: 229). The process of outsourcing production processes to the informal economy which has been witnessed throughout the entire South African economy since it was opened up to the world market has been particularly pronounced in the textile and clothing industry (Wellmer 2006: 32).

Registered companies including those in the leather and shoe industry accounted for approximately 4% of the production in the processing industry in 2005 (Statistics South Africa 2006), which for its part accounted for 18.2% of South Africa's GDP of € 242 billion (bfai 2008). Most of the textile and clothing factories are small and medium-scale enterprises with between 20 and 200 employees (Vlok 2006: 229). They produce high to low-value goods (with the focus lying on the latter), especially for the local market.

Local industry scarcely profited, however, from the increasing sales figures for the South African retail trade in textiles – e.g. a growth rate of 55% for men's clothing between 1999–2003 and 40% for women's clothing (Vlok 2006: 231). The following table shows the declining trend for the textile branch in the second half of the period 2001–2006:

Table 5: Statistical data on the South African textile industry 2001–2006

	2001	2002	2003	2004	2005	2006
Production volume (2000 = 100)	103.1	111.7	98.8	101.3	92.8	92.3
Sales (billions of Rand)	16.9	20.4	19.2	19.7	19.0	18.4
Imports (billions of Rand)	5.2	6.9	5.9	6.5	6.4	6.9
Exports (billions of Rand)	3.4	4.5	3.8	3.2	3.2	3.1
Employees	64,100	65,500	70,500	61,700	52,800	50,500

EUR 1 = Rand 8.72 (2006 – see currency rates in the Service Part)

Source: Textile Federation 2009

After the South African textile and clothing industry was able to boost its exports to the USA through the preferential tariff agreement "African Growth and Opportunities Act" (AGOA) and the EU-South African Free Trade Agreement and thanks to the weak Rand and government subsidies over the period 1995–2003, it has, however, been in sharp decline ever since.

The following table shows the trend in South African exports to the USA and the EU over the years 1990–2006:

Table 6: South African clothing exports to the USA and the EU 1990–2006 (millions of US dollars)

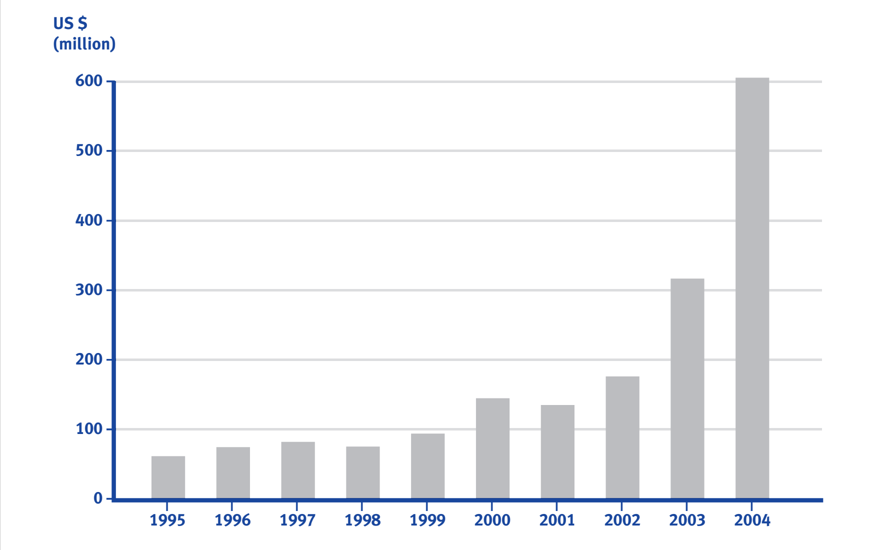
Year	USA	EU
1990	0	32.3
1992	2.4	73.2
1994	34.7	73.4
1996	60.4	67.1
1998	78.7	69.4
2000	140.9	78.6
2002	181.0	68.7
2004	141.5	77.7
2005	67.2	48.0
2006	46.9	39.6

Source: Gibbon 2008

South African textile and clothing exports within the framework of AGOA also declined over the period 2007–2008 – from US$ 24.1 million in 2007 to US$ 17.5 million in 2008 (TRALAC 2009).

The preferential advantages offered to South African exports to the USA by AGOA were increasingly negated by increased prices following revaluations of the Rand and incomparably cheaper competing products, especially from China.

Figure 4: South African textile and clothing imports from China, 1995–2004 (in millions of US dollars)



Source: Vlok 2006

Over the period 2001–2006 South African imports of clothing leaped 300%, while imports of textiles (towels, curtains, etc.) soared almost 500% (Textile Federation 2009).

According to the most recent WTO trade statistics, South African textile imports rose from US$ 570 million in 2000 to US$ 1.01 billion in 2007, while imports in the clothing branch grew from US$ 223 million (2000) to US$ 994 million (2007), which means that the ratio of textile imports to total exports by South Africa's processing industry was 1.3%, with clothing imports registering a ratio of 1.2% (WTO 2008).

4.2 Employment

The topic of employment in the South African textile and clothing industry must be viewed against the general background of a dramatic labour market, an extremely high poverty rate in the country and major social disruptions as a result of the Aids pandemic in South Africa. In spite of its small size, the textile and clothing industry plays an important role as a provider of jobs, as its employees are for the most part recruited from disadvantaged strata of the population.

With a total population of 49 million, 30 million South Africans aged 15–64 are considered to be employable. Only 13.6 million persons are paid labour and 4.2 million unemployed, however, while 12.8 million are not considered to be economically active (Statistics South Africa 2008). Of gainfully employed persons, 2.3 million officially work in the informal economy (ibid.), in which the overwhelming majority of workers are poor (Devey et al. 2006: 232), although the actual number of informal workers is probably much higher. Women and blacks are disproportionately affected by unemployment and economic inactivity (ibid.: 233).

After Brazil, South Africa is the country with the greatest inequality of wealth distribution between poor and rich in the world: the Gini coefficient, which measures this distribution on a scale of 0 to 1, is only 0.68 for South Africa – in comparison to 0.49 for China and 0.29 for Germany. In South Africa 10% of the population has a level of consumption which is 70 times higher than the poorest 10% (FES 2007: 4).

According to government statistics, 34.1% of the population (FES 2007: 4) is poor, with less than US$ 2 per day in income, although the rate according to unofficial sources is far above 50% (InWEnt 2009).

South Africa is at the top of the list of countries in the world with respect to the number of people suffering from HIV and dying of Aids: 5–6 million people in the country are HIV-positive, and 1,000 people die every day of Aids (Spiegel 19th October 2008). Average life expectancy has in the meantime declined to 52. In many cases family structures already torn by the legacy of apartheid have been further undermined by Aids, constituting a dramatic challenge to the social structure of the future South Africa as well.

The number of persons employed in the South African textile and clothing industry is estimated at approximately 230,000 persons at present (Wild 2009: 13). Persons informally employed in this branch according to experts account for approximately 50% of the workforce (Wellmer 2006: 36). According to official statistics, however, there are around 143,000 South Africans formally employed in this sector, which is 12% of the total number of employees in processing industries (Vlok 2006: 229). More than 100,000 employees are organised in the sectoral trade union SACTWU – approximately two-thirds of them women (SACTWU 2009).

Because employment in the textile and clothing industry generates a high degree of additional types of employment such as e.g. packaging and transport activities, it is of greater importance to South Africa as a source of jobs than the number of official employees would suggest (Wiid 2009: 13).

For every formal worker in South Africa there are generally five persons who depend on him/her who have to be provided for (Vlok 2006: 238), even if wages and working conditions in this sector are among the poorest in the South African processing industry (ibid.: 230). Working conditions in the informal factories (domestic labour and sweatshops) in this sector, in which there is no social security or unions for the employees, are even poorer (Wellmer 2006: 36).

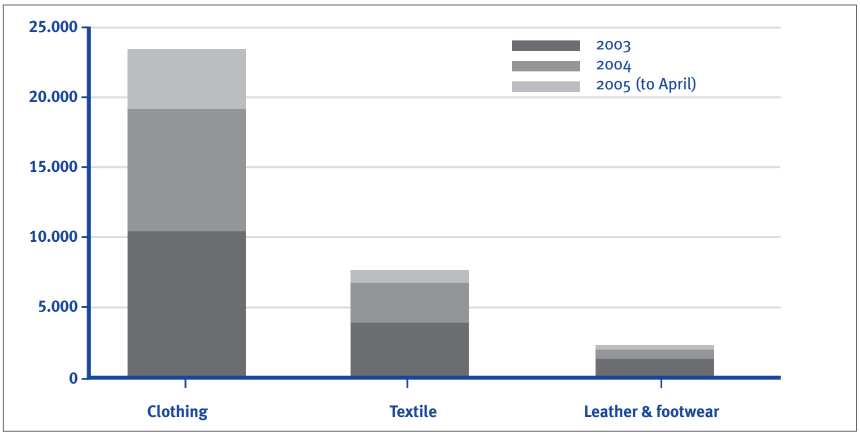
Employment in this sector is moreover also orientated towards membership in gender and ethnic groups:

Two-thirds of employees are women, who even make up 82% of the workforce in the clothing industry (Vlok 2006: 230). In the clothing sector 94% of employees are black, i.e. they are Africans, Indians and Coloureds (ibid.).

The South African textile and clothing industry lost approximately 70,000 jobs between 2003 and 2008 as a result of numerous factories closing down, especially those of small and medium-scaled enterprises (these figures include informal employees) (SACTWU 2009).

The graph below shows a breakdown of 55,000 jobs lost according to the sectors of clothing, textiles and leather goods/shoes for the period 2003–2005:

Figure 5: Registered and estimated losses of jobs in South Africa 2003 – April 2005



Source: Vlok 2006

Because these companies were especially located in rural areas, where unemployment is already greater than in the cities, the loss of jobs without any prospects for new ones in the near future is particularly devastating, hitting the poorest of the poor the hardest.

4.3 Measures taken by the government, business and the trade unions

Textile and clothing imports from China rose to 75% of total imports in this sector by the middle of 2006. Not only this trend, but also the general structural weakness of the industry, which is among other things reflected in the lack of investment and the poor training and qualification levels of employees, led the government to institute a modernisation programme called "Customised Sector Programme" (CSP) providing for measures to be taken in four areas:

a) The reintroduction of quotas against Chinese imports,
b) "Buy South African" ad campaigns to convince consumers to buy domestic products,
c) A quality-improvement campaign in the industry accompanied by new investment, and
d) Training and continuing education measures for the workforce (Vlok 2006: 243).

The South African Retailers' Association refused to go along with CSP, however, underscoring that in the future it intends to rely on cheaper imports and less on products from local industry.

The balance sheet for the measures taken thus far to modernise the sector, in which the government has invested almost US$ 1 million since 2003, is sobering:

Although the interim quotas imposed by the South African government on 31 product categories of Chinese textile and clothing imports, which was possible until 2008 under Art. 242 of China's WTO Accession Agreement, reduced China's share of imports to 50%, this led to an increase in imports from other producing countries such as Mauritius, Malaysia and Bangladesh as well as a considerable growth in illegal imports (Van Eeden/Fundira 2008: 1). In the hope of obtaining a longer breathing spell for the modernisation of this South African industrial sector, the Ministry of Industry and Trade announced in Pretoria at the end of 2008 that it intended to negotiate a new agreement limiting quantities, this time for selected products in accordance with Art. 16 of China's WTO Accession Agreement from 2001.

With regard to the continued development of the South African textile and clothing industry, a few capital-intensive product lines have been successful. Yarn and fabric manufacturers such as Sans Fibres and Gelvenor Textiles (South Africa.info 11th March 2009) have been able to expand their production and exports, for example. These are the exception, however. In general the percentage of GDP accounted for by the textile and clothing industry has declined (Breitenbach 2007: 49). Nor have new jobs been created on any significant scale – as the government is attempting to do – or have any broad training programmes been carried out. On the contrary, jobs continue to be lost (The Alexander Report 2007).

The almost half a million employees in the sector (direct and indirect – formal and informal) have their backs to the wall. The prospects that they will be able to keep their jobs are dismal, the reason being that an extension of quotas on Chinese imports will – as developments 2007 to 2008 have shown – scarcely be able to stop the elimination of jobs.

Indeed, an effective support programme for local industry, as the government announced in an attempt to revive the CSP at the end of 2008 and as demanded by the sector trade union, the SACTWU, would help, but it faces a strong retailers' lobby which is interested in massive imports of cheap goods from Asian countries and the trend in the direction of a capital-intensive orientation by local industry in which the shedding of jobs is a given. Much greater resources would be required in a support programme which is orientated towards domestic, labour-intensive industry than that which the government and the sector have mustered thus far within the framework of modernisation efforts over the last few years.

In addition to concrete sector-specific measures, however, it would also be necessary to develop alternative employment possibilities for the primarily female and black workforce in other areas of the economy, as in any case job losses are to be expected in the textile and clothing industry.

At the same time, the fact that the informal economy and informal work in South Africa are growing should be taken more into account than in the past (Devey 2006: 230, Wellmer 2006: 33) along with the fact that a satisfactory strategy of action to meet this challenge has yet to be developed. The prevailing opinion in the government and society is still that the informal economy is detached from the formal one, although studies show that the two sectors are closely interlinked (Buhlungu/Webster 2006: 265, Devey 2006: 241, Wellmer 2006: 36). In addition, informal work is tightly linked with reproductive work, so future strategies on this complex also need to take the gender factor into account (Buhlungu/Webster 2006: 267).

Whether the new government will succeed in such a course following South African elections in April 2009, however, remains to be seen. At least in the months before the election pressure on the government from the umbrella trade union association COSATU and civil society groups for a greater emphasis on a policy of job creation and poverty-fighting mounted considerably. COSATU and its allies have also been campaigning for government-funded basic income for all adults which, however, the government has rejected so far. In spite of the government support programme for the black population in effect since 2003, thus far only a small black elite has been successful in climbing the social ladder. The gap between poor blacks and rich whites in South Africa has grown over the last few years.

4.4 Portrait of June Hartley, a former textile worker in South Africa

My working life began when I was 18 in a textile factory which was notorious for poor wages and working conditions. I worked as a weaver. The factory was dirty and everyday working life unendurable. I was a member of a group of women who had started to work in this factory for the first time in 1971. We were very soon fighting for improvements at the jobsite. Our conflicts with management led to work stoppages and strikes, which helped us make progress. I don't know how it happened, but I became the leader of the employees at this factory. I simply had no fear and, moreover, a good feeling for justice and injustice. Perhaps it was these traits which helped me. The apartheid regime was not friendly to trade unions, but that did not hold us back. We quickly learned that employers always make sure they get theirs and that employees are not served up their rights on a silver platter and that they always have to fight for them. Later I was elected to become a leading representative of the newly founded textile trade union, the NUTW, the predecessor of today's textile, clothing and leather workers trade union, the SACTWU.

80–90% of the current employees in the textile and clothing industry are women. Working conditions are closely linked to the general position of women in society. Women are viewed as second-class citizens whose rights are not supposed to be taken seriously. (...)

That is why gender topics are an important part of my work. I have been involved in training programmes for gender coordinators and travelled to other countries in which I trained together with other female trade unionists. Work promoting general awareness is part of the programme, but we also address questions involving the participation and recognition of women as the main partners in our work. In some countries' elections of trade union leadership already reflects the fact that 80% of our members are women. But in general the question of discrimination against women is just as difficult to address as racism.

Source: Ascoly, Nina/Finney, Chantel (2005): Made by women. Gender, the global garment industry and the movement for women workers' rights, Clean Clothes Campaign, Amsterdam.

5 Germany / European Union (EU): Modernisation, high value added, elimination of jobs

In spite of massive outsourcing of labour-intensive steps of production to developing countries since the 1970s and the rise of strong export nations such as China, the German and European textile and clothing industry has remained an important actor in the global competition between centres of production.

The restructuring strategies of this sector include capital-intensive modernisation with a high level of value-creation, the establishment of global production networks with lean production and employment in the industrialised countries as well as the development of new production lines. In the course of this structural change, control of global production chains has shifted increasingly into the hands of multinational trading enterprises, many of whose headquarters are located in the EU.

5.1 Basic data on industry and trade in Germany

The German textile and clothing industry, in which small and medium-scale enterprises predominate, is the second-largest consumer goods sector in Germany after the food sector. Its sales of almost € 20 billion in 2007 account for 1.2% of sales for the entire processing industry (BMWi 2009), which for its part accounts for 30% of GDP (Statistisches Bundesamt 2008). The following table shows the trend in production and trade in the textile and clothing sector since 2000:

Table 7: Key statistics on the German textile and clothing industry (in billions of Euros)

	2000	2006	2007
Sales	26.4	19.7	19.9
Production	16.4	12.8	12.9
Imports	31.7	30.9	30.5
Exports	18.9	21.4	21.7
Import surplus	12.8	9.5	8.9
Jobs	185,195	104,299	102,020

(Source: BMWi 2009)

The number of employees has dropped from 185,195 in 2000 to 104,299 in 2006 and 102,020 in 2007 (ibid.).

Germany (West) had a total of 1,620 textile and 2,435 clothing enterprises in 1980. In Germany as a whole there were only 486 textile and 204 clothing enterprises left in 2008. The closure of companies affected all the traditional centres of this industry, i.e. in western Germany the Länder Baden-Württemberg, North Rhine-Westphalia and Bavaria, in eastern Germany Saxony and Thuringia. The decline in production was particularly pronounced in the new German Länder following German reunification: out of approximately 320,000 employees in 1990, only 18,417 workers were still working in this industry in 2000 (Ferenschild/Wick 2004: 43).

At present 30% of the products manufactured by the German textile industry are clothing products, 30% are household textiles while 40% are used for the production of technical textiles (Gesamtverband mode + textil 2009). Germany leads the world in the production of technical textiles, which are used in the automotive, aerospace, building and chemical industries as well as medicine (BMWi 2009).

As a result of the penetration of new markets, the share of sales by the textile and clothing industry accounted for by foreign countries has grown from 10% (1970) to 43.2% (ibid.) today. Out of all clothing product sales, less than 10% is accounted for by domestic sales in Germany today. Among the international exporters in this branch, Germany is currently number 4 behind China, Hong Kong and Italy, and in terms of imports is in second place after the USA. German industry has also profited form China's rise to become the biggest exporter of textiles and clothing: German textile exports to China in 2002, for instance, registered a growth of 48%, followed by a 31% increase in the first half of 2003, although most of this rise was accounted for by technical textiles (Deutsche Welle 3rd November 2003). Measured in terms of their value, however, German textile and clothing exports to China only account for approximately 1/38th of what Germany imports from China (BMWi 2009).

Notwithstanding the expansion of several key areas, the general position of the German textile and clothing industry in the world market will begin to deteriorate in 2009, as the end of EU and US quotas on Chinese products as well as other Asian producers will allow their exports to grow more quickly, although the world economic crisis has already been having a negative effect on production since the end of 2008. China's share of textile and clothing imports by Germany, for example, rose from 24% to 26.2% over the period January–September 2007–2008, which means that China has further expanded its leading position among countries exporting to Germany in this sector (BAFA 2009).

The pressure on this sector in Germany is reinforced by declining consumer demand for clothing: sales of clothing and textiles by the German retail sector dropped from € 65 billion to € 56 billion between 1995 and 2005 (Wick 2007: 11). Not least as a result of the economic recession which began in 2009, consumption of clothing as a percentage of total consumption will probably continue to fall. This decline will be accompanied by more intense competition in the textile retail business, which has already been marked in past decades by an intensifying price competition led by discounters, an intensified concentration process and increased procurements from low-wage countries.

5.2 Employment in Germany

The German textile and clothing industry only has 99,520 employees at present. In the old Federal Länder, there were still 552,658 workers in both branches in 1980 – 303,879 in textiles and 248,779 in clothing – and almost 900,000 in 1970 – 496,600 in textiles and 382,000 in clothing – (Gesamtverband textil + mode 2006 and Ferenschild/Wick 2004: 43). With a view to foreseeable trends in the world market for textiles and clothing, the current number of employees in Germany will continue to decline.

Table 8: Elimination of jobs in the German textile and clothing industry, 1970–2008

Year	Textile industry	Clothing industry
1970	496,600	382,000
1980	303,879	248,779
1991 (incl.East. Germany)	279,000	221,000
2002	112,000	55,000
2008	66,148	32,039

Sources: Ferenschild/Wick 2004 and Gesamtverband Textil + Mode 2008

The income of employees is considerably lower than average earnings in processing industries, as the following examples illustrate:

In the Bavarian clothing industry, for instance, a sewer earns a basic monthly wage of € 1,694 (€ 10.59/hour) and a blue-collar worker € 1,411 (€ 8.82/hour) (WSI Tarifarchiv 2004). For workers employed in the Baden-Württemberg textile industry, the basic monthly wage is € 1,455 (€ 9.04/hour), but in the new German Länder only € 1,192 (€ 6.89), while a skilled worker in Baden-Württemberg earns as much as € 1,554 (€ 10.34/hour) (ibid.). In the textile services, earnings are in part even lower. Even companies which are bound to collective wage agreements pay dumping wages of € 5 to € 7.20/hour, in particular in the rural regions of the Bavarian Forest, Schwäbische Alb and the Eifel (IGM 2009).

By way of comparison, average earnings in other sectors of the processing industry in these regions over this period were around 10% to 20% higher (WSI Tarifarchiv 2004).

The low wage level is also a consequence of the predominance of women in the workforce. In the laundry business, for example, women account for approximately 75%, in the clothing industry 80% and in the textile industry about 50% of employees.

The high percentage of female workers also implies the widespread prevalence of precarious jobs: in companies bound to collective agreements, up to 70% of workers are casually employed and hence have inadequate social security benefits (IGM 2009).

Trade union membership among employees in the textile and clothing industry is about 40%. By contrast, in the area of textile services this figure is only about 10% (Ferenschild/Wick 2004: 46).

5.3 Basic data on industry and trade in the EU

In the 27 member countries of the EU, the textile and clothing industry accounts for an important share of the total processing industry and employment in these countries. In 2007, almost 176,000 enterprises here produced sales of € 211 billion, which corresponds to 4% of the value-creation in processing industries in the EU (EU 2009). The almost 2.5 million workers in this sector account for around 7% of total employment (ibid.).

Similar to the situation in Germany, the textile and clothing industry of the EU is dominated by small and medium-scale enterprises: clothing companies with fewer than 50 employees, for instance, account for 60% of workers in the entire EU clothing industry. At the same time, they are responsible for 50% of value-creation in this industry.

The centres of the EU textile and clothing industry are located in the member countries with the biggest populations, i.e. Italy, Great Britain, France, Germany and Spain. The clothing branch tends to be stronger in the southern EU countries such as Italy, Greece and Portugal, while the textiles branch tends to be centred in the northern countries such as Great Britain, Germany, Belgium, the Netherlands, Austria and Sweden. The importance of the textil and clothing industry to the respective macro economies and employment is greater in the EU member countries which have joined the EU since 2005 than in the "EU of 15".

Over the last few decades, the EU countries have used the protection of their markets through the quota policy of GATT (MFA) and the WTO (ATC) to modernise most of this industry. This industrial modernisation has been accompanied by the closure of thousands of factories and the elimination of hundreds of thousands of jobs along with technological advance and a high level of value-creation, especially in the area of the textile industry, but also in the design and brand-name development of the fashion industry. European textile manufacturers lead the world in the production of textiles such as e.g. industrial filters, geotextiles, hygiene products and automotive equipment.

During the restructuring of the textile and clothing industry during a period of protected markets and considerable financial structural aid from the European Commission, the EU has at the same time pushed ahead with the free-trade agenda in the form of multilateral and bilateral trade agreements. Since WTO negotiations in the Doha development round began bogging down in 2006, the EU has increasingly pushed for bilateral trade agreements and the replacement of asymmetrical treaties with reciprocal ones, as became evident in the EPA negotiations with the previous ACP states following the expiry of the 2007 Cotonou Agreement.

Since the end of the ATC, the EU has been attempting through a policy of lowering tariffs to improve export opportunities – including those of its textile and clothing industry – especially to the newly industrialising countries, in which tariff barriers are in part extremely high (see chapter 2). Textile and clothing production which is sold in foreign countries only accounts for 20% of total sales in the "EU of 15" (EU 2009).

As a result of growing textile and clothing imports into the EU, the trade deficit has grown over the last few years. The table below illustrates the trend over the period 2005 to 2007:

Table 9: Foreign trade of the "EU of 27" in textiles and clothing 2004–2007

	2004 (€ billion)	2005 (€ billion)	2006 (€ billion)	2007 (€ billion)	Growth 2004–2007 (%)
Textile imports	17.6	18.1	19.9	20.9	18.4
Textile exports	18.5	18.5	19.2	19.4	4.6
Clothing imports	45.1	49.3	55.5	58.1	28.9
Clothing exports	13.3	14.1	15.4	16.6	24.4
T&C imports	62.7	67.4	75.4	78.9	26.0
T&C exports	31.9	32.6	34.6	36.0	12.9

Source: EU 2009

The EU trade deficit thus grew from € 30.8 billion to € 42.9 billion over the period 2004–2007.

Imports of Chinese textiles into the EU rose from 18.5% to 26% in the period 2004 to 2007, while this figure jumped from 25.6% to 37.7% over the same period. No other exporting country registered such rapid gains as China even though countries such as Turkey and India also achieved growth rates for textiles of 20.7% and 21.2%, respectively, and Turkey, India and Bangladesh registered growth rates for clothing of 15.4%, 54.9% and 17.8%, respectively (EU 2009).

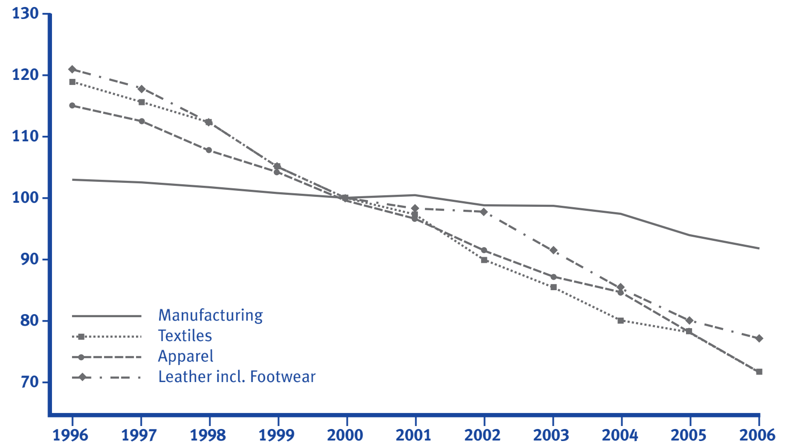
Since the reduction of quotas within the framework of the ATC from 1995 until it expired in 2005, sales prices for clothing dropped by 16%, for example, while in some EU member countries such as Great Britain and Ireland this figure reached around 50% (EU 2006: 1, EU 2008).

5.4 Employment in the EU

The growing supply of inexpensive imported goods in the countries of the EU has further increased the price pressure on the EU's own textile and clothing industry, accelerating the closure of production sites and elimination of jobs as well as the outsourcing of stages of production.

The following graph shows the elimination of jobs in the European textile and clothing industry compared to that of processing businesses since 1996:

Figure 6: "EU of 27" trend in jobs 1996–2006 in processing industries, textiles, clothing, leather and furniture (2000 = 100)



Note: data are not available at EU 27 level for footwear, leather excl. footwear and furniture

Source: Institut Français de la Mode 2007

The EU already lost around 1 million jobs from the beginning of the 1990s until 2002 (Ferenschild/Wick 2004: 43). An additional 160,000 jobs or so were lost each year in the period up to 2007 (EU 2006: 4 and EU 2009). Nor is any end to this dramatic development to be expected in the coming years.

It is against the background of this development in Germany and in the EU that the past and future strategies of interest groups in this sector are examined more closely in the following.

5.5 Strategies of the Commission and social partners in the EU

The modernisation of the European textile and clothing industry over the last decades has been supported by targeted support measures from the European Fund for Regional Development and the European Social Fund as well as through investment in industry. The industrial association EURATEX and the European Trade Union Federation ETUC-TCL have been lobbying in Brussels for a modernisation policy which takes social aspects into account as much as possible while at the same time protecting the European market, especially against competition from Asian exporting countries. Their social dialogue has been urging the preservation of the GATT quota regime as long as possible and postponement of the liberalisation within the framework of the ATC and the imposition of new quotas against China following the expiry of the ATC in 2004 in order to organise material and political support for the modernisation course under this protection. The social needs of the main losers in this process, the hundreds of thousands of mostly female workers who have lost their jobs in the course of this development, have only been helped in part if at all by state-sponsored programmes: training and continuing education programmes as well as social security systems have in many cases not had an adequate effect, with economic dependencies and gender-specific discrimination at the regional level impeding the selection of professional alternatives (European Parliament 2007).

With a view to the end of the ATC, the EU set up a “High Level Group for the Textile and Clothing Sector” (HLG) to examine what tasks need to be performed by this sector and how it can be supported in an environment devoid of quotas. The HLG is made up of representatives from the EU Commission, the member states, the EU Parliament, industry, trade and the trade unions. It drew an initial balance sheet on its recommendations from 2004 in its report from 18th September 2006, focusing on the areas of competitiveness, training and employment, intellectual property rights, regional aspects, research and development and trade policy (EU 2006).

The report documents progress in several of these areas such as, for example, the funding of a project to achieve a technological breakthrough in the clothing industry in order to return production to the industrialised countries on a large scale (p. 1), and projects for technical textiles. The report stresses major deficits in the training and continuing education and training of employees as well as in the implementation of the EU Chemicals Directive REACH. The loss of jobs, according to the report, is unavoidable in coming years as well (p. 17).

In this report, the HLG formulates a vision of the future entitled “Vision 2020”, according to which by 2020 the European textile and clothing industry is further developed with a complex package of measures into a strong, flexible industry which is competitive in the global market and which at the same time works together with government authorities on a broad front.

“The most revolutionary development in the clothing industry is the automation of garment production through the ‘Leapfrog’ project. This makes it possible for many manufacturers of garments to invest where they still have production sites, in particular in the new member states of the EU and in Southern Europe, and to produce using Leapfrog technology. The wage cost advantage from which the Asian (and other countries) have profited for so long will thus be eliminated in one fell swoop. Towards the end of the 2nd decade there will be a clear change in direction, and the volume of textile production in the EU-25+ will grow again. This success would also ensure additional growth in export markets, as flawless products from production lines turning out European goods which still have a good reputation will be favoured by more and more consumers all over the world. The use of this technology will also directly lead to mass production for individual customers as mentioned previously.” (Dispan 2009: 45–46).

Given these prospects for the future, the HLG is urging that the strategic research agenda be pushed forward while using the funds earmarked for this in the 7th framework programme of the EU along with training measures and initiatives to fight product piracy. It underscores the importance of “social responsibility of enterprises” and the setting of environmental standards. The HLG is calling for a greater opening of national markets to EU exports through tariff reductions and the elimination of non-tariff barriers to trade within the framework of multilateral and bilateral trade policy.

This strategic thrust exhibits a clear focus on the competitive interests of the European textile and clothing industry at the expense of the victims of modernisation and liberalisation within and outside the EU. Even though the decision of the EU Parliament pursuant to the “future of the textile sector after 2007” from 13th December 2007 also for the most part supports the HLG demands, it also contains employment and social-policy proposals for employees in the EU countries and the countries producing textiles and clothing worldwide (items 7, 9, 21–24). Thus the EU Parliament has called on the Commission to analyse the impact of complete liberalisation of the textile and clothing sector on the least developed countries and to support these countries through social and environmental programmes (items 22-23). No such systematic study has been carried out so far, however.

The union representing employees in the textile and clothing industries of the EU member countries has been pursuing a multi-track strategy towards the future. In addition to the direct tariff-related activities, which involve keeping as many jobs as possible as well as improvements in working conditions, the trade unions such as IG Metall are active both among their members as well as in international networks, such as the “Clean Clothes Campaign”, in which the trade unions and non-governmental authorities are working for the application of international labour and social standards in the world textile and clothing industry.

5.6 Portrait of Edith Krämer, a former employee of the clothing manufacturer Heitmann in Gelsenkirchen

I began working at Heitmann, a subsidiary of the Gelsenkirchen clothing manufacturer Steilmann, in 1979 at the age of 40. I took care of my three children at home until 1979. At that time Steilmann was one of the leading clothing companies in Europe.

I worked at Heitmann for a total of 17 years. First I worked as a technician in quality control, then as manager of a sample studio, until I lost my job in 1996, when the factory was closed.

More and more production had been outsourced abroad since 1970, first to eastern Europe, then to China. As chairperson and member of the Textile/Clothing trade union and IG Metall, I fought for the remaining employees of our company – the vast majority of them women, to continue to have as dignified working conditions as possible.

In 1996 I lost my job at Heitmann along with the remaining employees. Several of them were taken on by Steilmann for a couple years. The rest of us became unemployed and received support from the employment office. Unemployment was so high back then in Gelsenkirchen that there was practically no other alternative employment for us. A lot of us were considered to be too old. Some of us took on jobs as cleaning ladies. Most women were not able to work very far away from Gelsenkirchen because of their families.

I myself was lucky after 1996: I became self-employed and worked with a designer in a small studio. We sold our samples to an enterprise in Görlitz. But after one and a half years I had to quit working because of rheumatism.

Recklinghausen, March 2009.

6 Conclusions and prospects

The country studies on China, South Africa and Germany/the EU in chapters 3, 5 and 5 reveal considerable differences in the development of their textile and clothing industries and the situation of their employees over the last few years. The differences are especially to be found in the degree of industrialisation, openness to the world market, the level of national social security systems, but also in special burdens such as the legacy of apartheid and the Aids pandemic in the case of South Africa.

While the European textile and clothing market was protected by the quota regime for decades and the social repercussions of the decline of the industry were cushioned, South Africa was exposed to international competition virtually without any protection soon after the democratic elections of 1994. Nor did preference agreements such as AGOA change things in any major way. Thanks to trade policy protectionism and the social state in Germany, the massive loss of jobs in this industry did not plunge the people who lost their work into hunger and misery, while the decline in the industry in South Africa is most certainly forcing workers and their families to the brink of destitution.

The differences to be seen between the countries in this study translate into specific challenges for the union representatives of the employees, whose direct goal is to keep and safeguard jobs to the greatest extent possible. Beyond this, however, attention needs to be focused on commonalities. Common structural problems are evident in the three country studies which are of relevance to a more international perspective of trade unions towards the future. These structural problems are first examined in the following and then, on this basis, proposals for action are forwarded.

6.1 Common fields of structural problems

Global competition and decent work

Global competition and growth prevent decent work and social security for the majority of employees. In China the mostly female migrant workers in the labour-intensive industries of the Pearl River Delta have for the most part failed to benefit from the fruits of soaring economic growth and burgeoning textile and clothing exports over the last few years. The coming years will show whether or not the new labour laws and the most recent efforts to improve their everyday working lives through the lever of the “Global Social Responsibility of Enterprises” will ease the situation here. Scepticism is warranted, as increased production costs as a result of the recent minimal improvements in the work situation in the textile and clothing industry have led to relocations of production to the interior of the country and the migration of import companies to more inexpensive countries in which to buy their goods. For the mostly female employees, social security systems are unheard of.

In South Africa, considerable economic growth of approximately 5% over the last few years has not managed to stop the downward spiral of the textile and clothing industry. Cheap imports from China and other Asian countries have eliminated a large portion of local industry in which wages are considered to be too high – even though employees and the family members who depend on them are scarcely able to meet the costs of living. Only a rudimentary social security system is available for the workers.

Germany has a network of labour-market policy measures and social security systems which the approximately 800,000 employees who have lost their jobs in the textile and clothing industry since the 1970s have been able to profit from – even if at an undignified level considering the wealth of the country. According to these people, loss of jobs was nevertheless associated with major social and personal hardship, as most employees in the textile and clothing industry are unable to move to another location because of their family responsibilities and the lack of any suitable career alternatives (see the Portrait of the Textile Worker in Germany).

The situation in Germany cannot be compared to most of the other EU countries, in which the number of employees in this industry are also declining. In the countries which have most recently joined the EU, social security systems do not prevent the people losing their jobs from escaping destitution (Barendt et al. 2005).

The global offensive to strengthen competitiveness is furthermore leading to the more intensive use of technology in production and to the shedding of lower-qualified jobs. This is indicated by the examples of Germany and South Africa in this study. Here the modernisation especially of the textile industry has only produced relatively few jobs for highly qualified workers.

Nothing illustrates the contradiction between a policy of boosting international competitiveness and humane work better than the fact that entire industries such as the textile and clothing sector tend to be located in the world’s tax and customs enclaves in which working conditions and social rights are systematically suspended. The textile and clothing industry is one of the main sectors in the world’s more than 3,500 export-processing zones (or special economic zones, world market factories) in 130 countries, in which 66 million people work (Boyenge 2007: 1).

Informalisation of employment

The country example of South Africa shows that not only a large percentage of the population of employment age works informally, i.e. unregistered and without any occupational health and safety or social security protection, in the textile and clothing industry, but also in the economy as a whole. With the continuous elimination of jobs, the percentage of informal employees within and outside of the South African textile and clothing sector has continued to rise.

Labour laws have been systematically violated in the small factories of the special economic zones since the beginning of liberalisation policy in China. It remains to be seen whether the government's announcement that it will be monitoring adherence to new labour laws issued in 2008 more than in the past will be followed by deeds.

In Germany, precarious employment in textile cleaning businesses is widespread: mini-jobs account for 70% of employment in this branch. This type of employment is by no means limited to this sector. Precarious employment in the German economy doubled between 1960 and 2000, today accounting for one-third of total employment (Reissert 2008).

Informal employment is on the rise throughout the world. According to conservative estimates, the informal economy accounts for 41% of GDP in developing countries, 38% in transformation countries and 18% in the OECD countries (Schneider 2002).

One-fourth of the world's gainfully employed population of 3 million people work informally, i.e. 750 million people (Altvater/Mahnkopf 2002: 104), producing approximately one-third of World GDP. In Africa and Asia informal work accounts for 90% and in Latin America 66% of total employment (UNIFEM 2000: 25).

In spite of decades of growth and the economic importance of the informal economy, trade union strategies have only been developed for the de facto 'dependent' employees of this sector in scattered cases to date. Thus, for example, at the beginning of the 1970s the Self-Employed Women's Association" (SEWA) was founded in India as a trade union for informally employed people, with around 1 million members at present. A few years ago the umbrella association "StreetNet International" was founded, which represents the world's trade unions for street vendors. In Germany the trade unions have only begun to actively address informal work.

Discrimination against women in labour-intensive industries and the principle of "divide and rule"

The creation of millions of jobs in the Chinese textile and clothing industry has allowed the mostly female migrant workers to have their own income usually for the first time, and to escape rural poverty. But the country study of China shows that this gain in jobs has been accompanied by massive violations of labour rights and has not led to any improvement in the social status of women. It has also become evident in the discussion of the work situation in South Africa and Germany that lower-qualified employment goes hand in hand with female labour and discrimination against women.

Most of the employees in the textile and clothing industry in the industrialised countries who have lost their work in the course of mass relocations of production sites to the developing countries have probably not been aware of the exploitation of women in low-wage countries. Instead they have experienced, for example, textile workers as competitors, who as a result of their low wages have been held responsible for their (threatened) loss of jobs.

But the core of the problem lies elsewhere, as companies profit from playing workers off against each other in open markets, in this way driving down labour costs. In pursuing the principle of "divide and conquer", they are pursuing cost-reduction strategies and then portraying this as an objective consequence of an economic logic under which social violations of human rights are only of limited importance. Because there are no sanctions to ensure compliance with fundamental labour and social rights in international law and numerous governments support the strategy of of multinational enterprises of forcing production sites to compete against one another, it is possible for MNCs to play off employees against each other in global production and supply chains. With neo-liberal globalisation, more complex, incredibly more difficult challenges have thus come about for the union representatives of employees, requiring new strategies and instruments.

At the same time, it must also be taken into account that it is no accident that women account for two-thirds of the poor and informal employees in the world, as the hierarchical gender-based division of labour, in which they are responsible for unpaid domestic and family work, has assigned most low-qualified jobs in the paid labour market, the income from which is scarcely enough to meet the costs of living, to women down to the present.

6.2 Strategic framework for action

The ILO Decent Work Agenda and recommendations of the UN Development Fund for Women (UNIFEM) as set out in its reports 2000–2008 are proposed as an orientational framework for trade unions to take steps to overcome the structural problems discussed in the foregoing. The prevailing trend of playing off employees in competition between countries and production sites needs to be confronted by working for the worldwide implementation of these recommendations. At the same time, the task is to turn the core demands of the ILO and UNIFEM into enforceable rights.

The Decent Work Agenda of the ILO

The 1999 Decent Work Agenda of the ILO comprises four core demands: a) the safeguarding of workers' rights, b) the creation of job possibilities, c) ensuring social security and d) the promotion of the social dialogue.

The workers' rights cited under a) relate to the core labour standards of the ILO, which were set out as binding in a special declaration for all member countries of the ILO in 1998. The core labour standards include the freedom of association and the right to collective bargaining and the prohibition against child labour, forced labour and discrimination at the jobsite. Unfortunately the special status of key labour standards is not legally binding in international law, as is demonstrated by the violation of the right to associate in China.

In the ILO context, the demand for prohibition against discrimination e.g. against women at the worksite relates only to paid work, and not to the unpaid work performed by women domestically and for their families. The Decent Work Agenda of the ILO needs to be further refined to address this key issue.

The Decent Work Agenda of the ILO constitutes progress in comparison to most ILO conventions, as it explicitly relates to formal and informal gainful employment. The ILO has thus placed this economic sector, which is booming throughout the world, at the heart of its work.

With its demands for sufficient employment opportunities and social security in the Decent Work Agenda, the ILO has drawn the logical conclusions from the fact that fewer and fewer people in the world are able to pay the cost of living as a result of insecure employment and the growing share of “working poor”, and that they have to be supported by social networks.

The South African Congress of Trade Unions, COSATU, is for this reason calling for a government-funded basic income such as, for example, is being tested in a pilot project for Namibia and has been discussed worldwide in various initiatives for some years now.

The tripartite ILO mechanism works on the basis of conventions and recommendations which do not have the power to impose sanctions. As a result of the disregard and non-observance of many ILO conventions which have been ratified since 1919, and growing social cleavages in the wake of globalisation, trade unions and non-governmental organisations have started up additional initiatives over the last few years with the aim of improving social standards in world trade. Some of these initiatives are aimed at achieving a voluntary proactive commitment on the part of multinational enterprises to pursue a policy of global social responsibility and institute independent verification systems, as the procurement and purchase practices of these enterprises systematically violate labour rights in their global supply chains. Other initiatives are pressing for a legally binding obligation of enterprises as a response to neo-liberal privatisation policy in the area of labour and social law such as the “Corporate Accountability” (CorA) network in Germany and its European counterpart, the “European Coalition for Corporate Justice” (ECCJ), which is headquartered in Brussels.

The demands in the Decent Work Agenda of the ILO should go beyond a voluntary commitment and become legally binding on states and interstate organisations, with sanctions in the case of violations so that they can attain a sustained impact. Initiatives in this direction are e.g. CorA and ECCJ, with their demands for binding company reporting, socially responsible public procurement or a strengthening of consumer rights.

The demands forwarded in the ILO’s Decent Work Agenda should also become an integral, enforceable element of multilateral and bilateral trade agreements in order to alter their basic orientation, for which ongoing initiatives to attain improved tariff preference agreements and rules of origin in the world trading system will not suffice. In a resolution adopted on 13th December 2007, the European Parliament furthermore demanded an investigation of the social effects of trade-liberalisation policy on the least developed countries. Indeed, trade unions and non-governmental organisations have been calling for a moratorium on the neo-liberal trade agenda as long as its social consequences for populations, particularly in the developing countries, have not been investigated (SÜDWIND/Ökumenisches Netz 2005).

Gender and Decent Work

Inhumane, undignified work and social security are inconceivable without a reorientation of the world economy which takes gender into account. For this reason the focus of business on the objective of gender justice takes on a key role in the final 2004 report by the ILO Commission on the Social Dimension of Globalisation. It ignores the key question as to the hierarchical gender-based division of labour, however, under which unpaid domestic and family work is performed almost exclusively by women throughout the world. UNIFEM views a reclassification and re-evaluation of all areas of social work to be essential in order to overcome discrimination against women in the working world and in society. For this reason, UNIFEM is demanding the inclusion of unpaid reproductive work in macro-economic national income accounting (UNIFEM 2005), thus addressing one of the central demands of the UN Women’s Conference in Beijing in 1995. This conference recommended , for example, that public budgets be reviewed to determine their gender-specific effects (gender budgeting) so that they may serve as a concrete instrument for putting an end to discrimination against women.

Programmes promoting women in government, business and civil society organisations and institutions must be linked to initiatives for the redistribution and re-evaluation of gainful employment and domestic work.

New social alliances

To change the structural conditions underlying our economic system, which have been shaped by multinational enterprises, states and multilateral organisations over the last decades, we need new strategic alliances to go beyond the limits of trade union work which include not only the trade unions but also social movements, non-governmental organisations, the churches, women’s organisations, etc..

The general discrediting of neo-liberalism in the wake of the international financial and economic crisis offers new opportunities for such strategic alliances and the momentum they can generate.

7 Service Part

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7.2 Directory of abbreviations and acronyms

ACFTU	All-China Federation of Trade Unions.
AGOA	African Growth and Opportunity Act, preference trade agreement between the USA and Sub-Saharan African states from 2000.
ACP	Africa-Caribbean-Pacific states. The 79 countries in this group, primarily former French and English colonies, have been associated with the EU by an economic agreement since 1975.
ATC	Agreement on Textiles and Clothing, WTO world textile agreement, under which the quota regime was eliminated in four stages between 1995 and 2004.
BAFA	Bundesamt für Wirtschaft und Ausfuhrkontrolle (Federal Agency for Economics and Export Controls).
BMWi	Bundesministerium für Wirtschaft und Technologie (Berlin) (Federal Ministry of Economics and Technology)
CCC	Clean Clothes Campaign.
CorA	Corporate Accountability in Deutschland, a network of non-governmental organisations and trade unions focusing on global social accountability of enterprises.
COSATU	Congress of South African Trade Unions.
CSP	Customised Sector Programme, modernisation programme of the South African government for the textile and clothing industry.
CSR	Corporate Social Responsibility.
ECCJ	European Coalition for Corporate Justice, a European network of non-governmental organisations and trade unions working for the assumption of social obligations by business enterprises.
EPA	Economic Partnership Agreements, economic partnership agreements of the EU with the 79 ACP states.
Epo.de	Entwicklungspolitik Online (development policy online).
ETUC-TCL	European Trade Union Confederation for Textiles, Clothing and Leather.
EU	European Union.
EURATEX	European Apparel and Textile Organisation, the European clothing and textile association.
EPZ	Export-Processing Zone (also referred to as a special economic zone, Maquila, world market factor, etc.), tax and tariff enclave with incentives for foreign investors.
FAZ	Frankfurter Allgemeine Zeitung.
FES	Friedrich Ebert Stiftung.
GATT	General Agreement on Tariffs and Trade from 1947.

GDP	Gross Domestic Product.
HLG	High-Level Group for the Textile and Clothing Sector, established at the EU level in 2003.
IGM	Industriegewerkschaft Metall.
ILO	International Labour Organisation.
IT	Information technology.
ITC	International Trade Center.
ITGLWF	International Textile, Garment & Leather Workers' Federation.
ITUC	International Trade Union Confederation ("International Confederation of Free Trade Unions" until 2006).
MFA	Multi-Fibre Arrangement, GATT quota regime for world trade in textiles and clothing 1974–1994.
NAMA	Non-Agricultural Market Access, WTO negotiations on market access for non-agricultural goods.
OECD	Organisation for Economic Cooperation and Development.
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals – chemicals legislation in the EU from 2007.
SACTWU	Southern African Clothing and Textile Workers' Union.
SZ	Süddeutsche Zeitung.
TRALAC	Trade Law Centre for Southern Africa.
UNCTAD	United Nations Conference on Trade and Development.
UNIFEM	United Nations Development Fund for Women.
WSI	Wirtschafts- und Sozialwissenschaftliches Institut at the Hans-Böckler-Stiftung.
WTO	World Trade Organisation.

7.3 List of figures and tables

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7.4 Currency exchange rates

EUR 1	US$ 1.32
US$ 1	EUR 0.75
EUR 1	Yuan renmimbi 9.06
Yuan renmimbi 1	EUR 0.11
EUR 1	South African Rand 12.70
South African Rand 1	EUR 0.08

Source: www.oanda.com 30th March 2009

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