Trade Union World Report

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS | ICFTU | DECEMBER 2005

Stitched up!

How those imposing unfair competition in the textiles and clothing industries are the only winners in this race to the bottom

CONTENTS

1) INTRODUCTION

The textile and clothing sector was revolutionised on 1 January 2005. On that date, the quota system regulating a considerable number of producer countries' textile and clothing exports to the world's biggest markets (primarily the United States and the European Union) ceased to exist among members of the World Trade Organisation (WTO). The quota system was established under the first Multi-fiber Arrangement (MFA) of 1974, but constituted a major departure from the basic rules of the GATT (General Agreement on Trade and Tariffs), most notably in the case of the principle of non-discrimination. As a result, the countries involved in the Uruguay Round of trade negotiations (from 1986 to 1994) agreed to progressively reintegrate the textile and clothing sector within the GATT rules on non-discrimination. Signed on 1 January 1995, the Agreement on Textiles and Clothing (ATC) established the conditions of this reintegration process, to be completed by 1 January 2005.

Under the MFA as well as the ATC, buyers did not necessarily order from the most competitive sellers, but those that had not exhausted their quotas. This is no longer the case since the end of the ATC, and buyers are now reducing the number of suppliers, favouring the most competitive. As predicted, China is the main beneficiary of the removal of quotas. Between January and April 2005, Chinese textile exports to the United States and the European Union increased by 70 and 45%, respectively at the expense mostly of developing countries. The rush to buy from China can be explained by the extremely low prices offered by Chinese manufacturers – 10 to 50% lower than their competitors in other low-wage countries. China's ability to offer such prices is based on factors including the flagrant violations of workers' rights, abnormally low real wages, excessive working hours and, in some instances, appalling health and safety conditions. The ITGLWF (International Textile, Garment and Leather Workers' Federation) underlines that according to some estimates, nine out of ten companies in China not only infringe international labour standards, but also national labour legislation. Other estimates indicate that seven out of ten Chinese employers try to cover up such abuses. It is worth noting that although Chinese export prices have dropped by between 20 and 60% this year for a number of textile products , the retail prices have stayed more or less the same, according to the European Commission.

Whilst Chinese workers, deprived of free trade unions, have not seen a substantial improvement in their working conditions (barring a few factories) since the end of the quotas, workers in most of the countries subjected to unfair competition from China are facing major difficulties, including job losses and greater downward pressure on their rights or working conditions. Governments and employers are using the pretext of competition from China to justify such pressure. It has also been noted that the major buyers are exerting added pressure on their suppliers to increase their "flexibility".

The developments observed in the run up to the ending of the quotas and since 1 January 2005 provide just a hint of what is to transpire after the full liberalisation of textile and clothing trade in 2008. The United States' application of safeguard measures to provisionally limit the hike in Chinese imports (a measure provided for in China's WTO accession agreement) was followed by the conclusion of agreements between the EU and China, then the US and China, restricting the increase in Chinese exports, but on a consensual basis. All these limits on Chinese exports will expire in 2008.

It is essential that the WTO and the other stakeholders do not wait until 2008 to look into the consequences of this still partial liberalisation of world trade in textile and clothing and, above all, to adopt measures aimed at mitigating the social crises unleashed in the many countries faced with unfair competition from China. As demonstrated in this report, in some countries, human lives are at stake.

After examining a number of statistics on the developments in international trade in textiles and clothing in the run up to and following the end of the quotas, this report reviews the main practical consequences and explains why China is engaged in unfair competition. The report also presents the practical realities in a series of countries heavily reliant on textile and clothing exports. The Philippines, Cambodia, Bangladesh, Bulgaria, Lesotho and Kenya provide an illustration of what is happening on a wider scale in the social arena in most textile and clothing export countries.

This report is based on the accounts gathered from dozens of trade unionists across the world together with the analyses of the ITGLWF (International Textile, Garment and Leather Workers' Federation), the ILO (International Labour Organisation) and other national and international organisations (see bibliography at the end of the report).

2) INITIAL CONSEQUENCES OF THE END OF THE QUOTAS

A) INITIAL STATISTICS

As predicted, China is the main beneficiary of the removal of the quota system. Its unfair practices, both in terms of international labour standards and also the basic norms of international trade (see page 11), enable it to offer prices defying all competition, which have been quick to attract orders from the major international buyers.

According to an ILO report for the tripartite meeting held in Geneva on globalisation in the textile and clothing sector (1), China exported 1.2 billion dollars worth of textile and clothing products between January and April 2005, up by 18.4% from last year. During the same period, Chinese textile exports to the United States and the European Union increased by 70 and 45%, respectively. Exports to these two markets of goods previously subjected to quotas grew by 82 and 250%, respectively.

This huge increase in textile and clothing imports from China went hand in hand with a fall in imports from a whole range of other countries unable to withstand this unfair competition. The ITGLWF (International Textile, Garment and Leather Workers' Federation) reports that whilst, during the first six months of 2005, Chinese textile and garment exports to Europe rose by 39% in terms of volume, Romania and Tunisia saw a fall of 9%, Morocco 10% and Thailand 44%. Figures for the same period also show that Chinese clothing exports increased by 46%, whilst those of Brazil, Morocco and Cambodia fell by 10%, Thailand and Vietnam by 15%, Pakistan by 17%, Indonesia and Mauritius by 23% and South Korea by 50%.

China's growth rates for certain categories of products are even more spectacular. The NCTO (National Council of Textile Organizations, grouping the main textile manufacturers of the United States) revealed, for example, that since the lifting of textile quotas on 1 January, imports of cotton trousers "made in China" leapt by 1,519 % on the US market and cotton shirts by 1,350%. In Europe, *"the increases in the import of certain categories of clothes exceeded 2000% during the first quarter of 2005"*, according to Neil Kearney, General Secretary of the ITGLWF. *"Imports of T-shirts from China to the European Union have increased by 328% from 84 million in the first quarter of 2004 to 360 million in the first three months of 2005. The increase in jumpers is even more dramatic, an amazing 843%. At the same time prices continued to drop dramatically: sweaters by 34%; T-shirts by 37%; and dresses by 59%."*

It should also be stressed that China is not only increasing its exports to developed countries but is also flooding the countries of the South with its products, often plunging local manufacturers into serious difficulties.

The statistics on the evolution of Chinese textile and clothing exports must, furthermore, be seen in relative terms. Certain factors suggest that these figures are likely to increase in the future:

1. The US presidential elections took place shortly before the end of the ATC, on 2 November 2004, and the prospects of the safeguard clauses being applied varied according to whether the Democrat candidate or the Republican candidate won the elections. Some major US buyers chose to wait for the results before making a dash for China. The massive orders placed at the last minute could not all be honoured by China, so they had to turn to countries such as Bangladesh to produce these clothes.

2. The companies located in China's large-scale export processing zones are occasionally affected by energy shortages, reducing their ability to meet delivery deadlines, which has led to the (undoubtedly temporary) loss of some orders.

3. Some orders may also be lost as certain Chinese garment factories are confronted with labour shortages given the increase in wages in agricultural regions and the appalling working conditions in these factories. The combination of these two factors has dampened the appeal of leaving rural areas to work in the large urban areas in eastern China, where most of the garment sector is based. Employee turnover rates are very high, with workers going from job to job to improve their situation. The Chinese authorities have recognised the difficulty companies in the Shanghai and Pearl River Delta region are having in recruiting new workers, despite the tens of millions of people who are underemployed in China. This situation may ultimately force China's employers to increase wages and substantially improve working conditions in a bid to attract

(1)"Promoting fair globalization in textiles and clothing in a post-MFA environment"; ILO; Geneva; 2005

more workers to their garment factories. This is already the case in a few Chinese factories, although improvements are timid as the absence of a free trade union capable of demanding pay rises automatically limits these increases. China's comparative advantage derived from the violation of workers' rights will thus be maintained until such a time as the government decides to respect freedom of association.

The ILO report (2), for its part, argues, that the aforementioned figures tend to undervalue the volume of trade in 2004 and to artificially inflate import volumes from China for the first quarter of 2005, based on the following reasons:

a. They indicate both an increase in imports from China, but also a substantial decrease in imports from Hong Kong and Macau Special Administrative Regions and Taiwan. According to the ILO, these volume changes reflect the natural shift from a more costly system (of outward processing arrangements between these regions and mainland China) to total production in China.

b. Knowing that the quotas would be abolished on 31 December 2004, traders postponed shipments from the fourth quarter of 2004 to the first quarter of 2005.

c. Aware that the EU and the United States might apply the transitional safeguard clause against China in the second quarter of 2005 (see page 14), buyers accelerated imports which would otherwise have been placed later in 2005.

We will therefore have to wait until 2008 (when the safeguard measures are can no longer be applied), to evaluate all the consequences of a full liberalisation of trade in textiles and clothing. An examination of what is happening in Australia (which abolished import restrictions ten years ago) and in Japan (which has never applied import restrictions) gives some indication of what could happen: China supplies 75% of Australia's textile and clothing imports, and Japan imports 89% of its clothing from China.

B) INITIAL PRACTICAL CONSEQUENCES OF THE END OF THE QUOTAS

Even without full trade liberalisation in the sector, the initial trends observed since the start of the year confirm what trade unions feared in the run up to 1 January 2005: workers are the number one victims of this unbridled liberalisation. Moreover, given that women form the bulk of the workforce in this sector, they are the worst affected by the negative consequences of suppressing quotas.

Whilst Chinese workers, deprived of free trade unions, have not seen a substantial improvement in their working conditions (barring a few factories) since the end of the quota system, the workers in most of the countries subjected to unfair competition from China are facing major difficulties: job losses and greater downward pressure on their rights or working conditions. Governments and employers are using the pretext of competition from China to justify such pressure.

As predicted, it has also been noted that the major buyers are exerting added pressure on their suppliers to increase their flexibility.

1) Labour rights and working conditions: dispensable in the race to the bottom

Employers and governments in virtually all producer countries are using the pretext of increased unfair competition from China following the end of the ATC to try to downgrade working conditions or wages in the sector and to step up their repression of trade unions. The ICFTU and the ITGLWF have received numerous reports attesting to this from around the world. *"**Lesotho**, **El Salvador** and other exporting nations excluded textile and clothing workers from statutory wage increases or from minimum wage protection,"* explains Neil Kearney, General Secretary of the ITGLWF. *"Bangladesh even legalised a 72 hour week for a short period."*

Saner Taysi, of the **Turkish** textile trade union TEKSIF, also confirms such practices: *"For us, the gravest consequence of the end of the ATC is that employers are taking advantage to deploy anti-union strategies and exploit the workers more, by increasing overtime, for example. They are constantly using the pretext of Chinese competition to justify themselves. The fact that 80% of the jobs in the textile and garment sector are informal, makes it all the easier for them to demand ever-higher rates of production: some large companies receive orders from buyers*

(2)"Promoting fair globalization in textiles and clothing in a post-MFA environment"; ILO; Geneva; 2005

and then subcontract them to a large number of small informal workshops, many of which do not respect the minimum wage of 200 dollars a month. Recourse to the informal economy has been mounting since the end of the quotas, diminishing the workers' ability to organise."

In the **Philippines**, it is unpaid overtime that has increased with the liberalisation of trade in textiles and clothing. According to Annie R. Adviento, ITGLWF national coordinator in the Philippines, *"Nowadays cases of forced overtime or unpaid work are much more frequent than before in the Philippines. For example, when a worker is given a certain production quota and she cannot make it by the end of the day, she is instructed to finish the work without an overtime payment. Such complaints are widespread. Sometimes coffee breaks are sacrificed and the lunch break is shortened so that the workers meet the quotas. Sometimes the day off is suspended and employees work seven days a week. The team "work in line" system no longer allows one sewer to go to the toilet or drink water while others are still working."*

In **Thailand**, the Employment Ministry is hoping to attract workers from Vietnam or the Philippines to overcome the labour shortages of which some textile employers complain. *"But we are not, in fact, faced with labour shortages,"* underlines Junya Yimprasert, coordinator of the Thai Labour Campaign. *"Since 1996, the textile and clothing sector has dismissed tens of thousands of workers from factories where trade unions had been formed. Labour is not in short supply, the problem is maintaining decent wages and working conditions in the sector. Employers are placing workers under constant pressure, using the threat of competition from China to force them to accept restrictions on their rights. It is because of this situation that Thai workers no longer want to work in the sector."*

Mayra Jiménez, General Secretary of FUTRAZONA-CTU (Federacion Unitaria de Trabajadores de las Zonas Francas) in the **Dominican Republic** points out that in her country, *"Employers and the government have made a pact to reject any pay rises, using the pretext of Chinese competition, even though the workers' wages are already very low. The average salary is 100 dollars a month, although at least 700 is needed just to cover the food expenditure of a family of four."* Dominican employers are threatening to take greater advantage of relocation options in the neighbouring country, Haiti, in order to benefit from the even lower salaries.

2) Job losses

Unfair competition from Chinese products is provoking the loss of hundreds of thousands of jobs all over the world, either because local factories can no longer compete with Chinese imports or because orders have fallen, having being shifted to China.

In **Europe**, the textile and clothing sector still accounts for 4% of the manufacturing industry, and 7% of employment. According to ITGLWF estimates, the sector is losing 1000 jobs a day in the EU25. Future job losses are set to hit Central and Eastern Europe, where unemployment is already high. *"There are 2.7 million workers left in the sector in the EU25,"* underlines Patrick Itschert, General Secretary of the ETUF:TCL (European Trade Union Federation for Textiles, Clothing and Leather). *"We have lost a million jobs over the last ten years and expect to lose just as many over the next five years. That is why we are arguing for the allocation of European adjustment funds, which could total up to 5 billion euros for the 2007-2013 period, to assist workers losing their jobs in the textile and clothing sectors (via occupational training, micro-credits, etc.). Given the urgency, we would like to see these funds being released for the same purpose before 2007."*

In the **United States**, according to the ITGLWF, 31 factories have already closed their doors this year, whilst long term estimates point to a further 500,000 to 750,000 job losses in the textile and clothing sector. According to the ILO, employment in the sector fell by around 7.7% between September 2004 and September 2005, with the loss of 25,000 jobs, mostly in garment manufacturing.

In Latin America, Mayra Jiménez of FUTRAZONA-CTU (Federacion Unitaria de Trabajadores de las Zonas Francas) in the **Dominican Republic** points out, *"We have lost 20,000 jobs in the sector since the start of 2005. Most of those affected are young women and/or single mothers, who are now trying to survive on income from the informal economy."* The ILO estimates that in the long term 40% of jobs in the sector in the Dominican Republic could disappear due to the lifting of quotas.

The ILO report (3) underlines that in **El Salvador,** in 2004, some 6,000 TC workers were laid off following a decline in orders from the United States. "Since January 2005, China has gained a substantial share of the

(3)"Promoting fair globalization in textiles and clothing in a post-MFA environment"; ILO; Geneva; 2005

United States market for lower-priced products that are also made in El Salvador," says the report. The report adds that according to some forecasts, 30,000 jobs could be lost in the coming years in the textile and clothing sector as a result of the end of quotas.

The ILO also quotes **Mexico** as one of the Latin American countries where job losses are expected: "With the end of quotas, Mexico, which had gained certain trade advantages under the North American Free Trade Agreement (NAFTA), is now exposed to direct competition from China and continues to lose market share in the United States market (between 2001 and 2004, Mexico's apparel imports to the United States dropped from 14.2 per cent to 8.9 percent). Wider duty-free access to the United States market for Central American countries through the US-Central America Free Trade Agreement (CAFTA) could further compromise the sector's future." (4)

In **Asia,** it is the **Philippines** that has seen the biggest job losses in recent years: in 2004, only 311,000 jobs remained of the 900,000 formal workers registered in the textile and clothing sector in 1994 (see chapter on the Philippines, page 15).

But it is **Africa** that has been the worst hit by job losses since the end of the ATC. From **Morocco** to **South Africa**, virtually all the textile and garment manufacturing countries are having great difficulty withstanding the competition from Asian goods. The ILO analyses the situation as follows (5): "Sub-Saharan African countries have seen their TC industries grow sharply in the last five years owing, in particular, to a preferential trade agreement, the African Growth and Opportunity Act (AGOA), signed with the United States. US apparel imports from sub-Saharan Africa rose in 2003 and 2004 to more than US$1.5 billion a year, benefiting from duty-free access under the AGOA. This advantage is now under threat. During the first three months of 2005, textiles and apparel exports to the United States under the terms of the AGOA fell to US$270 million, compared with $361 million for the same period in 2004. This 25 per cent drop coincides with a 19 per cent increase in China's TC exports for the same period. At the same time, many Asian companies, which had invested in Africa in order to take advantage of the AGOA, seem to be pulling out."

One of the most striking examples of this adverse effect is **Lesotho**, a tiny enclave within South Africa, whose manufacturing base rests almost entirely on textiles and clothing, which account for 90% of the country's exports. At the end of 2004, six of Lesotho's 50 clothing factories closed their gates, leaving 6600 garment workers out of work and without compensation. Daniel Maraisane, General Secretary of the Lesotho Clothing and Allied Workers' Union (LECAWU), is pessimistic about the future: *"Most if not all of our foreign investors come from Asia, mainly Taiwan and China. They say that it's now easier and cheaper to manufacture in China and India. So they are starting to go back home, to benefit from the advantages offered by those countries. There's simply no way little Lesotho can compete with such giants. Before the end of the ATC, the factories employed a workforce of between 54,000 and 55,000 workers. It [the textile and garment sector] is the nation's main employer after the public sector, but if things go on like this, we are afraid that unemployment, which already stands at 40%, will end up reaching 70%."* These job losses do not only represent an economic disaster for the families concerned, but also pre-empt the premature death of many workers, as at least a third of all those employed in this sector are HIV positive and may not be able to gain access to life saving mediaction. (see chapter on Africa, page 23)

In **Nigeria**, the ILO reports that "only 50 of the 150 factories that existed in 1999 are still in operation, and only ten of them seem to be in a stable condition. Some 100,000 jobs have already been lost since this period, and the 40 factories currently in distress may be forced to close down operations soon. Since the beginning of 2005, another 8,500 workers have lost their jobs as the result of the closure of three important factories".(6)

In **Kenya**, it is estimated that 10,000 employees have lost their jobs in the textile industry and nine factories have been shut down, partly owing to their inability to cope with the competition from Asia (see chapter on Africa, page 23). During the first quarter of 2005, Kenyan exports to the United States fell by 13% relative to the same period of 2004. Numerous other jobs are being lost in downstream industries linked to textiles and clothing, such as cotton production.

Concern is also high in **Madagascar**, where textile and clothing companies account for 70% of all EPZ com-

(4)"Promoting fair globalization in textiles and clothing in a post-MFA environment"; ILO; Geneva; 2005
(5) *Ibid.*
(6) *Ibid.*

panies and employ 100,000 people. 5000 jobs were lost in the sector in 2004 after factories were closed in anticipation of the end of quotas. Some local entrepreneurs estimate that up to 20,000 workers could lose their jobs before the end of 2005. At the start of 2005, Madagascar saw a further 8000 redundancies.

In **Morocco**, the textile and garment sector currently employs 200,000 workers. During the first four months of 2005, exports in the sector fell by 16%. Not all Moroccan sources agree on the number of job losses in the sector and the estimates range from a few thousand to 95,000. The ILO, in its preparatory report for the tripartite meeting held in Geneva, mentions that, if corrective measures are not taken in Morocco, between 20,000 and 50,000 jobs could be lost in 2005. Morocco, like Tunisia, is banking on Euro-Mediterranean strategic alliances to save its textile and clothing industry. According to the ILO, in Tunisia, the sector fuels 47% of exports and employs 250,000 people in 2000 companies, but is encountering growing difficulties since the end of the quotas. "Although official figures have not yet been published, the beginning of 2005 was marked by a decline in orders in the most sensitive categories of products that were under investigation by the EU," underlines the ILO (7).

It also highlights job losses elsewhere, such as **Malawi**, **Swaziland** and **South Africa**, and the 13% drop in textile and clothing exports in **Mauritius** in 2004, which does not bode well for the future of the 68,000 workers employed in the sector.

3) Reduction in the number of suppliers

Under the MFA and the ATC, buyers did not necessarily order from the most competitive buyers, but those that had not yet filled their quotas. Buying practices are now changing (insofar as permitted by the safeguard measures): as predicted, big buyers are gradually reducing the number of countries from which they source, to consolidate their supplier network, limiting it to just a few countries and a few companies within those countries.

Inditex, one of the world's largest retailers, has already gone from 2700 suppliers to 900. Wal-Mart, the US distribution giant (and union-bashing champion) plans to reduce its supply network of 63 countries to just 12 between now and 2007, and to buy 85% of its textile and clothing goods from no more than 4 or 5 countries.

4) Greater pressure on suppliers

At the same time as reducing the number of suppliers, many major buyers have been placing ever greater demands on them since the end of the quotas, especially with regard to delivery deadlines and prices. As indicated above, this pressure is generally passed on to the workers, who are forced to produce at frantic rates and work even longer hours to meet the deadlines, without any extra pay.

Mr Alamgir Rahman, representing the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), spoke of this heightened pressure at the tripartite meeting organised by the ILO in Geneva in October 2005: *"The big buyers prefer manufacturers producing from the thread to the garment, according to the vertical integration system. They frequently threaten to look elsewhere if we are not able to adapt. It's becoming increasingly difficult, as the buyers are also trying to pass on the costs, of fixed assets, for example, to the suppliers. They claim that they have enough flexibility to place their orders in other countries and thus impose ever greater price constraints on us. Some ask for unreasonable flexibility, such as being able to change the colours at the last minute."*

These major buyers imposing ever greater restraints on their suppliers are often also those supposedly demanding respect for core labour standards, through their codes of conduct. It is high time they assumed their responsibilities regarding the terms of employment and the working conditions of their suppliers, and that they accept that decent work in their suppliers' factories will not be possible for as long as they continue to impose such low prices and ever shorter delivery deadlines.

(7)"Promoting fair globalization in textiles and clothing in a post-MFA environment"; ILO; Geneva; 2005

3) THE REALITIES OF COMPETITION FROM CHINA

Nineteen million workers are currently employed in the textile and clothing sector in China, which accounts for 22% of all manufacturing jobs in the People's Republic. The industry is concentrated in the eastern, coastal regions of the country: 76.8% of production is located in the provinces of Guangdong, Zhejiang, Jiangsu, Shandong and Shanghai.

Ending the quota system has resulted in the removal of all limits on imports from any WTO member state (excepting safeguard measures), even if one of the countries engages in unfair competition. And yet, both employer and trade union organisations from the major importing countries agree on one point: China is practicing unfair competition. Employers insist on the unfair trade practices, unions on the unfair competition arising from the total absence of independent trade unions in China, leading to the virtually constant violation of workers' fundamental rights.

Employers' objections

On the employers side, Febeltex, an employers' organisation representing textile firms in Belgium, expounds the views of numerous employers faced with competition from China on its website (http://www.febeltex.be/). "The main problem with China is that Chinese companies do not operate in a free market environment, which means that they can either set "political" prices (State enterprises) or dumping prices (subsidised private companies). The success of Chinese exports is largely owed to the dumping prices applied by Chinese exporters. Numerous practices that are not compliant with the market underpin these political or dumping prices: subsidies for raw materials such as cotton, the non-repayment or partial repayment of investment loans, the absence of amortization, free or low-cost access to fixed assets, fictitious privatisations, counterfeiting and piracy, social exploitation (despite the existence of social laws), … not to mention the underevaluation of China's currency (the yuan). Indeed, the Chinese authorities are determined to keep the yuan pegged to the dollar, which implies the systematic underevaluation of the Chinese currency and constitutes an export subsidy in disguise. The core of the problem with Chinese textile imports is that China is not a free market economy but practises a kind of State capitalism that fails to respect market prices. This serves to explain why the price of Chinese textile and clothing exports are considerably lower than those of other developing countries with equally low wages."

Febeltex explains that the prices offered by China are in some instances half those offered by its closest competitors: "Chinese export prices are between 10 and 50% lower (with the exception of dresses, although the price has already fallen by 41% this year) those of other low-wage countries (such as Bangladesh, Indonesia and the Philippines, …). Men's cotton trousers are imported from China at an average price of 3.60 euros (barely the cost of processing the raw materials), relative to an average import price of 6.90 euros. The difference: 48 %. There is no economic explanation for this price difference. The only explanation lies in the intervention of the Chinese state, which seriously disrupts the market."

During the ILO tripartite meeting on globalisation in the textile and clothing sector in Geneva (24 to 26 October 2005), several employers took the opportunity to point out how unjustly they feel they are being treated. Jean-Pierre Grillo, Vice President of a French employers' organisation, the Textile Industries Union, explained his dismay: *"European employers were prepared for the end of the quota system, but we didn't expect it to take place amid such international economic circumstances, with certain Member States disregarding the rules of the WTO. There are 4000 companies left in this sector in France, mainly SMEs, but they have reached the limits of their adaptation capacities. They will have a hard time surviving if international economic rules are not properly enforced."*

The President of the Textile Industries Union in France, Guillaume Sarkozy, had already pointed out in April 2005 on radio BFM that, *"The multiplication of Chinese exports by 10, 15 or 20 has nothing to do with the market economy. We are faced with a State economy that is undercutting our prices. Most Chinese companies are given loans without security by the banks, which are said to have 700 billion dollars in bad debt."*

Workers' objections

On the trade union side, it is obviously the unbridled exploitation of Chinese workers that is strongly denounced, exploitation that is facilitated by the ban of free trade unions in China. The ICFTU's latest annual survey of trade union rights violations recalls that Chinese law forbids workers from joining any union other than the All China Federation of Trade Unions (ACFTU), which is bound by the Constitution to submit to the authority of the Chinese Communist Party. All attempts to establish independent trade unions are repressed with violence and long prison sentences, leaving Chinese employers free to exploit their workers at will.

Here is a first-hand account from Neil Kearney who personally witnessed the plight of China's workers during a recent field visit (this text is displayed on the ITGLWF Website, www.itglwf.org): *"Today, Chinese workers slave 12 to 14 hours a day, seven days a week for poverty level wages – often less than US$1 a day. Remember, the United Nations defines poverty as having to live on US$2 a day and absolute poverty as having to live on less than US$1dollar a day. The vast majority of these workers are aliens in their own country having migrated from their provinces to the south in search of work. Though Chinese citizens, they have less rights than foreigners working in or visiting China. Most live in dormitory accommodation in the factory compound. Many have to surrender their official documentation to the factory owners. Without these documents they can go nowhere. They are captive slaves in the hands of bosses who, at best, regard them as mere peasants, at worst, little more than animals. They are further enslaved by the withholding of wages, sometimes for months on end. Only this week a shoe factory in Guandongwas was found to be US$600,000 in arrears in wage payments. Many of these workers never leave the factory compound enduring a constant cycle of work, sleep, work, sleep.*

(…) Take a typical factory compound visited recently. Perhaps 700 workers were slaving long hours for US$100 a month. The working conditions were appalling. The factory was hot. The lighting was poor. There was little attention to health and safety. Most of the machines were unguarded. A heavy air of despair hung over the whole place. All the workers lived in dormitories in the compound—the men 12 to a room, the woman 6 to a room. Each room had makeshift wooden structures providing a boxlike area for each worker. This was single bed size, but without a mattress, serving as sleeping and storage space for each detainee. Yes, I say detainee, for it greatly resembled images of wartime concentration camp accommodation.

Everyone ate in the canteen – a very basic and not particularly clean series of tables and benches. Lunch was a bowl of watery soup, some vegetables but limitless rice.

Workers appeared malnourished, dirty and raggedly clothed. It was difficult not to feel that one had been transported to the Dickensian era. Only the gleaming new Mercedes of the factory owner and the containers labelled with the destinations of the production provided a link to 2005. Believe it or not, the factory boasted a branch of the All China Federation of Trade Unions to which all workers belonged."

Codes of conduct

The leading clothing and footwear brands often claim that their codes of conduct ensure suppliers' respect for core labour standards, no matter where their goods are produced. In China, one obvious flaw is that freedom of association is denied to workers. Furthermore, whether these codes are actually respected or not is highly debatable, as companies generally settle for audits that are independent in name only.

An article published on 22 April 2005 in the Financial Times demonstrates how unreliable these audits are. It explains that Chinese company executives are becoming increasingly talented at forging clock-in cards and pay slips, in order to hide irregularities such as the underpayment of wages, exceeding the legal hours, inadequate health and safety precautions, etc. Auditors believe that more than half the reports they receive from supplier operations are falsified, according to the FT.

Even major companies with a supply base in China say they are confronted with the falsification of company reports. Quotied in the FT, Wal-Mart's Director of international affairs claims that the world's top merchandisers are aware of this situation. Meanwhile, Nike's 2004 CSR report states the following regarding Chinese companies: "The falsification of data submitted by supplier companies regarding wages and working hours is widespread."

According to the financial daily, auditors claim they had already encountered this problem elsewhere, such as India. They point out, however, that practices in China are second to none in terms of deceitfulness.

China's labour laws – which stipulate that overtime must be paid at one and a half times the normal rate, for example – are in some respects better than in other countries, but that says nothing about the implementation of the law. But the cosy relationship that company bosses maintain with the local authorities and the rapid growth in the number of such businesses opens the door to widespread abuse of this legislation, as rightly pointed out by the FT.

The EU Parliament calls for competition with China on equal terms

The European Union, where up to 1000 jobs are lost every day owing to textile and garment factory closures, is equally indignant about the unfair competition imposed by China. In a resolution passed in Strasbourg on 7 September 2005, the European Parliament called for competition with China to proceed "on equal terms" in the textile sector. The Eurodeputies adopted the report drawn up on the initiative of one their fellow parliamentarians, Tokia Saïfi, who argued that competition between the EU and China should proceed "on equal terms", in keeping with international trade rules, "which has clearly not been the case until now". The European parliamentarians insist on strict adherence by Chinese manufacturers to the standards of the ILO (International Labour Organisation), as well as to the international conventions on the environment and human rights. In their view, China should abstain from dumping practices and take more effective action against the production of counterfeit goods. The European Parliament is demanding a more far-reaching reform of trade in textiles coupled with an opening of the markets, whilst stressing that the competition from China, "which is not based on the same rules of the game", is causing job losses both within the European Union and developing countries.

China´s other advantages

Various reasons, apart from the unfair advantage gained through breaking the rules of the game, have been cited for the success of Chinese textiles and clothing exporters. Clothing importers working with China often point out that the suppliers are reliable, have a pro-business attitude and are quick to understand the customer's needs. These suppliers usually operate in factories equipped with modern machinery, as the development of the textile and clothing sector geared towards Western countries is quite recent in China (less than 10 years). Another asset is China's access to the financial capabilities and marketing expertise of a business centre like Hong Kong.

The integration of the cotton, textile and clothing industries in China is another factor. Thanks to such integration, Chinese manufacturers currently only have to import a small percentage of the raw materials required to produce clothing, which saves a great deal of time and money. This contributes to keeping prices down, as does the fact that customs formalities are better organised, less tedious and more predictable than in many other supplier countries.

Yet over and above these factors, it remains the case that the absence of workers' rights plays a major role in the cheapness of China's exports.

Han Dong Fang, human rights activist based in Hong Kong and founder of the China Labour Bulletin:

Investors are always looking for cheaper labour, and in China they find workers who are stripped of all dignity, as they have no bargaining power. That's what makes the labour so cheap. If they were able to negotiate with the investors, they could obtain a decent level of pay. It would benefit the whole world, as China's accession to the WTO has had a negative impact on the workers of many other countries, now confronted with competition from a massive cheap labour force that is deprived of any bargaining power. Helping the workers on this level is our way of acting in solidarity with the international trade union movement. If Chinese workers had the right to defend themselves, their lives would be better for it, and there would be more of a balance with the rest of the world's workers."

(Source: interview published on 28 June 2005 on the ICFTU website: http://www.icftu.org/displaydocument.asp?Index=991221961&Language=EN)

4) PROVISIONAL LIMITS ON IMPORTS FROM CHINA

China's WTO accession protocol (2001) had established the possibility of making a provisional exception to the full liberalisation of trade in textile and clothing: a special safeguard clause, permitting trading partners to apply temporary quotas on imports from China until 2008. This clause can be invoked by any WTO member that considers textile and clothing imports from China to be threatening, based on market disruption, the orderly development of trade in these goods.

In May 2005, following the strong growth in textile and clothing imports from China, the United States used this clause to place restrictions on seven Chinese products: cotton knit shirts and blouses; cotton trousers, slacks and shorts; cotton and synthetic underwear; cotton thread; men's and boys' cotton and synthetic shirts (not knit); synthetic knit shirts and blouses; synthetic fibre trousers. The annual rise in the import volumes of these products from China was limited to 7.5%.

The European Union had also envisaged applying a safeguard clause to the Chinese textile and clothing imports deemed too destabilising. But in order to avoid embarking on a procedure deemed too antagonistic, it opted, rather, to press China to negotiate the limits on its exports, threatening to resort to the clause if Beijing refused to compromise. As a result, on 10 June 2005, the European Commission concluded a "memorandum of understanding" in Shanghai with the Chinese authorities on a progressive increase in the imports of ten categories of products until 2008. According to the year (2005, 2006 or 2007) and the products concerned, the annual growth in export volumes was capped at 8 to 12.5%.

The application of this memorandum of understanding created distribution problems: clothes, not eligible for sale as the quotas on them had already been exceeded, accumulated in European warehouses. They included sweaters, trousers, blouses, t-shirts, bras, dresses and linen thread. Consequently, fresh negotiations were launched between China and the European Union on 25 August in Beijing, and a new agreement was signed on 5 September. It was agreed that the burden of the blocked goods would be shared two ways: half of the 80 million unlicensed items would enter the EU market and the other half would be discounted from the quotas granted to China for 2006 in the Shanghai agreement signed in June 2005. The agreement also provided for the "transfer" of part of the excess products to the quota applicable to a category that had not yet reached its ceiling for 2005.

It should be noted that on 8 November 2005, following three months of negotiations, the United States also reached an agreement with China to limit imports of 34 categories of Chinese-made textile and clothing goods. The growth of these imports will be capped at 10% in 2006, 12.5% in 2007, and then 15 to 16% in 2008.

(Note: source for the two paragraphs on Europe: European Parliament website).

5) CURRENT SITUATION AND OUTLOOK IN SIX REPRESENTATIVE COUNTRIES

A) PHILIPPINES

In recent years, the Philippines has ranked top of the list of Asian countries in terms of job losses: of the 900,000 formal textile and garment workers registered in 1994, only a third (311,000) remained ten years later in 2004. Workers who have lost their jobs are left with virtually no alternatives, and those who are still in employment are pressured into working harder for less money. This downward spiral is symptomatic of the situation encountered in many other countries that have fallen prey to China's competitive might.

Evolution of the Filipino export industry

From a cottage-based industry in the late '50s, the Philippines garment industry expanded rapidly in the '60s. When the ATC was signed in 1974, the quota allocated to the Philippines propelled the growth of its garment manufacturing sector. The value of garment exports ballooned at an impressive rate from US$36 million in 1970 to US$2.4 billion in 2003. Most of the quota garment exports (almost 83%) were shipped to only one marketplace: the United States. The garment sector reached its peak in 1991 when it represented up to 35% of total export shares and employed a workforce of roughly one million.

However since the mid-1990s, the garment sector has steadily and continuously declined, although it has remained the second highest foreign exchange earner next to the electronics sector. As of March 2005, the value of apparel and clothing exports decreased by 16.6% compared to the same period last year. As early as 2001 and 2002, the local garment and textile industry had already been badly hit by a US$198 million export loss when several specific items such as baby clothing and luggage products were liberalized. This sent a clear and worrying signal of the times looming ahead for this Southeast Asian country.

Two-thirds of jobs lost over a ten year period

In the US market, the Philippines has been quickly losing its competitive edge against leading Asian exporters such as China, Vietnam and India. In the past ten years, its share of the US clothing market shrunk from 4.3% (1994) to 2.8% (2004) while China's share increased from 11.4% to 13.8% in the same period. None of its neighbouring Southeast Asian competitors have suffered such a sharp fall and the disastrous consequences in terms of employment: of the 900,000 formal textile and garment workers registered in 1994, only one third (311,000) remained ten years later in 2004. Some experts fear that failure to compete could result in the laying off of 50% of the sector's existing labour force.

Few alternatives for dismissed workers

What are the economic alternatives for displaced workers in a country with an unemployment rate of 11.3% and an underemployment rate of 16.1%? According to the Confederation of Garment Exporters of the Philippines (Congep), "All combined subsectors (costume jewellery, leather goods, footwear) under the wearable group may not be able to absorb the majority of possible displaced workers in the garment and textile sector." Based on local NGO estimates, more and more women, who represent the majority of the garment workforce (70-80%), have been driven to the growing informal garment sector comprising as many as 700,000 people.

Some trade unions are looking into measures that could be adopted to save jobs and address the displacement of workers. *" Most terminated workers are usually of the age where it will be difficult for them to get rehired elsewhere,"* says Florencia P. Cabatingan, National Vice-President for Education and Information at Associated Labor Unions-Trade Union Congress of the Philippines (ALU-TUCP). *"We are trying our best on how to cushion the impact of the quota phase-out by looking at other union alternatives such as upgrading their abilities to become 'entrepreneurs'. But the market is difficult to find. We asked the government to come in and help us along that line."* One very practical idea that is currently being considered is organizing them into cooperatives which could supply "Made in the Philippines" uniforms to the armed forces and government agencies.

Worsening working conditions and "race to the bottom" since the end of the quotas

Aside from the grim prospect of massive lay-offs, working conditions for the remaining jobs have deteriorated as labour standards tend to be disregarded. In February 2004, a consultative board composed of government and business representatives seriously considered as an option exempting garments manufacturers from the minimum wage act and proposed that workers be paid according to their productivity rate instead. Based on a trade union survey, almost 37% of the garment companies located mostly in export-processing zones remunerate their workers below the minimum wage. Forced overtime, extra work without compensation, suspension of days off, and keeping time cards to prevent workers from going home illustrate the same "race to the bottom" agenda as a misguided effort by companies to retain competitiveness and reduce costs. The situation in the biggest garment factories is known to be worse than in non-garment sectors such as electronics or chemicals, but the downward spiral has further escalated with the quota phase-out.

Increased subcontracting

In addition, precarious forms of labour such as factory-based contracting or home-based sub-contracting for minor sewing operations are becoming widely-used in the Philippines at the expense of more stable, better-paid,and protected job opportunities. Garment companies are favouring job contract schemes that are renewable every 3 to 5 months as a covert but common strategy to keep workers from getting access to regular employment and to discourage them from joining unions.

"Lightening" factory closures

Another negative implication of the progressive lifting of the quotas is the increase in "overnight" closures that leave more and more Filipino workers jobless and payless at the same time. This scenario sounds dramatically familiar to the 36-years-old sewer Liberty Abille. The Subic-based factory where Liberty was working shut down after declaring bankruptcy. The workers who had unsuccessful negotiated a Collective Bargaining Agreement (CBA) for two years filed a case to recoup the money against the Korean management who fled the country. *"We won in the court, but it was just on paper,* laments Liberty. *We cannot claim anything because the owner already went abroad. We cannot even claim the machinery because it is under the possession of the Philippine authorities. Who will pay us now?*" Like hundreds of other garment workers, Liberty neither received her last wage nor her redundancy pay.

Threat or opportunity?

How did the various garment stakeholders react to the recent changes in the international clothing trade regime? While some view the quota phase-out as a potential threat to job security and quality of employment, others tend to consider the end of the ATC as a challenging opportunity to explore new markets and develop new products. The trade unions' fears and apprehensions of the quota phase-out contrasts sharply with the overwhelming optimism of the Philippine government and even of some employers. The rosiest picture of the garment sector has been persistently painted by Serafin Jualiano, the State-run Garments and Textile Exports Board's (GTEB) Executive Director, who maintains that *"the end of the quota system had no negative impact on the Philippines since the global market expanded".*

Last May the Philippine government also welcomed the restrictions imposed on several Chinese clothing items by the United States who claimed excessive "market disruption" by China. Officials said the Philippine industry has been given more time to adjust to a fully liberalized trade regime while China is again constrained by those new "safeguard" quotas. But are the Philippine garment products now out of harm's way? This external factor, although much-needed, has brought partial and temporary relief only to Filipino textile and garment manufacturers since the "safeguard" clause will expire by 2008 and will not diminish the aggressive competition from other Southeast Asian producers.

As another way of rescuing the Philippine garment industry, some segments of society have been advocating for free-trade agreement negotiations with the US for the garment exports to enjoy a preferential duty-free access to their major market. Similar moves have been observed in Sri Lanka, Cambodia and Thailand.

Making changes instead of criticizing

With the onset of the quota phase-out, has the Philippine government taken any measures to boost the vulnerable national industry? Based on the Industry Transformation Plan (ITF), unilaterally designed by the government before the year 2000, some companies began to introduce new productivity models at the workplace since 2001. But Filipino workers, whose voices had not been heard, vehemently opposed these changes and the government eventually accepted a social dialogue negotiation with local trade unions.

How is the Philippine trade union movement responding to the challenges posed by this new quota-free global garment market? As early as three years ago, the International Textile, Garment and Leather Workers' Federation (ITGLWF) started to raise awareness among its affiliates and helped them initiate some activities to mitigate the phase-out's possible impact. Aware of the need to speak as one, thirteen of the biggest federations and labour unions from the garment sector agreed to work together on what are priority issues for the workers. They submitted to the government and the employers an eight-point structural reform agenda in which ensuring decent work through the proper implementation of the minimum wage and compliance to international labour standards is the cornerstone. According to ITGLWF National Coordinator Annie R. Adviento, *"Trade unions recognize the difficulties the garment industry is facing. We are ready for closures and downsizing. We don't ask companies to stay in the Philippines even if they are losing money. But we insist that whatever decision is taken the workers' rights must be protected and the right to due process must be observed."*

On the proposal of the Labor Forum Beyond the ATC, the Clothing and Textile Industry Tripartite Council (CTITC), aimed at rejuvenating the vulnerable post-quota Philippine industry, was eventually created. Its first meeting was held early this year. Although a concerted plan of action has yet to be formulated, this initiative shows that bringing government officials, employers' representatives and trade unions to the discussion table is challenging but possible. *"Why not participate in making the changes from within instead of just criticizing the system from outside?"* asks Annie Adviento who sees the CTITC as one positive development for the workers. *"Of course initiating this tripartite body will not prevent us from playing our traditional trade union role in strengthening collective bargaining and organizing workers."*

B) CAMBODIA

Up until now, Cambodia´s relatively good reputation regarding working conditions has contributed to maintaining its share of orders from major buyers. However, the increasing repression of independent trade unionists is starting to tarnish this reputation.

The sector

The garment sector employs 65% of the industrial workforce in Cambodia and represents more than 80% of its exports. The value of its clothing exports went from 26 million dollars in 1995 to 1.9 billion in 2004. The United States absorbs around two-thirds of these exports, and the European Union most of the remaining third. Some 270,000 people are directly employed in the country's 200 or so garment factories. Between 85 and 90% of them are young women aged between 18 and 25. As in other producer countries, tens of thousand of other economic activities have also been created or boosted thanks to the growth in this sector: food sales around the factories, public transport, laundering, the rental of accommodation for workers, etc. Cambodia supplies leading brands, including Gap (the country's top buyer), Nike, Levi's, Adidas, Banana Republic, Calvin Klein, Wrangler, etc.

Salaries

The minimum wage of 45 dollars in the sector is below the amount a Cambodian worker needs to live decently and support a family (80 dollars). It is better, however, than the average salary of 28 dollars a month earned in the public sector (by work inspectors, for example) and the average combined family income of 40 dollars in rural areas. On average, with overtime pay and bonuses (such as the full attendance bonus of 5 dollars for working every day during a month), a garment worker can earn up to 70 dollars a month.

Cambodia's exports are doing well without quotas

The statistics available for the first four months of 2005, show that Cambodia's textile and garment exports to its biggest customer, the United States, increased by 17%. Employment levels thus remain much the same as before. The ILO has noted that the closure in 2004 of around a dozen factories will probably be more than compensated for in 2005 with production launches in 16 large factories. There is a general trend towards mergers in the sector, resulting in the creation large companies employing over 5000 workers.

Working conditions as a comparative advantage

One of the few advantages Cambodia has over its numerous competitors is better respect for workers' rights. This better respect is a direct consequence of a trade agreement signed in January 1999 between the governments of the United States and Cambodia. The agreement, exclusively covering textiles and clothing, was designed to improve working conditions in this sector of Cambodian industry. It offered Cambodia the possibility of increasing its textile export quota every year if it could prove that its labour laws and the international standards governing the sector were being duly applied.

Since the signing of this agreement, the ILO (International Labour Organisation) has been responsible for preparing two reports a year on compliance with these criteria, reports based on the factory visits carried out by a team of monitors. When the ILO monitors detect irregularities in a company, they are not published in the next report; a period of grace is given, rather, during which the company can take the necessary corrective measures, failing which, its name is published in the following report.

It is widely recognised that the ILO's monitoring system has contributed to progressively improving working conditions in Cambodia's garment factories, although they are still far from being ideal. This project has also helped to create an opening for dialogue between the unions and the Garment Manufacturers Association of Cambodia (GMAC). The latter has expressed its desire to negotiate as much as possible with the unions, to avoid any halt in production, has recognised them as partners, and is encouraging its members to work in this direction, whilst admitting that some companies remain opposed to social dialogue.

It was feared that the ILO's independent monitoring would draw to a close with the end of the quotas, as employers and the government are no longer motivated by the incentive of a quota increase for good behaviour. Fortunately, however, an agreement was reached to continue with the inspections until at least 2008. The assertions of the leading importers of Cambodian-made clothing regarding the importance placed on working conditions when selecting the countries from which to source are partly to thank for the signing of this agreement. A World Bank survey carried out in 2004 among fifteen of the key buyers of clothing made in Cambodia reflected this factor: 60% of those questioned considered respect for labour standards to be as important or more important than price, quality and lead time considerations; 86% expressed the view that compliance with labour standards is of moderate or critical importance to their consumers. They rated Cambodia first among five countries as regards compliance with labour standards (ahead of Thailand, China, Vietnam and Bangladesh).

Greater pressure inside the factories

Despite the ILO inspections, numerous Cambodian trade unionists have noted a change in attitude among employers over the last year and a half. The end of the quota system and the US-Cambodia trade agreement has in fact reinforced the omnipotence of the employers: many workers are afraid of lodging complaints regarding rights violations as they know that if they lose their job, finding another would be very difficult. Many employers use the threat of increased competition from China since the end of the quotas as a pretext for cutting wages. They claim competition from countries with lower production costs means that Cambodian wages have to be cut and give examples of factories that have closed down, to scare the workers into submission. They are also demanding cuts in overtime pay and nightshift rates.

But the pressure is not only limited to the pay conditions. Cambodian trade unions affirm that working conditions are also deteriorating, and that trade union representatives trying to oppose these cutbacks, though industrial action, for example, are increasingly subjected to victimisation or dismissal.

Acute increase in repression outside the factories

Whilst the impact of the end of the quotas and the US-Cambodia trade agreement is real but still limited inside the factories, it is much worse outside, where the repression of trade unions has seen a sharp increase in recent months. The year 2004 was marked by intimidation and violence levelled against independent trade unions, with attacks being intensified during the second half of the year and into 2005. As ILO inspections stop at the factory gates, they are powerless in the face of violence committed outside.

The FTUWKC (Free Trade Union of Workers of the Kingdom of Cambodia) is among those most affected by the violence. The gravest manifestations are the murders of the union's president, Chea Vichea, and the workplace representative at the Trinongal Komara factory, Ros Sovannareth. Several other FTUWKC activists have been severely beaten by unknown aggressors. Trade unionists' freedom of expression is also under attack. Chea Mony, the brother of Chea Vichea, who was elected president of the FTUWKC following the latter's assassination, was issued with an arrest warrant in mid October 2005, after making a declaration criticising the government's border policy. He is currently abroad, but three other people are being prosecuted for the expressing the same views, including Rong Chhun of the teachers' union, who has been in detention since 15 October.

Independent trade union leaders explain that police brutality at peaceful demonstrations is increasing, and is being deployed at the first signs of a gathering. As a result of this brutality, some workers no longer dare to attend the peaceful demonstrations organised by the unions. They are also aware that the demonstrators have little chance of being hired by other employers in case of dismissal.

Illegitimate recourse to the courts

Employers have recently deployed a new tactic to repress trade union activities: the filing of legal proceedings against factory union leaders, to make them serve prison sentences or pay extortionate fines. "Financial damages" as a result of strike action is the pretext being used for filing action against trade union leaders. They are using criminal law, rather than the labour code, to prosecute workers whose only "offence" is taking part in a peaceful strike. Such actions contravene internationally recognised principles on the right to strike.

The Cambodian government is tarnishing the country's image

By violently repressing the workers' right to organise unions, to hold peaceful protests or take strike action, the Cambodian authorities are undermining the foundation on which the country's economy rests: better respect for workers rights inside the factories is the only significant comparative advantage Cambodia has to offer in relation to its competitors. If the Cambodian authorities really want to help garment sector employers to survive in a quota-free trade environment, they would do better to attack the main obstacles to business for which they are directly responsible, such as the very high level of corruption among public employees (a recent study of the Asian Development Bank underlines that 16% of production costs are lost to corruption, whilst salaries only account for 15%), and the excessive red tape hampering import-export operations.

C) BANGLADESH

Bangladesh has been able to rely on the new limits to Chinese imports applied by the European Union and the United States to stem the damage to its garment industry. Bad working conditions, indecently low wages, and ongoing trade union repression continue to destabilise the future of Bangladesh´s garment industry.

The sector

The textile and clothing sector is the mainstay of Bangladesh's economy, generating 76% of the country's export revenue. It is also the nation's second source of employment after agriculture: 2 million workers, 80% of which are women, are employed in this sector that accounts for 40% of the country's industrial employment. A further ten million people are said to be dependent on this sector, either because they carry out activities that are linked to it (transport, insurance, banks, etc.), or because they are relatives of textile and clothing employees.

Understandably, the quotas phase-out raised serious fears over the sectors future. Hundreds of clothing companies had already closed down between 2001 and 2003 owing to a sharp fall in demand from the US in the wake of 9/11. The Bangladeshi authorities estimated potential job losses at between 200,000 and 300,000 minimum, whilst a number of experts feared this figure could go as high as one million in the long run. Initial statistics confirmed these grim projections: the Government of Bangladesh noted the loss of 33% of its export markets mainly to China and Vietnam for the 29 product categories removed from the quota system on 1 January 2005.

A temporary respite

The fears of an imminent collapse of the sector have fortunately not materialised so far.The availiability of an extremely cheap and easily exploitable workforce has allowed Bangladesh to capture some of the orders that were destined for China but could not be fulfilled due to the new limits placed by the EU and the US on their imports..A number of factories have even strengthened their output capacity to be able to meet certain increases in demand. Both the Government and employers of Bangladesh nonetheless remain cautious. They are well aware that 2005 does not yet represent the full and final deregulation of trade in textiles and clothing.

No decent work, yet

It should also be noted that in spite of certain improvements, Bangladesh is still far from achieving the minimum standards in terms of "decent work" for its clothing and textile workers. The majority of the female employees in this sector are unaware of their rights, often forced to work 16 hours a day, sometimes more, six or seven days a week, for wages that in most cases do not exceed 30 or 40 euros a month. Many workplaces in Bangladesh are derelict, poorly lit and badly ventilated. These precarious working conditions, in addition to poverty wages and excessive working hours go a long way towards explaining the unusually high illness rate amongst the men and women working in this sector, not to mention the factory fires and structural collapses, such as that of a clothing factory in the Savar EPZ on 10 April 2005.

In spite of the bad reputation such working conditions give to their production, Bangladeshi employers are still widely opposed to the presence of unions in the workplace. The ICFTU Annual Survey of violations of trade union rights in 2004 noted that out of the 3,300 employers exporting their textile production, only 127 have granted union recognition, and less than a dozen effectively engage in collective bargaining. According to the Survey, "Workers who try to create a trade union are not protected before registration and are therefore often persecuted by their employers, sometimes by violent means or with the help of the police. The names of workers who apply for union registration are frequently passed on to employers who promptly transfer or dismiss them, particularly in the textile sector. Workers are regularly sacked, beaten up or subjected to false charges by the police for being active in unions.

The widespread anti-union frenzy that characterizes Bangladeshi employers finds its most extreme expression in the country's free trade zones, where trade unions remain prohibited. During discussions regarding the possible elimination of this prohibition, several employer representatives claimed that allowing union presence would lead to the closure of many factories. Despite intense international lobbying, recent legislation that will in theory allow for freedom of association in EPZs as of 2006 is still deficient as it severely restricts a fully free and functioning trade union presence.

On a positive note, Bangladesh is also the first country where an "MFA Forum" (see page 25) has been set up, allowing trade unions to be involved in discussions regarding the future of the sector.

D) BULGARIA

Bulgaria is one of the rare countries that has not seen a fall in its exports to the European Union since the end of the quota system and the flooding of the EU market with textiles and clothes made in China and India. The indecent wages go some way towards explaining Bulgaria's success, but it will not be long before its workers demand fairer treatment, as the country comes closer to joining the European Union.

A key sector in the Bulgarian economy

The textile and clothing industry is a key sector in Bulgaria. It groups between 3000 and 5000 companies employing between 150,000 and 200,000 workers, accounting for a quarter of all industrial jobs in the country. The sector accounts for an ever-growing share of Bulgarian exports, climbing to 23% in 2003 from the figure of just 7% in 1995. Between 80 and 85% of textile exports are sold to the European Union. Foreign direct investments have risen by US$226 million since 1998. Over 80% of the workforce is female.

Trade union figures

Trade union presence is weaker than in other sectors of the Bulgarian economy: FOSSIL groups 118 affiliated organisations and 20,000 members and PODKREPA TCL groups 60 affiliated organisations representing 4000 members. Unionised companies include the large formerly public enterprises, where the unions have remained in place, and the subsidiaries of several multinationals. Collective bargaining agreements cover around 15% of the workforce employed in the sector.

Many trade unions lament the docility of the workers, particularly the women, who form the majority of the workforce in the sector. Their lack of combativitiveness is perhaps a remnant of their communist heritage, or maybe it is owed to the fear of losing their jobs. *"Restructuring in the factories has cost the jobs of tens of thousands of workers. The wages of the women in the textile and garment sector are very low, but they are often the only fixed source of income in the household. They do not want to risk losing everything."*

Worth noting on this subject is a project carried out in 2004, with EU funding, aimed at raising awareness in some ten textile and garment companies about social dialogue (see the description of this project on page 27).

The context

The textile and clothing sector in Bulgaria rests on a tradition dating back two centuries, hence its strength. For foreign investors, the advantage of having access to low-cost skilled labour is sizeable enough to compensate for the scarce outlet for their goods on the local market and the fact that they have to import raw materials. The most important comparative advantage is cheap labour. The average salary is 88 euros a month, much lower than the national average across the different sectors (150 euros per month), and significantly lower than anywhere else in the European Union, or in Romania, Turkey and even Morocco and Tunisia.

Poor social reputation

At social level, the sector has been saddled with a poor reputation for the last few years, given the low wages, scarce employment contracts, insalubrious workshops, forced overtime, and anti-union practices, etc. In 1999, a British paper reported on the appalling conditions in the companies in the south of the country, spurring wide coverage in other media. Darios, a Greek company working for the multinational enterprise Levi Strauss came under particularly close scrutiny. The managers were forcing their (female) employees to undergo strip searches at the end of the working day to check that they had not stolen anything. One woman had refused; she was sacked. In 2001, an inquiry carried out by a Bulgarian NGO in collaboration with Bulgarian textile sector unions within the framework of the Clean Clothes Campaign revealed countless violations of core labour standards.

Today, reports from various sources (including trade union) point to the persistence of "inhumane conditions" following their analysis of the cases given media coverage some years back already. Although with a degree of caution, most experts and trade unions working on the ground would say there has nonetheless been a substantial improvement in the situation, for at least four reasons. Firstly, the labour inspectorate, although still lacking the necessary resources, is proving to be more efficient at tracking down unscrupulous employers. Unfortunately, given the low level of the fines and the slow pace of legal procedures, the dissuasion factor remains very limited. Secondly, the major brands are increasingly sensitive to the bad publicity created by their subcontractors, as was the case with PUMA and its supplier Darios. Thirdly, the Chinese tidal wave is drowning any illusions that an industry can succeed purely on the basis of low wages, even though in the short term the threat of social dumping is real and very worrying. Fourthly, exploiting the workforce does not pay off. Most of the small workshops, mainly situated in the south of the country, are in a very poor financial state and cannot entertain any illusions of long-term survival, so are simply exploiting a docile workforces for as long as they still can.

Labour shortages

The poverty wages in the textile and garment sector coupled with the inadequacies of the Bulgarian education system is creating labour shortages in some companies. Such is the case, for example, in the Bulgarian subsidiary of the Turkish group Sahinler, a multinational with operations in dozens of countries, which has its own distribution circuit and also works as a subcontractor for major brands. Created in 2001, the factory employs 285 people, 80% of whom are women. Its director, Sadula Hadijev explains, *"We are equipped to produce around the clock, but we couldn't find the 200 to 300 people needed. We are seriously considering calling on workers from Bangladesh. In any case, I have received instructions to do so from my directors and have already sent an official request to the Bulgarian authorities."* But the director believes that it will not be long before the problem of finding new workers reappears. Like many specialists in the sector, he deplores the deterioration in the Bulgarian education system. *"The quality has gone down, in less than twenty years. Technical education no longer carries any weight, if we compare it with Turkey, for example, where our Group has invested a great deal by creating partnerships with the State. We are trying to do something similar here, but we don't feel that the public authorities have the same interest. We take on young people with no training. They start at the bottom of the ladder, doing packing or washing fibres."*

Mixed feelings over Chinese competition

Whilst textile and clothing industries the world over are having to cope with the effects of globalised trade, Bulgaria is faced with the added task of making the adaptations required within the context of its upcoming accession to the European Union. As pointed out by the director of a textile factory set up in Rousse 75 years ago and still running on equipment dating back to the communist era: *"Of course we fear Chinese competition, but our priority is Europe, and all that goes with it: the prices and the wages that are going to rise, the certification systems which require major investments." Although the State enterprises in the sector have all been privatised, many are struggling to remain competitive."* Diana Marinkeva, CEO of one of these former State companies still in operation and head of an employers' association in the sector, paints an alarming picture: *"I have just headed a Bulgarian delegation during an economic mission in China. I was shocked to see the size of the companies and the modernity of their machinery. The Westerners there feel completely at home. They have their buying departments, the designers are European, and the models too. How can we fight against this? How can we do anything but cut back on wages and staff? We have seen terrible stagnation over recent months."*

But alongside these flailing companies are many others that are continuing to grow. A recent UNCTAD study on the textile and clothing sector reveals that Bulgaria has attracted more foreign investments in this sector than any other country, excepting China. Many experts believe Bulgaria to be one of the rare countries in the Euromed zone that has little to fear from the current global crisis. Like the Italian multinational Miroglio, one of the European giants in the sector, which is constantly increasing its production capacities there, many international brands and groups consider Bulgaria to be a good option for placing orders or setting up operations. It shares more or less the same advantages as Romania: expertise, speed, proximity to EU markets and low wages. Although in Bulgaria the benefits are often greater. As many employers point out, the fabric of the textile and clothing industry inherited from Bulgaria's communist era is made up of smaller, more flexible companies capable of responding rapidly even to small orders. The diversification towards high value added goods, driven by the need to remain competitive in the face of mass imports from China, is a strate-

European social dialogue

The textile and clothing sector is the only industry to have institutionalised social dialogue at European level. The two partners are the ETUF:TCL (European Trade Union Federation for Textiles, Clothing and Leather) and Euratex, on the employers side. Given the threats menacing the sector's future in Europe, this dialogue provides a good foundation for envisaging the necessary measures in a climate of consensus. Such was the case, for example, in the run up to the end of the quotas.

Among the most tangible results of this dialogue was the adoption of an agreement in 1997, which contributes to ensuring that production transfers within Europe do not give way to the exploitation of the workers, such as during the regroupings taking place in the sector to make it more flexible and dynamic. This agreement is soon to be reviewed and adapted to the new situation. Dialogue has also facilitated access to European funds for staff training and reconversion or the creation of national and European employment observatories in the sector.

gy already being followed by many of the foreign investors in Bulgaria.

This is all well and good, but will it suffice? The low wages all too often remain a determining factor in the selection criteria of order placers and employers. As mentioned above, Bulgaria beats all the records on this score, with an average salary of just 88 euros a month in the sector. The 150,000 to 200,000 workers in the sector are hoping that Bulgaria's entry into the European Union will finally allow them to earn decent wages and enjoy social benefits worthy of the name. Some, however, are less optimistic. They fear that Bulgaria's loss of its main comparative advantage will give rise to relocations and a decline in orders, as seen in Poland and Hungary, but worse, given that the importance of this sector in Bulgaria is proportionally much higher in terms of exports and jobs.

(NB: Page 27 contains an interview with Ivan Neykov, former trade unionist, former Labour Minister, and current director of the Balkan Institute of Employment and Social Policy, regarding a project to promote social dialogue in Bulgaria).

E) LESOTHO AND KENYA

Africa, already the poorest continent in the world, has been hit the hardest by the end of the quotas, both in terms of job losses and the wider social repercussions. Within the continent, Kenya and Lesotho represent typical examples of the upheavals linked to the unbridled liberalisation of trade in textiles and clothing.

1) Lesotho

Lesotho's manufacturing base depends almost entirely on textiles and clothing, which account for 90% of the country's exports. At the end of 2004, six of Lesotho's 50 clothing factories closed their gates, leaving over 6600 garment workers out of work and without compensation. According to the ITGLWF, 20,000 jobs have recently been lost in Lesotho, which is almost half of the sector's predominantly female labour force. "Before the end of the ATC, the factories employed a workforce of between 54,000 and 55,000 workers. *"The textile sector was the main national employer after the public sector,"* underlines Daniel Maraisane, General Secretary of the Lesotho Clothing and Allied Workers' Union (LECAWU). *"We are afraid that unemployment, which already stands at 40%, will end up reaching 70%."*

Each job loss could indirectly affect 10 to 15 people in Lesotho. *"In keeping with tradition, we have to take care of a large number of people, our extended families, in a way. So each job lost not only affects the immediate family but also the wider family,"* explains Daniel Maraisane. These job losses not only represent an economic disaster for the families concerned, but also presage the premature death of many workers, as 34% of those employed in this sector are HIV positive. Losing their revenue also diminishes their access to medical care.

Those who have kept their jobs have not necessarily kept the same salaries, as many factories are working shorter hours owing to the fall in orders. *"Only six factories could still, in fact, be qualified as stable in Lesotho,"* continues the trade unionist. *"The others are cutting back on staff or working hours. Many workers have no alternative but to agree to work two weeks a month. The consequent wage cuts mean that workers can no longer cover the costs of sending their children to school, or even their own transport expenses."*

Lesotho's workers are being brought under pressure by foreign investors, most of whom are Asian (mainly Taiwanese and Chinese). *"They say that it's easier and cheaper to manufacture in China and India now. So they are starting to go back home, to benefit from the advantages offered by those countries. They are also trying to impose the same conditions of exploitation in southern Africa as those prevailing in China."*

2) Kenya

In 2004, the textile and clothing sector used to employ 39,000 people, but since October 2004, six EPZ companies have relocated to other countries (Uganda, Tanzania, South Africa, Sri Lanka and China). In May 2005, the Trade and Industry Ministry estimated that half of all the jobs in the export processing zones were under threat owing to the fall in orders since the beginning of the year. During the first quarter of 2005, Kenyan exports to the United States fell by 13% relative to the same period of 2004. *"Having said that, these export processing zones created in the nineties have contributed very little to Kenya other than the low-wage jobs (about*

60 dollars a month) which barely ensures the survival of the 60,000 or so EPZ workers, most of whom work in the textile sector," explains Joseph Bolo, General Secretary of the Kenya Shoe and Leather Workers' Union . *"The workers in these zones are terribly exploited. The majority are women; many of them are harassed by the male managers. They have to pledge never to join a union when they sign their employment contract."*

The fall in business is not only affecting workers in the garment factories, but also the tens of thousand of workers employed by subcontracting operations, both in the textile industry and in the sectors supplying auxiliary services such as hostelry and transport. *"It is the ordinary people who are the most affected by this crisis,"* explains William Muga Akech, General Secretary of the Tailors and Textile Workers Union (TTWU). *"Cotton growers, for example, have lost their markets, their only source of revenue. In the factories, around 20% of the workforce has been made redundant. Those remaining are forced to work harder for the same salary and are faced with a dilemma: either they agree, or run the risk of losing their jobs."*

The end of the quota system is just one of the factors behind the difficulties in Kenya's garment sector. As in other African countries, Kenyan trade unionists are also denouncing the flooding of the market with second hand clothing. Joseph Bolo: *"There were 60 factories in the sector two years ago; now there are only 10, and they are producing at 20% of their capacity. The second hand clothing sent from North America and Europe, along with the invasion of Chinese products, has provoked the situation. At the beginning of the eighties, before the creation of the export processing zones, over 100,000 workers were members of the textile and garment unions, the total workforce in the sector was much higher. Then, little by little, things changed as a result of the second hand clothing sent to Kenya by Western countries. These clothes were donated in these countries, but businessmen started to sell them at a very cheap price in Kenya. Kenyans have becomes used to these second hand clothes and shoes, which have progressively taken over the local market. The local clothing and footwear factories thus started to dismiss workers, as they were able sell less and less on their own market. If you walk through the streets of Kenya, Uganda or Tanzania today, you will see that they are full of second hand clothes and shoes. It is a type of unfair competition, as the local manufacturers pay their taxes, their workers and their production costs in general. These factories also export a small percentage of their production, but the most important outlet was the local market. When this is reduced to such an extent, they have to close down, as their exports are not enough to keep them in business."*

6) CONCLUSIONS AND RECOMMENDATIONS

The failure to responsibly manage the transition to a post-quota trading environment is starting to have a devastating impact on workers and their communities as well as local and national economies around the globe. Aside from the loss of jobs and revenues affecting many countries, it is also leading to a race to the bottom in terms of labour rights and working conditions, a reduction in the number of suppliers and greater pressure being placed on them by buyers. Africa has been the hardest hit in recent months.

Unfair competition from China is partly responsible for the negative repercussions of unregulated globalisation. Employers point out the unfair trade practices, whilst unions the unfair competition arising from the total absence of independent trade unions in China, leading to the virtually constant violation of workers' fundamental rights. This unfair competition goes a long way towards explaining why China is able to offer unbeatable prices on the global marketplace, prices qualified by many as "dumping prices". In all too many instances the unfair playing field imposed by China is being used by governments and employers from other countries as a pretext for downgrading workers' rights.

As a member of the ILO, China has an obligation to respect the international standards recognised by this organisation, and most notably those contained in the ILO Declaration on Fundamental Labour Rights regarding freedom of association and collective bargaining. Denouncing the exploitation suffered by workers in China is an act of solidarity with these workers who do not have the freedom to express themselves.

The limits placed on the growth of Chinese imports by the United States and the European Union provide a breathing space, a time to reflect before full liberalisation in 2008. It is essential that this time be used wisely, to implement measures ensuring the growth and stability of the sector at the same time as guaranteeing respect for the fundamental rights of workers. The countries that have not yet seen a fall in textile and clothing employment, such as Bangladesh and Cambodia, must not rest on their laurels. They must improve or continue to improve respect for their workers' rights in order to maintain a comparative advantage over China once all limitations on its exports are lifted in 2008.

The only guarantee of respect for workers' rights within any society is the existence of free and independent trade unions. The major international brands take refuge behind their codes of conduct, trying to convince consumers that the codes protect these rights. Yet nothing could be further from the truth, given that the mechanisms for auditing compliance with the codes are virtually always biased, in addition to the fact that such codes have in most cases failed to resolve a whole range of abuses in China and other countries, such as restrictions on freedom of association, the absence of collective bargaining, wages beneath the legal minimum or excessively long hours. The existence of free and independent trade unions could guarantee respect for workers' rights, regardless of the employer, without the need for so many codes and audits, and yet the major labels continue to ignore this solution, rushing to place orders in countries where it is legally impossible to form a free trade union, such as China.

The crisis in the textile and clothing sector provoked by the lifting of quotas cannot be resolved single-handedly. It will require the collaboration of all the stakeholders: governments, industrialists, buyers, trade unions, importer countries and international institutions (including the World Bank, the WTO and the ILO). A very interesting initiative in this respect is the MFA Forum, created in 2004, grouping national and international public institutions, trade unions, companies and civil society organisations. Among those taking part in it are the International Textile, Garment and Leather Workers' Federation, Oxfam, the Ethical Trading Initiative, Social Accountability International, Gap, Nike, Marks & Spencer and the World Bank, etc. The MFA Forum has led to a better understanding of the impact of the end of the quota system on producer countries as well as identifying measures to mitigate the social consequences. It is trying to develop global strategies in this area and then promote further reflection within similar nationwide forums. This has already been achieved in Bangladesh, and talks are underway on the creation of similar forums in Lesotho, Mexico and Dominican Republic (for more information see http://www.mfa-forum.net/).

The ICFTU insists that whilst the end of the quotas logically implies that buyers will cut down on the number of suppliers, the major brands and international distributors have a responsibility to source only from suppliers that guarantee decent working conditions, and to ensure that the workers losing their jobs are able to find work elsewhere. It is essential that the major buyers stop imposing minimum prices and ever-tighter delivery deadlines at the same time as demanding respect for international labour standards. To avoid paying fines for late delivery, suppliers faced with such tight deadlines force their workers to do overtime and produce at an infernal rate, resulting in an increase in the rate of workplace accidents and occupational illnesses.

Trade unions are not against globalisation per se, but are against globalisation pursued at the expense of working conditions and the environment. The only way to counter this negative evolution is to ensure that trade policies do not allow governments to undermine international labour standards. The World Trade Organisation (WTO), unfortunately, has not yet grasped this simple fact. It must urgently examine the impact of trade liberalisation on the textile and clothing sector with a view to adopting policies that will allow vulnerable and emerging economies or industries to adapt to the challenges presented by dominant suppliers deploying unfair practices.

Furthermore, a Policy Coherence Initiative must be adopted during the upcoming WTO summit in Hong Kong, with a view to analysing growth, export and employment trends in the post-ATC textile sector. This initiative should include a gender-based impact analysis, given that women workers are most often the worst affected. It should insist on respect for the international labour standards of the ILO.

Decent work is fundamental to the realisation of the goals of sustainable social and economic progress. That is why to prevent a recurrence of the crisis in the textiles sector, in future trade negotiations must take place on the basis of a fully informed assessment (with the involvement of trade unions) of their impact on the level and stability of employment, respect for fundamental workers' rights, equality between women and men, good working conditions, social protection and access to quality public services.

The pursuit of short-term competitive advantage through the violation of fundamental workers' rights undermines long term development prospects, and the WTO must go beyond the unfulfilled commitments of previous WTO Ministerial Declarations on core labour standards. Export processing zones, where workers' rights are significantly repressed, constitute a distortion of trade and such production should be ruled impermissible under WTO rules.

Finally, the WTO General Council should agree to the need for a comprehensive examination of the impact on employment and development which may result from the implementation of trade liberalisation measures, and set up a formal mechanism to develop specific guidelines within its terms of reference.

7) APPENDIX

PROJECT TO PROMOTE SOCIAL DIALOGUE

In Bulgaria, the vast majority of employers in the key textile and garments sector, which employs a fifth of the active population, are opposed to social dialogue. In many of the companies producing for major international brands, the management brandishes the threat of Chinese competition and takes refuge behind the codes of conduct to prevent any form of trade union activity. Meeting with Ivan Neykov, former trade unionist, former Labour Minister, and current director of the Balkan Institute of Employment and Social Policy.

During 2004, your institute steered a project on corporate social responsibility financed by the European Commission. What exactly did it cover?

The project was aimed at raising awareness about the issue of social dialogue (among management, supervisors, workers) in ten textile and clothing companies. Aside from the European Trade Union Federation for Textiles, Clothing and Leather (ETUF:TCL), which was the main partner, four major brands were also involved in the project: Adidas, H&M, Levis Strauss and Nike. Most of the ten companies work for these major brands. Only one of them has a trade union. Most of these companies were set up recently. They each employ between 200 and 500 workers and are managed in a modern manner by well-trained executives. They have nothing in common with the fly-by-night workshops that have given Bulgaria's garment sector such a bad reputation. These are companies that were formed to last. The first phase of the project consisted in training around a hundred workers and a few dozen managers on the subject of corporate social responsibility. We had prepared a small brochure explaining the basic labour law regulations. The course participants were then given the task of disseminating this information among their colleagues. Quality circles were set up, in which discussions were held on work and production related issues.

Has the project led to the formation of trade unions?

Workers in two of the companies have started to organise, but the process is very slow. The situation has to be seen in context. Less than 10% of the companies in the sector are unionised. Workers still haven't quite understood that they have the right to unite and create organisations. Another decisive factor is the overwhelming feminisation of the sector. Women find it more difficult to take on trade union activities. There is also a large number of ethnic minorities in the workforce. Most of the people involved in the project were to discover for the first time what the Labour Code was, or a collective agreement, and so on. It was a pioneering project on fallow land. We have sown a seed and are waiting to see what will grow.

Our mission was not to stir up a revolution during the seminars. The whole project was built on a compromise between ETUF:TCL and the four multinationals. These groups would never have agreed to take part in a project that was geared towards "unionisation". This also perhaps explains the reservations of the branch organisations, which may have felt excluded during the project. Having said that, these same organisations need to be more active on the ground. The workers from several companies involved in the project had never met a trade unionist before. It is not like it was during the communist era, when the workers didn't ask themselves why they should join a union, since membership was automatic. Nowadays, the unions have to motivate the workers, explain to them why it's so important to be unionised.

How is competition with China affecting the sector?

It is the biggest fear of these ten employers. It's also the pretext they use for doing nothing to improve social conditions. During the seminars, they complained about the working hours being lost in discussion and asked us why they should invest in an air conditioning system or better lighting for the sake of the workers whilst their Chinese counterparts are doing whatever they please. They saw us as unwelcome guests and were wary that it would all lead to widespread unionisation. Yet, when the project came to an end, several employers told me that it had drastically changed the company. When I asked them it if was for better or worse, they refused to say.

What are the views on codes of conduct?

The workers started to take an interest in their content during our seminars. But my feeling is that they are still a “plaything” for the brands, something they put in their window display to make things look nice. They are discussed outside the company, or between a brand and its subcontractors, but not with the workers. I have an anecdote on this subject. In accordance with the code of conduct recommending the implementation of measures promoting dialogue between the employer and the staff, one of the directors thought he had done what was necessary by placing a suggestion box in the middle of his factory. He didn’t know what else to do, as it was always empty. I suggested that he should place it in the toilets. Within a few days, it was overflowing with recommendations and complaints.

Do you not think that the companies see codes of conduct as little more than production constraints, an annex to the specifications?

Absolutely. Like having a metal detector to stop pins from being left in the finished product. To be honest, I’m even convinced that the management place more importance on the metal detector than the code of conduct. Yes, there are social audits, but they are very cursory. In the main, they check whether the codes of conduct are framed and displayed on the wall. They follow the logic that if it is visible and translated into Bulgarian, then it’s accessible to all the workers. In practice, however, after a long day’s work, reading the code of conduct is not the first thing that comes to mind. All the more so given that not just one but often several codes are displayed, since most companies work for several different brands. In some instances, the expediency of these companies is comical. Take the fire extinguishers, for example: each code of conduct stipulates that it has to be attached to the wall at a given height. In one company, the management had resolved this problem by placing hooks at different levels, and each time there is an inspection, the extinguisher is carefully placed at the appropriate level.

So you see social dialogue as a priority?

Yes. But in nine out of the ten companies involved in the project there is no union, so the codes of conduct are the only instruments that can be used as a launching pad for social dialogue.

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