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Labour Standards and the Question of Industrialisation Strategy. An African Example

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1. Introduction

This paper discusses whether International Labour Standards (ILS) would provide a solution to the problems that African textile and garment producers are currently facing. To what extent would the enforcement of strict regulation make African textile and garment producers more competitive and assist them to survive the Chinese competition? Our answer is that the issue must be discussed broadly; staying competitive is not only a question of strict or lenient international regulation limiting labour exploitation. If the competitive edge of African textile and garment producers is precisely the possibility of pushing competitive pressure downwards onto workers ("squeezing labour" to stay in business), theoretically, strict ILS would remove this possibility and *threaten* weaker African producers.

To shed light on these matters, there is a need to dive into theories of industrialisation and development. The core of the matter is the *type of competition* that characterises textile and garment production. Most producers opt for cost-saving strategies (labour intensive technologies and cheap labour), whereas few go for up-market, technologically advanced production. If a textile factory relocates, the reason is seldom a quest for an innovative environment and highly skilled workers. Due to its nature as a *low quality economic activity,* industrial growth may result from investment in such production, but not necessarily industrial *development*. The latter signifies not only growth but also the formation of linkages and a broad knowledge base that promotes innovation and national spread effects. Development in the textile and garment sector should thus not be viewed in isolation, but as part of the overall industrialisation strategy of governments. When viewed from this angle, labour standards and the possibility (or impossibility) of infant industry protection and preferential trade access under the present neoliberal regime become a central, but not the only important issue. Participants in the debate on the best strategy for trade unions are rightly concerned with the limitations imposed by the current international trade regime. Although the ideology of an "open economy" and "free trade" are now proclaimed by most politicians as the only way to prosperity, history teaches us another lesson. Most industrialised countries erected high tariff walls to protect their infant industries for prolonged periods of time; the advantages of "free trade" only followed at a much later stage of industrial development.

There may be a close connection between a country's choice of industrialisation strategy and the labour standards implemented. As a point of departure, we sketch the case that is elaborated upon in the Namibia country report, namely Ramatex, a textile factory owned by a Malaysian multinational. We argue that to understand the case, we need to investigate the international conditions of textile production under neo-liberalism and the breakdown of protectionist measures. Of equal importance are the special characteristics of African textile production; its *foot-looseness* (meaning that companies can easily shift production between different locations) as well as its characteristics as a low quality economic activity that are responsible for the extreme competitive pressure experienced by the industry. Last but not least, to understand such cases, the pursuit of Export Processing Zone (EPZ) policies by governments must be investigated. The reliance upon foreign direct investments increases the vulnerability of the economies, and may have a profound impact upon the strictness of the labour regimes. Pursuing industrialisation through attracting textile multinationals may turn countries towards the *race to the bottom,* where labour pays the price of international competitiveness. Should the answer of textile and garment trade unions to such local manifestations of *accumulation by dispossession* (when profits are secured by attacking workers' wages and benefits) be a call for strict international labour standards? We conclude that simply adding more strict international standards to the present regulation regime cannot solve the problems encountered in the Namibian Ramatex case. The problems are of a more fundamental character: the outward-orientation of the economies in combination with a lack of protective measures, and the specialisation in a type of production that has a limited development potential.

2. A Namibian Case

The case of Ramatex in Namibia serves to substantiate the claim that the choice of industrialisation strategy – type of production and market chosen – has a profound influence upon the type of national labour regime that can be enforced. The case shows how a multinational company pursues a strategy of global competitiveness; playing with different actors – governments, local urban authorities, and labour - to obtain optimal conditions for profit accumulation. However, the downward pressure upon labour standards that were at the outset, did not prevent the relocation of parts of the production to China, and an ever-present threat to relocate the rest of the production in the years to come.

The event was, arguably, brought about by the end of the Agreement on Textiles and Clothing (ATC). This deregulation of the textile and garment industries resulted in new factors entering the competitive advantage equation. Countries that prior to the 1st of January 2005 had seen investments in the textile and garment industries due to excess quotas, faced the prospects of rapid industrial flight. Ramatex Berhad, a Malaysian multinational producing textiles and garments, invested in Namibia in 2002, and enjoyed access to the U.S. market through the African Growth and Opportunity Act (AGOA) and to the EU through quotas until the ATC ended. The government of Namibia, in liaison with the City of Windhoek, made great efforts into attracting Ramatex. For instance, the City of Windhoek offered several incentives and subsidies, among which were substantial infrastructure investments, and subsidised water and electricity supply. These came in addition to the subsidies offered by the Ministry of Trade and Industry, such as tax exemptions for EPZ companies. The background for the incentives was a rather fierce competition between several countries in Southern Africa such as South Africa and Madagascar in attracting this particular company. Since the incentives offered clearly smoothed Ramatex' path in the quest for the highest possible profits, it is a case of weak competition referred to above. The multinational company had little to lose by setting up some factories in Namibia for the three remaining years of the ATC. However, in May 2005, Rhino Garments (a part of Ramatex) closed down production in Windhoek, and about 1600 workers lost their jobs. Some of the Chinese migrant workers were sent home, and sewing machines were transported to a new production unit in China. In Namibia, 'winning' the competition for Ramatex' investments had been a costly affair and required a huge effort on the part of several local actors. When Ramatex announced the closure of Rhino Garments, the company as well as the Namibian government began to identify the scapegoats. Since Ramatex blamed the unions for falsely informing the buyers of their products of breaches of labour standards thereby reducing orders, the government of Namibia soon pointed fingers to the trade unions as treacherous partners. Hence, in the public debate, long-time workers' unrest and serious complaints regarding working conditions and wages were given as reasons for the closedown (Bergene & Endresen forthcoming). However, as argued by Jauch (2005), the expansion in China had been on Ramatex' agenda for a long time prior to the closedown in Namibia. During Rhino Garments' short stay in Namibia, Ramatex' attempts at reshaping local conditions partly succeeded and partly failed. The strategy ultimately chosen (relocation of production) was further actualised by changing international conditions of production.

As a consequence of relocation, workplaces are normally lost. The militancy of organised labour may figure in the debates as a contributing factor – whether justified or not. Workers may well be turned into scapegoats, blamed for economic losses, especially if voicing their grievances internationally. In this case, the weapon of contacting buyers, previously quite effective, did not achieve the desired results. In the "old trade regime", targeted companies had at least some incentive to clean up their act in order to keep orders while still being located in a country with excess quotas. With deregulated textile and garment industries, companies are to a lesser extent tied to particular places. In a competitive environment where governments subsidise the cost of (re)locating, companies have little to lose – an industrial dispute might even prove a welcome excuse to move without facing any charges of treason.

3. A Level Playing Field?

All countries represented at the international Textile Conference in Cape Town reported on factory closures and high levels of unemployment among African textile and garment workers. One of the speakers advised workers to "run faster just to stay in business", to go for increased productivity and technological improvement, an optimism clearly inspired by Porter's (1990) competitiveness frenzy. Few, if any, African countries other than South Africa have the capabilities to make use of such an advice. Another speaker claimed – contrary to all historical evidence – that "There's no going back" and that the world was moving towards the reduction of trade barriers. In this line of thought, the adverse effects of trade liberalisation are considered an inevitable fate; the only comfort being that the problems would be "transitional" only. Factory close-downs are seen as part of "adjustments", and unemployment as a "side-effect" of a liberalisation programme that will be beneficial to us all in the long run (For an interesting discussion on *inevitability;* that contemporary neo-liberal politicians see themselves as victims of global forces beyond their control, see: Saul 2005).

If the move towards a free trade regime is seen as the result of the workings of a natural law, then opponents are turned into people who are opposed to "progress". However, historically, the world has seen shifts between periods of protectionism and periods of freer trade. According to Senghaas (1985), and, strangely, disputed by neo-liberal ideologists, the contemporary rich industrial countries grew rich precisely because of a wise dosage of protectionism at the right point in time. Reinert (2004:109, our translation) also argues that "[e]xcept from 'the naturally rich' states – Venice, Holland, small city states which did not have any agriculture – it is almost impossible to find examples of countries developing an industrial sector without a prolonged period with protective duties". Even Adam Smith (ref. Reinert 2004) realised that 'the invisible hand' would only work to the advantage of a country after an industry had become 'cemented' and competitive internationally through protectionism.

Mercantilism dominated more than a century of European industrialisation, a period when the state controlled trade, and European powers fiercely protected their domains. Only after gaining strength could a country handle competitive pressure and make productive use of the impulses created by free trade. Presently, there is all the more reason to return to policies of protection, as has been done by both the US and Europe, when they argued that cheap Chinese imports destroyed their weaker textile and garment industries. While these stronger trading partners readjust, Africa is fed the ideology of free trade, and former textile factory workers experience technological retrogression when turning to *outwork* for survival in informal backyards or home industries.

The theoretical foundation of the current free trade regime is Samuelson's economic model, where free trade is seen as beneficial to *all* trading partners (Reinert 2004). A free trade regime is believed to spur the levelling out of prices of both capital and labour, forming a *level playing field.* The purpose of international cooperation (such as the WTO) in the shaping of a trade regime is thus to strengthen the formation of this imaginary level field. Eliminating preferential trade access is thought to level the playing fields, and, furthermore, the exposure to competition is thought to strengthen industrialisation in the longer run. What this approach does not take into consideration is the basic asymmetries characterising the world economy. These asymmetries are reflected in, among others, the specialisation of production in developing countries and the diversified production in developed countries (Prebisch 1976). *Initial disadvantages* are thus ignored; differences that explain why most countries struggle to meet the Chinese challenge. Such differences accentuate as a result of the neo-liberal regime, shaping a more and more unequal world. The effects of the moves toward free trade are not what Samuelson predicted, but instead reality fits Myrdal's (1957) model: Free trade is beneficial to the strongest trading partners. Others may experience backwash effects; growth regions attract factors of production, creating de-industrialisation elsewhere. Such backwash effects explain the accentuating unevenness. What free trade theory does not take into account is precisely this: some places have initial advantages – such as a head-start in industrialisation – and others have initial disadvantages, such as a colonial past. From the vantage point of poor countries, the former trade regime with preferential access took initial disadvantages into account (although good intentions were mixed with protectionist interests in the North), and actually led to some industrial growth in many countries. But the companies attracted to African countries by quotas are now facing harsh competition, reflected in the strategies of companies such as Ramatex. The company continuously squeezes concessions from Namibia, while at the same time looking for greener pastures elsewhere. The attraction of China is immense; investors want to go there to take advantage of more than just a lax labour regulation regime.

It is nothing new that companies locate and relocate production in search of the optimal conditions for profit maximisation. Scale and speed of relocation processes have, however, increased during late capitalism. In the textile and garment industries the processes were spurred by changing international conditions of production (the MFA phase out, AGOA and the rise of the Chinese giant) and by changing local conditions of accumulation, for which labour regimes are essential. In the quest for gains in productivity and increased rate of exploitation, companies may (re)locate production to where profits are highest, one solution being a shift to cheaper wage zones (Lipietz 1982). The incentives offered by localities in the quest for foreign investment increase the mobility of capital by reducing the costs of (re)location (Harvey 1989). The trend today is that multinationals want to invest as little as possible in production units; buying from subcontractors is preferred to investment in subsidiaries.

Jessop (1998) terms the relocation option to stay competitive "weak competition", weak in the sense that it is not creative, but rather destructive based on zero-sum attempts at securing investments in one locality at the expense of others. Since localities compete by adopting the same measures the effects of the measures on competitiveness are reset. Hence, when every city offers, for instance, the same tax exemptions the competitive advantage is lost. However, the next move often is to provide even more extensive exemptions, thereby spurring a race to the bottom: "competition seems to operate not as a beneficial hidden hand, but as an external coercive law forcing the lowest common denominator […] Many of the innovations and investments designed to make particular cities more attractive […] have quickly been imitated elsewhere, thus rendering any competitive advantage within a system of cities ephemeral" (Harvey 1989).

If trade regimes allow for extensive government interventions, there are less external pressures upon governments to reduce labour standards to stay competitive. Deteriorating standards are thus linked to openness of the economy. The Namibian President's bold declaration that "there shall be no exploitation on Namibian soil!" (Melber 2005) sounds less like a guarantee and more like wishful thinking in light of the Ramatex experience, which was caused by the pressure of the open economy. Competitive pressures increase competition between companies as well as between localities. The possibility to create a "labour friendly state" is clearly limited when the competitive pressure between localities leads to a downward spiral to what the most desperate of the world's workers are willing to accept – the working of Ricardo's iron law of wages at the world scale.

Relocation is an adaptation on the part of companies to competitive pressures and may be induced by several factors. Each case must, therefore, be empirically investigated to determine the cause. Currently, companies suffer from a double squeeze; a competitive pressure to cut the cost of production on the one hand, and demands for higher ethical standards in production as consumers' awareness rise on the other. Relocation may thus in some instances be a flight from *low,* or at least *visibly* low standards. The case of Ramatex can illuminate both. If the company closed down merely to cut costs by expanding operations in China, it is possible to argue that the first competitive pressure had the strongest bearing. On the other hand, the argument that there was a lack of buyers due to trade unions raising the awareness of brand names on working conditions at Ramatex highlights the other. The third option, and the middle ground, is that Ramatex could kill two birds with one stone by relocating to China: China offers lower production costs as well as less publicity on breaches of labour standards.

4. Low and High Quality Production

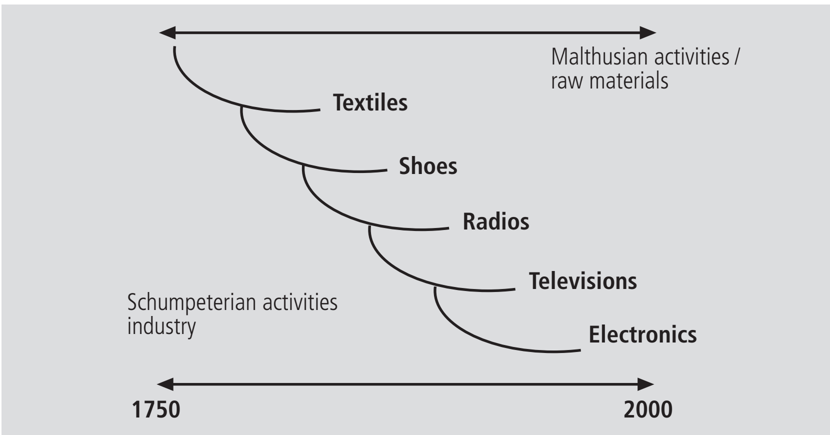
Referring to African countries, a delegate to the Textile Conference asked, "Can we grow rich through trade?" This is a complex issue. Trade does not bring prosperity – unconditionally. Looking back at Africa's history one has to ask which benefits centuries of trade in raw materials have been brought to African countries? Wealth was created, but where did it accumulate, how much was retained locally and put into productive use? Will a shift from raw materials to manufactured goods lead to development and have the desired spread effects locally? There are no guarantees as profits may continue to be repatriated whatever produce is exported.

However, the answer to the above question may still be yes. History, particularly the experience of the last century, shows that trade in manufactured goods brought prosperity to trading partners, but it matters what they trade *in*. According to Neo-Schumpeterian theory the development potential of trade is linked to the characteristics of the particular production from which the export produce origins: It matters whether you sell computers or blouses (Reinert 2004). This stands in sharp contrast to the mantra of neo-liberalism: Open your economy, go for free trade, export whatever can be sold and you'll get rich, sooner or later.

The basis for this mantra is Ricardo's theory of comparative advantages predicating that countries ought to specialise in activities in which they are relatively least inefficient. However, Reinert (2004) argues that this leads some countries to specialise in being poor. Investigating what economic activities will promote development, Neo-Schumpeterian theorists have established a "quality index of economic activities" (Reinert 2004). This refers NOT to the quality of *products,* but to specific characteristics of production. Thus, high quality goods can be produced and exported, but the production facility that created it, may score very low on the quality index. Studying the introduction of new technology and the concomitant increase in productivity, Reinert draws attention to how the rich countries export products that face high technological development and import either mature products or products where the potential for technological development is low. Using the example of the production of shoes, often regarded as part of the textile and garment industries, Reinert shows how the learning curve has levelled out since the middle of the 20th century. When this levelling out occurs, the potential of the industry to increase the welfare of people diminishes, Reinert argues.

Hence, by the time the poor countries are allowed to become major producers of shoes (in this example), the industry will, more or less, have lost its potential to raise the living standards in those countries. It is hence less a question of ef-

Figure 1: **How wage differences between rich and poor nations were formed through cumulative productivity explosions that led to higher wages**



Source: Reinert 2004, Figure 6

ficiency than of being involved in high quality activities, and Reinert (2004:118, our translation) argues that it was obvious in the 1990s that “it was better to be a mediocre computer engineer than the world’s most efficient dishwasher”. Reinert and Daastøl (2004) claim that the common thread of successfully catching up has been the distrust of free trade until ‘right’ economic activities have become firmly established. By ‘right’ they mean high-quality activities in which imperfect competition reigns and which are characterised by steep learning curves, rapid technological progress, high wage levels and/or branded products. The main characteristics of low-quality activities are, on the other hand, flat learning curves, little technological progress, low wage levels and/or substitutable commodities. Specialising in the latter activities renders countries vulnerable to changing conditions in the world market; especially since the low-quality activities often involve foot-loose industries. This was clearly seen in the fears on part of countries depending on exports of textiles or garments when the end of the ATC drew closer. Bangladesh was portrayed as a worst case scenario, depicting a situation where the country could lose 80 per cent of its export earnings almost overnight.

In the context of African textile and garment industries, it is worth noting that *art* and *design* have special characteristics that place them in the quality production category. In the market for such products, free competition does not reign due to the uniqueness of the products. There are examples of African design products having big success in high-income markets of the West; the South-African Monkeybiz and Streetwire are cases in point. These unique products are produced using labour absorbing technologies, whereas marketing technologies are advanced, a technology mix that could serve as a model for other African producers.

Ocampo (2001) argues that an active production development strategy needs to have the following two elements. First, it is necessary to increase the rate of innovation through transfer of technology, develop new production sectors and conquer new markets, and, secondly, to create what he terms “systemic competitiveness” through fostering synergies between firms and production sectors. Of utmost importance is strengthening of government intervention; and to make full use of incentives designed to diversify exports.

So far we have argued that successful industrialisation demands more than attracting foreign direct investors at any cost, and in whatever production sector that suits them. At the top of the priority list has to be government intervention that secures diversification and spurs private sector creativity; that protects the weaker producers and encourages a mixture of technology levels to maximise employment. Such an approach presupposes selective attachment to the world market. In the contemporary political climate, few discuss strategy alternatives to industrialisation based on invitation of foreign investors that are vulnerable to an ever-increasing international competition. In many developing countries proponents of small-scale industries and production for national markets witness that EPZ investments get the lion's share of small industrialisation budgets. Inward-looking strategies (Sunkel 1993) where diversification and infant-industry protection are major principles, and where the state protects the weak rather than the strong, are out of fashion. However, historical experience tells us that wealthy elites that smooth the path for the multinationals have the most to gain from such extraversion (outward-orientation of the economy) (Amin 1977).

5. Bloody Taylorism, Peripheral Fordism

Investments in EPZs are increasingly popular among latecomers in the industrialisation process. During the last couple of decades, more than 20 African countries have competed to attract foreign direct investors, smoothing their path but having little say in what type of production they establish. EPZs are characterised by low quality economic activities such as textile and garments, and assembly of electronic goods. Compared to many other industries, textile and garment production requires little investment in heavy machinery and training of staff, making it easy for them to shift location. The more governments invest in the zones, in infrastructure and in buildings that the companies can hire for a limited period of time, the more *foot-loose* they become. Host governments subsidise heavily to keep them which paradoxically makes it easier for them to leave and relocate production (Harvey 1989). If companies had to carry these costs themselves, they would probably be more reluctant to move.

African industrialisation based on the invitation of foreign investors in textile and garment production, spurs the contesting nations in a race to the bottom, due to the competitive edge of Asian producers. The multinationals enjoy privileges locally, but they are faced with harsh international competition, the effects of which are felt in the bargaining process between companies and governments. The pressure is transferred downwards; at the bottom are the workers, who "hold the keys to the success" of the EPZs by being willing to accept low wages and tough working conditions (Endresen and Jauch 2001). In some instances, the factory workers face inhuman conditions. The import of Taylorist "time management regimes" and physical control systems into contexts with lenient regulations regarding working hours, have been described as "bloody Taylorism" (Lipietz 1982), to denote dangerous levels of labour exploitation. Squeezing labour is a risky way of industrialising. Apart from the moral issues involved, it breeds social unrest that in turn may destabilise the economy, and subsequently result in less foreign direct investments. This is exactly what is feared in Namibia after the dispute at Ramatex where the unions were cast as scapegoats both for the close-down of Rhino, but also for retarding Namibia's future prospects for attracting foreign investments.

Superficially, many African EPZ factories may seem "modern" and not very different from the factories of industrialised countries. Machinery may be up to date, and management uses state-of-the-art communication technology. Productivity may be similar, but there are great differences in labour regimes. In industrialised countries, workers' struggles for more than a century have resulted in much higher wages and good benefit deals; and starting in the Fordist era, especially in Scandinavia, the welfare state provided security nets during times of illness and unemployment. The welfare state mitigates the effects of the fluctuations in the capitalist economy, and to some extent secures redistribution of social wealth. Industrial growth in developing countries based on the introduction of Western technology unaccompanied by the regulation regimes of the West, such as the welfare systems, has been termed *Peripheral Fordism* (Lipietz 1982). In Peripheral Fordist regimes, industrial growth and increased productivity do not lead to the formation of a prosperous middle class, but an impoverished class of industrial workers. However, the neo-liberal orthodoxy is now spreading throughout the world, and introduces social polarisation even in previous welfare states. The same strategies of attracting foreign investments, or, in some instances, engaging in concessionary bargaining to keep investments, are also seen in industrialised countries, which now face prospects of de-industrialisation and unemployment (Harvey 2003). In his book, *The New Imperialism,* Harvey claims that our era is characterised by *accumulation by dispossession,* envisaging tougher times for labour throughout the world; public goods and benefits are under attack. Attempting to attract foreign investors, states seek to control and discipline labour. Accompanied by the rolling back of the state, workers world-wide lose rights, their bargaining position weakens, and unions lose members.

The Namibian example also teaches us that unionisation is threatened by "labour flexibility"; more use of temporary labour through hired labour companies (recruitment agencies). Governments turn against labour unions that fight for decent working conditions, deeming their actions as "against the national interest". New players in the investment attraction game, the cities, change their role from managers to entrepreneurs. In the process, the condition for organised labour is changed since a third level of bargaining is introduced, in addition to state and company. Whatever the real reason for Ramatex' closure, the case shows us how unstable any strategy based on attracting foreign investors is. Where industrialisation is based on export-orientation in this EPZ version, the openness of the economy leads to a severe downward pressure upon labour standards. Governments and local authorities in alliance with companies end up trying to curb the demands of labour.

During the Textile Conference a delegate asked whether African governments are "at the mercy of multinational capital", wondering whether the freedom to design industrial policies is curbed by this connection. There is a close link between working conditions in Ramatex and the neo-liberal policies of attracting foreign direct investments that the Namibian government follows. Thus, the choice of an industrialisation strategy had a profound impact upon the type of national labour regime that was possible; it may even be termed a *structural coercion* (a term coined by Galtung): The choice of a strategy forced a government, even in a country where unions traditionally have been strong, to condone labour exploitation. And labour faced yet another factor, entrepreneurialism of cities. The cities struggle to enhance competitiveness and are directly involved in bargaining with multinationals – and where does that lead labour? New possibilities open up, new alliances with broad-based urban social movements may emerge as the worker is also a citizen.

6. A Double-Edged Sword?

From a neo-liberal perspective, standards are market imperfections and introducing international labour standards (ILS) is the direct opposite of the competitiveness agenda. If the free market is supposed to lead to the most effective allocation of resources and production, then any introduction of a bottom below which exploitation cannot go, impedes development. In this line of thought international labour standards are not necessary either; workers will benefit as soon as growth ensues and the benefits trickle down. Deregulation is hence seen as a good thing as it entails competition based on comparative advantages. Introducing ILS runs counter to neo-liberal ideology and their introduction and implementation, therefore requires trade union struggles and the mobilising of allies at many levels. Another issue is whether it will work. Can ILS prevent industrial flight from African locations, or attract new investors? How will ILS affect union and government strategies? And lastly, in terms of the development of African textile and garment industries, should ILS be advocated? Will it result in improved working conditions and wages for the workers?

Currently, companies should comply with internal regulation (for instance, voluntary codes of conduct) as well as external regulation (for instance, national labour acts that may or may not comply with international standards, and local regulation such as pollution prevention statutes). Stricter international regulation may directly affect the spatial strategy of companies, i.e. decisions on where to and where not to locate production, and where to source labour. The introduction of stricter regulation may induce capital mobility and thus industrial flight. But the competitive strategy of some companies may run counter to this, and stricter standards thus in some instances may have no significant effect upon capital mobility.

What are the implications of ILS for unions and governments? Competitive pressures result in unions' struggles to defend *national* standards; their demands are directed towards companies as well as the state to enforce stricter regulations. This was for instance seen in the Southern African Clothing and Textile Workers Union's (SACTWU) 'Buy Local' campaign in which the union sought to pressure retailers into committing themselves to buy a major part of their goods from local and ethical producers (Beckman 2005). In this case, SACTWU did not have the backing of the government. However, governments and unions that seek to improve labour standards today face the same dilemma: If they do not accept deteriorating labour standards, the result may be relocation and job losses. But whereas labour generally sees their interests as opposed to that of the companies, alliances may be built between states and companies.

How can strict international labour standards help African textile industries? In other words, how can their competitiveness improve as a result of ILS? On the one hand, if implemented properly, ILS may halt the race to the bottom and thus reduce the competitiveness of *Asian* countries (by "levelling the playing field"). By imposing a bottom below which labour standards may not fall, they are to some extent pulled out of competition.

Exploitation may be reduced and thus lead to increased welfare among African workers and hence have a positive macro-economic impact. ILS also reach beyond trade unions into those EPZ where unions are prohibited. In the long run this may make relocation a less attractive option, and hence decrease the movement of capital. On the other hand, too strict regulation might pressure some companies to externalise production and involve in more clandestine operations. And if standards are implemented to soothe consumers' conscience, then it might involve relocating to countries with weak or non-existent trade unions, where workers have few opportunities to get international attention.

More knowledge is needed to conclude on these important issues. We tend, however, to believe that strict ILS, while preferable on moral grounds and indeed being the only long-term solution, do not solve fundamental problems involved in the export-orientation strategies that many African countries now pursue. ILS are a good short-term weapon against China, but may backfire – if African countries continue on the export orientation based on attraction of FDI and low quality industrial activities, in short, pursue the EPZ strategy of industrialisation. It is also crucial to remember that the implementation of strict ILS gives a competitive advantage to industrialised countries, as it puts a potent weapon into the hands of law-abiding Western textile and garment producers.

7. Conclusion

What can we learn from the Namibian case of Ramatex? It shows the limited competitiveness of African localities, the “China attraction”, the vulnerability of workers, the consequence of openness and of no protection to infant industries, the race to the bottom, the alliances between companies and governments. But above all, the Ramatex case is a lesson in the foot-looseness of contemporary textile and garment production. Brand name owners own no factories, relocation of production is done by two telephone calls, one to the previous subcontractor and one to the future subcontractor. Relocation is hence neither time nor investment consuming in these industries.

The problems surfaced in the Ramatex case cannot be solved by simply “adding stricter international standards” to the present regulation regime. The problems are of a more fundamental character: the outward-orientation of the economies in combination with a lack of protective measures, and the specialisation in a type of low-skill production that has a limited development potential. Obtaining increases in skills as well as local linkages have proved difficult. Furthermore, such production is immensely vulnerable as regards international ebbs and flows of demand, and ever-increasing attempts by many states to reach the very bottom of labour standards. The iron law of wages, i.e. wage levels dropping to what the most desperate of workers may accept, is at work.

The historical role of the state in the development of industrialised countries should not be underestimated. It is tempting, especially as seen from a Scandinavian perspective, to point to the bygone Keynesian era, where the possibility of labour to influence state policies was great. The alliance between organised labour and labour parties served as a strong protection against attacks on good working conditions that had been achieved through union struggles. We think that we may survive accusations of nostalgia and, therefore, do not hesitate to recommend organised labour to seek state alliances, seek powerful alliance partners to obtain protection against too strong competitors. We should add that protectionism is by no means dead in Europe; the EU protects weak member states against Chinese imports, so why abstain from protectionism?

Organised labour and textile producers should push ministries in the direction of mixed economies and less neo-liberalism. States should aid technological upgrading and skill formation in manufacturing, while at the same time encouraging labour-absorbing production, and a strong local market aided by closer regional (South-South) market integration. And lastly, although the politically correct argument would be to recommend cooperation rather than competition with Asian workers, we urge African textile producers to go for niche production of high quality African design products. Growth in sales stagnates – the wealthy Western consumer seems tired of mass-produced Asian goods!

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