EPZs in southern Africa

Neil Newman and John Pape report on a delegation's findings of EPZs in Zimbabwe, Mozambique and Namibia.

The Southern African Trade Union Co-ordinating Council (SATUCC) undertook an extensive study of export processing zones (EPZs) in the region in 1996.

The findings of the study informed the much longer policy document which SATUCC tabled to SADC. However, while trade unions and regional structures continue to debate the issue, EPZs are becoming a standard development strategy within the region.

In April 1999, a delegation of trade unionists and community activists from Mexico and Canada visited southern Africa to explore the status of free trade and export-oriented strategies in the region. This article describes some of the delegation's findings in Zimbabwe, Mozambique and Namibia.

Zimbabwe

No country in southern Africa can begin to match Mexico's 3 000 export processing sites. However, there is a rapid expansion of such zones in southern Africa. This expansion is most obvious in Zimbabwe.

The Zimbabwean government passed an EPZ Act in 1996 and had already approved 87 applications for EPZs at the time of the visit. Forty-five EPZs were already operational. White businesspeople (often in partnership with foreign companies) owned the overwhelming majority of these EPZs. The EPZ Authority noted that there was not a single EPZ that was totally owned by a black entrepreneur.

The delegation visited four operational EPZ sites, all of which produced goods for Europe or North America. Perhaps the most astonishing was the M and H Flowers in Bromley. Situated in the midst of an underdeveloped rural area, M and H Flowers exported Begonia cuttings to the Netherlands. But while agricultural workers and small-scale farmers in the area may not have had electricity or running water, M and H had state of the art greenhouse technology.

Reportedly valued at more than R1-million, their greenhouse could hold up to 100 000 potted plants. Computer-linked windows and shades moved automatically whenever the temperature or sunlight intensity varied.

Workers removed cuttings from the plants and the company then shipped these cuttings back to the Netherlands where they would grow to maturity. Zimbabwe's sunshine produced more attractive flowers than those that just grow in the Netherlands.

While the manager of the company, Ms Mitchell, proclaimed the EPZ a marvelous thing, the delegation queried the gains from such investments.

For an investment of more than R1-million, M and H got duty free imports and a five year tax holiday. The company employed only 18 women in the greenhouse and paid these women the minimum wage of $Z1 200 (about R200) per month. Moreover, the company made little use of local materials - it used only imported plastic pots for the flowers.

The delegation also enquired about the women's working conditions. Delegates noted that the women workers had to work in a bent position for almost the entire day since the plants were on the floor. The manager replied that the 'girls' preferred it that way, adding with emphasis that 'African girls can bend over more easily than Europeans'. Apparently, linking to the global economy has not had much impact on racism in rural Zimbabwe.

Two other rural sites visited by the delegates also seemed to be high-tech islands in the midst of an underdeveloped rural area. Mitchell & Mitchell farms in Marondera grew and packaged green beans for Sainsbury's supermarkets in the UK. Production quotas were set via computer communication with London several times per day. The packets were shipped in boxes that had a computer device to monitor the temperature en route. When the box arrived in London, the device could produce a printout of the temperature throughout the journey. If the temperature varied outside the specified range, the beans were thrown out. Workers in this factory (once again all women - 'they are better workers' the manager asserted) also earned $Z1 200 per month. No information was available on whether they were allowed to eat any of the world class beans which they packaged.

Not all the EPZs were located in rural areas - some EPZs were in the heart of the industrial sites in Harare. The third site that the delegation visited was Harare-based JPS Lighting which exported brass lamps to Europe.

The company was owned by a Belgian who had relocated his entire factory to Zimbabwe. When one of the Canadian unionists heard that it was a relocated factory, she noted a common experience of Canadian workers since the implementation of the North American Free Trade Agreement (NAFTA) in 1995 - the Canadian workers had packed up the equipment in their own factory for the company's relocation to Mexico. The wages in Mexico were about one-eighth of those in Canada.

So, despite political instability and the increasing activities of the Zimbabwe Congress of Trade Unions (ZCTU), EPZs were taking off. For its part, the ZCTU had spent the better part of two years trying to ensure that national labour standards were upheld in the EPZs. Because the original EPZ Act of 1996 was silent on labour conditions, the issue was open for negotiation.

In November 1998, Parliament finally passed a law which guaranteed trade union rights but allowed employers to reduce annual leave and retrench workers more easily than in mainstream companies.

Lovemore Madhuku, an EPZ researcher based at the University of Zimbabwe, argued that the ZCTU 'wasted' a lot of time negotiating the law when they should have been trying to organise in the EPZs. There is little unionisation in most EPZ firms. But according to Madhuku, this is not only due to shortcomings in the strategy of the already overstretched

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ZCTU. Many EPZ employers are paying packages that are better than in other plants. Consequently, workers are not attracted to unions since their wages and benefits already exceed those in the sectoral agreements.

Mozambique

EPZs are not nearly as advanced in Namibia and Mozambique (compared to Zimbabwe). However, Namibia and Mozambique have been implementing EPZs. For South African trade unionists, perhaps the most crucial initiative is the Aluminum Smelter (Mozal) currently under construction at Belelouane Industrial Free Zone (IFZ) in Maputo, Mozambique. Valued at nearly R2-billion, the construction of the smelter is a joint project of a number of South Africa's largest firms in the sector including: Murray and Roberts, Grinaker, Concor, and Stocks and Stocks. No Mozambican construction companies are involved.

During the construction phase, the project is employing about 3 600 workers of which about 1 500 are 'skilled' South African workers. It is said that 900 permanent jobs will be created after the construction phase is completed.

The South African workers are paid South African wages and a representative from BCAWU, a NACTU affiliate, has been granted an office on the site. The Mozambican workers reported receiving about R300 per month and fewer benefits. According to Jeremias Timana, general secretary of CONSILMO (the Federation of Free Trade Unions of Mozambique), the country's labour legislation applies inside the IFZ, with three significant exceptions:

- Companies in Mozambique still pay construction workers even if it rains and work cannot be done. However, under the agreement this does not apply within the IFZ – a no-work-no-pay rule applies when weather does not allow for construction.

- The companies, as one condition for working away from home, have granted non-Mozambican workers special leave every three months to go and visit their families. While they are off the site, normal work cannot continue. Under the agreement, the no-work-no-pay rule applies to the Mozambican workers who are forced to stay at home and not be paid because the 'skilled' workers are not there. This is despite the fact that the non-Mozambican workers did not request the leave.
- The agreement allows for a 'no pregnancy' clause during the construction phase. This means that women are not allowed to become pregnant and can be summarily dismissed for failure to comply. The rationale is that it is important for the first phase to be completed on time.

While government required investors to build the necessary infrastructure, it has also granted the investors certain incentives including:

- reduced fees for services like electricity and water;
- duty free imports;
- a tax holiday of between five and ten years.

The issue of different agreements for workers from different countries clearly presents a dilemma for trade unions. While in this case South African workers are benefiting from higher wages, what will happen when such a project is undertaken in South Africa and the companies want to bring in Mozambican workers and pay them R300 per month?

Will South African trade unions try to ban the Mozambican workers from coming across the border or will they fight so that all workers employed on site have the same conditions as per industry agreement?

Namibia

The Namibia government passed the EPZ Act in 1995. This Act provides for the Minister of Trade and Industry (in consultation with the Minister of Finance) to establish an EPZ in any area or to declare any area an EPZ. An EPZ may comprise of an area of land (developed, partly developed or underdeveloped), a single factory or a group of factory units. The Act provides for the appointment of EPZ management companies to develop and manage the EPZs.

The objectives of the EPZs are to:

- attract, promote or increase the manufacture of goods for export;
- create or increase industrial employment, export earnings, industrial investment and foreign investment;
- encourage technology transfer into Namibia;
- encourage the development of management and labour skills in Namibia.

The following benefits are granted to EPZ enterprises and management companies:

- exemption from sales tax, customs duties and excise duty on goods imported into the EPZ or manufactured there;
- exemption from stamp duty on documents relating to activities or property in the EPZ;
- exemption from transfer duty on the acquisition of fixed property in the EPZ;
- exemption from income tax on income earned in the EPZ.

The Foreign Investment Act of 1990 and the Labour Act of 1992 are not applicable in an EPZ. The Minister of Trade and Industry, in consultation with the labour and human resources development department, may make regulations regarding basic conditions of employment, health welfare and safety in EPZs.

In Namibia, the Labour Act is not applicable in an EPZ.

A no-strike-no-lockout rule was applied to the EPZs.

Goverment started establishing EPZs in 1996 and the delegation found that there were ten EPZs in Namibia at the time of their visit.The main products manufactured in these EPZs were textiles, Volkswagen (VW) components and sanitary ware.Workers in the EPZ are 90% female and generally earn 40% less than workers in comparable jobs elsewhere.

Although the management company described the EPZ programme as successful, only two companies were operating in Walvis Bay at the time of the visit. Several other companies had been granted EPZ status but had ceased their operations after a short while. Different reasons were given for this, ranging from saturated markets for garment manufacturers to problems with the supply of raw materials, and cash-flow problems of investors who wanted to borrow money on the local market.

EPZ companies do not use Namibian raw materials but the management company claimed that additional jobs were created through servicing machines and buying goods such as protective clothing and furniture from local firms. Regarding wages in EPZs, one of the directors of the management company admitted that wages were only about 60 to 70% of those paid outside the EPZ.

Ending the visit

The visit of the delegation culminated with a meeting in Johannesburg. Here delegates met a number of NUMSA representatives from the key Spatial Development Initiatives (SDIs) in South Africa (COEGA, Saldanha Bay and Maputo Corridor) and a SAMWU regional leader.The meeting posed a number of key questions as well as raised the possibilities for co-operation.

The visits of the delegation provide clear evidence that EPZs were moving ahead in the region. Diffferent labour legislation and standards were also being applied. But the debate around EPZs in the region goes far beyond the simple application of the laws of the land. As a sustainable development strategy, EPZs raise fundamental issues, particularly in the context of South Africa's apartheid past. As Bulumko Nelana of the Eastern Cape Socio-economic Co-ordinating Council (ECSECC) pointed out in the Johannesburg meeting, pouring billions into Port Elizabeth will only serve to depopulate and de-industrialise the rural Eastern Cape. Even existing firms located in inland small towns will be forced to relocate to the IDZ where they will get tax breaks and be closer to suppliers.

Judith Marshall of Canada observed that a SADC free trade zone could make matters worse for South Africa. Many companies may relocate to cheaper labour zones in the region, putting pressure on South African workers to lower their demands.

Bev Brown of the National Anti-Poverty Campaign in Canada argued that a free trade zone will lower the government's tax base, leading to less money available for service provision. She said that since the beginning of NAFTA, there had been a great reduction in the availability of healthcare and education for those who could not pay.

Higinio Hernandez of the Authentic Labour Front (FAT) in Mexico, himself a maquila worker for more than six years, warned that EPZs are more than just a cheap labour strategy. They are part of an overall approach to development which favours business over labour and which does not address peoples' basic needs. Arturo Alcalde, a lawyer who works for the FAT, added that it is crucial that trade unions build links with other forces such as women's groups, rural organisations, NGOs and other formations in civil society. Only with a broad coalition of such forces can civil society construct an alternative economic and development model. The FAT itself was an example of such a structure.

While the FAT does organise workers into unions, it also includes informal sector entrepreneurs and workers co-operative members in its ranks. Moreover, the FAT is part of a broader network against free trade that helped produce a document 'Alternatives for the Americas' for the Peoples' Summit in Santiago, Chile in 1998. The document outlines continental alternatives to globalisation and market-driven economics as the formula for development.

While EPZs continue their advance in other countries of the region, both COSATU and the South African government maintain their opposition to this development strategy. But to date, the trade union's objections to EPZs have largely centred on labour issues.

While EPZs have an appalling track record in terms of labour conditions, in a country with an unemployment rate of more than 30%, few other civil society forces will support an isolated call by labour to maintain the wage levels and working conditions in their agreements. If labour is to prevent any form of EPZ from making headway in South Africa, there is an urgent need to look at alternative paths to industrialisation and local economic development.

To win this battle, the labour movement will have to work with other organisations in civil society or else it will run the risk of being accused of being gatekeepers to employment opportunities. As Charles Bezuidenhout, second vice-president of NUMSA, repeatedly asked the Johannesburg meeting: 'How are we going to handle this issue so I won't be accused of being against job creation?' ★

Neil Newman is a researcher at Ilrig.
John Pape is a co-director and researcher at Ilrig.