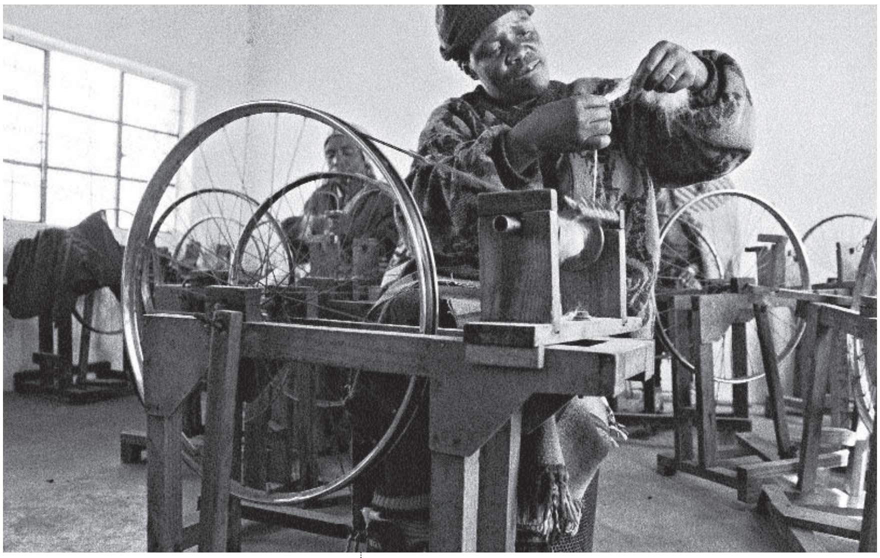
Taking the devils rope …
AGOA

The last edition of the Labour Bulletin began to explore the relationship between the African Growth and Opportunity Act (AGOA) and the growth of sweatshops. ***Aisha Bahadur*** *reflects on this phenomenon and reveals the findings of research into some countries which have 'benefited' from the legislation.*

The double edge sword that is AGOA is well explained by a representative of the Swaziland Investment Promotion Agency SIPA who said to researchers from Turp and Somo it would not last forever and that garment producers are notorious as 'footloose investors'. However, 'Swaziland is so desperate! When you are drowning and the devil throws you a rope, you will take it'.

In the last three years the clothing sector in sub-Saharan Africa has had considerable growth with the introduction of AGOA. Much of the investment has been by Asian multinational companies that supply large retailers in the US. To date the bulk of investment has been concentrated on the clothing, as opposed to textiles and has been in the form of CMT operations.

Research has consistently shown that the working conditions in many of these factories are appalling. Wages are low and sustain poverty and desperation; hours are long with no overtime while many work a seven day week. Workers also face unrealistic targets, sexual harassment and verbal and physical abuse and the list goes on. These are sweatshops.



AGOA

AGOA is a trade act passed in the US in 2000. It offers preferential access for certain African exports to the US for a period of eight years and is due to expire in September 2008. It is a legislated trade act and was not negotiated with the African countries. It reflects a philosophical shift in the US approach to Africa stemming from the policy of 'trade not aid' brought in by the Clinton administration and adopted by the Bush administration. AGOA extends the General System of Preferences (GSP) that gives preferential access for various products. The vast majority of AGOA related exports from Africa are in fact oil. Africa currently contributes approximately 15% of the US energy needs and this figure could increase.

At present 37 sub-Saharan African countries qualify to export to the US under AGOA. The conditions for becoming a 'beneficiary' country contain the normal structural adjustment fare. In a somewhat contradictory nature section 104, that determines the eligibility criteria, also calls for 'economic policies to reduce poverty, increase the availability of health care and educational opportunities… and protection of internationally recognised worker rights, including the right of association, the right to organise and bargain collectively, a prohibition on the use of any form of forced or compulsory labour, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.'

The application of section 104 however is not a transparent process at all and therefore subject to arbitrary decree where worker rights for instance are consistently treated as paper obligations by both the eligibility conferee and conferrer. The use of the progressive clauses is difficult for section 104 tends to be a very blunt instrument. Campaigners may show gross labour rights abuses in the clothing sector, but are reluctant to call for the removal of eligibility as this would remove these companies completely and impact across multiple economic sectors. Similarly US decision makers will refer to this as a reason for not acting on information of continual labour rights abuses.

Clothing and sweatshops

Where AGOA has been reported on in the US it has been proclaimed as a success due to the increased volume of trade with Africa as well as the creation of jobs. The only sector that has created a significant number of jobs has been the clothing sector due to the labour intensive nature of clothing factories. Of the US$2.2bn non-energy exports under AGOA, clothing accounted for 40%. A good portion of these jobs in fact already existed under the GSP or were associated with trade with other countries. Malawi, for example, used to predominantly export to South Africa. Since AGOA producers in Malawi have shifted focus to the US market although employment has remained much the same if not decreased with the closure of David Whitehead, the only significant textile producer in the country.

Jobs in these factories are now counted as AGOA related job creation. Where the sector has expanded due to US trade it has not spread across sub-Saharan Africa but tends to be associated with pockets of investment. The major exporters of clothing under AGOA are Lesotho, Kenya, Madagascar, Mauritius, South Africa and Swaziland. Lesotho is the top exporter of clothing with exports having grown from US$111m in 1999 to over US$500m in 2003.

Clothing products are subject to AGOA 'Apparel Rules', under which only 19 of the 37 AGOA countries are eligible. Under these rules raw material used in the production of clothing for export under AGOA must come from local sources, other AGOA eligible producers, or the US. There is a notable exception to this rule in that it is not applied to countries that are considered Lesser Developed Countries (LDCs) until October 2004 under a 'Special Rule' also known as the third country fabric provision. It is the benefits of this rule that has attracted most of the investment in the sector as it means that producers located in LDCs are able to use fabric imported from Asia in the manufactured garments, fabric often sourced within multinational subsidiaries or through long standing supply relations.

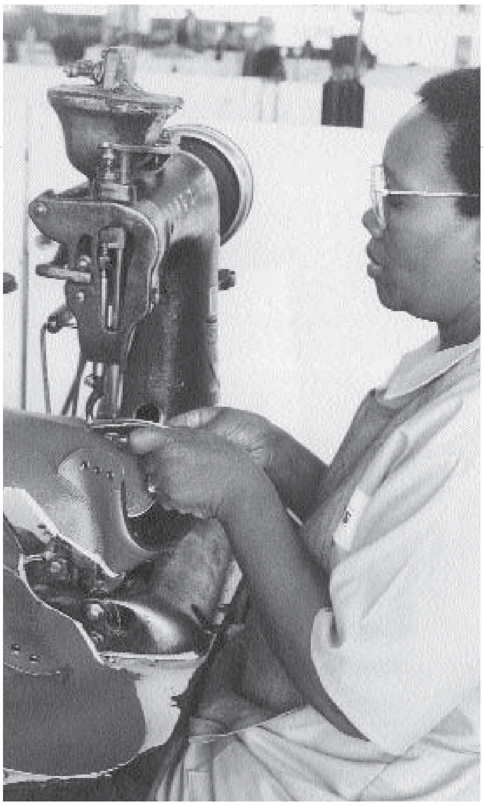
Whilst this growth in export earnings sounds good on paper, in reality all the large-scale clothing producers in Lesotho, Kenya and Swaziland are foreign, owned predominantly by Asian investors. These investors are offered very attractive incentives in Export Processing Zones (EPZ) and are allowed to repatriate all of their profits, leaving nothing but the wages that are paid to workers in the country and often acting to drain state funds where serviced industrial sites are provided free or at a percentage of cost.

Wages and working conditions

In Lesotho working conditions in many AGOA clothing exporting factories include long work weeks of 45 hours and up to 27 hours overtime a week, forced and often unpaid overtime to meet unrealistic targets, repression of trade union rights where workers are intimidated and union officials denied access to many factories, violation of health and safety standards (workers are locked in the factories), illegal dismissals and low wages – in 2002 just US$58 a month. There is little enforcement of labour laws and cases brought to Lesotho's labour courts can take years to be processed. With an unemployment rate of 45% and an estimated 31% of the population infected with HIV, it is simple desperation that drives workers back to these factories, workers who are normally trapped in a spiral of debt and poverty.

Workers frequently earn a small wage and take a loan to get by. Then they have to work to pay the debt and borrow more to live. It is a variation of the Chinese worker who pays a fee to work in a factory abroad and earns so little that he ends up working for nothing for a number of years simply to pay back fees for board and lodging and the contract cost.

In Malawi, researchers found that wages paid to workers in clothing



factories are amongst the lowest in the world at $US0.50 a day.

Research also shows that management are anti-union and union members are victimised. The unions struggle to gain access to some factories and workers confirm this. They also report delaying tactics of factory owners over union recognition. Even where there has been softening there have been a number of cases of employers lapsing back into the old ways as soon as the pressure for change is reduced.

This scenario is repeated in Kenya, Swaziland, Madagascar, and to a lesser extent, Mauritius and South Africa. The same is also found in smaller AGOA producing countries such as Namibia and Malawi.

Sustainability

The other major problem with AGOA-related employment lies in the nature of the trade dispensation and its interaction with the domestic economy in the sector. At present, production by local clothing producers for the local market has been hit in many African countries as a result of foreign companies taking domestic market share and second-hand clothing flooding the market. If these foreign investors leave this could result in a complete collapse of the industry in much of Africa.

Later this year the third country provision for textiles comes to an end and although its extension has been mooted in the form of AGOA III, a number of commentators have expressed doubt that this will be the case. Establishing a clothing factory requires relatively little capital investment compared to a textile mill, so investment in textiles would require a period of several years to show returns. There has been little to no investment in textile production in the AGOA countries that qualify for the LDC special rule even though textile production in the region will not meet the anticipated demand at the end of September 2004 should AGOA III not be passed. Fabrics produced by these AGOA countries are mostly considered to be inferior and not suitable for use in AGOA export clothing. Even if these African fabrics meet the quality standards, a study done by a Kenyan research group found that fabric sourced in Africa would cost 50% more than Asian-produced fabric and fabric sourced from the US would cost about 60% more, making production costs too high. Should this provision end, most of the clothing jobs 'created by AGOA' will disappear overnight.

Also, the Multi Fibre Agreement (MFA), currently limiting Chinese clothing exports to the US, will expire at the end of 2004. Should these events unfold without intervention by the US in the form of a quota cap, it is expected that cheap Chinese clothing exports will flood the US market against which clothing produced in Africa will be unable to compete. Investors will pack up and move to China resulting in massive job losses in the sector throughout the region. When concerns on the effect of the end of the MFA on African clothing exports were raised at the third AGOA Forum in Washington in December 2003, the senior director for African Affairs at the US Trade Representative's Office, Constance Hamilton, told African delegates 'You have to compete, period. Don't identify the Chinese or the Vietnamese as a problem.' Her comment is indicative of the US dictatorial approach to trade with Africa and its disregard for the economic realities of Africa.

Enter the real beneficiaries

The main beneficiaries of AGOA are undoubtedly US foreign policy and strategic interests and multinational oil companies. But the AGOA clothing provisions have their beneficiaries and interests as well; these are the Asian (predominantly Taiwanese) companies including a number of multinationals in Africa. The interests being served however are clothing brands and large US retailers such as Wal-Mart. Wal-Mart is no stranger to exploitative conditions having multiple law suits and campaigns levelled against it for labour practices both on US soil and elsewhere in the world. Yet it remains resolutely intransigent refusing to divulge details of suppliers, ignoring domestic labour legislation and shouting 'buy USA' from the rooftops.

These US retailers place large orders that will occupy an entire factory for months and as such dictate terms of cost and delivery schedule with massive penalties for late delivery. During interviews with producers in a number of countries managers revealed that they would rather airfreight an order that is late, which will usually mean running at a substantial loss, than incur the wrath of the retailer. In this way massive pressure is exerted on the supply chain in order to source incredibly cheap garments to retail with huge mark ups.

Research in Madagascar in 2002 at a factory producing T-shirts for export to the US found one production line of 32 workers has a target of 1 200 T-shirts a day and each worker was paid $US1.47 per day, thus one T-shirt cost US$0.04 in labour costs. They also found that with hand knitted pullovers made in Madagascar for labels such as Pierre Cardin, the buying company paid up to US$4, the retailer paid US$10 and the pullover was sold to the customer for US$40.

The problems of African clothing exports are complex and interrelated involving multinational capital accumulation strategies, international trade regulations, trade policies and lack of transparent dialogue around these, Western foreign policy imperatives, conditions in African economies and politics, the HIV/AIDS pandemic, the second-hand clothing trade, the power of highly 'developed' countries in determining the terms of trade in their own interests, multilateral lending institutions, and of course capital dominated media groupings that forge 'Western' consciousness. As these forces play, dependency is being created on these industries regardless of the abhorrent conditions they create and the long term potential for doing more harm than good to the African majority.

While US retailers such as Wal-Mart claim to be doing their bit for better working conditions by issuing codes of conduct that suppliers must adhere to, in Malawi the codes of conduct hang on the wall while worker rights are discarded on the floor. The monitoring of codes seems to be scant and has little effect even in companies where an audit had been done. Worker interviews revealed all the common abuses continued unabated. The reality is that were these codes to be strictly applied they would impact on delivery time and cost – probably only marginally.

What is to be done?

One can not simply say end AGOA as the direct consequence would be thousands of families having less tomorrow than they do today. But at the same time rolling out the exploitation carpet has an unnecessarily high and growing human cost. Poor countries are ensnared in the race to the bottom with working classes forced to compete in paying the price for ever-increasing profit margins of large retail corporations such as Wal-Mart, brand names such as Nike and multinational producers such as Nien Hsing. At the same time African countries must live with AGOA as merely a window that is perpetually under threat of being closed leaving many 'beneficiary countries' worse off than before. Implicit in the advice of those who advise that there is no alternative to this development model is hypocrisy around the value of a human life. In Africa life is cheap and its cost is going down.

There is much work to be done within the trade unions organising in the clothing industry and there are many levels at which campaigning activities can be developed. Regional campaigns, for example on trade related issues, can be organised and at an international level, consumer campaigns targeting retailers and brands that source clothing from these sweatshops have been quite successful in the past and problematic multinational producers can be exposed and pressurised to improve working conditions.

The most significant organisation co-ordinating regional efforts of trade unions organising in the clothing industry is the African office of the International Textile Garment and Leather Workers Federation (ITGLWF) under the leadership of Jabu Ngcobo. Through ITGLWF international organisations such as the Solidarity Center see SALB 27 (6), have been brought on board to offer additional support for affiliated trade unions. The Solidarity Center in partnership with ITGLWF and its affiliates will be launching a sweatshop campaign that is currently in its planning stages and will bring much needed attention to plight of workers in these clothing factories. Other organisations such as the Dutch-based group SOMO, the Centre for Research on Multinational Corporations and the Clean Clothes Campaign that provide assistance in the form of research for local and international campaign activities have also embarked on a project funded by the FNV in Southern Africa that will expose working conditions. Part of this project will examine the labour laws and law enforcement in targeted countries.

The global reality is that the voice of African workers is amongst the weakest in the world. Now a multi-level approach seeks to build capacity to resist exploitation on the ground, as well as seeking international solidarity to link this resistance back to the retailers and multinational producers that are the main beneficiaries of AGOA is an imperative and the only model that has had any impact on the situation thus far. The ultimate success lies in developing an awareness in people in Africa that goes beyond desperation and a consciousness in the consumption patterns of the developed world and the citizens of that world currently dominated by myopic views of terrorism and the actively developed fear based identities of what people in the North stand to loose as opposed to the price being paid by those in the South everyday.

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