

The fallout from the phase-out: What lies ahead for the garment industry and the garment workers?

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Neil Kearney, General Secretary, International Textile, Garment and Leather Workers' Federation (ITGLWF)

Last week Chamina, a 22-year-old garment worker in Bangladesh, filled a cup with rat poison and downed it. Committed suicide. Her factory had closed a couple of weeks earlier. So for Chamina, no job, no future, no hope, and no life. That is the prospect facing as many as a million workers in the textile and clothing sector in the next couple of years. The numbers likely to be impacted in the longer term may be as great as 30 million.

Those are the jobs that today are on the move, primarily in one direction and that direction is China. And most of is the result of trade policy, trade policy introduced by the World Trade Organization. And in spite of what is happening, the WTO is sitting on its hands, refusing to discuss these issues. The question today is, "Why shouldn't we light a fire under that organization based in Geneva?"

Textiles and clothing have traditionally been the engine of development for many countries across the world, and indeed, today textiles and clothing dominate the economies of many countries: 99.14% of all Lesotho's exports are textiles and clothing, 94% of Bangladesh's, 88% of Haiti's, 86% of Cambodia's, 75% of Pakistan's, 75% for Honduras, 66% for El Salvador, 63% for Sri Lanka, all of them countries where the

textiles and clothing industry is the main or only source of manufacturing employment. Kill the industry and you kill the economies of these nations.

The MFA globalized textile and clothing manufacturing to such an extent, that today we've ended up with something like 160 countries across the world, producing clothing and textiles primarily for export, and for export into only about 30 markets. And the end of the MFA threatens the future of a great many of those 160 countries. Liberalizing trade enables brands and retailers to have a free hand concerning when and where they're going to source and who they deal with. Many say that this will result in considerable consolidation between countries and between companies.

The other week, the U.S. Importers Association indicated that they thought by 2007 supplies would be coming from only 6 or 7 main countries. Wal-Mart currently sources from about 63 different countries. They are on record as indicating that will probably be reduced to 12 countries, with 80% of their supplies coming from four or five countries. One of those countries will be China, one will be Vietnam, and one will be Mexico. The question is, "Which one of the other 156 suppliers will fill place number 4?"

China today looks like it will be the big winner. This is borne out by the trade statistics in those textiles and garment items which were removed from quota in 2002 as a lead up to the eventual elimination of the MFA. In the first year without quota controls, China doubled its market share in each category in both the United States and European markets. In the second year, it extended its share to between 40% and 60%. All the

official estimates say that China will secure at least 50% of the EU and American markets. I believe that that is an underestimate.

Investment in China's textile and clothing industry in the last three years has been phenomenal - \$21 billion U.S. dollars. It has resulted in a 50% increase in capacity. China is today producing 20 billion garments a year, that is four items of clothing for every man, woman and child on our globe. China supplies 83% of Japan's garment needs. It supplies 75% of Australia's textile and clothing needs. That doesn't leave very much for the other 159 producing countries. And what has happened in Japan, which has not had quotas, and what has happened in Australia, where quotas were abolished ten years ago, is now beginning to happen in the other key markets – the EU and the United States.

In 2004, imports from China into the EU market of those items removed from quota increased by 625%. At the same time the price of Chinese imports in those categories fell between 36% and 41%. Just as examples: jerseys and pullovers – a 36% fall in the price of imports; women's shirts and blouses – imports increased 246% and the price fell by 41%. In bras, the figure was a 500% increase in imports from China and a price fall of 36%.

For imports into the U.S. market, January of this year compared to January of 2004, there was a 550% increase in products removed from quota, and a 25% decrease in prices. Some of the figures for individual categories are absolutely staggering. In January of

2004, 941,000 cotton knitted shirts were imported into the United States from China. In January of this year, 18.2 million of those items were imported from China, a 1,836% increase. At the same time, the price of that product fell by 45%. In January 2004, 1.9 million cotton trousers were imported from China, and on January of this year, the figure rose to 26.7 million, an increase of 1,332% and a decrease in price of 28%. While China's share of the main markets is growing, other countries, including the poorest countries, are losing, with predictable results.

According to the Lesotho Board of Investment, 22,000 jobs were lost from June 2004 to January 2005, with 58,000 jobs likely to go in the coming months. Six factories closed since the beginning of January with a loss of nearly 7,000 jobs. And remember 99% of Lesotho's export earnings come from the textile and clothing sector. This week, Kenya's trade minister indicated that his country's garment industry has orders only to March 25. He estimates that 20,000 jobs are likely to go at the end of March. Mauritius – 70,000 jobs threatened in the next months. Sri Lanka – 46 factories closed, 26 000 jobs lost. Swaziland – the 10 leading manufacturers of the country have no orders after the 1st of April. So who can claim that the impact of trade liberalization is not yet being felt? Moving on, the Philippines, 120,000 jobs at risk. Tunisia – 100,000 out of 250,000. Bangladesh – 1million of the 1.8 million jobs. The Manufacturers and Exporters Association there is in crisis – 250 of their members have described themselves as the sick factories.

In the Dominican Republic, I talked the other day with a company that is about to halve its labour force. It estimates that in one city the garment industry will effectively disappear, but when the garment industry disappears, it isn't just garment jobs that go, it is jobs in all the support services, in those supplying services, packaging...even the street hawkers providing some lunches outside factories, that disappears. In fact, the whole community is threatened.

But it is not just jobs that are disappearing. Working conditions are also deteriorating. Examples: Bangladesh – an increase in overtime hours. The Philippines – minimum wage exclusion for the garment sector. Cambodia – a demand from employers and indeed some in government that the industry get rid of overtime premiums. Mauritius – last week a Chinese worker died from exhaustion having had to work seven days a week until 11:00 every night. Don't tell me that trade liberalization is not having an impact. And the argument everywhere, in every part of the world, from Argentina through to Mongolia, from the countries in Eastern Europe through to southern Africa, the argument everywhere – we must compete with China.

And China's labour costs: Chinese workers employed at a company in the news recently were working long hours earning \$55 a month. They had to repay \$27.50 to the company for dormitory accommodation and food. The UN says that \$2 a day is poverty. The wage there is less than \$2 a day. Here are workers working long hours living in poverty. But actually the earnings available to them were less than \$1 a day. The UN says that is

absolute poverty. Is that not a scandal that somebody working his or her backside off every day of the week for long hours every day, has to live in absolute poverty?

China – seven day work weeks; 12, 14 hours, sometimes 16 hours a day; huge health and safety hazards. Believe it or not, thousands are killed and maimed, not in the coalmines, but in the textile and clothing industry. Indeed, in China, the textile and clothing industry is referred in many places as coalmines on the surface. I saw a story the other day of two young Chinese workers interviewed by a journalist. They were asked about the difference between their life in their village in the north of China and their life in Guandong, and they said, “Well, we’ve been here nine months, but we have no idea what the difference is, because in nine months we have never been outside the factory premises.” They lived in dormitory accommodation in the compound – life was work, eat, sleep, work, eat, sleep. Is that not akin to slave labour?

And now, believe it or not, China is saying that China must compete with China to further reduce costs. A Chinese official in New York recently said that China would have to increase the number of permitted overtime hours; it would have to abandon social security charges for employers. And why? Because the system wasn’t capable of policing compliance with these regulations and the industry needed to be more competitive. No wonder the prices of China’s exported goods are falling.

So against that background, we have to ask a question – what can be done? Trade unions in general and trade unions in the textile and clothing sector, and particularly at the global

level, began to address that issue ten years ago. The other day one of the manufacturer associations that has now begun to campaign on this issue said, “Isn’t this amazing you anticipated this was going to happen ten years ago, why didn’t we?” They didn’t because they were doing fairly well out of the situation at that particular time. We received very little response when we raised these issues. Indeed, at the WTO ministerial meeting in Doha, the response from governments was appalling. Bangladesh, which is threatened with its industry disappearing, was one of the countries leading calls for a faster phase-out of the Multi-Fibre Arrangement, and the latter part of that arrangement, the Agreement on Textiles and Clothing.

And it was only last year that the world began to wake up to what was happening, that some of the exporting countries began to see what the future might hold. A number of organizations, including brand names, some retailers, trade unions, NGOs, the World Bank and some of the development institutions began to look at this issue seriously at the beginning of last year. Out of that has emerged the MFA Forum. The Gap and Nike have been at the forefront of this particular exercise. That was an important initiative, but it has moved painfully slowly. The output to date has been some pieces of research and most important, a collaborative framework for guiding post-MFA actions.

That framework recognizes that there are no solutions at any one level; saving the textile and clothing industry and ensuring respect for worker rights for all those employed in that industry is going to require integrated action at every level, involving those who produce the goods, the manufacturers; the key players in the industry at the moment, the buyers

and retailers; trade unions and NGOs; the exporting countries, the importing countries; and the international institutions, including the WTO, the ILO and the World Bank.

In your documentation for this forum there is a summary of the key elements of that collaborative framework, so I'm not going to go into them in great detail apart from draw attention to some of the key aspects.

The WTO must examine the effects of trade liberalization on vulnerable sectors like textiles and clothing. It needs to do that urgently. Such an examination should result in the introduction of trade measures to assist emerging and struggling industries meet the challenges posed by the dominant suppliers.

The World Bank will need to make funds available to assist industries, particularly in the poorest countries, modernize to be able to compete with those dominant suppliers. And the ILO will need to reinvigorate itself and really get down to promoting decent work in every part of the industry, in every part of the world. The buyers and retailers are the key players.

The Collaborative Framework, suggests that buyers should maintain their current country supply base. A company importing from Vietnam in the past or from Mongolia, should maintain that import base. There is no excuse for bolting. The buyers, the brand names and retailers have done well out of countries like Lesotho, Swaziland, Cambodia,

Thailand, you name it. They haven't been making massive losses from their sourcing there. Now there is an opportunity to put a little bit back to balance past benefits.

Trade unions recognize that consolidation of the supply base in terms of the number of supplying companies is likely to happen, and indeed, should be beneficial. Maybe it can result in squeezing the sweatshops out of the industry. No longer will the brand names and buyers have the excuse, "We are sourcing from 78,000 different suppliers, how can you expect us to keep an eye on working conditions of all of these suppliers?" If they bring it down to five or ten thousand suppliers, then the eye can rove more forcefully over all of their supply chain.

The buyers for the brands and retailers, should also insist, and the framework demands it, that they source only from suppliers who provide decent work. No excuse for putting orders into companies that are rotten employers. They have the means now to determine the quality of employment and they must put those means into effect. And when they are selecting new countries as a supply base, they should do it on the basis of the ability of that country, and the willingness of that country, to apply to every workplace in the country the core labour standards of the ILO. The buyers also need to work to help strengthen the industry, including skills enhancement and training. They need to take a greater responsibility for the future of the industry and those who work in it.

Under the Collaborative Framework, brands and retailers are also expected to disclose details of their supply chain. Today, this information is a closely guarded secret by most

companies, but a closely guarded secret from whom? Not from their competitors. Every brand and multinational retailer knows who their other competitors are sourcing from. That's how they stay in business. So let's have less of this nonsense about commercial confidentiality.

The brands and retailers also need to improve their purchasing practices. Much of the exploitation today is the result of buyers paying an inadequate price for the product they are sourcing, and demanding delivery yesterday. Very low prices, unrealistic delivery demands! They have to be blind not to see that you cannot expect a supplier to abide by a five-star code of conduct and then you pay one star prices and demand delivery the day before you place the orders.

The framework also demands action from the exporting countries – that they introduce trade, industrial and social policies for the industry; that they improve the infrastructure of their countries; and reinvest the benefits of exporting. To date, that hasn't happened. Also, they need to reduce corruption. In too many cases, the profits of exports have gone into corruption. Promote decent work, basically through applying the laws that exist in those countries. In the vast majority of countries, there is no problem with the laws, they have reams of them. The problem lies with the implementation. And again those governments need to invest in education, in training, and improving the skills of those who are producing.

In terms of the importing countries, and that includes Canada, they need to provide incentives for compliance with decent labour standards, including reducing tariffs for those countries that are applying decent working conditions, and international labour standards. They ought to greatly increase their aid to the poorest countries – totally inadequate at the present time given the wealth of some nations, and promote ethical trade.

Trade unions and NGOs need to keep all those other players on their toes. Highlight the impact of trade policy. Expose abuses whenever we come across them. And go after those brands and retailers who keep their heads down and do nothing to eliminate exploitation. We've concentrated over the past years on Gap and Nike, adidas, Reebok and a few others. Yet, there are tens of thousands of others who have sat in the trenches, exploiting more than they were five, ten years ago, hiding behind the leaders in the industry. It's now time to go after them.

One of the key tasks for all of us is to wake up the WTO. Get it off its hands. It must discuss the impact of trade liberalization in the sector and take action. What we need as campaigning organizations, NGOs, trade unions, students, whoever, is to take direct action on the WTO. Flood it with our demands. Flood also our own governments to take action at the WTO. Too many of the ambassadors take up fat salaries and sit silent when they go to Geneva or Doha or Cancun or Hong Kong. The next ministerial meeting will take place in December in Hong Kong, and we need governments, particularly governments like that of Canada, to be at the forefront in demanding change at the WTO.

Secondly, shake up the brands and retailers. Demand transparency and disclosure of the supply chain. Demand that they maintain their current country supply base. Force them to insist that decent work will be at the core of their sourcing policies. Focus particularly on what I would describe as the B and the C retailers and brands, the group that, as I said, have kept their heads down, the free riders. Expose exploitative practices, expose them ruthlessly and tie them to specific retailers and to specific brands. Nothing makes them move faster than being the subject of attention. And indeed many of the CSR staffers and experts and directors and vice presidents say, “We actually like this pressure, because the only time we get to see the CEO is when there is heat underneath the company.” So keep it going, keep that heat on.

Let’s target China, but let’s be careful about it. Don’t target China in a racist way. I’ve seen some politicians in Mexico, using the facial features of the Chinese to attack them, describing how certain features were destroying Mexico’s industry. That’s not the way to go about it. What we have to do is highlight the human rights, including worker rights, abuses that are taking place there. Demand of the Chinese why their products are so cheap. We raise these issues with their embassies and with the consulates, and they are sensitive. If you raise them, I can almost guarantee you, you will get a call from the embassy. They worry about these things, so keep the pressure on.

And seek guarantees from retailers on issues such as forced labour, health and safety, things like freedom of association when you see a ‘Made in China’ label in a store. When

we go into stores we ask the assistants about the fibre content, whether it is really cotton, is it really, is it really a size 15 and a half? Why don't we ask, "Was it really made in China and under what conditions was it made?" Now, if they tell they don't know, you say, well you better find out otherwise I don't buy here.

In the past, when these campaigns began and some things were raised with the Gap, the response was, "It has nothing to do with us. This product was made in Vietnam." Now, if you'd brought the shirt that you had bought two days before and the collar had fallen off and went to the Gap store, did they say to you, "Sorry this has got nothing to do with us, it was made in Vietnam?" Of course they didn't. So in terms of the quality of the garment, the make-up of the garment, the way it was made is just as important as the fibre content or the number of stitches per centimetre. So keep that pressure on the retailers.

When years ago, thirty years ago, some of us campaigned against apartheid in South Africa, we clogged up the checkout points in department stores by asking questions about 'Made in South Africa' labels or products of South African origin, with the effect that retailers began to think seriously about why they were sourcing in South Africa.

All of us need to develop a much higher profile. We're doing lots of work, but we don't often shout enough about it, so let's have a higher profile. Improve our public relations. Personalize the issues. Let's not present them in bland economic terms, but link them to specific workers or groups of workers or communities in the countries that are being

affected. Stop the hearts of consumers for a moment, and then when you have to apply the electric current to wake them up again, maybe they will remember. And we also need to involve consumers much more in our campaigns, particularly consumer organizations and when we talk about consumers, you know, we are all consumers; trade unions, NGOs, all our members, the families of the members. If we weren't consumers, we'd be walking around naked and we would be dying of starvation. So we are consumers.

Trade unions, too, across the world need to stop slumbering, particularly in the industrialized world. We need to reawaken to the need to organize and use a stronger member base to force global change of attitudes to worker organizing in every part of the world. Here in Canada, like elsewhere, you have companies who are good employers, but when they cross the frontiers of this country, they become as bad as the worst companies that you will find in any part of the world. They need a kicking, and you can do it.

Encourage the multinational manufacturers and retailers to enter into global framework agreements with trade unions at the global level. Here I'm talking about Canadian based multinational manufacturers and retailers. Such global framework agreements should set an umbrella of conditions to be applied in every part of the world based on international labour standards.

There is no time to rest. Your efforts will bring results. We have to be optimistic. No matter how bad the situation is today, it can always be overturned. Witness the comments made at the beginning of this session about ETAG and Gap. In the past, ETAG was

outside Gap stores. Today Gap is inside the ETAG workshop. Is that not a dramatic change?

So colleagues, good luck in your work in these fields in the period ahead. Let's keep fighting and we will see the changes that are necessary. We will see justice for those employed in the textile and clothing industry, whether it is in Cambodia or Canada or wherever.