Globalisation and its victims: The case of the Malaysian textile company Ramatex in Namibia

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Namibia was the last African country to achieve independence in March 1990 and the vast majority of Namibians expected socio-economic improvements, especially an end to racial discrimination and severe exploitation of workers that had characterised the colonial period. After independence, the democratically elected SWAPO government embarked on a careful process of reform but did not undertake a radical programme of redistribution. Economic structures were largely left intact and private investments, especially foreign direct investment FDI) were seen as essential for economic growth and job creation. The investment of the Malaysian textile company Ramatex was initially hailed as proof that this strategy was working but then turned out differently as outlined in this paper.

EPZ policies

When Namibia passed the Export Processing Zones (EPZ) Act in 1995, the government argued that both local and foreign investment in the first five years of independence had been disappointing and that EPZs were the only solution to high unemployment. The EPZ Act went as far as suspending the application of the Labour Act in EPZs which government described as necessary to allay investors' fear of possible industrial unrest. Namibia's trade unions on the other hand opposed the exclusion of the Labour Act as a violation of both the ILO convention and Namibia's constitution. After lengthy discussions a "compromise" was reached which stipulated that the Labour Act would apply in the EPZs, but that strikes and lock-outs would be outlawed for a period of 5 years.

In 1999, Namibia's Labour Resource and Research Institute (LaRRI) carried out a comprehensive study of the country's EPZ programme. LaRRI's study found that EPZs had fallen far short of the government's expectations of creating 25 000 jobs and facilitating skills and technology transfer needed to kick-start manufacturing industries in the country. At the end of 1999, the EPZs had created very few jobs although millions of dollars had been spent on promoting the policy and on developing infrastructure with public funds. Government argued that it was too early to measure the success and failures of the programme.

By 2001, Namibia still had not managed to attract any large production facility through its EPZ programme. This changed when the Ministry of Trade and Industry announced that it had succeeded to snatch up a project worth N$ 1 billion (US$ 140 million) ahead of South Africa and Madagascar, which had also been considered as an investment location by the Malaysian clothing and textile company Ramatex. This was achieved by offering even greater concessions than those offered to other EPZ companies, such as corporate tax holidays, free repatriation of profits, exemption from sales tax etc. Drawing in the parastatals providing water and electricity (Namwater and Nampower) as well as the Windhoek municipality, the Ministry put together an incentive package which included subsidised water and electricity, a 99-year tax exemption on land use as well as over N$ 100 million (US$ 14 million) to prepare the site including the setting up of electricity, water and sewage infrastructure. This was justified on the grounds that the company would create close to 10 000 jobs. The plant turned cotton (imported duty free from West Africa) into textiles for the US market. Ramatex' decision to locate production in Southern Africa was motivated by the objective to benefit from the Africa Growth and Opportunity Act (AGOA) which allows for duty free exports to the US from selected African countries who meet certain conditions set by the US government.

The first casualty: labour rights

Even before the company began its operations in 2002, it made headlines, as it became the most talked about investment in Namibia. The debate around Ramatex revolved around the massive size of its operations, the establishment of a new industry and the controversies surrounding the company's environmental impact and working conditions. Due to its massive operations, government expected that this particular investment would help reduce the high unemployment rate in Namibia.

A study of Ramatex carried out by LaRRI in 2003 found widespread abuses of workers rights. These included forced pregnancy tests for women who applied for jobs; non-payment for workers on sick leave; very low wages and no benefits; insufficient health and safety measures; no compensation in case of accidents; abuse by supervisors; and open hostility towards trade unions etc. Tensions boiled over on several occasions as the company was unwilling to address the workers concerns. After spontaneous work stoppages in 2002 and 2003, Ramatex finally recognised the Namibia Food and Allied Workers Union (NAFAU) as the workers' exclusive bargaining agent in October 2003. The recognition agreement was supposed to pave the way for improved labour relations and collective bargaining. However, the union was unable to make progress on substantive issues and on several occasions reported the company for unfair labour practices. Despite several attempts to find a solution through mediation, no agreement was reached.

By September 2006, the company had not raised wages and benefits and claimed that its operations in Namibia were running at a loss. Ramatex' workers, however, had run out of patience and declared that they would go on strike unless their wages were significantly improved. When the company refused to meet their demands, they went on strike in October 2006, bringing the operations to a standstill. Within 2 days, workers achieved what 4 years of negotiations had failed to deliver: Hourly wage increase from N$ 3 to N$ 4 plus the introduction of some benefits such as housing and transport allowances.

Throughout its operations in Namibia, Ramatex used a significant number of Asian migrant workers, mostly from China, the Philippines and Bangladesh. Although the company had claimed that they were brought in as trainers, most of them were employed as mere production workers with basic salaries of around U$ 300 - 400 per month. Their salaries were thus higher than those compared to their Namibian counterparts and the company obviously believed that Asian workers were more productive. The import of Asian workers also served the company's strategy of "divide and rule". Workers were divided according to nationalities, they received different remuneration and benefits and they found it hard to communicate with each other. As a result there was hardly any joint action by all Ramatex workers. Protests over working conditions over the past few years by Namibian, Filipino and Bangladeshi workers were isolated from each other and workers found no support from their Chinese counterparts. Protest by migrant workers usually resulted in the immediate deportation, for example in the case of the Bangladeshis in 2004.

Economic significance of Ramatex

At the height of their Namibian operations in 2004, Ramatex and its subsidiaries employed about 7000 workers, including over 1000 Asian migrant workers. Following retrenchments in 2005 and 2006 (including the closure of one subsidiary), this number dropped to 3 400 (including 400 Asian migrants) in early of 2007 and further to about 3000 by the end of that year. These trends provided a clear indication that Ramatex was preparing for closure in Namibia in line with a global trend of a massive relocation of clothing and textile producers from Africa to Asia. This followed the end of the global clothing and textile quotas in 2005 and could be observed all over the continent. In Ramatex' case, the company indicated on its own website that it was planning to expand production in Cambodia and China. Currently negotiations are under way for the establishment of 2 new plants in Vietnam. Ramatex' global strategy always regarded Namibia as a temporary production location although the Namibian government seemed to think otherwise.

Ramatex' claimed losses of up to N$ 500 million (US$ 75 million) but a closer scrutiny of the financial information contradicted this claim. Labour costs at the plant accounted for 11% of export earnings in 2004 and for about 16% in 2006. Ramatex paid no taxes in Namibia, received water and electricity at subsidised rates and was exempted from import duties in the USA. Thus the claimed losses seemed fictitious and part of the attempted justification to shift production from Namibia to Cambodia.

An economic assessment of Ramatex' operations in Namibia must also take into account the substantial environmental damages caused by the company's operations. These include the pollution of an adjacent dam and underground water resources. The Namibian government had been warned against the environmental dangers by Earthlife Africa but did not take precautionary measures. Instead, the Windhoek municipality announced towards the end of 2006 that it would take over the company's waste management. Ramatex should have been held fully accountable and forced to rectify the damage done at its own costs.

Conclusion

Ramatex represents a typical example of a transnational corporation playing the globalisation game. Its operations in Namibia have been characterised by controversies, unresolved conflicts and tensions. Worst affected were the thousands of young, mostly female workers who had to endure highly exploitative working conditions for years and in the end were literally dumped in the streets without any significant compensation.

Ramatex had shown the same disregard for workers when it closed its factories in South Africa a few yeas earlier and also when it closed its subsidiary Rhino Garments in Namibia in 2005. During that year, workers had observed that the company was shipping equipment out of the country and informed both their union and the government. When confronted, Ramatex initially denied any plans to close and then retrenched workers anyway.

Overall, Ramatex' presence in Namibia was a disaster for the country and some hard lessons will have to be learned to avoid a repeat in future. When dealing with foreign investors there is an urgent need to ensure (at the very least) compliance with national laws and regulations, workers rights, as well as environmental, health and safety standards. Experiences elsewhere have shown that compromises on social, environmental and labour standards in the name of international competitiveness lead to a "race to the bottom", a process of self-destruction. In the case of Ramatex, the Namibian government abandoned its role as regulator and some government officials behaved likes public relations officers of the company. They defended Ramatex against criticism and concerns raised by workers, unions and other Namibian NGOs.

The Ramatex case has shown the fallacy of blindly accepting any investment as beneficial. Instead of adopting an open-door policy towards foreign investment, Namibia (and Africa in general) need to adopt selective policies that channel investments into certain strategic sectors that will have a lasting developmental impact. This requires a very clear and strategic development agenda that is not based on blind faith in foreign investment as the panacea for Africa’s development problems.

The current lack of alternative programmes for effective economic development and job creation places governments in a weak position to negotiate adherence to labour, social and environmental standards with foreign investors. This has to be the starting point for breaking the chains of dependency and grassroots organisations such as social and labour movements will have to play a central role in developing and organising around an alternative development agenda. The neo-liberal policies of the past 3 decades hold no promise for the poor.