The Wal-Mart take-over: many reasons to be concerned

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Since independence, the Namibian government has repeatedly called for foreign investments as the engine for development and job creation in the country. Globally, the most common form of foreign direct investment (FDI) has been the practice of mergers and acquisitions. At first sight, it thus seems strange that the Namibian government and the Namibia Competition Commission (NCC) are concerned about the intended take-over of 51% of Massmart by the American retail giant Wal-Mart at a cost of N$ 16,5 billion.

In February this year, the NCC approved the merger with conditions mainly relating to the protection of employment and Small and Medium-Size Enterprises (SMEs). This was done in line with the Namibia Competitions Act of 2003 which enables the Commission to promote employment and the social and economic welfare of Namibians. Wal-Mart appealed against these conditions and in June the Namibian High Court ruled in favour of the merger without any conditions attached. This ruling is now being appealed against by the NCC and the Supreme Court will have to make a final decision. In response to the High Court ruling, Trade and Industry Minister Hage Geingob pointed out that "the judgement may have far reaching implications for the future economic development of Namibia, and in particular the empowerment of Namibians, whom the then apartheid South African administration have severely disadvantaged..." He further stated that "the law needs to be contextualised for the greater public good other than a strict technical interpretation thereof." This article will explore the reasons why the Wal-Mart take-over is so controversial in Namibia and South Africa.

Who is Wal-Mart?

Wal-Mart is the largest retailer in the world. Its yearly revenues are larger than those of most countries, including Switzerland. The company runs its stores on a simple set of principles: goods are sold at the lowest possible price, mark-ups are low in relation to the actual costs of production and turn-over is extremely fast. This system places enormous pressure to cut costs at all levels of operations: production, distribution and retailing. While consumers may benefit from lower prices, the opposite holds true for those involved in the production- and retail chains. Cut-throat competition between producers results in a downward spiral of working conditions. Namibian workers experienced this at the infamous Ramatex textile company a few years ago. This company was heavily supported by government and even received generous subsidies in the hope of creating long-term employment. However, it closed down after just a few years. Incidentally, Ramatex was one of the suppliers of Wal-Mart.

At retail level, Wal-Mart cuts costs by employing unskilled, non-unionised workers and by reducing the number of staff through self-serve stores. Wal-Mart has cemented its dominant global position over the years by increasingly using information technology for the handling of goods and people. It gained control over its suppliers, it extended its global reach, it engaged in ruthless labour practices and it exploited the loopholes created by a lax neo-liberal economic policy framework. Wal-Mart has become the dominant market for many manufacturers who have become dependent on the retail giant. Wal-Mart shapes the structure and location of manufacturers and forces them into the same low-wage, low-cost system that is known as the global sweat shop system. Today, an increasing number of manufacturers have to accept Wal-Mart's requirements, for example regarding costs and delivery times.

Wal-Mart has taken full advantage of the opportunities created by globalisation to move production sites across borders. Today, it imports most of its goods from China but the company is on a constant look-out for locations where production might be even cheaper. Wal-Mart thus represents the ultimate logic of cut-throat competition in the global economy. Its dominant position allows it to influence wages and working conditions not only amongst its suppliers but often in countries as a whole.

Union-bashing

Wal-Mart has a long-standing and well-documented history of union-bashing and driving down employment conditions of its staff. In the US alone, there are 15 rulings against the company by the National Labour Relations Board. In Mexico, a Supreme Court ruling compared the Wal-Mart labour practices to the corrupt and repressive conditions that Mexico had experienced under its dictator Parfirio Diaz. Practices such as cutting wages and employment benefits, blatant gender discrimination, preventing staff from joining trade unions, dismissing union activists and paying staff in coupons (which can only be used in Wal-Mart stores) are part of the company's operations. A report released in 2007 by Human Rights Watch stated that although Wal-Mart was not the only bad employer, the company "stands out for the sheer magnitude and aggressiveness of its anti-union apparatus".

Regulations?

In South Africa, trade unions and 3 government ministries challenged the Wal-Mart take-over in a Competition Tribunal earlier this year. The Tribunal approved the merger with several conditions: the establishment of a supplier development fund, no retrenchments for 2 years and employment preference for 503 workers who had been retrenched my Massmart in 2010. These retrenchments were widely seen as a "preparatory step" for the Wal-Mart take-over. Both the South African government and the country's trade unions have indicated that they will take the Wal-Mart case further.

Even in free market economies, mergers and acquisitions have been recognised as not always being beneficial for a country's social and economic development. In Canada, for example, the take-over bid by BHP Bilton for Potash Corp. was blocked by the government because it was seen as holding no benefits for the country. Likewise, the Australian government blocked the Singapore Stock Exchange from taking over the Australian Stock

Exchange. The Indian government is legally empowered to issue policy directives to the country's competition commission to safeguard public interests. Thus, placing conditions on mergers or blocking them altogether is a common practice to safeguard social and economic interests against rampant global capitalism and the large global corporations that drive it.

Likely implications for Namibia (and South Africa)

Wal-Mart's entry into Namibia and South Africa will have similar consequences to those experienced by other countries in recent years. The retail giant might offer goods at lower prices and lure consumers with slogans such as "Low prices will give people a raise every time they shop with us". The real price, however, will be paid by the workers employed by Wal-Mart and its suppliers. They will be confronted with extreme pressures and be forced to accept working conditions that will not allow them to meet even their most basic needs. Namibia's former Ramatex workers have experienced this first-hand!

From a developmental perspective, there are many questions to be asked: are some conditions like those placed upon Wal-Mart in South Africa enough to prevent such destructive consequences? Will Wal-Mart ever source from local suppliers? Are our laws sufficient to prevent the abuse of workers and the environment by corporate giants? Can we safeguard the interests of small, local businesses and workers while playing according to the rules of a ruthless global economy? Wal-Mart's track record clearly indicates that the retail giant is not concerned about local development needs and thus it would be naive to believe that its behaviour in Namibia and South Africa would be different. The time has come to learn from history, to become selective when dealing with investments and to implement a development strategy that delivers social benefits such as overcoming poverty, meeting basic needs and creating decent jobs. Wal-Mart has nothing to offer in this regard.

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