

THE CLOTHING AND THE TEXTILE INDUSTRY IN SOUTH AFRICA, 1945
to 2001: DEVELOPMENTS, PROBLEMS AND PROSPECTS.

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DECLARATION

I, *Kuvhanganani Patrick Netshandama*, declare that this research report is my own original work. Where I have used other sources, arguments, opinion and data, acknowledgement is made through references.



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MR KP Netshandama

Date: 15 October 2001



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DEDICATED TO: My Lovely, enduring and special mother, Tshivhangwaho
Christinah Tshifularo Netshandama. May God bless you?



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ABREVIATIONS AND ACRONYMS

SAP's	Structural Adjustment Programmes
SAP	Structural Adjustment Programme
GATT	General Agreement on Trade and Tariffs
WTO	World Trade Organisation
GDP	Gross Domestic Product
GNP	Gross National Product
ISCOR	Industrial and Steel Corporation
BTT	Board of Trade and Tariffs
EEC	European Economic Community
EU	European Union
TCA	Textile and Clothing Authority
IDC	Industrial Development Corporation
SACU	Southern African Customs Union
COMESA	Common market of Eastern and Southern Africa
SMEs,	Small and Medium Enterprises
DTI	Department of Trade and Industry
CSIR	Centre for Scientific and Industrial Research
MFA	Multi- Fibre Arrangement
AMA	Export Market Assistance
EMIA	Export Market and Investment Assistance
GEIS	General Export Incentive Scheme
AGOA	Africa Growth and Opportunity Act
BLNS Countries	Botswana, Lesotho, Namibia and Swaziland
SAPEM	Southern African Political Economy Monthly Series

IPE

International Political Economy



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ABSTRACT:

This research report is about the current role of the government/state in restructuring of the clothing and textile industry in South Africa. This is seen within both the regional, (Southern African context and Global context).

The report looks at the nature of regulatory and developmental state policies for the industry. Such government policies are meant to develop and revive the manufacturing sector and in particular the textile and clothing industry¹.

There are at least two main reasons for the regional understanding in this report, for example: One reason is based on the developmental role post apartheid South Africa is expected to play in Southern Africa. The other reason is that this will contribute to the creation of the greater market for Southern Africa within the global market as well.



The research report traces developments within the clothing and textile industry since the World War Two. Throughout this period and at least until the late 1980s, through state legislations, the economy and the manufacturing sector in particular were highly protected. The textile and clothing sector in particular improved performance from the Second World War until the 1960s in part due to such state protective measures. Although there are strong arguments that developments and performances within the manufacturing sector as a whole cannot be accounted for in terms of import substitution, (IS) rationale, limiting imported goods through restrictive tariff measures helped in developing the domestic industry as well.

¹ The overall impression so far about the two industries is that they have not been performing well. This is either in terms of job creation, productivity or profit. Reasons for this are related to factors either within the industry, outside the industry at domestic and global level.

However, lack of coherent and consistent trade and industrial policy for the South African manufacturing sector had also been indicated as one of the main reasons for poor performance in the industry. Involvement of government in the economy including the manufacturing sector and in particular the textile and clothing sectors since the Second World War until the 1980s had been based on demand side measures. Demand side measures rely on expenses, (mainly government expenses) to stimulate demand in the economy or industry's goods and services. Such stimulation measures could, for example, involve income tax cuts, government procurement policies that favour specific industries and manufacturers. This has been considered short term and creates dependency within industries since there are no specific incentives for long sustainable industrial development. Industries are always covered by these broad government measures. Arguments are that such measures affected the competitiveness of the sub-sectors since they were not exposed to global competition



Assumptions on the other hand have always been that supply-side measures create capacity to improve specific skills and that they are conducive for the promotion of investment. The approach is considered both long term and short term for industrial and trade policy.

Gradual opening of the economy and in particular the manufacturing sector has put questions on the nature of state policies. In other words the way to encourage domestic industries to grow, to become sustainable in terms of job creation, profit creation and also remain competitive in the global context. Successes and limitations of these arguments are explored in the research report through both literature reviewed and the broad overview case study conducted in clothing and textile industry. The argument

made and developed in the research report is that an active and participative role of state² is necessary and useful in ensuring a sense of direction within the industry. This has to be within the broader global political economy. In other words supply side measures would still need critical and developmental role of state both within domestic industries and the global political economy context.

Geographically, economically, politically and morally South Africa forms part of Southern Africa. Developmental integration rationale and priorities in Southern Africa also has an impact in the restructuring of the textile and clothing industry in South Africa. This would also inform South Africa's industrial and trade policies within specific economic sectors such as the textile and clothing industries. Such policies would also have to promote competitiveness, growth and development within the region.




² This is with the understanding that corporative role amongst state, civil society, capital and labour is important in developing a stable and sustainable industrial and trade policy. However, a legitimate, coordinating state policy framework is important as well. The essence of such framework in empowering ordinary men and women, in giving opportunities to improve lives of historically disadvantaged people is important

CHAPTER ONE

INTRODUCTION:

1.1 Problem Statement:

As part of the overall need for transformation and restructuring in the South African manufacturing industry, the textile and clothing industry has been going through the same process. However, the very nature of transformation and restructuring has been received, interpreted and approached in different ways and degrees by stakeholders such as organized labour, organized capital and the state.



Main concerns on the side of organized labour entail the need to avoid or at least to minimize shedding of jobs and optimising the creation of more jobs in the restructuring process. In the restructuring process, capital machinery, automated productions are not considered sufficient solutions to challenges facing the industry. The emphasis is that the process of restructuring has to be informed by structural transformation and the creation of jobs. The need to empower and give skills to workers is considered important as well.

Generally employers's federations do have similar concerns and interests about the transformation and restructuring of the industry. However, there are some differences. Their differences are also informed by the nature of their operational background. The traditional understanding of their relationship has always been viewed with different interests involved. Although there have been attempts to reconcile such interests or even

to merge the sub-sectors, suspicious traditional relationships, naturally segmented differences still determine the outcome. This has tremendous effects in the way the restructuring process should be conducted or at least is being perceived¹, (Maree, 1995). Overall employers' federations encourage the reduction of tariff barriers. However, this has to be done with measures to protect the domestic industry from competition. The industry has to be fully prepared to compete at the international level. Its focus and commitment appear to be based on the nature of tariff policies and their implications to both production and profit. This is not based on the structure of the industry and how it should create employment and improve social and economic conditions of ordinary women and men. There is a need to invest in human and capital resources in the industry to ensure competitiveness, while avoiding costs by ensuring cutbacks or shedding certain kinds of jobs.



Until recently the role of the state in the sectors has always been protective. Some of the consequences of protectionist policies, for example, resulted in the lack of domestic innovation in terms of human skills and technology. The current government approach is to encourage the industry to renew itself with increasingly less support from government itself. The argument is that the challenge for domestic sub-sectors, including the manufacturing industry as whole, is to increasingly integrate them into the global market. Hence they can only achieve this if they start preparing themselves for global competition with limited and qualified support, such as tariff protection, subsidies etc, from the state.

¹ For example unlike the textile industry, the clothing industry sees advantages in removing tariff barriers faster.

Through background of the manufacturing industry in general and the clothing and textile industry in particular since the Second World War until the 1990s, the research report critically outlines the role played by government policies. Historically, protective government policies have been meant to create frameworks for better performance of the sub-sectors. However, this has had limited results.

South Africa is an integral part of Southern Africa and in particular the Southern African Development Community, (SADC). A percentage of its export-manufactured goods are traded with Southern Africa. Hence part of South Africa's industrial success depends on the success of the region². Using references to both regional and international developments of the clothing and textile sub-sectors, the restructuring process and the role of state was put in perspective.

1.2 Related Research:

Mshomba's (2000) contention is that lack of existence of the market for the textile and Clothing industry in Sub-Saharan African Africa is not really the issue. However, there is enough buying power in the region. The industry has potential to develop even in Southern Africa. The issue has been poor and lack of consistent support infrastructure, incentive mechanisms and resources for the industry. This has been compounded by unwise, poor economic policies within the hostile and unfavourable trade environment at multilateral level, in particular the World Trade Organisation. Investment in the Industries in terms of skills, education and development would help the industry become more competitive at global level. Hence the core text used in this research is called,

² Arguments are, for example, that South Africa cannot be an island on its own. Political stability, economic growth and issues such as migration policies can only at least be managed if all people of the region are assisted in improving their lives against poverty, diseases, access to education and health, South Africa can facilitate this through its developmental role with member states in the region.

“Africa in the Global Economy” (Mshomba R, 2000), specifically the section on the “Two GATT Agreements: Agriculture, and the Textile and Clothing”. Davies, (2001) also argue that macro-economic fundamentals cannot be looked at in isolation from the real economy to create jobs and eradicate poverty. The same applies to export market policies that they cannot be achieved at the expense of effective, well coordinated, cohesive domestic policies that are meant to improve competitiveness and job creation. The need for some form of support and state role in the textile and clothing industry forms part of this argument. Other related sources are the following:

Davies R (2001) Industrial Policy in New Agenda, Southern African Journal of Social and Economic Policy, Issue 4, Fourth Quarter.

Jones G, (1997), Restructuring the South African Clothing Industry: A Political Economy Evaluation of the Recommendations of the Swart Panel, MA Thesis, February 1997, University of Stellenbosch, School of International and Comparative Studies.

Munro W, et al, (1999), The state in a Changing World; Plus Ça Change? Reflections from the South on the World Bank's 1997 World Development Report, in Journal of International Development, 11, 75-91 (1999).

Evans P et al, (1997), “State Structures, Government –Business Relations and Economic Transformation”, in State and Business in Developing Countries, 1997, Cornell Publishers

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Katzenellenbogen J, (20001), Manufacturing faces new risks, International slowdown could force the sector to resume its long decline, in **Business Day**, Thursday, October 18 2001.

National Institute for Economic Policy: Occasional Paper Series no 21 August 2001

Himbara D (1998) "Policy Lessons from the Kenyan experience in promoting African Entrepreneurship" in African Entrepreneurship, by Spring and Mcdade, University Press of Florida, 1998.

Mwango K (1998), Differentiation amongst small-scale enterprises- The Zambian Clothing Industry in Lusaka, Ibid.

Wangwe S and others (1992) "Alternative Development Strategies: An overview", in Alternative Development Strategies in Sub-Saharan Africa, Edited by Wangwe S, Sanjaya Lall and others, (1992), Macmillan Press.

Atkinson M et al, (1989), Strong States and Weak States: Sectoral policy networks in advanced capitalist economies), in British Journal of Political Science, vol 19, pp47-67

Raghavan C, 2000, After Seattle, World Trade Organization faces uncertain Future, in Review of International Political Economy, 7,3; Autumn 2000

Such sources do form the inherent part of the approach, objectives and the thinking in the Research Report.



1.3 Objectives of the Study

The objectives of this Research Report are as follows: The background of the industry from the Second World War to the beginning of the 21st century, or at least the year 2000 is illustrated. This serves the purpose or the objectives of showing prospects and problems that were encountered at different times. In order to have proper understanding of the effectiveness, efficiency and character of the current government policies such historical developments within the industry is very useful.

The South African Clothing and Textile Industry does not operate in isolation. The industry operates within both the regional and global context. The objective of the report is to illustrate this as well. This impacts on the nature of the industry's restructuring process. Even the nature and the degree of state or government involvement get influenced.

The objective of the research report is to illustrate how different groups get affected and involved in the restructuring process as well. However, without underestimating the importance of interests groups such as labour, capital and consumers the objective of the research report is to emphasize and demonstrate the need for a clear, well-defined policy in restructuring process. This involves well-trained, educated and disciplined bureaucracy that intelligently understands the needs for the textile and clothing industry and the political economy as a whole.

1.4 Methodology:

Policy documents, legislations and specific literature on the role of government policies in the sub-sectors were collected, read and critically analysed. Implications on positions, roles, particularly of employers and their federations as well as organized labour in the

restructuring process were considered. The restructuring process on the sub sectors was also looked at in the global context, (both in theoretical and policy terms). There was also a great need to establish views and impressions from consumers. However, this was impossible due to operational difficulties in terms of time, locating where and who they were and their interests. Therefore there was no formal research done with or in relation to consumers.

At state level, a case study of the Department of Trade and Industry policies in relation to the restructuring of the textile and clothing industry was done. Institutional and bureaucratic support measures were identified. This related to policies they tried to develop in relation to the sub-sectors. The basis of investigation was also informed by historical developments of the industry or the sub-sectors, including both regional and global trends. In terms of regional trends, the restructuring process in South Africa was looked at in the context of the current regional Trade and Development Protocol as it affects the textile and clothing industry. Research at this level was essentially conducted through policy papers, legislative, industry documents and general literature about the industry within the Protocol.

Overall the research was essentially qualitative. The purpose being to identify complexities with regard to the expected role of the state in the industry (Leedy, 1997). This is in the context of constraints, limitations and possibilities of the study.

1.5 Significance of the Study:

The research report is important in many ways. Both sub-sectors in Southern Africa and South Africa in particular are still important employers in the manufacturing sector. This

is both at formal, informal and small-scale level. They contribute a great deal not only to the GDP but also to the general livelihood of ordinary people particularly women. Their continuous decline in terms of competitiveness and job creation requires sustainable engagement at both policy level and academia. Hopefully discussions on the role of state, developments, prospects and challenges on the industry will be of great help in the restructuring process.

Even though considered soft industries, the textile and clothing industry as it has happened and is still happening in industrialized countries can still be used as the basis for industrialization, economic growth and competitiveness. The manufacturing industry as a whole forms part of the broader economy and potential competitiveness in Southern Africa. Continuous discussions and policy debate on the subject is important. This helps the industry becomes continuously relevant through diversification, appropriate support measures and critical regional and global engagement at bilateral, regional and multilateral level.



1.6 Limitations of the Study:

Within the short time given for the research report, not all areas in the industry were researched. However, the research mainly focused on and identified the role of South African government policies in the restructuring of the two sub-sectors. This was also done with specific reference to the regional and global influences on the industries. The report was not necessarily conducted to prove causality. However, the global political economic developments posed serious constraints to the industry. Hence conclusions given should be understood on the same basis.

References to specific sub-sectors and countries in the region were done, for example Zimbabwe, Malawi etc. However, this was not done to represent the industry in the entire region, but to draw relevant lessons for South Africa.

1.7 Definition of Major Terms³:

Developmental State:

It is a state that moves beyond the regulatory framework for the operation of efficient markets. It is a state which is strong, visionary, purposeful, substantive and effectively supportive of industries where and when necessary. The essence is that markets should be accompanied by a maintenance and extension of state capacities. The developmental state must have the capabilities, the will to contribute to the provision of the resources needed for high quality investment, human and material that transformation requires. It is in this sense that competitiveness of the economy, human and material should be looked at and developed.



Restructuring:

To restructure means to make such significant changes to the structure of something so that it becomes a new and a different structure. Restructuring involves making a decision to create a new structure. It means restructuring of the economy to become representative, non discriminatory, improving work conditions. It could also mean profitability and competitiveness.

Industrial Policy:

Industrial policy is government policy framework and practical measures that seek to promote growth, development and competitiveness in the economy and industries, (in this case the textile and clothing sub-sectors). In this Research Report industrial policy means a policy that moves beyond macro-economic fundamentals to real economy, (including creation of jobs and eradicating poverty). A policy, which deliberately and sustainably enhances knowledge capacities, promotes innovation, research and

³ Such terms are defined and explained mainly as used in the Research Report.

development with strong, capable and active government coordinating measures including strategic support in terms of resources and institutions when necessary.

International Political Economy:

It is a major field of study within International Relations, (IR). It relies for its rationale on accepting links and interchanges between economics and politics. Therefore studying international economics without considering political milieu and studying international politics without the economic constraints could lead to limitations and shortcomings on conclusions drawn. In this context it helps in successfully identifying problems, challenges and prospects⁴.

1.8 Organisation of the Study:

Chapter One deals with the problem statement and orientation. Chapter Two identifies theoretical issues. Essentially the role of state is clarified within historical experiences and current theoretical context. Historically the role of state has been proved interventionist and deliberate particularly in both East and South East Asia for both social and economic development. Even in the current context the emphasis on the outward oriented economy and export promotion cannot simply be achieved at the expense of clear and well-defined role of state. However global and regional trends needs such as international trade agreements and rationale for regional integration needs to be taken into account. This also brings the need for strategic long-term measures and framework for the role of state to ensure not only competitiveness, but also job creation and the rebuilding of the industry. Chapter Three discusses the sources and the causes of the current state of the problem. Such problem areas put in context the theoretical position taken in the report, (the need for an active and developmental role of the state in the industry). In the same chapter different positions about sources, causes and

⁴ It is in the same sense that the phrases global political economy or political economy is used in the Research Report.

expected solutions in the restructuring of the textile and clothing industry from various parties⁵ are illustrated.

The research report is also in line with arguments that state or government on its own cannot be developmental. Developmental measures can only be achieved in consultation and with the participation of stakeholders such as business, (in this case the manufacturing sector), labour and civil society. However, for the purpose of this research report it is emphasized that the state should also be looked at as an actor, in the context of the Department of Trade and Industry, with well defined developmental and administrative policies to give guidelines, policy framework and sustainable support for the restructuring process. This also helps in ensuring a clearly defined level of analysis in the research report.



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Chapter Four makes a contextual analysis of the textile and clothing industry. The industry is very much influenced by historical, regional and global context of trade agreements. Hence the position and the nature of the industry in relation to both regional and global context are done. It is in this context that the chapter investigates the development of the clothing and textile sector in South Africa since the Second World War to the early 1990. Various factors throughout the duration are analytically considered, for example the nature and the role of state policies in the sub-sectors in terms of both industrial and trade policies. As part of putting the report in the regional context, this chapter does shed some insight on bilateral relations developments between South Africa and some countries, for example Zimbabwe in the region.

⁵ Labour (unions), capital (employers federations) and the state (in particular the Department of Trade and Industry).

Based on the understanding above, the research report puts the impact and implications for restructuring of the two sub-sectors and the role of the state in the regional and global context. The report examines how the restructuring process influences or is influenced by current regional and global developments. In other words developments in terms of regional and global textile and clothing trade agreements. Chapter Five focuses on the current government policy. This is particularly in relation to the Department of Trade and Industry. The illustrations and analysis are also shown in relation to the current government policy in term of domestic growth, employment creation, and competitiveness with the global economy. Chapter Six is the final chapter. It presents findings and conclusions. This is based on the need for an active, developmental role of the state in the industry. It is in line with the assertion made on what would contribute to competitive, equitable industrial and trade policies for the textile and clothing industries in South Africa.



CHAPTER TWO:

THEORETICAL AND CONCEPTUAL ISSUES:

2.1 Introduction;

Theoretical basis that informs this research report is based on the notion of a developmental state. It is in this context that conceptual issues and theories of regional integration, particularly in relation to Southern Africa and global developments are discussed.

Change in impetus of the processes of globalisation affect the developmental role of state and its relationship with other stakeholders. This is also affect the way regionalism is considered and implemented.



State policy is essentially considered at sectoral level, particularly in relation to the restructuring of the textile and clothing industry. State policy also affects or is affected by different groups and interests. Conceptual and theoretical basis of the relationship between state, capital, organized labours in the restructuring process are outlined.

Concepts such as demand side measures, supply side measures, competitiveness, comparative advantage, industrial policy and trade policy, etc, form part of the discussion in this research report. This is particularly with relevance to the role of state in restructuring of the textile and clothing sector.

2.2 Developmental State:

In general neo-liberal understanding of the role of the state in the economy has always been expected to be a minimal one, mainly allowing the grace of the financial markets to determine the direction of economic activity¹.

Interpretations of neo-liberal theory and in particular as purported by the World Bank, the International Monetary Fund, (IMF), have always been related to African experiences, East Asia and Latin America:

2.2.1 *The African experience:*

In the African context in particular this has been in the context of Structural Adjustment Programmes, (SAPs). Through the World Bank, the IMF, the SAPs was imposed on developing countries, [in most cases with the collaboration of political elites]. Its fundamental measures were both fiscal and budgetary austerities that governments in developing countries should not get involved in developmental and social policy projects (Meyer-Stamer, 1997). The growth of the economy and other industrial development projects were left to the workings of markets. In the context of infant industries, the contention has been that protectionist policies have proved costly, with industries missing opportunities in relation to global competitiveness and growth (Kruger, 1997). In this sense, article XVII of the GATT has even been considered an unfortunate case of such missed opportunities and of falsification of empirical facts on

¹

For this purpose it is useful to approach it from this angle for two reasons: Firstly, Global neo-liberal regimes, (finance, trade and economic principles), already exist and institutionalised through institutions such as the World Bank, World Trade Organization, the International Monetary Fund, etc. Without necessarily sending a pessimistic tone, the most crucial idea would be to formulate policies that ensure

concepts such as comparative advantage, that they only represent both specialization of cheap labour and single commodity products. Article XVII of the GATT, “protected developing countries from obligations of industrialized countries and permitted them to adopt tariffs and quantitative restrictions, with entitlement to special differential treatment”, (op cit, 1997: 4).

Even as late as the 1997 World Report, and the glaring failures of SAP’s, in essence, the World Bank had not changed its conceptual understanding of the role of state. In terms of the so called frame-work state, for example, the role of the state “is to ensure law and order, to protect property rights and also to apply rules and policies that are predictable, with the aim of providing a congenial robust institutional economic environment for growth” (Munro, 1999: 77). The idea being to avoid state arbitrary actions that subvert the predictability of markets and governance institutions.



2.2.2 *The Asian Experience:*

Within the same theoretical context, role of state has always been contrasted with the East Asian and South East Asian economic successes and failures. As Mkandaweire (1999: 6-7), notes, for example the successes of East Asia and South East Asia were seen as a discredit to the Dependency School denial in the 1960s that “capitalism in the periphery could play its historical role, (progressive role in the Leninist sense of leading to an increase in productive forces of social labour and in the socialization of labour, instead it spoke of ineluctable development of underdevelopment”. However, the contention of Mkandawire is that the Dependency School of thought had a mistaken belief that “capitalism in the periphery was different and produced a series of social, political and economic contradictions that were specific to it, it ceased to be capitalist

critical global engagement with such institutions without simply disengaging. The second point is that at

or, worse, it led to stagnation- a view associated with the Russian Narodniks that Lenin was to debunk”, (Mkhandawire: 7).

2.2.3 *The World Bank's Market Economy thesis:*

The thesis of the World Bank is that this has formed the basis for economic development in spite of empirical data, theoretical premises that emphasizes the contrary. The thesis even in the context of the so-called framework state, does not accept the initial causal relationship of the economic and industrial success in East Asia and South East Asia. Further indications are that, although the 1997 World Bank's Report represents a conceptual shift, it is still “wedded to the notion that state action in industrial policy should seek to be market-enhancing, thus picking up winners is rarely successful, while market-enhancing policies such as net-work thickening often work” (Munro et al, 1999: 81). In contrast the Evolutionary School contends that at least in the context of the Asian experience the market economy thesis, “ did not accept that there was a direct causal relationship between the degree and the nature of intervention and the kind of industrial structures and capabilities that were developed in the different NIE's” (Lall et al, 1999: 45). Evans et al (1997), for example, emphasizes deliberate investment in bureaucratic infrastructures, education and training in Japan through the Ministry of International Trade and Industry (MITI) (op cit: 71). In fact, even the so-called frontier economy thesis accepts the premises that although the Asian economies such as Japan, South Korea, Malaysia, Thailand and Japan through the MITI eventually played a lesser role in the economy, their initial industrialization competitiveness at various levels of the economy involved massive and deliberate state investments (Fong,

least revisionist tendencies in the discussion on basic theoretical issues are reduced.

1998: 348). Thus, the better organized state in terms of developing and supporting internal structures and institutions has always been the basis for industry and sub-sectors development even at the frontier stage.

2.3 The Notion of Globalisation:

Globalisation has always been used as the basis to justify the global market economy thesis. The concept has also been used to justify the need for, or the limited role of the state in the economy. Jones (1997: 80) application of the definition is that of “advanced communication and transportation systems that have led to global economy characterized by a web of linkages which players in one system can have consequences in those of other systems”. Hence, globalisation is the process of increased interconnectedness between people and the breakdown of barriers and borders between countries.

The basis of the definition is expanded in terms of both production and political economic activities in general. In terms of production, for example, globalisation refers to the fact that worldwide production activities are increasingly linked on a global scale, with the same effects on products. This is also informed by business initiative based on the belief that the world is becoming more homogeneous and the distinctions between the market of one country and the market of other countries are not only fading, but for some will eventually disappear (Jones, 1997: 7).

This has had implications for the state role, especially in developing countries. Arguments range from whether states have completely been eroded, hollowed out or if they are being used to undermine their developmental initiatives to promote neo-liberal

agenda (Palan, 1998: 627 and Panitch, 1997). This has also affected regional integration processes and priorities that global markets should play key roles informed by open regionalism and free trade.

2.4 *South Africa in Southern Africa:*

South Africa has always been dominant in Southern Africa since the colonial period. The economic and developmental viability of Southern Africa was designed to ensure South Africa's dominance in terms of migrant labour policies, railroads and sea ports (Davies: 1992). During apartheid and especially in the 1980s South Africa used such historical advantages to sponsor political and economic dependency and instability in Southern Africa. Davies (ibid: 76) for example notes that economic stagnation; worsening terms of trade and indebtedness in the region were exacerbated by apartheid policies of aggression and destabilisation. Such aggressions also led to losses in millions of human lives, natural resources and skills in the region. Besides the fact that South Africa is historically and economically linked to Southern Africa and Africa in general, it is also in part because of this moral responsibility that South Africa has to contribute to developmental integration in the region.

Southern African Development Conference, (SADCC), was established in the 1980s in order to counter-act such dominance (Davies, 1990). Although its success has always been questioned, the ordinary step of uniting people and governments of the region against apartheid hegemony has always been taken as a positive step forward. The economic hegemony was reflected as early as the 1980s that "the total value of SADCC trade (exports and imports) with South Africa was \$ 6,5 billion compared to intra-SADCC trade less of than \$2 billion". Further more, "SADCC trade with South Africa

declined at the time between the early 1980s and in 1986, from 7% to 4,5% of total SADCC exports and from 30% to 24% of SADCC imports” (Davies, 1990: 5).

The Southern African Development Community, (a continuation of SADCC), was established in the early 1990s with the acceptance of democratic South Africa into the region. The main rationale for Southern African Development Community, (SADC), was to ensure the economic development of the region. Equitable development for all people of the region was considered necessary for the success of regional integration in Southern Africa. South Africa with its organized resources and infrastructure was expected to play a major² role in the process.

However, post apartheid South Africa’s perpetual economic dominance and its policies have been cited as continuously undermining such regional developmental priorities, (including restructuring of the textile and clothing sector). In trade and in the manufacturing sector in general, this is reflected in the gross imbalance of trade terms that were still prevalent as late as the 1990s in the region in favour of South Africa.

In terms of being economically and naturally linked Africa in general is a huge market for South Africa’s manufacturing products³. By early 1990s, South Africa’s exports reached 48 African countries in general and Southern Africa in particular. (See **table 1 below**):

² At least on the basis of different perspectives as outlined (Davies, 1992 such a perspective would not perpetuate problems of regional economic imbalances through regional organizations such as SA-SACU, (Southern African Customs Union), South Africa’s corporate sector, with economic policies that would not take regional developmental policies into account.

³ This is besides certain arguments that Southern Africa in particular has always been used for global uncompetitive South Africa’s manufacturing products. Promoting both regional and continental competitiveness can raise the profile, (investment profile and bargaining), influence of the region in the global political economy.

Table 1 RSA's Six Leading Export Markets in

Africa, 1990:

	1990 Exports (US\$ mn)	19990 Imports (US\$ mn)
Zimbabwe	403.3	167.8
Zambia	187.8	2.5
Zaire	172.1	8.2
Mozambique	164.2	11.5
Malawi	143.7	30.1
Mauritius	114.5	5.4

Source: African Development Bank Report, Volume 2, 1993: 29)

As reflected from the table, Zimbabwe was South Africa's largest trading partner but trade terms and benefits still favoured South Africa. At the time trade relations constituted about US\$500 million per annum. In terms of complementarities, Zimbabwe had always been particularly strong in textiles and food products. South Africa, on the other hand, had been strong in chemicals, machinery and sheet steel.

Regionalism or the proliferation of regional trading blocks has always been equated with trends in multilateral trade agreements. In particular, the GATT has governed the regime on multilateral trade since the Second World War and subsequently the WTO from the Uruguay Round to date (Balaaam et al, 2000). The GATT aim was to curb, regulate protectionist trade practices that contributed to the Great Depression in the late 1920s.

However, the benefits of trade liberalization as late as the Uruguay Round and the formation of World Trade Organization had not been considered balanced at least in favour of the developing countries. From 1948 to 1987 tariff levels dropped by almost 40 per cent. After the 1974-1979 Tokyo Round, average tariffs on manufactured goods in general were 4,9 percent in the United States, 5,4 percent in Japan and 6 per cent in the European Community” (Gibbs, 1994: 13). This reduction in tariff was accompanied by an unprecedented growth of free trade and income that *favoured mainly*, but not exclusively, developed countries.

In fact, opportunities for trade within GATT were not opened for goods that developing countries in particular had a comparative and competitive advantage on. Mainly such products were agricultural ones such as sugar; clothing and textile protected by intellectual property, patent mechanisms etc. For the textile and clothing industry, for example the Multi-Fibre Agreement, (MFA), was created specifically to deal with industry outside the rules based World Trade Organization. Dickerson (1995), for example, accounts on the way MFA through notions such as '*market disruption*' were used to protect Western European and North American textile and apparel markets. In fact developed countries regulated trade relations through quotas on the basis of the notions such as market disruptions from developing countries. As late as 1991 both counter-veiling duties and new rules of origin were imposed on the same grounds

including cheap, illegal textile and apparel products from developing countries that they were disrupting western markets.

Gibbs (op cit: 7) contention for example is that the, "formation of regional trading blocs casts doubts on the unqualified theory of free trade. Essentially free trade theory is founded upon the Ricardian principle of comparative advantage, which, because it assumes perfect competition, full employment and constant return to scale, has been criticized. The creation of regional trading blocks can be attributed *in part*, to the realization that international trade, based on the fundamental principles of free market, will not have the desired economic results. Additional arguments are that free trade may be a good thing for the performance of the world economy as a whole but; inevitably, there will be winners and losers. Hence regionalism can be interpreted as an attempt to promote the theory of free trade on a more restricted geographical basis".

However, regionalism is also accommodated within the GATT regime. As Gibb (op cit), notes from the viewpoint of trading blocs, article XXIV of the GATT agreement permits contracting parties to establish free trade areas and customs union. Thus regional trading blocs despite epitomizing the very principle of discrimination are indeed GATT consistent or GATT able. It is in this sense that regional trading blocs are not considered as having the purpose of reversing free trade multilateral regime back to protectionism in the case of regional or geographical blocs.

2.5 State role and relation with Interest Groups:

The restructuring of the textile and clothing industry involves interests of various parties. Such interests are located in the clothing sector, the textile sector, consumers, and the state. According to Altman (1994) the differences and the uniqueness of

relationships within the pipeline also make it difficult to come up with industrial and trade policies that are suitable for the industry as a whole although an overall policy framework is still useful.

On the above basis, the assumption made in the research report is not at all neither that state or government can ensure sustainable development on its own nor that the state on its own is inherently developmental. Cooperative or corporative role of stakeholders such as organized labour, capital (both formal and informal) is important.

However, the argument endorsed is that the concept of corporatism cannot simply be reduced to “specific socio-political process in which organizations representing monopolistic functional interests engage in political exchange with state agencies over public policy outputs which involves those organizations. As noted, the definition as used by Cawson is restricted to the fusion of representation and policy implementation in the hands of groups. The argument made is that the fusion Atkinson, (1989) talks of occur in three distinctive forms: clientele pluralism, concentration and corporatism. This means that corporatism just forms part of relationships amongst interest groups. Corporatism “arises when the parties are in position of mutual deterrence, with corporatist network providing a means for incorporating two or more classes or class fractions into forums where policy is formulated and implemented” (Atkinson, op cit: 57). In Hirschsohn et al, (2000: 58), corporatism, for example is defined as the process of negotiation and implementation of agreements between sectors of the state and powerful monopolistic interest organizations, whose cooperation is indispensable if desired policies are to be implemented.

However, due to restraining circumstances of the role of a developmental state, corporative relationships should be seen within the same understanding that the state need to be strong and autonomous. This also essentially involves well-trained, autonomous bureaucracy, even at sectoral level. A bureaucracy that is able to influence policy formulation in both global and national context.




CHAPTER THREE

THE TEXTILE AND CLOTHING INDUSTRY IN SOUTH AFRICA

3.1 Introduction:

Arguments and concerns from various stakeholders in the industry have always reflected the need for the restructuring of the textile and clothing industry. The industry has been shedding jobs mainly for unskilled ordinary men and women. The sub-sectors have lost opportunities to grow and compete at both domestic and global level. This has also been at the expense of consumers who also deserve access to quality goods and services in the industry.



In an attempt to establish and identify the role of state policies in the industry, a specific focus on individual concerns and solutions in the industry is important. This has implications not only for state role within the global political economy context, but also state relationships with various interest groups in the process.

The following sub-sections attempt to highlight such individual concerns and possible solutions:

3.2 Contributions of the Textile and Clothing Industry:

The contribution of the two sub-sectors not only to the manufacturing industry, but also to the economy, as a whole has been enormous. Van Huyssteen (1995: 96), for example indicates that by the 90s the clothing industry employed about 160,00 people with sales of R6, 1 billion a year and the textile industry 82 000 workers with an annual turnover of R7, 9 billion. These two sectors are also important employers for Black women who

make approximately 76% of clothing workers and 34% of textile workers as compared with an average of 31% for the entire manufacturing sector¹.

In terms of contribution to the national gross domestic product (GDP) the clothing sub-sector may be relatively small and unimportant. However, measured in terms of its dominance in the three provinces, (Kwazulu Natal, Gauteng, and the Western Cape)², the people it employs, supplies and sales it provides nationally, its importance to the national economy cannot be underestimated (SA Labour Bulletin, 1995: 23).

In human terms the argument put by Veldsman (1972) still stands even today. As illustrated the textile sub-sector contributes to warmth, protection, comfort and decoration because of fabrics it produces. The sub-sector is characterized by technological advancements and diversification to areas, (such as aero dynamics, space research, medical research including human tissue organs). This often results in the shedding of labour intensive jobs. However, the warmth, protection, comfort is still needed at this level.



3.3 Employer's Perspective and the Sub-sectors:

The nature of the problem and solutions perceived differ according to textile and clothing industry perceptions as a whole. They also differ according to individual executive members in the industry. Syahed (1996: 8), for example, argues that previous protective state policies shielded and deprived the clothing and textile industry from domestic competition. This has made the industry too relaxed, less innovative and less productive in terms of its material and human resources.

¹ This is also an important reflection that the restructuring process should be very much engendered

² As noted, Durban or Kwazulu Natal, for example specializes in garments like men's shirts, pyjamas and school uniforms. Fashion wear is mainly manufactured in the Western Cape.

Industry executives suggested solutions based on the above perspective entail the fact that the success of the sub-sectors should be encouraged to participate within the global trading system. The argument is that the domestic industry is small hence protective tariff walls should be further removed for the bigger global market³. The industry has also suffered through the lack of domestic demand or what is called “consumer desire”⁴. Mostly poor consumers expect cheaper products that traditionally protected South African manufacturers cannot produce. The consequence of this has been large-scale of smuggling and dumping of illegal goods from poor markets (Hirsch, 1994:25).

For the clothing industry the argument is further extended that “the clothing produced locally is generally of high quality and aimed at the middle or upper end of the market” (Loots, 1992: 3). Other concerns raised within the clothing sub-sector relate to the high cost of raw materials. The consequences of these are that the industry has been faced with a First World cost structure on the one hand and, on the other, with a Third World demand situation (Loots: *ibid*: 3).



Processes and solutions from the employers’s perspective have varied as well. On top of the fact that much of the support is expected from government assistance, employers see shrinkage and restructuring as the solution in order to become competitive (Syahed, 1996: 28). Restructuring, for instance, has been addressed in terms of internal

³ International trade on textiles amounts to R1. 500 billion. South Africa only forms ten per cent of the industry globally. However, rationale for this is that opening of the industry necessarily improves domestic competitiveness, which is no necessarily the case.

⁴ However, even with the exclusion of South Africa as the bigger market, Mshomba (2000) correctly illustrates and argues that the problem and challenges of the sub-sectors fundamentally has nothing to do with consumer demand problems. The overall problem has to do with the protected global trade system, lack of investment in technology, infrastructure and human resources in Sub-Saharan Africa. In order to be successful the industry requires a participative and active developmental state policy support framework.

¹⁴ For example, by early 90’s almost 77000 jobs were already lost in the industry. A drop of 30% since the overall sector had job total of 256000 at the time.

operational activities such as budget increases in the introduction of teamwork and new technologies (SA Labour Bulletin, 1998).

Implications for Southern Africa as a region, for example, have always been based on the argument that bilateral agreements and the opening of trade on textile and clothing would create regional trade difficulties (Fantasies and Tegnick, 1997). This is in terms of dumping of illegal, cheap goods in South Africa. As further implied South African market, (Textile and Clothing), which is considered to be of high quality could be threatened. The argument has been that stricter regulations are needed to root out cheap goods and services that are destroying both the economy and the sub-sectors, (<http://archive.iol.co.za/>).

3.4 Labour Perspectives and the sub-sectors:

The labour sector and employees are more concerned about job losses. Job opportunities and skills for the unemployed are as important as profit opportunities. Overall the labour perspective is based on the need to put more focus and emphasis on industrial, trade policy and the manufacturing sector as a whole. Although tariff reduction, efficient measures to stop illegal dumping of goods are important, that should be considered within overall industrial, trade and manufacturing policies that empower workers and the unemployed with training skills.

As further argued it is important to understand that the problem in the sub-sectors does not simply commence with the gradual or quick tariff reduction. There has to be an active industrial participation by the state. This is because the South African manufacturing industry as a whole including the two sub-sectors has been distorted in

terms of racial and gender inequalities, poor skills, with the promotion of industrial monopolies in the market for decades that it needs a deliberate intervening state policy framework⁵, ([Wysiwyg://2file:a//ISACTWU.htm](#)).

Essentially labour argument is that the results of perceived, implemented policies and methods from employers and business such as mushrooming of unregulated informal sectors⁶, retrenchments due to production automation have not assisted the industry in creating jobs. The overall point is that the working environment as a whole is not just about profit or jobs but also a company environment as it affects the status of workers and work (William et al, 1999).

Both regional and global influences on the industry are seen in the above context. This is the context that makes necessary the investment in people in terms of skills, training and development⁷ in the domestic industry. In this case too soon and too quick reductions of tariffs may not be the adequate solution. The overall unfettered export-oriented economy does not necessarily lead to, and bring about sustainable economic benefits even within the regional⁸, context.

⁵ Reference to industrial policy argument within organized labour sector circles is also seen in the context of macro-economic policy that is not simply based on export orientation and reduction of tariffs.

⁶ The contention made is that informal sectors mushrooming not only rob states, the public of tax revenue through tax evasion, it also disregards human and labour rights abuses. Above all as further demonstrated it completely ignores the fact that mostly in developing countries informal businesses reflect a sign of survival and leads to marginalization of poor communities from the mainstream economy.

⁷ The endorsement and declaration made in the regional trade unions conference held in Maputo in 1999 confirms this approach as well.

⁸ At least in theoretical terms post-apartheid Southern African Development Community integration is processed based and developmental. As also noted and endorsed by unions representatives from Zimbabwe, South Africa, Mauritius, Zambia, Swaziland, Lesotho, Tanzania and Malawi in the Maputo Declaration the idea is that regional economic and trade policies should be seen in the context of developmental industrial policies. The rationale, for example, is that Southern African Development Community, (SADC), was formed as a special union of nations. It was not formed as a free trade zone that many governments have been pressured to focus only on the trade and investment dimension, stripped of its social and developmental pillar. On the same basis, the region as unions assert will not be a developmental community but a bigger market for corporations to maximize their profit.

3.5 State Perspective and the Sub-sectors:

The post apartheid government in the two sub-sectors has been very clear. The policy has been reliant on outward or export driven economic and the manufacturing industry in general. The emphasis is on less intervention of the state in economic and industrial development. Global neo-liberal trade and financial trends that emphasize the supremacy of the market have also informed such a perspective. Hence, the South African textile and clothing industry needs to fit into global trends⁹.

Fundamentally the position taken by the state has been to shift from the demand side support to supply side support. The demand side support measure in the past, for example, “has largely taken the form of export subsidies” and this made more than 50% of the Department of Trade and Industry’s entire budget. (Munro et al 1999: 86). A shift, however, to supply side measures overall is premised on shifted funds “ saved as a result of the scrapping of export subsidies, to supply-side support packages aimed at fostering innovation, research and development, human resource development and work place organization” (op cit: 86). The problem is that such supply-side measures have either been under funded or been affected by government tight fiscal policy measures¹⁰ and the government has been reluctant in terms of direct assistance and the need for active intervention in the industry, (SA Labour Bulletin, 1994).

⁹ The argument for example is that government faces pressure from its trading partners and the global neo-liberal trade regime under the WTO, (World Trade Organization), to remove tariff protection on textile and clothing in reciprocal expectations to South African exports.

¹⁰ In fact Munro et al (1999) indicate that by 1999 government industrial support only amounted to R1.50 million. An amount considered too small for an industry expected to play a huge part in the growth and development of the economy.

3.6 Summary:

At least amongst the three stakeholders consensus exists on the need for the restructuring of the clothing and textile industry. However, there are also many differences. Such differences entail rationale for restructuring, the state of the problem and its depth in the industry. This also affects perceived necessary processes and solutions to the problem. With both labour and business expecting the state to play some role in the restructuring of the industry, differences between the two are ones of degree and levels of state involvement.

On the part of business the emphasis is very much limited to instruments that ensure that conservative macro-economic requirements are met. This also involves institutional requirements such as the removal of tariff barriers, effective tariff custom control with the purpose of ensuring quality and effective production or profit making with limited costs. This involves the reduction of the labour force.



Labour, on the other hand, sees the problem as structural and informed by distorted inequities within the manufacturing industry as a whole. Although tariff and import control measures and institutions are seen as important, the emphasis is on industrial and economic policies that bring equity and development in the manufacturing sector in general and in the textile and clothing sector in particular. Active state involvement in the industry is seen in this context. This is also in line with the implied labour emphasis that individual states within the Southern African Development Cooperation need to

develop their economies, industries and in particular the two sub-sectors in order to trade competitively at global¹¹ level.



¹¹ This does not mean closing economies from trade. However, the basis of trade should be developmental in nature. It should be informed by the need for sustainable and productive development.

CHAPTER FOUR:

DEVELOPMENT OF THE TEXTILE AND CLOTHING INDUSTRY

4.1 Introduction:

This chapter focuses on the development of the textile and clothing industry at least since the Second World War until the early 1990s. The period is divided into two main durations, namely, the Second World War to the 1970s and the 1970s to the 1990s. Durations and conjuncture times from the Second World War to the early 1970s and from the 1970s to the early 1990s are used to put the current state policy in context. Different factors within the South African political economy, global and regional factors, multilateral and bilateral clothing and textile agreements and regimes also influenced those durations. Performances within the textile and clothing sub-sectors are illustrated in this broader context with implications for state policies at different periods.



4.1 Years of Success and the clothing sub-sector, 1945-1970:

At least from the Second World War to the late 1960s, generally the clothing and textile sub-sectors within the period have been considered successful. As part of the entire manufacturing industry, this has been in terms of employment creation, and contribution of the sub-sectors to the Growth National Product, (GNP). For example, the clothing industry's share of the local market increased to 50% in 1938, 78% in 1948 to 86% in 1949. By the 1950s, it reached 90% and thereafter it remained consistent at that level except for minor fluctuations (Cassim, 1991: 27).

That had also been a reflection of the manufacturing industry as whole. It was also for the first time that the manufacturing industry contributed more to GNP than mining or

agriculture. The output grew by 81.6% from 1939 to 1944. Employment in the manufacturing sector also increased by 47% from a total of 245457 jobs in 1939 to 361004 jobs in 1945 with an annual percentage growth of 8% compared to clothing with an annual average growth of 8.2% for the same period (ibid: 33-34).

Such positive trends in fact continued until the late 1960s, with the latter years considered The Golden Years. By 1959 employment in the clothing industry had increased by 8.5% from total of 40 625 jobs in 1950 to 49486 jobs in 1959. Salaries and wages had also increased by 33.5% from 12.1 million Pound Sterling for 1950 to 16.2 million Pound Sterling in 1959 while the gross value of output increased by 25.4% (Cassim, op cites: 37). By the 'Golden Age', the period of symbolic economic success in South Africa, "employment in the manufacturing sector increased from 650 000 jobs in 1960 to just over 1 million jobs in 1969, with employment in the clothing industry increasing from 59, 721 jobs to 106300 jobs for the same period" (ibid: 38). As it is reflected later in the discussion, this had been the case even for the textile sector, which gained more in the pipeline through import control measures.

However, considering industrial development as a whole there are contestations on the basis of analysis for the time period. Arguments are, for example, if durations for industrial development in general should be accounted for either in terms of import substitution or export orientation rationale. If South Africa's industrialisation managed to develop as it was essentially because of either protection of small, big and infant industries and import replacement or export orientation policies at the time. The military energy complex thesis has always contended that through state intervention in core areas such as steel and energy South Africa's industrial development was much more export oriented than often underestimated. According to this thesis, the analysis of the political

economy should in fact commence from core areas such as the role of ISCOR or in the production of steel, Industrial Development Corporation, (IDC). The latter was considered as having played an active entrepreneurial and financial role in setting up textile plants from the early periods (Maree, 1995: 23). Such public corporations together with private capital were meant to promote and develop Afrikaner capital. In fact, as the argument further contends, South Africa had a very much export oriented industrial sector. In this sense for the success of industrial development during the period, the manufacturing sector is considered to have played a peripheral part throughout the process (Fine: 1996).

The post Second World War Period is said to have been characterized by strong, excessive and mismanaged import control and tariff policy measures. Such measures were mainly conducted under the Board of Trade and Tariffs, (BTT), which reduced mismanaged tariff policy to industrial policy. There were no clear policies to support industries, including textile and clothing sub-sectors in the long term and sustainable manner. Although this helped in sheltering the market from competition, consequences to both the textile and clothing industries also differed. According to Barker (1962) the consequences were two fold: on the one hand the limitations of competing importations of clothing were advantageous to the local industry, and on the other hand the curtailing of its access to a wide range of essential materials and equipment not manufactured in South Africa involved considerable difficulty.

The textile industry on the other hand somewhat benefitted more from import control measures. The industry also flourished from the Second World War that it could meet half of South Africa's requirements by the early 1970s (Cassim, op cit: 36). Maree

(1995), for example, emphasizes the fact that in both the 40's and 50's import controls, mainly supportive of the textile sector, were very strong involving duties on cotton and cotton-related fabrics. This also led or at least contributed to the increase of both industries and employment opportunities. Indications, for example are that with the knitting mills established in the 1930s, by 1950 there were 18 of them in existence. They also increased to 70 in 1960 creating 15741 jobs. Import control measures at that time were seen as the best way to spur growth with the textile sector benefiting the most. An indication by Baker (1963) is that in the three periods 1960/1 to 1963/64 the number of knitting mills increased from 74 to 130 with employment creation moving from 15741 jobs to 31392 jobs (Maree, 1995: 23).

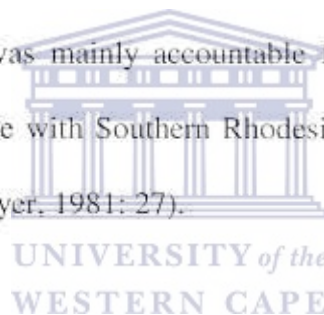
Although such measures are said to have contributed to the growth of the two sub-sectors, persuasive counter-arguments also exist. Such contentions are that import controls and tariff policy measures did not assist the industry that much. The industry was very much assisted by circumstances leading to the Second World War. The high tempo of development in the war and the immediate post war years had built up productive capacity that was able to take care of a considerable larger share of demand under import control, even with a reduced rate of further expansion (Barker, 1962: 85).

This situation also coincided with developments within the global trade agreements. At the time the General Agreements on Trade and Tariffs, (GATT), was established, of which South Africa was a signatory. The GATT was part of the post-1927 economic depression that the global economy needed to be stimulated through global free trade of goods and services based on the principle of comparative advantage. Although this facilitated the flowing of goods and services and perhaps ultimately to the establishment

of global trade organizations such as the World Trade Organization, in most cases the system has not been seen as beneficial to developing countries (Gibb, 1994: 4).

Within the South African context, protective policies, however, developed by the Board of Trade and Industries also flouted South Africa's GATT signatory through import control measures such as import licensing (Meyer, 1981).

Regional experience and particularly in relation to Zimbabwe somewhat became an exception to South Africa's import control and tariff policy measures at the time. However, the consequences were considered detrimental to the development of domestic industry in South Africa, with both illegal and cheap imports or goods of poor quality flooding South Africa. This led to "an influx of cheap readymade utility garments into the Union and was mainly accountable for a decrease of 85% in the Union's favourable trade balance with Southern Rhodesia in fibres, yarns, textiles and apparel from 1949 to 1950" (Meyer, 1981: 27).



With the exception of even worse industrial decentralization introduced after the official introduction of the apartheid system in 1948¹, arguments are that there has never been a consistent industrial policy during the period to develop the manufacturing industry in general and the textile and clothing sub-sector in particular. Trade policy was also considered ad hoc and inconsistent. In fact state involvement or support through institutions such as the Board of Trade and Industry, (BTT), and the Industrial Development Council, (IDC), had often been considered contradictory that they did not help in developing a focused and well defined state role in the industry and the textile and clothing sub-sectors in particular.

4.3 State policy shifts, 1970-1990:

The period has been characterized by recognition that import control and tariff protective measures were becoming unhelpful to the growth of the economy. The question, however, has always been how to open domestic industries, and in this case textile and clothing sub-sectors in ways that would not threaten the domestic market and employment. Fundamentally import substitution measures, demand side measures to the economy, with industrial development characterized by raw material oriented core industries such as mining, the military were considered exhaustive to the economy (Fine, 1996: 196). The economy and the manufacturing sector in particular were following a negative growth path, for example, the situation perpetually developed that, “between early 1989 and late 1993 the economy sank into its longest recession, registering negative real economic growth until 1993” (Marais, 1998: 102).

Attempts to rescue the industry were also based on the new definition of competitiveness. The industry had to be opened to the global economy. Altman (1994), for example, illustrates that particularly in relation to the clothing industry, export growth expanded through both Structural Adjustment Programme, (SAP) and the General Export Incentive Scheme, (GEIS), but only accounted for 8% of local productivity by 1991. The rationale was that the opening of the economy to global competition would influence domestic competition through urgent need to meet productivity, quality and service according to global standards. However, this was not

¹ Essentially meant to perpetuate Apartheid, racialized policy of industrial development has been

supported by practical, direct measures nor organized state bureaucratic and policy mechanisms. This was also informed by the need to shift from the historical isolation of the economy through economic, political and social sanctions due to apartheid policies. Arguments for example are that such premise, however, underestimated the structural problem of the economy since the manufacturing sector continuously shed jobs in sensitive areas such as the textile and clothing sectors (Maree, 1995). Structural problems such as lack of training, skills, education, outdated machineries, technology and economic beneficiation needed urgent attention as well. The 1980s also due to overall economic crisis had been considered a lost decade. This had been conspicuous in the manufacturing sector with continuous loss of jobs (Altman, 1994: 95).

Attempts to address both structural problems and trade policy from the 1970s to the early 1990s came through programmes such as the Structural Adjustment programme (SAP), the General Export Incentive Scheme, (GEIS) and the Duty Credit Scheme, (DCS). These were established on the basis of various recommendations such as the Reynders Report. However, in most cases such measures were considered unsuccessful for various reasons. These included easily abused SAP permits and programmes that were in conflict with international trade agreements, i.e., the General Export Incentive Schemes. Also overall in the context of SAP policies introduced since 1989 to promote the local market through encouraging export had the effect of almost completely opening the local market to imports and drastically reducing employment (Altman, 1994). This, for example resulted in the loss of 20, 000 jobs in the industrial areas alone. In fact a huge volume of imports entered South Africa duty free under the SAP that almost wiped off the local market.

considered a complete failure.

The problem with both GEIS and SAP was that export promotion and tariff promoting were sufficient for the manufacturing industry in general. There were no policies geared to promoting productivity and competitiveness (Altman, op cit: 99). In fact, the SAP as was initially suggested by the BTT had a broader agenda, which was later on, reduced simply to tariff subsidization policy as part of industrial policy. In terms of employment, the consequence of such a move was the loss of almost 14,000 jobs from the period 1990-1992 (Altman, 1994: 102). Besides being an easily abused system, it also had a detrimental effect on the total demand for South Africa clothing, since export volumes had not compensated for the loss to the duty free market imports in domestic markets. Other programmes introduced were, for instance, the Export Marketing Assistance, (EMA). The state offered a tax rebate to exporters so that they would gain a value of two times the market cost incurred although some exporters were not satisfied about time delays in the process. However, it is important to acknowledge that the industry, and the clothing sub-sector in particular have always been inward oriented. Altman (1994), for example, notes that between 1982 and 1991 export for the sub sector export only expanded from 2 per cent in 1982 to less than 10 per cent of production in 1992, with import penetration in volume terms rising from 21% to 44% between 1988 to 1991, (See Table- 2 below):

1994 to 1998 Export expansion with import penetration in volume, 1988 to 1991:

Import penetration and Export Intensity by Volume (%)Squared					
		1988	1989	1990	1991
Export Intensity			6.5	6.5	9.0
Import/ Local Sales		18,7	20.8	29.3	43.5
Worn/Local Sales		8,7	13.2	18.4	24.7
Worn/Imports		48,1	61.0	66.9	66.7
Imports/Local clothing omitted	Sales/worn	10.0	7.6	10.9	18.8

Sources: Calculated from Customs and Excise Data. The Values for 1998-90 are based on customs data published in the NCF Diary: 27.

Notes:

1. 1991 Production Figures based on NCF (March/May 1992:1), estimating a reduction in physical Volume by 6% between 1990-1991.
2. To maintain consistency with available volume output data, tariff codes excluded from all calculations are: 6115 (panty house, socks, stockings, etc); 6213/4 (handkerchiefs, shawls, gloves, ties); leather and plastic items; woven and knitted infants wear.
3. Worn clothing as a percentage of total imports is calculated inclusive of infantswear.
4. S.A. market refers to (imports + local production-exports).

Source, (Altman, 1994: 98)

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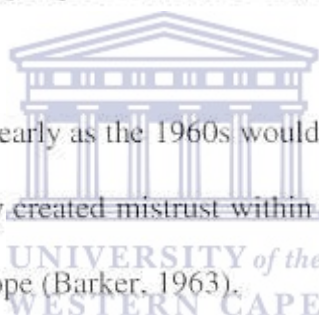
The textile sub-sector benefited more than the clothing sub-sector from state protective policies. However, contradictions arising from both protective policies and excessive import penetration contributed to the poor and unpredictable performance of the industry. State policies that mainly have been tariff policy driven cost the industry not only job opportunities creation but also domestic and international competitiveness.

Indications are, for example, that threat with import penetration continued over the 19-year period from 1974 to 1992. By 1993, textile apparel and leather still enjoyed effective protective tariff protection three times higher than the manufacturing sector in general. The level of protection constituted 94 percent and this was considered the highest of all the manufacturing sub-sectors. Such policies and contradictions were

perpetuated under both the SAP and the GEIS with both value added product and beneficiation being ultimately used as the basis for competitiveness.

However, whether the industry would have ever survived global competitiveness without supportive measures from GEIS, has always been raised. For instance, additional revenue obtained through GEIS in the manufacturing sector as a whole was estimated to increase the value added in exports by about 83,9 per cent. On the other hand the value added in domestic sales without GEIS would have been 88,6 per cent higher than in exports. Hence with GEIS the difference shrinks to a fairly negligible 4,7 per cent, with the argument that it is debatable that South Africa could have sustained the present level of manufacturing export without GEIS (Maree, 1995).

However, Barker's argument as early as the 1960s would still be relevant that protective policies were so severe that they created mistrust within industries themselves that they could not survive outside the scope (Barker, 1963).



Maree (1995), for instance, illustrates massive loss in the textile sector on both employment and productivity between the 1970s to the early 1990s. Although overall there was registered decline, employment also grew during the period, but displayed a trend with two peaks. The first peak was in 1976 and the other peak was in 1981. Figures as indicated are that at the time of the second peak in 1981 the textile industry employed a total labour force of 113700.

However from 1981, onwards, the industry has been characterized by perpetual decline, in all forms. For example, output dropped drastically after 1981 and declined by 22% over the four-year period in 1981 to 1985. As a result employment fell rapidly over the

same period, with the textile workforce decreasing by no less than 18580, a reduction of 16% (Maree, op cit: 25). In fact from the 1990 onwards the situation worsened, with both production and capacity utilization completely falling to 79.1%. Employment also plummeted from 97500 at the end of 1990 to 91 700 twelve month later and to 86800 by October 1992 (Maree, 1995).

In the period the basis for competition has been value-added products². However, even competitiveness on the same basis has been declining or not showing any sign of emerging at all. Higher value-added per unit of output during the time was never achieved from 1972 to 1990. This remained constant at about 27% to 30% of production. Similar situations also applied in relation to employees that productivity and value added per employee remained stagnant or simply represented a cyclical trend from 1972 to 1990 (Maree, op cit: 30).

Although both employment and labour productivity has been increasing in South Africa, by international standard {comparing countries within the European Union, East Asia and North America} it has been considered declining. Indications are that in the period 1973 to 1981, South Africa's textile production performed better than that of other market economies. The increase in production was about 47%. However, the argument is that the distinction should be drawn in the way such success in productivity was achieved. In terms of productivity the argument, for example is that production in the EEC increased by 12 percent during the period, while it decreased in South Africa. In terms of employment, the argument is that the reduction in employment in the EEC took

² Contentions have been that textile and apparel industry in particular cannot compete with industries internationally on the basis of cheap labour, poor quality products. This is the arena already covered by industries and products from East Asia, (as their comparative or competitive advantage). The argument has been that South Africa has to target products at the end niche of the market in order to compete with both their European and East Asian counterparts. However, a point always ignored is that even goods at

place as a result of an increase in labour productivity, whereas employment in the South African textiles industry decreased because of a production slump with labour production rising in the EEC by 34%, whereas it remained almost static in South Africa (Maree, 1995).

Besides the structure of the industry being too oligopolistic in favour of big corporations and federations, its representation in terms of population groups or race would be useful to consider, (See Table 3 below):

Industry Representation in both Racial and Gender Terms:

	1985	1991
White (11,6%)	9014 (9,5%)	10 600
Coloured (27,2%)	24 816 (26,1%)	24 900
Asian (7,1%)	7075 (7,4%)	6500
Africa (54,2%)	54 175 (57,0%)	49 700
Total (100,0%)	95080 (100,0)	91 700

Source, (Maree, 1995: 39)

As shown above, more than half of the labour force in the industry has been African, with more than a quarter being Coloured, whereas Whites have been constituting only about one tenth of employees and Asian even less. However, such statistics do not

the end niche of the market also require investment in both the labour force skills and infrastructure

indicate the type of job that each group has been doing. The assumption one makes is that as it has always been the case African workers would probably occupy lower paying jobs, with limited skills and education, contrary to their counter-parts.

Progress and development in the industry has also been interesting in terms of gender across racial lines. In general more males were employed in the textile industry than females in 1985. In percentage terms the total number of males was 54%, whereas the total number of females was 46%. Across racial groups the picture was even more different, that among Whites the average majority were males, 72%, among Coloured females significantly outnumbered males, (60% to 40%, for Asians the ratio was reversed with males 60% outnumbering females, 40%. Among Africans males constituted about 55% to females 45%. Experience even in the regional context shows that such desegregations is helpful in the sense that support measures and incentives should be aimed for the right people or companies, at the right time and for the right purpose. Black people in general and women in particular tend to have limited resources and skills to survive in the industry or to occupy any serious or meaningful strategic positions.

Interpretations on how international trade regimes such as the Multi-Fibre Arrangement benefited developing countries including South Africa differed. This has been the basis on how South Africa and its sectoral trade policies should be developed, (either inside the MFA or outside the MFA). South Africa has not been part of the MFA, therefore, not subjected to quotas applied to developing countries belonging to the Arrangement, (Marce, 1995). However, the period was also characterized by strong and in most cases

excessive protective measures by developed countries and regional trading blocks such as the United States, The European Union and East Asia, (Dickerson, 1995). Even the expected gradual integration of the MFA into the mainstream GATT, since the Uruguay Round to the aborted Seattle Round, does not seem to affect or have an impact on developed countries and regional blocks such as the EU not to be too protective of their industries. The contention being that even by 2005, the industry could still be highly protected (Raghavan, 2000).

4.4 Inclusive policy measures and the role of state:

Other policy commissions and recommendations during the early 1990s included the Swart Report. In fact the commission was initiated in 1992, by the then Minister of Finance, Trade and Industry (Jones, 1997: 1). The plan or the report represented a fundamental shift and emphasis in South Africa's trade and industrial policy. It also represented a participatory role of state, capital and labour in industrial policy formulation, with implications for the state playing an active role. The investigating panel group consisted of representatives from government, business and labour and the panel had consensus on all strategies except the phasing down of tariffs.

Recommendations were essentially based on three elements: combination of supply side measures, trade policy and social policies for the restructuring of the clothing and textile industries. All areas called or needed the involvement of the state in different ways. The crucial part, however, was that the element on supply side measures was never carried out or was completely rejected by the state. The emphasis also represented and shifted from demand side measures to supply side measures. The panel's recommendations supposedly meant to be carried out within sound macro-economic principles, competitive and viable within GATT requirements. For example, South Africa under the

Uruguay Agreement *committed itself to phasing out ad valorem tariffs within a given twelve year period* which South Africa had opted to phase out in eight years.

In terms of supply side measures government was expected to be involved in areas such as education and training technological upgrading of equipments to improve productivity, with the role of government being that of providing incentives. For example, subsidized interest rates to attract the required investments, with the major part of investment funds required from private sectors, (see **Table 4 below**):

Panel suggestion, training funding Scheme:

Year	% of Pay roll	Industry Funding %	Government Funding %	Value of Government Funding
1995	2	0,5	1,5	R37, 5 million
1996	3	1,0	2,0	R50, 0 Million
1997	4	1,5	2,5	R62, 5 Million
1998	5	2,0	2,0	R50, 0 Million

Source: (Jones, 1997: 49).

The emphasis was on the development of export for an outward looking textile and clothing industry with enough export support measures such as appointment of export specialists. Government in this sense was expected to play an active and stronger role in the form of export structures through the creation of research institutions, provision of tax incentives and that subsidies of GEIS should continue as long as possible.

Other trade policy measures suggested included improvement of custom control through technical upgrading and resources, with empowered and properly resourced border posts with the BLNS countries, with dedicated ports of entry for goods. Both policies on anti-dumping measures and institutional arrangement were considered important. In terms of anti-dumping measures the rationale was, for example, that although high ad valorem tariffs could not be sustained, a quota system could neither be sustained as well since South Africa was not a member of the Multi-fibre Arrangement. Besides being complicated, it would also be unfair to other importers.

Suggestions or recommendations on institutional arrangements had strong implications for the role of state. The state would still play a minimal and facilitating role for the functioning of market forces for effective competition. In fact the state would play the role of a policy maker and the provider of part of the capital needed to implement the plan. Physical implementation on the other hand would be done by the private sector, through the creation of a Textile and Clothing Development Authority.

Rejections of the plan by the government were based on the fact that supply side measures were still too radical and too committing. Government or state mainly influenced by neo-liberal macro-economic policy values have only been willing to play even a more minimal role and also opening the sub-sectors to global competition. On the other hand, the industry performance was declining with continuous shedding of jobs. Thus most recommendations were either rejected or not implemented by the government. This was also reflected in the delay in the consideration of the report from government circles that by April 1995 the government had not implemented the plan at all.

The post apartheid government was so reluctant that only part of the agreement was considered by mid August 1995. The basis of the acceptance was also a qualified one. In essence the contention was that there should be no supply-side measures that should be dedicated to the two industries, (except for a five million year management stability subsidy and facilities of the IDC with the tariff phasing down period reduced to seven years (Financial Mail, 1995: 86). Government also rejected or refused to recognize the extension of the Duty Credit Certificate Scheme, (DCCS), to the import of material to value- added clothing, (Jones, op cit: 65), which was a set back to the clothing sector.

The approach by the government was to ensure integration of the South African economy into both global market and global trade agreements. Such integration entailed adherence to international neo-liberal standards, (requirements), in most cases uncritically so. In fact the essence of the current government policy was captured by the then Minister of Trade and Industry who observed that, “our country needs a major attitudinal change, in support of industry restructuring... the direct role be in those areas where firms are unable to act, such as trade policy, or where externalities cause firms to under-invest, ... the role of the government is that of physiotherapist, not a crutch” (Jones, 1997: 71).

This has been with an emphasis to shift from inward looking economy to outward looking economy. However, also noted is that the government or the state was also at a stage of shedding itself of pressure groups in policy-making.

Southern African Trade Protocol brings a new emphasis if not a dimension to both regional trade integration and trade policies. The Protocol was signed in 1996. However,

its ratification took longer and that it only came into effect in late 2000, (Chipeta, 2000). Arguably it is contended that the protocol is meant to bring economic transformation within region rather than as previously characterized by the dominance of South Africa-SACU. Some of the regional distortions, inequities in the region have been brought about and compounded by unequal bilateral agreements, both within the region and outside the region; through policies such as SAPs; regional economic mismanagement; duplication of regional memberships through regional organizations such as COMESA, the Cotonou Agreement, etc, (McCarthy, 1998).

As reflected, the current protocol and its implementation is very much affected by other global trends such as the South African-European Union Agreement, The Africa Growth and Opportunity Act and overall changes within the global trade regime through the World Trade Organization, (WTO). This has implications, for example, that some of the privileges of the MFA will be forfeited soon. The other fact is that developed countries are continuously protective of these sub-sectors which they consider sensitive and they could still be protected until the year 2005 when the restrictive quotas are expected to be lifted (Mshomba, 2000).

In terms of trade liberalization process within the SADC protocol, which is expected to be in a linear form, products liberalization is divided into categories, (from category A to C). Category C, for example is comprised of sensitive goods that will start to be liberalized from 5 years after entry into force of the protocol. These are finished goods that attract the highest rates of duties. They are also important sources of revenue and their sensitivity is derived from being sources of revenue and employment, (Chipeta, op cit: 10).

Particularly in relation to the textile apparel, rules of origin form a crucial part of the protocol and also most importantly in the context that it creates the framework and standards of restructuring of the sub-sectors within the region. The rules of origin on textile and apparel were a source of disputes in the negotiation process, (with SA-SACU members), advocating stringent rules in order to “encourage regional industrial development in these strategic sectors and prevent border jumping which would provide for granting of tariff preferences to third country producers, for whom they are not meant”, (Chipeta, 2000: 10). On the other hand Malawi, Mozambique, Tanzania, Zambia and Zimbabwe were opposed to that argument on the grounds that such an approach would neutralize tariff preferences.

Reconciliation of regional industrial and trade policies should be seen in the above context if the aim to address regional imbalance is to be successfully addressed. Rules of origin and asymmetry provisions are inbuilt within the protocol itself. In relation to the garment industry, for example “some countries can finish off a garment from somewhere else, to have it qualify as local”. However, production must still undergo at least two production processes to be classified as still locally manufactured, (Africa Analysis, 2000: 13, no 359: 3 November). In fact rules of origin principle is essentially based on two areas. The first one is that exports into SACU of textiles and clothing originally in non-SA-SACU countries of Malawi, Mozambique, Tanzania and Zambia will be exempt from the two-stage rule requirement for a period of five years subject to quota limit. The second mainly catering from Zimbabwe was that specific exports were still to be specified and agreed upon originating in Mauritius and Zimbabwe could be subject to the same conditions as those originating in the Non-SA-SACU member countries.

Besides the emphasis on the above factors, there are also concerns on the protocol to promote intra-regional trade transformation through the removal of other non-tariff barriers such as quantitative restrictions, quotas, surcharges on imports, customs and other trade restrictive procedures and export subsidies.

The latter area has characterized regional trade policies within the region as well.

State or government policy within the sub-sectors has not been very clear. This is either in terms of trade policy, industrial policy or the nature of state itself as an actor. Practical state measures have been ad hoc and inconsistent as well. This of course has been determined by various circumstances within and outside the sub-sectors, including deliberate commitment to preserve the economy for White industrial privileges.



CHAPTER FIVE:

CURRENT STATE/ GOVT POLICY

5.1 Introduction:

This chapter examines government thinking, actions and measures in the restructuring of the clothing and textile industry in South Africa. It gives an account of the current labour market in the sub-sectors. This entails current rate of employment levels, challenges that faces the sub-sectors as well. The account is also given in both global and regional contexts, particularly with reference to Zimbabwe.

5.2 Current broad state/ govt policy and rationale:

General state or government policy is that the manufacturing industry as a whole needs to be part of international competitiveness. Such understanding of competitiveness is not only considered sustainable but also able to create jobs and investment (Erwin¹, 2000). The emphasis appears to be on the end niche of the market or what is called value added products. However, trade on lower quality products appears to be thought of simply in terms of regional markets, (Southern Africa). There seems also to be an understanding that like any other economy South Africa operates within a volatile political situation. Indications are, for example, that the country is better placed to achieve equitable and sustainable development than before (Erwin, 16/5/2000). The Department of Trade and Industry accepts the fact that industries such as clothing and textile are losing jobs. However, this has to be understood within the developments in the world economy. The emphasis simply means that certain global economic trends are

¹ Alec Erwin is the Minister of Trade and Industry, (DTI) in South Africa. He and other members of the ministry on behalf of government and the ministry take such policy positions from policy papers as presented.

unavoidable. Hence jobs would inevitably be lost in the process of adjusting (Erwin, 08/02/2000).

From such understanding, however, it does not necessarily mean that government or the state does not understand the structural and the oligopolistic nature of the clothing and textile industry. Such structural issues, for example, need to be addressed within the context of the SMMEs.

The perspectives and understanding of government of the notion of globalisation is also important. Erwin's, (19/11/99), contention, for example, is that globalisation is not a new phenomenon. In this case there are two things that could happen if globalisation is not well responded to by the government. This would either entail isolation or marginalization. The latter being the likely possible since the process is inevitable. In terms of trade policy, for instance, the results of this do not lie on tariff building walls, or on protective policies. The Department of Trade and Industry has a different understanding of trade as a production of international political economy: "... it is no longer based on the monopolization of resources and the naked use of power; that basis of trade is also information technology", (Erwin, 16/11/99).

The central criticism of the government or the DTI is that it lacks an industrial strategy. It is not doing enough to contribute to job creation and has almost failed in creating small and medium term enterprises (Erwin, 19/11/99). However, although government recognizes these critical aspects or limitations, it sees its changing role and especially within the global political economy context as having changed.

The Department of Trade and Industry holds the view that South Africa is already a trade economy and issues should be addressed in the context of South Africa being a

trade economy. South Africa, for instance, exports 30 percent of products and import a lot more in exchange. This makes South Africa in every respect part and parcel of the world economy.

The contention here is that small economies, such as South Africa that are in the process of globalisation tend to be economically vulnerable. Thus South Africa cannot afford to be inward looking in its economic approach. However, government reaction to such threats should not be based on rigidities but on open engagement with the global economy as well.

The relevance of the role of the South African state in the textile and clothing industries should be related to the following labour market context:



(a) Production and Employment Trends within the Industry:

Since 1994, the industry as a whole has been characterized by restructuring on the basis that such restructuring process would necessarily yield potential growth. To the contrary, "the volume of production for the textile industry for instance dropped by 28 per cent in 1996 over previous levels, (DTI, Annual Reports: 1996/1997). Inconsistency has recently characterized the industry in these areas. From 1997 to 1998 the volume of textile production decreased by 10, 1 percent. Such a decrease also included the utilization of production capacity from 80, 6 per cent in 1997 to 78, 9 per cent 1998, (DTI Annual Report, 1998/1999: 42).

In terms of employment, formal textile employment dropped by 22,4 per cent from 1997 after increasing from 17 per cent from 1995 to 1996. In fact, by 1997 the textile industry employed about 75, 400 people and by 1998 it dropped to 58500. This was attributed to

capital investment programmes intended to promote global competitiveness (DTI, Annual Report, 1998/99). Within the textile sector there were losses of jobs within its subsidiaries as well. For instance, indirectly dependent industries such as transport and packaging losing almost 200 000 workers. As late as 1999 close to 360 000 jobs in the manufacturing sector depended on the textile industry including 80 000 workers on cotton firms.

With the informal sector benefiting, the formal clothing industry has had the same experience. In such situations the formal sector, mainly, corporate and oligopolistic clothing sector tended to respond by ensuring production specialization, upgrading and downsizing. In fact, by year 2000 the textile industry already had lost 34, 000 jobs mainly attributable to recapitalization of old equipments, with the clothing sector losing about 18, 000 particularly in the formal sector. The latter was also due to the structure of the clothing production, for example, that large firms have been outsourcing part of their production and non-production activities to smaller firms, (Erwin, 2000, www.dti.pwv.gov.za), (See **Table 5** below on the employment situation):

Employment in the Textiles Sector:

Year	Total	African/Black	Coloured	Indian/Asian	White	Unspecified
	141	142	143	144	145	146
Employment:						
1990	97 300	55 700	26 300	6100	9 200	
1991	90 200	50 000	25 900	5 900	8 400	
1992	82 600	43 700	25 700	5 400	7 800	
1993	65 955	31 668	15 573	4 121	5 697	8 896
1994	67 892	23 737	14 414	3 686	4 450	21 605
1995	67 010	25 538	14 862	4 169	4 124	18 317
1996	78 452	39 326	12 312	3 688	5 136	17 990
1997	75 457	35 402	12 163	4 327	5 180	18 385
1998	56 892	...	...	...	...	56 894
1999	53 197	...	...	...	...	53 197

Source: SA Statistics, 2000: p 7.14

Table 6:**Employment in the Clothing Sector:**

Year	Total	African/Black	Coloured	Indian/ Asian	White	Unspecified
Employment						
	147	148	149	150	151	152
1990	126 600	42 700	55 800	28 200	4 900	...
1991	120 900	37 200	57 200	21 200	5 800	...
1992	113 500	32 800	56 800	19 000	4 900	...
1993	124 687	39 096	56 227	17 618	5 289	6 462
1994	124 538	40 972	54 747	15 916	4 984	7 919
1995	134 945	89 174	60 217	17 093	4 916	18 345
1996	149 219	50 856	68 911	18 771	5 728	19 953
1997	136 433	47 312	48 267	16 894	4 525	19 632
1998	128 117	...	...	...	...	123 117
1999	131 491	...	...	...	...	131 491

Source: SA Statistics, 2000: p 7.14

The above tables reflect such inconsistent employment trends in various sections of the textile and clothing industry and through the pipeline. Also in terms of job creation the sub-sectors pipeline has not been experiencing a healthy situation at all, (see **Table 7 below**):

Employment Trends in the sub-sectors pipeline:

Industry	Number of Employees		
	1999 Sep	2000 Jun	2000 Sep
Manufacturing:			
Textile and Clothing:	230 358	215 320	25 689
Spinning, weaving and finishing of Textiles	26 297	25 182	25518
Other Textiles	27 771	30 258	30158
Knitted et Crocheted fabrics and articles	11 594	10 467	11- 150
Wearing Apparel, except fur dressing and dyeing of fur, articles of fur	127 476	124 001	125-
	237		

Source: SA Statistics, September 2000: p31

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(b) Labour and general market issues within the industry:

This is probably the most difficult aspect to identify in this industry. These issues also depend on the sub-sector involved, (either the clothing or the clothing sub-sectors, including labour). They range from industrial policies, trade policy related issues to organizational issues. In most cases this also has to do with, domestic regional, (Southern Africa), and global trends.

(c) The textile sub-sector:

The industry has identified outdated capital equipments as one of the crucial factors. In order to compete or to regain its competitive advantage at a global level it has become

involved in the recapitalization of its capital equipments. In some cases investments have been reasonably huge, for instance as early as 1996 the textile industry invested almost R100 million. This was to develop capabilities and competitiveness of the industry, [especially at production level] (Martin Creamers Engineering News, August 28 to Sept 4th 1997: 31). The challenge that faces the industry is adaptation and the re-training of its employers and also employees in the process. Although it has not been clear as to the level of benefits for such an approach, developing capabilities at management levels has been seriously considered within various industries in the textile sector.

Unfortunately people who lose jobs in the process are the less skilled ones when there are no resources to retrain them. The rationale for almost R2, 6 billion investments by the textile industry in the 1997 was that in order to compete internationally the industry needed to shift and adapt from being labour intensive to being capital intensive. However, unlike other parties in the pipeline, (clothing and the leather sector), the textile sector has been very cautious about the pace to remove tariff barriers. The emphasis on the need to ensure that there are enough adjustment costs has always been made. The clothing industry, on the other hand, has considered tariff barriers reduction measures as simply benefiting the textile industry.

(d) The clothing industry:

As part of the industry pipeline essential concerns have been based on input costs. Restrictive trade policies and the need to rely on fabrics and garments from the domestic pipeline have denied the industry or the sub-sector cheaper resources from the international or global market. The initial tariff proposals from the so-called definitive report were taken as too favourable to the textile industry. The proposals entailed tariff

reduction on textiles. The time frame was eight years in which to reduce tariff on textiles from 55 per cent to 30 per cent. The proposals also included efficient anti-dumping measures and effective customs control measures. Concerns from the clothing sector, for example, were that they asked for a four year phase out period for textile tariffs instead they got eight (Financial Mail, 16 June 1995) and this would extend costs on domestic textile input costs. However, compounded by lax control on cheap clothes and illegal dumping, the clothing industry concerns were that they were also concerned about the slowness of the programme that it was conditional on the stepping of customs leakages. The estimates were that such leakages would be at about 20 per cent to 30 per cent and there were fears that illegal imports could extend 30 per cent unless such grey trade could be stopped. The question of sources of both legal and illegal clothing has always been contentious as well. Such goods tend to be mainly from Eastern European and Asian countries such as China and Indonesia. (Martin Creamers Engineering News, August 28-September 4 1997; 28). In fact, mainly because of the influx of both cheap and illegal goods in South Africa, the estimated loss of employment in the clothing sector at least by 1997 was put at 18 per cent or 18 thousand workers, (Fantasies and Tegnick, 29/8/1997: 1). In this sense, proactive government measures have always been expected including not so quick reduction of tariff barriers without proper adjustment costs since the industry has already been regarded fragile.

The implication for the sources of illegal or cheaper goods is in line with the industrial and trade policy rationale, for example are that threats are mainly from China and Taiwan where cheap labour is predominant or from the second hand clothing industry which flourishes throughout the world. In these countries basic manufactured textiles are manufactured at a low cost and high speed to such an extent that for South African industries, it is often cheaper to import fabrics than to manufacture them (Martin

Creamers Engineering News, op cites). It is also within this context, for example, that the emphasis is always made within and outside the industry that for the South African industry to flourish it needs to focus on quality, value added, end niche of the market based in Europe. South Africa must focus on the top end of the clothing market because global competition will destroy the lower end (<http://archive.iol.co.za/Archives/1997/1997/21%20Feb/biznissen.html>: p72).

(e) State or government policy measures:

These are practical government policy measures either at trade or industrial policy level. Obviously they will need to be looked at in the context of the government policy as far as the role of the state is concerned. The minimalist role of the state in the restructuring of the textile and clothing sector. However, such policies may sometimes run contrary to the perceived or the expected role of the state or government from affected sectors, textile and clothing sector, including labour.



There are industrial and trade policy measures, institutions and structures that are put in place in order to achieve this. Obviously the state sees itself as playing a framework role. This is simply justified in the context of the need to understand the twenty first century industrial and trade competitiveness. This is the century which economic growth relies on the global market through open trade and export orientation. The department of trade and industry has for instance facilitated the reduction of tariff policy restrictions, even faster than WTO twelve years's requirement. The DTI has opted for a seven years's tariff reduction far lesser than twelve years as required by the Maakaresh protocol of the GATT-World Trade Organization in 1994 (Martin Creamers Engineering News: August 28 – Sept 4 1991: 31). However, informed by commitment

in the region in order to encourage free trade and development, South Africa has opted to ensure tariff reduction faster than other members of the region. This also applies to the textile and the clothing industry in the region. Custom control measures, however, are also revamped to facilitate the legal influx of goods and services in and out of the region. This is essentially pending concerns even from the labour sector that mainly both cheap and illegal clothing enters South Africa because of weak, corrupt and incompetent customs control measures. Stakeholders, for instance textile, clothing federations and labour are also involved in these areas including education, training and investment².

At the industrial level, the state works on the basis of industrial agencies such as IDC, CSIR, EMLA, other industrial support/ supply side programmes such as export credit and foreign investment reinsurance, (ECFRR), Export Renting Scheme, which deals mainly with capital projects. The state in fact intervenes in the process to minimize risks for exporters. In other words even at this level the state intervenes on a facilitation basis.



The above measures have been initiated to replace traditional measures such as GEIS that was terminated round about 1997/1998. As part of government approach to industrial policy, through trade and export promotion GEIS, contributed for example R9, 7 billion at least annually. However, the scheme operated in the context of general, misdirected, untargeted subsidy and that often subsidized uncommercial and unproductive operations (DTI, Annual Report, 1997/1998). In terms of South Africa's commitment to GATT-WTO, GEIS was abandoned on the 11th of July 1997 and that the final operation was made by the year 1998.

² The corporative relationship seems to be the approach emanating from the Clothing and Textiles Sector Summit. Although with broad range of resources and support given to the industry, Government in this case or the department of trade and industry appears to be leaving a huge part of challenges and innovations to parties affected.

However, in broad general terms, such industrial policy measures should be seen within the broad framework of transformation through legislative structures, acts, statutes, such as the Skills Development Act 1998, essentially meant to develop the skills of the South African Work force in order to improve the quality of life of workers, improve productivity in the workforce and the competitiveness of employers, etc. The Skills Development Levies ACT 1999, essentially ensuring joint investments to the workforce, economic growth and development within industries, National Skills Authority, (NSA), National Skills Fund, Sector Education and Training Authorities, etc, (South African Year Book, 2000/01)³.

Perhaps the role of state could be seen through the DTI's created structures. The DTI itself is going through transformation in terms of personnel, organizational efficiency and other channels of communications. This is in terms of programmes such affirmative action that is also gender informed. The 1998 DTI's State of Transformation report for example is associated with such forms of transformation at sectoral level. In terms of the Vision Statement, for example, the DTI claims to be leading in transforming the South African Economy to become sustainable fast growing, labour absorbing, fair, and just, based on the values of initiative and teamwork. Competitiveness is seen in the context of integrated regional development. The essential idea being to ensure more encompassing and cohesive force on the regional basis with the aim of promoting economies of scale in Southern Africa.

³ However, the direct relevance and impact of such institutions on the textile and clothing industries are not necessarily clear. An aspect, which perhaps requires further research.

CHAPTER SIX

FINDINGS, POLICY IMPLICATIONS AND CONCLUSIONS

5.3 Objectives of the Study

As already noted above, the essential objectives of this Research Report are as follows: The background of the industry from the Second World War to the beginning of the 21st century, or at least the year 2000 is illustrated. This serves the purpose or the objectives of showing prospects and problems that were encountered at different times. In order to have proper understanding of the effectiveness, efficiency and character of the current government policies such better historical developments within the industry is very useful.

The South African Clothing and Textile Industry does not operate in isolation. The industry operates within both the regional and global context. The objective of the report is to illustrate this as well. This impacts on the nature of the industry's restructuring process. Even the nature and the degree of state or government involvement get influenced.

The objective of the research report is to illustrate how different groups get affected and involved in the restructuring process as well. However, without underestimating the importance of interests groups such as labour, capital and consumers it is important for the state to play its role beyond simply the regulatory framework. The state has to play its role beyond emphasis on macro-economic fundamentals to the real economy including deliberate investments in developing skills, and creation of jobs in industries such as the textile and clothing. A clear, well-defined policy in restructuring process is important. This involves well trained, educated and discipline bureaucracy that understand the needs for the department and the economy as a whole.

5.4 Findings and Policy Implications:

From the government point view, the role of state is expected to change. The state is expected to play a framework role, creating proper and enabling conditions for the economy to grow and particularly for the manufacturing sector to become competitive. This is informed by the need for an outward oriented economy. As part of this, tariff restrictions and general subsidies are removed. The industry is exposed to global competitiveness. The basis of this is that as industries are exposed to international competition, (either through new goods and services investing or entering the domestic market or goods and services exported to other international markets), new skills are learned, knowledge is acquired and this helps domestic industries in raising both productivity and profit. Eventually this could lead to creation of jobs.

At least from the government point of view, in particular the Department of Trade and Industry, the textile and clothing sector forms part of such understanding. Because of the change in the international political economy, the state in general and the Department of Trade and Industry in particular see their role within such understanding.

Developments in South Africa since the Second World War have reflected different forms of state role. For the textile and clothing industry state protectionist policies were very strong from the Second World War to the early 1970s. The two industries, (clothing and the textile) benefited during such period. Although the two industries gained differently during the period, overall both showed increasing performance in terms of both production and profit. The industry increasing performance was also manifest of the 1960s (during the so called Golden Years) to the early 1970s of the South African economy.

In terms of both regional and global trends, South Africa was also a signatory to the GATT at the time. However, restrictive tariff measures seemed to be flouting such rules as well. The South African-Rhodesian¹ colonial relationship at the time also informed bilateral trade relations between the two countries on the two industries, (the clothing and textile industries). However, at least in terms of the two industries, the consequence of the 1964 bilateral agreement was taken as a threat to the South African domestic market. This was due to the influx of what was considered cheap and illegal goods into South Africa.

As the military-complex-energy argument reflects, state role in the economy was also very much informed by the need to promote Afrikaner capital. The argument contends that the South African economy was outward oriented than probably estimated. This is also in line with contentions that the manufacturing sector contributed very little at the time to the GDP compared to industries or sectors such as energy, mineral sector and the military. Trade policy on the other hand, especially in relation to the textile and clothing sector was considered ad hoc and essentially protectionist. That had consequences for the ultimate and the eventual performance of the two industries.

The period from the late 1970s to the early 1990s showed declines in the South African economy. The manufacturing sector and particularly the textile and clothing industries were also affected. There were also attempts especially from the 1980s, to move away from a closed economy. The manufacturing sector in this case was not export oriented and not subjected to international competition. This was both due to economic

¹The word Rhodesia is simply used to illustrate a historical point.

sanctions and inward oriented policies that were carried out since the Second World War, in the manufacturing sector and the textile and clothing sectors in particular.

Part of the solution was seen as opening the economy to global competition. Programmes such SAP were introduced. The idea was to encourage, facilitate and open the South African economy and in particular the textile and clothing sector to global competition. However, this came with less and uncoordinated adjustment measures in order to cope with the global economy. Such adjustment challenges ranged from poor customs and border control measures to the lack of proper support and channelling of incentives and subsidies to adjusting industries. Within the demand side thinking GEIS was also introduced. The successes and the relevance of the scheme in relation to the global trade agreements have always been contested. Part of the arguments, for example, is that the manufacturing sector and in particular the textile and clothing sectors would not have been where they were at the time without such incentive support measures. On the other hand, incentive support measures particularly under GEIS were considered in violation of the WTO rules and regulations.

The global developments of the industry at the time were also very interesting. South Africa was not part of the MFA in the 1970s. Overall the arrangement was meant to protect domestic industries in Europe and the United states at the expense of competition from developing countries. Disadvantages or advantages on South Africa for not being part of the arrangement also became subject to different interpretation. However, the debate on whether South Africa should eventually join or not became almost fruitless since in terms of the Uruguay Round talks the MFA will be removed by

the year 2005². On the other hand, domestic stakeholders have remained suspicious of bilateral trade relations with regional countries. Even though understanding developed at some point on the advantages or benefits of expanded markets within the region, including with countries such as Zimbabwe, developments within the region have always been viewed as potentially jeopardizing the domestic market, either through the influx of cheap, poor quality goods or illegal ones.

Current state policy measures and role should be seen in relation to the rejection of the Swart Plan measures. The Swart Plan measures represented three important critical elements. The plan represented a shift from the demand side measures to supply-side measures, creating conditions for competitiveness without direct state involvement. However, that was seen as still excessively burdensome on the part of the state, mainly in terms of resources expected. Reflected in the shift was also an emphasis or at least implication of inclusive corporatist element within the manufacturing sector in general and the textile and clothing sector in particular, meaning joint collaboration and contribution on the part of labour, capital and the state in defining and explaining issues of growth, competitiveness, social and human development within the sub-sectors.

However reasons for the state's rejection of the plan, including the DTI was hugely the plan's incompatibility with its macro-economic condition such as the low inflation rate, strict fiscal control, (including reduction in government expenditure), promoting exports through reduction of tariff barriers would necessarily promote competitiveness within the domestic sub-sectors. This was informed by the contention that South African

² However, this is with the hope that the process of implementation of the removal tariffs and quotas, particularly by developed countries will be complete by 2005. Perhaps, if processes of holding another round of trade talks, (after Seattle), were to be facilitated, some of the hindrances could be avoided and issues addressed to the benefit of developing countries.

industries should focus on value added products than on cheap products. Such an approach would make South African products competitive within the global market. Cheap labour is already the basis for competitiveness in East Asia; hence South Africa should concentrate more on value added to compete with the latter regions or countries. However, although the basis for competitiveness including cheap labour in the regions mentioned is correct, it is important to note that cheap labour did not necessarily unskilled workforce in Asia. Although such labour would, for example, be cheap in pecuniary terms, it would be properly trained, and invested on to ensure efficiency and productivity as well. The state's role and state engineered and coordinated programmes would play a crucial part. It would play both supportive and encouraging role, including protecting industries and the market that were considered too vulnerable where necessary.



The basis for the South African government, in this case the DTI involvement in the economy, is that of the understanding that the new impetus of globalisation has changed. South Africa, the manufacturing or the Clothing and Textile industry in particular as part of the small economy should be able to adjust within the international political economy in order to remain competitive. This also informs the nature of government's or the DTI's involvement within the sub-sectors. This means encouraging industries themselves to be innovative, internally creative, restructuring in order to stay productive, competitive and profitable.

The DTI plays a coordinating and framework role through for example development agencies and create continuous consultative involvement amongst various stakeholders.

The emphasis on both opportunities and constraints at both regional and global constraints are important to mention. Within the region, for example, restructuring of the sub-sectors has to be seen within the regional trade protocol. The protocol also creates asymmetry relationship between South Africa and other regional member states. The asymmetry notion for example emphasizes the developmental dimension of the protocol. Bilateral exceptions with South Africa, in order to help weaker countries such as Malawi, Mozambique to adjust are part of the idea of asymmetry.

Global multilateral and bilateral developments are of great significance. Unresolved global trade issues and opportunities through the WTO put more constraints on the direction of restructuring process in general. This for example entail continuous protected markets in the European and Western markets, (USA), and lack of fairer trade against African markets in particular. Regional and bilateral trade initiatives such as AGOA, the European Union-South African Trade and Development may help in creating opportunities for African and Southern African textile and Clothing industries. However, if global trade rules, norms and standards are not addressed within the multilateral context clothing and textile sub-sectors in the region will continuously be marginalized.

The interesting part about the sub sectors is their continuous loss of jobs. Although there are arguments that the industry particularly through its value addedness approach has become more competitive, both sectors have lost thousands of jobs since 1994. This emphasizes the point that various factors of competitiveness, growth, creation of jobs in the industry have to be looked at. Government policies and approaches have to be

proactive, strategic and visionary on this matter to save the sub-sectors from closing down.

Internal restructuring of the DTI in dealing with the situation is also of great importance. There should be support mechanisms in terms of representative personnel, skills development, and institutional transformation in line with both the needs for domestic, regional developmental challenges. However, this is also in the context global economic development that requires the South African economy and in particular the Clothing and Textile sector to competitively adjust and react to. The issue perhaps of pace and character of such reaction in order to meet developmental and competitive needs in South Africa and the region as a whole needs to be emphasized.



Discussions in the report are not necessarily intended to determine causality between job creation, productivity and competitiveness within the sub-sectors and the role of state. Although in part this might ultimately have contribution effect, the purpose was to demonstrate some understanding within which the state's role in the sub-sectors or within the economy can be understood.

Some of the conclusions drawn are the following:

Although consistency and certainty is important state role in the economy should be determined from time to time. This is particularly the case even within the textile and clothing sector. It is important that the industry should be prepared and integrated into

the global market. This involves emphasis on value added products, promoting export through reduction of tariffs. However, there is also a need for deliberate domestic investment in training, education to create competitiveness. This may help create jobs for the local industry even in the export market. Such an approach should also take advantage of the broader market within the region. Competitive and diversified clothing and textile sectors in Southern Africa can create competitive advantage for the region as a whole. This has to take advantage of textile and clothing resources, (such as cotton) as they are available in different countries, (such as Tanzania), of the region. Value-added products within countries and industries of the region can only be sustainably processed within such understanding. Without necessarily encouraging the influx of cheap and illegal textile and clothing materials, their circulation in region, either due to reduction of tariff barriers through bilateral, regional or multilateral arrangements should be encouraged. The region as a whole needs a competitive advantage and creating a greater market could serve as an advantage.



The idea is not to create an unnecessarily interventionist state. The state or in this case the DTI should not take over textile and clothing industries. Such an approach would not work. It would not only be against the country's attempts to fit into global macroeconomic, (trade and industrial practices). However it would be contrary to any workable and strategic move to fit into the manufacturing industry in the global economy. Gradual, sustainable integration into the global economy is needed. This could mean creating monitoring supporting structures and funding. Support structures could also mean creating opportunities for companies to exit the industry for other job markets that are created in the process.

The impression created is not that the state role on its own is sufficient. Consensus and contribution from both labour and companies on the types of policies needed, for example on how they should be sustainably financed and in implemented is highly important. However, this should not be at the expense of a government or department that is better organized, which has clear policy goals, infrastructure and human resource capacity. Such a department should be able to competently initiate, facilitate, engage and help when and where necessary in the implementation of policies.



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