A million textile jobs at risk worldwide

Keith Lee
1 December 2004

It is feared that upwards of 1 million textile jobs around the world are at risk when quota arrangements end next year, mainly due to cheaper imports from China and India.

In the Philippines, the ending of the garment quotas could spell the end of 120,000 jobs. These huge losses will be repeated across the world. Already in America, from 1990 to 2004, nearly half-a-million textile jobs have gone, and it has been predicted that with the ending of quotas a further 250,000 jobs are at risk. In Tunisia, where textile production employs 250,000 people and represents half of the country's exports, the World Bank has predicted 100,000 job losses.

The worldwide clothing and textile market is worth $400 billion and is growing every year. Quotas on textiles and clothing were established by the Multi-Fiber Agreement in 1974 as part of the General Agreement on Tariffs and Trade (GATT). The MFA was ostensibly a mechanism to give developing countries time to restructure—and usually privatise—their textile industries in order to compete in the global market. However, the quota arrangements actually benefited textile firms in Europe and the US by giving them protection for a period of time from cheaper imports from Asia.

Under the MFA the US, for example, negotiated a limit to the volume of textiles and clothing imports over an agreed-upon period with every developing country that wanted to export to the US. Each developing country was then free to allocate these quotas among its domestic companies as it wished.

In 1995, the World Trade Organisation (WTO) replaced the MFA with an Agreement on Textiles and Clothing (ATC), which accepted that all quotas on textiles and clothing would disappear between WTO member countries on January 1, 2005.

The ending of the quotas system will mean a massive restructuring of the world's textile industries. In one example in a survey by Goldman Sachs, the investment bank, it showed that 71 percent of American and European manufacturers and wholesalers relied in 20 percent of their sourcing decisions on countries previously covered by the quotas system. When this ends, it has been predicted that the US will cut the number of countries it buys textiles from by half. Many of the large European and Asian countries will follow suit. Companies such as Gap and Levi-Strauss currently produce their garments in 50 different countries because of quota restrictions. After 2005, this could be reduced to between 20 and 30.

Countries like Portugal, Italy, Turkey, the US, Mexico, Sri Lanka and Bangladesh have urged the WTO to continue the MFA until January 1, 2008, because they want more time to restructure their businesses, and in some cases shift production of textiles and clothing abroad. Last year alone, in Sri Lanka, where workers' wages are already rock-bottom, 46 textile factories closed down—leaving 26,000 jobless. More than 150,000 are predicted to lose their jobs in the near future.

Many European countries expect to see large parts of their production going to China, which has become the world's largest textile and clothing manufacturer. Conditions in China's textile factories are so bad—every year thousands of textile workers are killed or maimed in industrial accidents—that they are commonly referred to as "coal mines on the surface."

Since its entry into the WTO in 2001, China's volume of imports to the US has risen by 125 percent. A recent article in *Women's Wear Daily* stated that China's share of the US import market has increased by 16.3 percent this year alone and predicts the country will eventually make up nearly half of all clothing imports into the US—up from 15 percent currently.

In an attempt to restrict imports, the US and the European Union will still try to apply an array of high tariffs. These tariffs range from 12 percent in the EU to 33 percent in the US. There have been warnings that if the EU and the US constantly apply the tariffs, there is a great danger of a trade war developing.

As an example, Portugal is particularly vulnerable to the ending of the MFA arrangements because textile and clothing manufacture comprises a substantial part of its economy. It contributed nearly 20 percent towards the country's exports in 2001. Portugal is the seventh-largest textile producer in the EU and the sixth-largest in terms of clothing. There are 13,069 clothing and textile companies, but 70 percent of them employ fewer than 10 workers. In 1989, the industry employed 380,000 workers, but now it is down to 200,000.

A large number of firms have been going bust, and some have sought to relocate their factories to eastern Europe in order to cut costs and take advantage of the cheaper labour market. Even though Portugal has some of the lowest labour costs and wages in western Europe—salaries are about 400 to 440 euros a month—they are are still 2 to 3 times higher than those in eastern Europe and 10 times above those in China.

Membership in the EU has enabled Portugal to develop its textile industry in relative protection from textiles firms outside Europe. In 2001, EU member states took 83.4 percent of Portugal's exports and supplied 78.8 percent of the country's imports.

This is about to end. Paulo Vaz, director general of the Portuguese textile and clothing association ATP, has argued for a more specialised and pan-European strategy: "The 'Made in Portugal' label is of limited significance.... Future trends place the emphasis not on a country—something rather vague—but on a producer or a brand or excellence that will ensure consumer confidence. We believe it is more important to promote the compulsory use of a label stating 'Made in European Union' or 'Made in Europe.' "

He saw the only solution as "highly specialised [manufacturing] units, targeting high added-value niche markets," whilst accepting that "all the rest, the basic lines and bulk quantities, will go to Asia, Eastern Europe and North Africa, though these countries are also facing competition from the East."

However, firms in other countries are also seeking to offset the threat from China by developing ever more sophisticated textiles. One such firm, Italy's Ratti, which produces delicate wools and silks for labels such as Escada and Valentino, has sought to move its business to capture the luxury end of the clothing market. CEO Donatella Ratti said it is "research, product and quality, that's what made Italy a big success in the world."

However, they face one problem as outlined by Daniel Faure, chairman of the French fabric trade fair Premiere Vision, who said, "No one knows what 'made in' means.... There's no regulation on that. The yarn people think it starts with the yarn. The weavers think it starts with the weaving and don't care where the yarn comes from. The garment manufacturers think it starts where the garment is made and don't care where the fabric comes from. It doesn't mean anything."

To compete internationally, the company has in fact already had to lower costs by moving a tenth of its production to Romania and expects the majority of its clothing will be produced there in the longer term.

Firms such as Levi's Dockers and Raymond Cole have not been slow to exploit the fact that countries such as India have massively lower labour costs than in Europe. In India, Raymonds has invested $22 million to increase its capacity in order to meet the demand from European companies.

While many western firms and have taken advantage of the low labour costs in China and India, others that now face increasing competition have responded by resorting to nationalistic rhetoric and calling for quotas to remain in place. These nationalist proscriptions have naturally found their support amongst trade union officials in the US and throughout Europe. The US textile and garment workers (UNITE) and the Brussels-based International Textile, Garment and Leather Workers Federation (ITGLWF) have called for the quotas to remain and for trade regulation to continue, and has called for trade restrictions on China.

In general, there is no way out along this route. All it results in is a deepening of the trade war and a fratricidal conflict over who will suffer most from job cuts. The ending of quotas poses textile workers around the world with a common problem. The enormous advances in technology have powered the phenomenon of the globalisation of production. Factories are shifted to the cheapest country. This process has all but rendered any form of nationally based industry obsolete, and no more so than in the textile and clothing industry. It has also rendered impotent any form of national solution to the problems facing workers in their given country. To oppose job losses around the world, workers must therefore reject both the national protectionism put forward by the union bureaucracy and the equally devastating claim that cuts are inevitable. They must adopt instead an international socialist perspective aimed at unifying textile workers across national borders in a joint offensive against the employers and their bureaucratic accomplices.