

OFF THE PEG: TESCO AND THE CLOTHING INDUSTRY IN ASIA

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Report Summary

Despite Tesco's assertions about its ethical performance, the structure of global sourcing in the garment industry means that the way it operates will always contribute to an undermining of workers' standards worldwide. This is due to the power of the big retailing corporations such as Tesco who can bargain for the lowest prices and find the most competitive and flexible production sources. The result is that the most vulnerable people in the chain, the factory workers, are likely to suffer from low wages, poor working conditions and job insecurity. The end of the Multifibre Agreement is putting further pressure on suppliers and therefore workers. Since its end at the start of 2005 conditions in Bangladesh and Sri Lanka in particular appear to be getting even worse.

In the UK, Tesco holds an increasing share of the British clothing market. Tesco's low prices, makes it difficult for other companies to compete so they, in turn, pressure their suppliers to lower their prices. Whilst many other retailers are failing to fulfill their responsibility to workers in the supply chain, the constant pressure on prices results in a downward spiral, led by Tesco and the other supermarkets, which affects working conditions in the garment trade worldwide.

1 Tesco - a shopping giant

In April 2005, Tesco entered the news and history by becoming the first UK-based retailing company to reach profits of over £2 billion. Tesco has come to dominate UK retailing in an unprecedented manner, leading a cluster of successful supermarket chains who between them carve up most of the shopping done by British people, and successful enough to eclipse even other retailing giants such as Woolworths, Argos and Boots. The statistics are striking: Of every £8 spent in a British shop, £1 is at Tesco. According to Tesco chief executive, Sir Terry Leahy, 'Our market share of UK retailing is 12.5 per cent - that leaves 87.5 per cent to go after.'¹ Tesco's turnover is £30 billion, more than double that of Sainsbury and Asda, and it is bigger than many countries.² The company has 2300 shops, mainly in Britain but also in the Far East and Eastern Europe, and over 320,000 employees.

There is evidence that this success has come at the expense of many of Tesco's suppliers, and it also impacts down the supply chain on workers, farmers, the environment, and on independent retailers who simply cannot afford to compete.³ In many countries that Tesco sources from, regulations protecting workers may be at least as strong as in the UK, but very often implementation is inadequate: recently, NGOs have exposed the exploitation of temporary female farm labourers supplying fruit for Tesco in South African farms.⁴

For a full profile of Tesco see Corporate Watch, 'Tesco: A Corporate Profile,'
<http://www.corporatewatch.org.uk/profiles/tesco/tesco1.htm>

¹ Fashion United, 'Tesco Triumph,' 28.04.2004, <http://www.fashionunited.co.uk/news/tesco.htm> viewed 10.05.2005

² *ibid.*

³ BBC News, 'Tesco Profits break through £2 billion,' 12.04.2005 <http://news.bbc.co.uk/1/hi/business/4435339.stm> viewed 11.05.2005

⁴ 'Tesco profit at expense of poor women farm workers' ActionAid 11.04.2005
http://www.actionaid.org.uk/1580/press_release.html viewed 10.05.2005

2 Tesco's non-food product lines

A large and increasing part of the success of Tesco has been its relatively successful diversification into other types of product than food, particularly clothing. 20% of sales now come from non-food. This is attractive for supermarkets because the profit margin for non-food can be much higher, due to bulk and low cost production and higher mark up.⁵ In 2004 Tesco's standing was a 4.4% share of the British clothing market and a 6.5% share of the non-food market,⁶ with non-food up 17% to £6 billion, including clothing sales of £750 million in 2005.⁷ Despite still being a relatively small area of Tesco's activity, clothing is growing at dramatic rates it grew by 39% in the first half of 2004⁸ and in September 2004 Tesco announced that its clothing lines were the fastest growing brands in the UK.⁹ According to Tesco, its clothing sales were growing at six times the market rate.¹⁰ Cheap clothes, in particular, have been a big success for British supermarket chains, with both Asda and Tesco overtaking other multiple retailers, such as Marks & Spencer, who have traditionally sold clothing but have failed to tap into the demand for cheap clothes. As with food, the big supermarket chains market their clothes on the basis that they are both cheap and good quality.

3 What clothes does Tesco sell?

- Cherokee - a big part of Tesco's clothing range, this is a US casualwear brand launched in Britain in 2002. Tesco have exclusive rights to distribute this brand in Britain. The company's quarterly report in September 2004 noted that Tesco's sales of the brand had risen to £62.70 m in that quarter up from £34.2 m in that quarter the previous year.¹¹ In May 2005 the brand was put up for sale by its American owner, and Tesco is currently in talks to buy it for an estimated £200 million.¹²

- Florence and Fred

- Green Baby for Tesco - a babywear collection designed by organic cotton baby and toddler brand Green Baby¹³

- Value and own label ranges - Tesco's 'Value jeans' currently only cost £3.00 and an estimated 30,000 pairs

⁵ Mark Tran, 'Tesco Announces record £2 billion profits,' 12.04.2005

<http://www.guardian.co.uk/supermarkets/story/0,,1457738,00.html> viewed 13.05.2005

⁶ Fashion United, 'Tesco Triumph,' 28.04.2004, <http://www.fashionunited.co.uk/news/tesco.htm> viewed 10.05.2005

⁷ Julia Finch, 'Tesco makes £2bn and wants more', *The Guardian* 13.04.2005 last viewed 15.04.2005

<http://www.guardian.co.uk/business/story/0,,1458271,00.html>

⁸ Fashion United, 'Tesco Surges Ahead'; Fashion United, 'Tesco Triumph,' 28.04.2004,

<http://www.fashionunited.co.uk/news/tesco.htm> viewed 10.05.2005 viewed 10/05/2005

⁹ Fashion United, 'Tesco's Clothing Lines Fastest Growth,' 27.09.2004 Fashion United, 'Tesco Triumph,' 28.04.2004, <http://www.fashionunited.co.uk/news/tesco.htm> viewed 10.05.2005 viewed 10.05.2005

¹⁰ Kate Rankine, 'How can Tesco Sell Jeans for £4?' *The Telegraph* 22.12.2003

http://www.telegraph.co.uk/money/main.html;sessionId=AYH2PCLMRIHIVQFIQMFSM5OAVCBQ0JVC?xml=/money/2003/12/22/ctesc22.xml&secureRefresh=true&_requestid=54961

¹¹ Form 10Q for Cherokee Inc, 08.09.2004 <http://biz.yahoo.com/e/040908/chke10-q.html> viewed 12.05.2005

¹² Fashion United, 'Cherokee heads for England and abroad,' 07.05.2005

<http://www.fashionunited.co.uk/news/tesco.htm> viewed 10.05.2005 viewed 10/05/2005

¹³ Fashion United, 'Green Baby signs with Tesco,' 06.12.2004 Fashion United, 'Tesco Triumph,' 28.04.2004, <http://www.fashionunited.co.uk/news/tesco.htm> viewed 10.05.2005 viewed 10.05.2005

are being sold per week.¹⁴

4 Where are Tesco's clothes produced?

Tesco's clothing operations rely to a large extent on sourcing from companies who are exporting garments and textiles, many of which are based in some of the world's poorer countries. However, Tesco does not label its clothes with the country of origin, and its Values brand is barely labelled as a Tesco product, meaning that workers are unable to identify who they are supplying easily. Many of these countries have become reliant on cheap exports of clothes often made in poor working conditions and for low wages. One of the factors that allows Tesco to sell cheap clothes is low costs of production, and in many of the countries from where Tesco buys clothes, huge savings are made through low wages. Average hourly wages in 2000 were £0.46 in China, £0.38 in India, and £0.13 in Sri Lanka (calculated on 2005 exchange rate).¹⁵ Buying from a number of producers strengthens the hand of the large garment retailers and brands, whose demands for flexibility mean that factories are expected to manufacture goods 'just in time', at increasingly short lead times, with irregular contracts and low prices. This in effect means huge insecurity for workers.

In 2001, Tesco established Hong Kong as a global buying and sourcing superhub to take advantage of sources in China and other Asian countries such as Thailand, India, Mauritius, Bangladesh and Sri Lanka.¹⁶ Tesco buying offices are also located in India, Bangladesh and Sri Lanka.

4.1 Sri Lanka

Tesco is expanding its sourcing in Sri Lanka,¹⁷ encouraged by the Generalised System of Preferences (GSP), which allow Sri Lankan exports to enter the EU duty free under new 'GSP plus' scheme which is reserved for vulnerable countries that have signed a large number of conventions related to labour and environmental standards.¹⁸ International Sourcing Director, Christophe Rousel suggested that 'we are expecting to buy more from Sri Lanka in 2005.'¹⁹ Tesco's sourcing in Sri Lanka has increased from \$19 million in 2001 to \$102 million in 2005.²⁰ Tesco's buying in Sri Lanka is mainly for the Cherokee clothing brand. Companies in Sri Lanka from which Tesco buys products include:

¹⁴ Kate Rankine, 'How Can Tesco Sell Jeans for £4?' *The Telegraph*, 22.12.2003 Last viewed 25.04.05
http://www.telegraph.co.uk/money/main.jhtml;sessionid=JNCKSE0X0J30NQFIQMGSMSOAVCBQWJVC?xml=/money/2003/12/22/cctesc22.xml&secureRefresh=true&_requestid=95246

¹⁵ Catherine Barber, Balachandiran Gowthaman, Jonathan Rose 'Stitched Up - How rich-country protectionism in textiles and clothing trade prevents poverty alleviation,' Oxfam Briefing Paper 60, *Oxfam International* 2004 p.2
http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp60_textiles.pdf viewed 12.05.2005

¹⁶ Hong Kong Trade, 'Retail Giant Tesco sets up superhub,' October 2001,
<http://www.hktrader.net/200110/200102/200102s1.htm> last viewed 10.05.2005

¹⁷ Leonie Barrie, 'Sri Lanka gears up for Asian garment competition,' TDC Trade website 08.01.2005
<http://www.tdctrade.com/imn/04010801/lingerie005.htm> viewed 13.05.2005

¹⁸ Emerging Textiles, 'Sri Lanka's clothing gets EU duty-free access,' 14.01.2005
<http://www.emergingtextiles.com/?q=art&s=050114-trad&r=free&n=1> viewed 12.05.2005

¹⁹ Lanka Business Online, 'Tesco Battles,' 11.01.2005
http://www.lankabusinessonline.com/new_full_story_search.php?newscode=240612831&subcatcode=17 viewed 12.05.2005

²⁰ *ibid.*

- Hayleys MGT Knitting Mills,²¹
- Union International Accessories, which makes products such as buttons and zips of which Tesco is a customer²²
- Hemas Garments (Pte)²³

The factories in Sri Lanka claim high quality production and adherence to 'accepted norms in labour standards'²⁴ for example offering training opportunities to staff.²⁵

4.2 India

Procurement by many big brand names, including Tesco, is increasing in India.²⁶ Companies sourcing to Tesco include

- Aruna Export²⁷ - fabrics, knitwear and woven garments, based in Tamilnadu
- Shivam - a garment manufacturer based in Fairidabad, from which Tesco is a direct buyer.²⁸
- SP Apparels Ltd., part a major centre of the textiles industry in the city of Tirupur in Tamilnadu.²⁹

4.3 Bangladesh

Likewise, plans to increase buying from Bangladesh were announced at the start of 2005, with a target of buying products worth £54 million in 2005.³⁰ Tesco's 'Value jeans', sold for just £3 in the UK, are made in Bangladesh, where wages are particularly low, although Tesco claim that this is in a 'really well run operation' and not a sweatshop.³¹

4.4 China

Companies sourcing for Tesco include:

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- ²¹ Apparel Search website, 'Hayley's MGT Knitting Mills Ltd.,'
http://www.apparelsearch.com/World/Sri_Lanka/sri_lanka.htm viewed 12.05.2005
- ²² SriLanka.com, Union International Accessories mini website,
<http://www.srilanka.com/exports/exportsdetail/EL01190> last viewed 12.05.2005
- ²³ Hemas Garments, 'Factory Profile' http://www.apparelsrilanka.com/factory_profile.htm viewed 12.02.2005
- ²⁴ Tradlanka International website, <http://www.tradlanka.com/html/app.htm> viewed 12.05.2005
- ²⁵ Hayleys MGT Knitting Mills website, <http://www.lanka.net/hayleysknits/about.html> viewed 12.05.2005
- ²⁶ Textiles and Garments Sourcing in China, 'India's Sourcing Goldrush,' 04.02.2005
<http://www.texgarment-sourcing.com/english/newshow.asp?id=269> viewed 12.05.2005
- ²⁷ Aruna Export, <http://www.coimbatore-chamber.com/aranamain.html> viewed 12.05.2005
- ²⁸ Sourcing expo Indian Apparel, 'Shivam,' <http://www.indianapparelexpo.com/shivam.html> viewed 12.02.2005
- ²⁹ John Larkin, 'The Other Textile Tiger; Indian Producers Step Up Efforts to Export as Quotas are dropped,' *The Wall Street Journal* 20.12.2004 <http://meaindia.nic.in/bestoftheweb/2004/12/20bw01.htm> viewed 12.05.2005
- ³⁰ Daily Star Business Report, 'Tesco eyes \$100 m garments in '05' 20.01.2005
<http://www.thedailystar.net/2005/01/20/d50120050254.htm> last viewed 03.05.2005;
New Age, 'Tesco plans outsourcing of RMG worth \$100 million' 20.01.2005
<http://www.newagebd.com/2005/jan/20/front.html> last viewed 13.05.2005
- ³¹ Kate Rankine, 'How Can Tesco Sell Jeans for £4?' *The Telegraph*, 22.12.2003 Last viewed 25.04.05
http://www.telegraph.co.uk/money/main.jhtml;sessionid=JNCKSE0X0J30NQFIQMGS5OAVCBQWJVC?xml=/money/2003/12/22/cctesc22.xml&secureRefresh=true&_requestid=95246

- The Gatex Industrial Company, which manufactures knitwear - situated in Hong Kong..³² 'The company promises its customers 'most importantly... competitive prices' and 'flexibility.'³³
- Fountain Set Group - based in Hong Kong, though with production sites throughout mainland China and Sri Lanka.³⁴ This company produces fabric knitting and printing, lycra, teflon and amicor.

5 Poor working conditions in the clothing industry

The growth of clothing manufacture for export is a large provider of jobs in many of these countries, and could be seen as a positive step especially in providing employment for women, but many of these benefits are lost for workers who are often paid low amounts and employed in sub-standard working conditions, as is attested by research carried out by NGOs such as Oxfam. The industry is very competitive, with many companies struggling to offer a competitive advantage to the powerful global buyers, such as Tesco, through 'increased productivity' and decreasing their costs. This is often done by squeezing costs out of the workforce, particularly in those countries such as Bangladesh where low wages are seen as its primary competitive advantage.³⁵ Tesco claims that it pays garment workers in Bangladesh, where its Value jeans are produced, at least 'local legal requirements.' However, whilst Tesco can sell products at very low prices using its size to offset costs (an advantage unavailable to smaller retailers) these 'requirements' cannot be very high if Tesco can still make a profit selling jeans at £3.³⁶

References to 'local requirements' are also misleading. In Bangladesh, for example, although officially 98% of women in the garment industry earn above minimum wage, this minimum wage has been set at the same level since 1994.³⁷ Due to inflation, this was worth US \$33 in 1994, and only US \$17 in 2004,³⁸ (a fall from £14 to £8 at current exchange rates). There are also many companies that do not pay even this amount. According to Oxfam, once inflation and rising costs are allowed for, one in three people earn below the minimum wage.³⁹

As sourcing occurs in a piecemeal fashion across many different companies in different countries, fluctuating orders and falling prices put pressure on employers which are translated down the chain as demands for flexibility and low cost production from the workforce. The result is insecure terms, hiring under either short

³² Gatex Industrial Company website, <http://www.17300.tradebig.com/> viewed 12.05.2005

³³ Gatex Industrial Company website, <http://www.17300.tradebig.com/> viewed 12.05.2005

³⁴ TDC Trade, 'A Modern Day Success Story,' <http://www.tdctrade.com/prodmag/fabrics/fab200502export.htm#1> viewed 12.05.2005

³⁵ Catherine Barber, Balachandiran Gowthaman, Jonathan Rose 'Stitched Up - How rich-country protectionism in textiles and clothing trade prevents poverty alleviation,' Oxfam Briefing Paper 60, *Oxfam International* 2004 http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp60_textiles.pdf viewed 12.05.2005

³⁶ Catherine Bennet, 'Trade, Fair?' *The Guardian* 31.03.2005 http://www.guardian.co.uk/g2/story/0,,1448686,00.html#article_continue viewed 25.04.2005

³⁷ Labour Behind the Label, March 2004

³⁸ 'What Future for Textiles and Clothing Trade after 2005?', Neil Kearney, General Secretary International Textile, Garment and Leather Workers Federation, <http://www.itglwf.org/displaydocument.asp?DocType=Background&Index=595&Language=EN> viewed 26.05.2005

³⁹ 'Trading away our rights: Women working in global supply chains', Oxfam, February 2004 p.22 http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/trading_rights.pdf last viewed 12.05.2005

term contracts or no contracts at all.⁴⁰

Employers prefer to hire non-unionised labourers, often intimidating those standing up for their rights.⁴¹ Hours can be long with repetitive tasks in environmental conditions which could lead to health problems including exhaustion, stress, respiratory diseases, joint injuries, fever, headaches, coughing and vomiting, often compounded by poor health and safety regulations.⁴² Workers are often pushed to work long overtime without being paid. Since the work is considered 'unskilled', workers are also dispensable.

Investigations often reveal the poor working conditions. In 2004 the *Daily Record* in Scotland investigated the Chi Shing factory complex in Dongguan, China, which produced lingerie for Tesco amongst others. It revealed overcrowded dormitories housing migrants from poor regions in northern China. The investigation followed claims by Michelle Mone, boss of Ultimo, another company sourcing production from this site, that the dormitories were '*like a Travel Inn*' but the paper claimed to find that conditions that 'could not be more different from those at a £50-a-night Travel Inn'.⁴³

Another problem is accidents at factories: since 1990 nearly 300 workers have been killed and 2500 injured in factory fires in Bangladesh. In April 2005, the nine-floor Spectrum Shahriar fabrics factory building in Palashbari collapsed during a night shift, killing 61 people and injuring 84 others. Two directors were refused bail and jailed at a court hearing on 8th May 2005 which heard that the factory had been constructed without planning permission.⁴⁴

5.1 Women working in the industry

Women count for 85% of garment manufacturing workers in Bangladesh and 90% in Cambodia. Though the industry has brought employment opportunities and so a certain degree of empowerment to women in places with few other prospects,⁴⁵ these women are open to exploitation. Companies take advantage of women's labour market disadvantages. As a lower value is often placed on female labour, they often earn less, and can easily become trapped in a cycle of poverty and dependence on insecure work. Women are considered less likely to unionise.⁴⁶ According to Oxfam, 'exploiting the circumstances of vulnerable people - whether intentionally or not - is at the heart of many employment strategies in global supply chains'.⁴⁷ Feminisation of labour has been linked to increasing worker flexibility.⁴⁸ Oxfam's research shows that fewer than half the

⁴⁰ *ibid.* p.17

⁴¹ *ibid.* p. 6

⁴² *ibid.* p. 27

⁴³ Simon Parker, '£1 a day,' *The Daily Record* 27.04.2004

<http://www.dailyrecord.co.uk/news/news/page.cfm?objectid=14184308&method=full&siteid=89488> last viewed 11.05.2005

⁴⁴ The Daily Star, 'Factory Owner Surrenders, Sent to Jail,' 09.05.2005

<http://www.thedailystar.net/2005/05/09/d5050901033.htm> viewed 11.05.2005

⁴⁵ 'Trading away our rights: Women working in global supply chains', Oxfam, February 2004 p.5

http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/trading_rights.pdf last viewed 12.05.2005 p 8

⁴⁶ *ibid.* p 8

⁴⁷ *ibid.* p.4

⁴⁸ Lourdes Beneria, 'Gender, Development and Globalisation,' Routledge, New York and London 2003

women in Bangladesh's textile and garment export centre have a contract, and most have no maternity or health coverage, though 80% feared dismissal if they complained.⁴⁹ The report also found that an average of 80 hours overtime a month was worked with no payslips and an average of only 60-80% of due earnings received.⁵⁰ There is also the issue of sexual harassment, which is common in the industry. Despite offering new opportunities, women's role in the industry is open to exploitation which in turn can entrench a gender hierarchy through differential wages and working conditions.⁵¹

1.2 The limit of 'corporate social responsibility' in the garment trade

Tesco promises that its clothes are produced in factories which comply with a level of labour standards, suggesting that 'the welfare and safety of the employees of our suppliers is important'⁵² and that its Value jeans are not produced in sweat shop conditions.⁵³ While this is good, there are gaps in the effectiveness of this corporate responsibility. There are problems with assurances from suppliers that working standards are fine - it is not uncommon for companies to falsify records and manipulate staff. Auditors estimate that more than half of factories they see in China are forging some of their records.⁵⁴ Codes of conduct are hard to enforce or monitor and many are insufficient on the ground.⁵⁵

Beyond this, codes of conduct cannot address the problem of stringent demands and high levels of pressure placed by the big corporations on their suppliers searching for low costs and high productivity at short notice, which can only that heighten worker insecurity. The pursuit of low prices is often justified on the grounds that it is being done in the interests of the consumer, hiding the fact that it is the pursuit of profit alone that is driving these decisions. Christophe Rousel, Tesco's international sourcing director, said of sourcing in Sri Lanka: 'we are expecting more investment from suppliers to up productivity and reduce costs.'⁵⁶ G Sankar, head of Tesco India Sourcing, put pressure on Indian suppliers, saying: 'we have seen.... none who meets all our requirements scale, productivity, lead times etc.'⁵⁷ This pressure ensures poor working conditions and flexible terms, undermining claims of ethical policies.⁵⁸

Both Gap⁵⁹ and Nike refer to the endemic nature of poor working conditions in the garment industry and

⁴⁹ 'Trading away our rights: Women working in global supply chains', Oxfam, February 2004 p.5
http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/trading_rights.pdf last viewed 12.05.2005

⁵⁰ *ibid.* p.23

⁵¹ Lourdes Beneria, 'Gender, Development and Globalisation,' Routledge, New York and London 2003

⁵² Tesco website, <http://www.tesco.com/everylittlehelps/> viewed 13.05.2005

⁵³ Catherine Bennet, 'Trade, Fair?' *The Guardian* 31.03.2005
http://www.guardian.co.uk/g2/story/0,,1448686,00.html#article_continue viewed 25.04.2005

⁵⁴ Alexandra Harney, 'Laying a False Trail,' *Financial Times* 21.04.2005
<http://news.ft.com/cms/s/a1b02c86-b295-11d9-bcc6-00000e2511c8.html> last viewed 26.05.2005

⁵⁵ 'Trading away our rights: Women working in global supply chains', Oxfam, February 2004 p.56
http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/trading_rights.pdf last viewed 12.05.2005

⁵⁶ Lanka Business Online, 'Tesco Battles,' 11.01.2005 http://www.lankabusinessonline.com/new_full_story_search.php?newscode=240612831&subcatcode=17 viewed 12.05.2005

⁵⁷ 'Dressing up for the party,' *Business World*, April 5 2004
<http://www.businessworldindia.com/apr0504/coverstory01.asp> viewed 12.05.2005

⁵⁸ *ibid.* p.7; p.57

⁵⁹ Gap Inc website, http://www.gapinc.com/social_resp/ifpr.htm viewed 26.05.2006

structural solutions need to be found to address the structural causes. Ethical policies need to be matched by action at the industry level.

6 Over-reliance on garments and the end of the Multifibre Agreement

Poor working conditions in the industry are predicted to be exacerbated by the end of the Multifibre Agreement, a piece of protectionist trade legislation introduced in 1974 to protect North American and European clothes from cheaper imports. One impact of the agreement was to allow other countries such as Bangladesh and Sri Lanka, who do not have the backward linkages such as cotton production or mills, to develop a clothing industry. As a result of Chinese pressure, and after a phase-out period (1994's Agreement on Textiles and Clothing, or ATC), the agreement came to an end at the start of January 2005.

Industry experts predict that the next five years will see a complete restructuring of the garment industry in terms of countries of production following the MFA phase-out, with a major impact on national economies and likely social unrest.⁶⁰ NGOs such as Oxfam argue that this will have serious ramifications in protected countries as companies relocate.⁶¹ The problems were exacerbated by the failure of the phase out, so that quota lifting under the ATC was backloaded, with the result being 'a sharp shock including major job and income losses for several developing country exporters.'⁶² In particular, many women who rely on these jobs could lose their livelihoods and face limited other prospects.⁶³

In countries protected by the MFA, prospects will be 'stark with industry estimates predicting thousands of job losses in Sri Lanka and Bangladesh.'⁶⁴ Some countries have become excessively reliant on this industry: garments and textiles account for as much as 86% of Bangladeshi exports, 73% of Cambodian exports, 71% of Pakistani exports and 54% of Sri Lankan exports.⁶⁵

The effects of this have already begun. By May 2005 46 factories had closed in Sri Lanka, with 26,000 job losses, and 20 factories had closed in Cambodia, with 26,000 job losses - one tenth of jobs in the industry.⁶⁶ According to some reports, 1900 factories had closed in Bangladesh by April 2005.⁶⁷ In the longer term, the

⁶⁰ Personal communication with Maggie Burns, consultant 2005

⁶¹ Catherine Barber, Balachandiran Gowthaman, Jonathan Rose 'Stitched Up - How rich-country protectionism in textiles and clothing trade prevents poverty alleviation,' Oxfam Briefing Paper 60, *Oxfam International* 2004 http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp60_textiles.pdf viewed 12.05.2005

⁶² *ibid* p 11

⁶³ Nick Cohen, 'A Different take on what not to wear,' *New Statesman* 17.01.2005 last viewed 03.05.2005 <http://www.newstatesman.com/World/200501170022>

⁶⁴ Catherine Barber, Balachandiran Gowthaman, Jonathan Rose 'Stitched Up - How rich-country protectionism in textiles and clothing trade prevents poverty alleviation,' Oxfam Briefing Paper 60, *Oxfam International* 2004 http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp60_textiles.pdf viewed 12.05.2005 p 16

⁶⁵ *ibid*. p.33

⁶⁶ Socialist World, 'China EU clashes over textiles,' 14 May 2005 www.socialistworld.net/eng/2005/05/14china.html+factories+closed+mfa+bangladesh&hl=en last viewed 26.05.2005

⁶⁷ Christian Aid quoted this figure from UBINIG, a Bangladeshi policy and advocacy organisation; Christian Aid, 'Death Doll Rises as Garment Factory Collapses in Bangladesh' 13/04.2005 <http://www.christian-aid.org.uk/news/stories/050413s.htm> Last viewed 26.05.2005

smaller countries previously protected by the MFA will lose out further. China is expected to rise from a 17% share in 2004 to a 50% share by 2008 of the world's garment market, having made preparations for the ending of the MFA,⁶⁸ and both the EU and US have seen a 500% rise in Chinese textile imports between January and April 2005.⁶⁹

6.1 Impacts of the end of the MFA

As well as job losses, the end of the MFA will impact through drives to increase productivity and competitiveness which will further squeeze the workers. Multinational buyers are given an additional bargaining tool in their increased possibilities of moving sourcing elsewhere,⁷⁰ so the end of the MFA benefits big retailing corporations such as Tesco in their goal of lowering costs. In particular, industries face competition from China, where the garment industry boasts low wages,⁷¹ poor conditions and no freedom of association, and where the currency is being undervalued to keep prices low. This competition pressurises suppliers, companies and governments in other countries to undermine existing labour rights.⁷²

In Bangladesh, the drive to keep the industry competitive in the face of Chinese competition has seen the government open up the country further to foreign investments in March 2005⁷³ and allow an extension of the working week from 60 to 72 hours,⁷⁴ allegedly under pressure from manufacturers and following Chinese example.⁷⁵ Trade unions have linked this rise in working hours with the Spectrum Shahrar accident in April 2005 (see above).⁷⁶ Bangladeshi industry will need to keep up with Chinese restrictions on trade unionism, as well as entrenching its current competitive edge of cheaper labour⁷⁷ - so 'competitiveness' in practice would

⁶⁸ William Hawkins, 'The geopolitical Challenge of Chinese Textile Exports' *The Jamestown Foundation* 12.04.2005
Last viewed 03.05.2005

http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3298&article_id=2369589

⁶⁹ China and The Textile Industry,' *International Strategic Analysis* 25.04.2005 <http://www.isa-world.com/main.php>
Last viewed 03.05.2005

⁷⁰ Richard Appelbaum, Edna Bonacich, Katie Quan' The end of Apparel Quotas: A Faster Race to the bottom?'
05.02.2005 <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1041&context=gis>
viewed 11.05.2005

⁷¹ International Confederation of free trade unions, 'The Impact of the ending of quotas on the textile industry - Cambodia: Increasing Pressures on Trade Union Rights.' April 2005
<http://www.icftu.org/www/PDF/LMSRapportCambodiaEN.pdf> viewed 13.05.2005

⁷² Richard Appelbaum, Edna Bonacich, Katie Quan' The end of Apparel Quotas: A Faster Race to the bottom?'
05.02.2005 <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1041&context=gis>
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⁷³ <http://www.wadetrade.com/tradenews/0305.html> Wade Trade News March 2005 Viewed 03.05.05

⁷⁴ Bangladesh: 72 Hour Work Weeks and Inattention to Industrial Safety Makes Accidents Inevitable,
International Textile, Garment and Leather Workers Federation Press Release, 13.04.2005
<http://www.itglwf.org/displaydocument.asp?DocType=Press&Index=1142&Language=EN> viewed 26.05.2005

⁷⁵ Nick Cohen, 'A Different Take on What Not to Wear,' *New Statesman* 17.01.2005 last viewed 03.05.2005
<http://www.newstatesman.com/World/200501170022>

⁷⁶ Bangladesh: 72 Hour Work Weeks and Inattention to Industrial Safety Makes Accidents Inevitable,
International Textile, Garment and Leather Workers Federation Press Release, 13.04.2005
<http://www.itglwf.org/displaydocument.asp?DocType=Press&Index=1142&Language=EN> viewed 26.05.2005

⁷⁷ Shamim Ahsan, 'The Post-MFA Conundrum,' <http://www.thedailystar.net/magazine/2005/01/02/cover.htm> 14.01.05

probably in practice mean a continuation and worsening of low wages and poor labour rights. The industry's priorities were revealed by a January 2005 summit of the Bangladesh Garment Manufacturer and Exporters Association (BGMEA), at which Tesco representatives announced the company's expanded buying targets from Bangladesh in 2005.⁷⁸ Commerce minister Altaf Chowdury noted that as 'the country's economy depends to a great extent on retaining the success of garment exports... we have to do more to be competitive in stiff competition.'⁷⁹ Can this mean anything but a worsening situation for the workforce?

Likewise in Sri Lanka, business leaders geared up to enhance Sri Lanka's competitive edge of quality and low costs.⁸⁰ In Cambodia, where garments and textiles account for 73% of exports,⁸¹ the International Confederation of Free Trade Unions noted how 'Cambodia's respect for workers' rights... is threatened by growing repression of freedom of association,' justified by 'the need to combat tougher global competition' after the end of the MFA quotas.⁸²

Though quotas were also set for India under the MFA – seen as another winner of the regulation –⁸³ fearing Chinese competition, Indian companies are also starting to copy the Chinese model of limiting workers rights. Mr Subramaniam of SP Apparels, an Indian company sourcing for Tesco, visited China in late 2004 to learn about Chinese productivity, and on returning attempted to monitor employees' productivity and alter their hours to supply a new order.⁸⁴

⁷⁸ Daily Star Business Report, 'Tesco eyes \$100 m garments in '05' 20/01/2005
<http://www.thedailystar.net/2005/01/20/d50120050254.htm> viewed 03.05.2005;
 New Age, 'Tesco plans outsourcing of RMG worth \$100 million'
<http://www.newagebd.com/2005/jan/20/front.html> viewed 13.05.2005

⁷⁹ *ibid.*

⁸⁰ Leonie Barrie, 'Sri Lanka gears up for Asian garment competition,' TDC Trade website 08.01.2005
<http://www.tdctrade.com/imm/04010801/lingerie005.htm> viewed 13.05.2005

⁸¹ Catherine Barber, Balachandiran Gowthaman, Jonathan Rose 'Stitched Up - How rich-country protectionism in textiles and clothing trade prevents poverty alleviation,' Oxfam Briefing Paper 60, *Oxfam International* 2004 p.33
http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp60_textiles.pdf viewed 12.05.2005

⁸² International Confederation of free trade unions, 'The Impact of the ending of quotas on the textile industry - Cambodia: Increasing Pressures on Trade Union Rights.' April 2005
<http://www.icftu.org/www/PDF/LMSrapportCambodiaEN.pdf> viewed 13.05.2005

⁸³ Catherine Barber, Balachandiran Gowthaman, Jonathan Rose 'Stitched Up - How rich-country protectionism in textiles and clothing trade prevents poverty alleviation,' Oxfam Briefing Paper 60, *Oxfam International* 2004
http://www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp60_textiles.pdf viewed 12.05.2005 p 16

⁸⁴ 'Dressing up for the party,' *Business World*, April 5 2004
<http://www.businessworldindia.com/apr0504/coverstory01.asp> viewed 12.05.2005;
 John Larkin, 'The Other Textile Tiger; Indian Producers Step Up Efforts to Export as Quotas are dropped,' *The Wall Street Journal* 20.12.2004 <http://meaindia.nic.in/bestoftheweb/2004/12/20bw01.htm> viewed 12.05.2005