

Disaster Looms with the End of the Quota System

Brussels 23 November 2004 (ICFTU online): "The textile and clothing sector is set to experience a revolution on 1 January 2005", according to an ICFTU report published today. The report entitled "disaster looms with the end of the quota system", concentrates on the imminent social drama of global proportions which will accompany the end of the quota system on 1 January. The expected consequences include "the loss of millions of jobs in countries which are already some of the poorest in the world".

Focussing on the impact of the phasing out of quotas and unfair competition from China, the ICFTU report examines the outlook for several countries whose economic development is largely based on the textile and clothing industry. Using the examples of Bangladesh, Cambodia, Mauritius, Guatemala and the Dominican Republic, the report presents detailed local studies and national analysis of a situation that is creating near-panic in dozens of countries across the globe.

The impending problem does not solely affect developing countries – the phasing out of the quota system is likely to have an impact on industrialised nations too. For example, the textile and clothing industry employs over 2.5 million people in the European Union, and in the United Kingdom alone, the ending of quotas could lead to the loss of 15% of jobs in the textiles and clothing sector and in Germany, this figure could approach 13%. In the United States, 350,000 jobs have been lost in the sector over the last four years and the ending of quotas is likely to lead to many more job losses. A similar scenario is predicted for Canada too.

Set up in the 1970s, the quota system has long governed most textile and clothing exports from producer countries to the world's biggest markets (primarily the United States and the European Union). However from 2005, to maximise their exports under the quotas allocated to each country, the major sourcing companies, i.e. the major international brands, will no

longer have to spread their orders over a large number of countries, which historically have often included some of the poorest countries in the world. This lifting of export ceilings will undoubtedly benefit China, which has become highly competitive thanks to its cheap labour, capable of being mercilessly exploited because of the total lack of trade union rights. There is a great fear amongst many countries that Chinese products will displace the products from other countries in clothing stores. A WTO report published this summer estimates that China's share of clothing imports into the United States will rise to 50% once the quotas have been lifted (compared with 16% in 2002), and to 29% in Europe (versus 20% in 2002). According to the World Bank's forecasts, China will account for half of world's clothing exports by 2010. Currently, its share of the market lies at around 25%.

Exploitation of export workers, which is common practice in China, is contributing to the downward pressure on prices throughout the world and

pushing global suppliers to reduce their workers' rights in a bid to stay competitive. The ICFTU has condemned this situation, both in solidarity with Chinese workers and out of concern for the domino effect that this is having on other countries. The negative effect has already been felt in many countries. For example, the government of the Philippines stated that its law on the minimum wage would no longer apply to the clothing industry. The Bangladeshi government

recently announced that it would increase the number of authorised overtime hours and loosen the restrictions on women's night work in order to prepare for 2005. A consultancy firm contracted to study the post-2005 situation in Bangladesh referred to the measures "protecting" workers as one of the obstacles to competitiveness, though in practice Bangladeshi workers are some of the worst protected in the world.

The ICFTU calls on all

concerned (suppliers, sourcing companies, distributors, national governments and international bodies) to urgently develop an integrated policy to prevent this drastic loss of millions of jobs in the textile industry. Otherwise in the near future, workers in poor countries will be fully exposed to worse forms of poverty, having been brutally stripped of the protection afforded by the quota system.

Source:

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