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MADE IN EASTERN EUROPE – GLOBAL PRODUCTION CHAINS, CONDITIONS OF EMPLOYMENT AND WOMEN’S STRUGGLES

One of the objectives of political education activities as carried out by Rosa Luxemburg Foundation is to promote the process of discussion and (self) organization among women, supporters, trade unionists, between feminist, anti-racist and anti-neoliberal networks (for further information see www.rosalux.de.) The European Social Forum held now for the fourth time is another step in this direction for us.

At the ESF in Athens we want to deal with a subject which will probably become more and more important in the future: The consequences of global production chains, conditions of employment and women's struggles in the globalized clothing industry in Eastern Europe. The predominantly female workers both employed traditionally in factories as well as homewor-

kers are suffering from working conditions similar to the era of Manchester capitalism. Links between social movements and trade unions must be intensified if the women's working conditions should be improved. Our workshop wants to inform about their situation and strategies for resistance by one of the activists but also be a platform for contacts and the exchanges of experiences.

The workshop is organized in cooperation with the International Clean Clothes Campaign (CCC). The following text is a shortened and slightly modified extract of their brochure: "Workers' Voices. The situation of women in the Eastern European and Turkish garment industries", which was published in 2005 (www.cleanclothes.org/pub.htm).

Giving workers a voice

For more than 10 years now, the European Clean Clothes Campaign (CCC) and the North American and Australian anti-sweatshop movements have pressured retailers, international brands and manufacturers in the "North" and "West" to improve the conditions in which their goods are produced. In reaction to this, companies have introduced codes of conduct and started to develop their own procedures for implementing these codes and for auditing the social standards of their suppliers.

Multinational companies use predominantly commercial social auditors to monitor implementation of the standards contained in their codes. Experience, however, has revealed a number of shortcomings in the audits conducted by commercial social auditors, particularly in relation to interviews with workers and to the monitoring of the living wage standard and the right to organise. Nevertheless, they provide their clients, the retail chains and international brands, with a "clean" image and good PR opportunities. International multi-stakeholder initiatives such as the Fair Wear Foundation in the Netherlands and the Ethical Trading Initiative in the UK on the other hand are taking a different approach, working to develop credible monitoring and verification practices that will eventually improve working and living conditions in the industry.

Against this background and given the weakness of workers' organisations in the Eastern European garment industry, the CCC has initiated the project

Developing a Regional Network of Local Expertise in Monitoring Labour Rights and Conditions at Work (with a specific focus on the garment industry) in Eastern Europe and Turkey.

Quality and principles of research

At the heart of any research on social standards in the garment industry are interviews with workers. They are key to obtaining



accurate information on working conditions. The selection of local researchers, who have to be able to gain access to the workers, is therefore crucial. In this instance, the gender composition of the researchers involved reflected that of the workers, i.e. 90% female to 10% male. Some were knowledgeable in sociology, economics or legal issues, others were experienced in labour and gender issues. All of them were independent of companies but had an NGO and/or trade union background.

Equally important was the selection of workplaces. A balance was sought between unionised and non-unionised factories, former state-owned and new private companies, small and bigger companies (under or over 50 employees), foreign and domestic ownership, first tier suppliers and sub-contracted facilities and various production locations. Between 1 and 5% of workers were interviewed in each factory, predominantly in groups, but also individually.

A particular focus of the project was the relevance of gender aspects and the monitoring of gender discrimination at work, with specific reference to unprotected, informal work situations.

Some important principles were observed: to meet in a safe place – at home, in a cafe, somewhere where workers felt comforta-

ble, in any case outside the factory premises and outside working hours so that employers, supervisors or anyone else the workers did not trust would not notice. Usually, it took several meetings to build trust with workers. The aims of the research were clearly explained by the interviewer as well as how it could benefit workers. The responses have been treated confidentially, which means that the real names of the workers and of the companies or production units concerned cannot be made public. The interview reports are phrased in such a way that they cannot be traced back to the workers interviewed.

Follow-up

For the region of Central, Eastern and South Eastern Europe and Turkey, the networking partners have identified a number of priority tasks which they intend to follow up. These are:

1. Strengthening the capacity of NGOs and trade unions which are partners of the Clean Clothes Campaign and act as coordination centres for all activities aiming to improve working conditions in order to:
 - collect and process reliable information on the situation of garment workers in the the six countries researched, disseminate it at regional and global levels, and further develop quality databases;
 - inform the public on the buying practices of multinationals and working conditions in these countries. Raise awareness of women's human rights at work, of corporate abuse of these rights and of ways to reclaim them, both through legal and transnational advocacy action;

- maintain and if possible expand the networks of local researchers/experts/activists involved in on-going workplace investigations, and:
 - facilitate regional and national exchanges between them;
 - facilitate access of labour groups and organisations such as trade unions to informal, unorganised workplaces;
- strengthen national networks and mount national campaigns for human rights at work supported by coalitions and national platforms by:
 - training staff in how to develop campaign strategies,
 - conducting awareness raising seminars with local NGOs and trade unions
 - building advice/counseling points to inform women workers of their rights and act as contact points in case of labour problems – with priority given to unorganised workplaces.
- strengthen the regional network of CCC partners in Central and South Eastern European countries, including Moldova, Ukraine, Belarus, Bosnia and Herzegovina, Albania and Croatia.



2. Improving communication channels between South, East and West, in order to facilitate exchanges on, for instance, awareness raising, coalition building and the organisation of support to garment workers whose rights are violated.

Eastern European¹ & Turkish garments: the role of EU trade

Traditionally, the manufacture of cloth and the manufacture of garments have been two distinct activities. Fibre producers and farmers supplied raw material to yarn manufacturers, who in turn sold yarn to weaving and knitting facilities. Manufactured fabric (either woven or knitted) was then sold to a fabric finisher then to garment manufacturers. In the textile and garment industries of today, operations can be wholly integrated – meaning that one company is in charge of all phases of production. This is very often the case in Turkey, but seldom in Eastern Europe, where the textile industry has been destroyed to a large extent as a result of the EU trade regime.

With respect to the garment industry, the main comparative advantage of the region has been:

- its geographical and cultural proximity to the markets of the European Union (EU) and therefore the possibility of quick delivery;
- the availability of sufficient production capacity, a qualified workforce and adequate infrastructure;
- favourable currency rates for those dealing in euros and US dollars;
- the EU trade regime favouring the so-called OPT (outward processing trade) system, whereby only the sewing stage of mostly pre-cut fabric takes place in Eastern European countries;
- and its lack of respect for – and poor implementation of labour standards.

For Eastern Europe and Turkey, the industry is of great importance in terms of trade and employment. The share of textile and garment in manufacturing production is highest in Turkey (15.5%) and the Baltic States (over 11%), followed by Romania and Slovenia (just under 10%).² Between 75% and 90% of these countries' exports in garments go to EU member states.³ In recent years,

there has been a marked trend towards relocation of production facilities from the EU to Eastern Europe and to countries further East. In other words, Eastern European countries have become highly dependent on orders from EU garment companies.

Employment in the Garment Industry

The Eastern European garment industry has been growing steadily since the late 1980s, employing large numbers of workers in thousands of workplaces set up every year. 90 to 95% of workers are women, whereas management is predominantly male and sometimes foreign. More than half of all jobs registered in the industry within the future EU 27 are located in new or future member countries⁴. When Romania and Bulgaria join the EU in 2007, they will contribute roughly half of all textile and garment employment for the whole 12 newly acceded countries⁵.

The industry (overwhelmingly the garment industry) employs 24% of the total manufacturing workforce in Lithuania, 30% in Bulgaria, 40% in Turkey, 15% in Slovakia, 14% in Estonia, 13% in Poland and 10% in the Czech Republic. The average for the EU15 member states was 7.5%.⁶

Trade in textiles and garments is highly regulated and subject to lobbying by various interest groups – although this does not make the headlines in the way lobbying does, for instance, in the steel industry. Such lobbying has resulted in the Multi-Fibre

1 Although the term Eastern Europe (EE) is an umbrella term commonly used to refer to countries previously allied to the ex-Soviet Union, Poland belongs to Central Europe while Bulgaria, Macedonia, Romania and Serbia belong to South Eastern Europe.
 2 *ibid.*
 3 COM(2003:9) 649 final, Brussels, 29.10.2003, The future of the textiles and garment sector in the enlarged European Union
 4 EU communication on Textile and Clothes, 2003
 5 Gray, Alex (2004): MFA phase out impact on new countries joining the EU, Just style, April 04
 6 Jozef De Coster, 2004, The Apparel Industry in the ten EU Accession States, Management Briefing



Agreement (MFA) and the Agreement on Textiles and Clothing (ATC) at the global level, and the OPT system in Europe. Such trade regimes, negotiated from vastly unequal positions, are very similar to one another and their impacts comparable.

Outward Processing Trade – a dead-end road for workers and economies

Similar to US trade policy towards the Caribbean Basin, Central America and AGOA⁷ countries⁸, the EU in the 1990s established a trade and investment mechanism with Eastern European countries which relies predominantly on the EU exporting un-manufactured fabric or semi-manufactured garments to eastern Europe, to be sewn and assembled at low cost. The buyer delivers all materials to the producer, who only provides the labour and the workplace, after which the buyer re-imports the finished merchandise. This specific way of organising garment production, known as Outward Processing Trade (OPT) or 'lohn'system'⁹, has been promoted through the EU tariff system: if a retailer or manufacturer exports unmanufactured fabric or semi-manufactured garments abroad then later imports back the assembled garments, tariffs only have to be paid on the value added abroad. Thus, labour-intensive operations like cutting, sewing and packing are transferred to an 'OPT country' whereas design, purchasing and marketing remain in the country where the retailer or manufacturer is based. The first and foremost player in this system is Germany. Approximately 30% of its total garment imports are made under OPT. Approximately 80% of all garment exports from Eastern Europe to Germany are made under the OPT system, accounting in some countries for more than 95% of exports.

The advantages for manufacturers are obvious: production abroad requires hardly any investment (all that is needed is those classic sewing machines found all over the world) and a high level of flexibility is guaranteed for West European buyers. The OPT system exploits the existing garment manufacturing capacities and know-how of Eastern Europe. The pressures on suppliers, in the form of low profit margins, tight delivery schedules and a high dependency on speed and terms of payment because of the lack of capital, are transferred onto workers and seriously affect their working conditions.

From downgrading to upgrading The buyers go to China

Now that some countries of the region have joined the EU – and that OPT is therefore no longer an option¹⁰ – the EU and the World Bank are recommending an upgrading of their industry. This means that countries previously producing under the OPT system would now get to purchase their own raw materials and be in charge of their own design and marketing in order to develop and market their own brands. Briefly speaking, the idea is to move into those areas of garment production that are more profitable and become more influential players in the market as 'full-package' (or 'semi-lohn') producers.

However, according to this research, the chances of upgrading successfully, for individual companies as well as for the sector as a whole, are small. Upgrading requires knowledge that disappeared years ago – because of OPT. Once the know-how has been lost for fifteen years or more, it is very difficult to regain, all the more so in a world market which has become dominated by glo-

bal players. In addition, the low profit margins afforded by the OPT system have not allowed suppliers to make investments.

In order to be able to upgrade, ex-OPT suppliers need support – technological and financial support as well as stable orders that will enable them to invest. This kind of support is unlikely to be given since retailers, which are increasingly pricing manufacturers out of the market and taking over as the major buyers in Eastern Europe, do not have the same interests as manufacturers in working with suppliers to upgrade their production: either suppliers become "full-package" on their own initiative or else they can no longer be sourced from.

For Poland, with its extensive garment manufacturing facilities and its focus on exports to Germany, joining the EU has caused considerable restructuring. Although some assembly work still goes on to a small extent, small, ex-OPT producers are dying out. The trend shows that only bigger Polish garment producers are surviving, sub-contracting part of their production further to the east of Europe or even to Asia. In Romania, which is expected to join the EU in 2007, the same development is already noticeable.

Serbia: welcome back to the OPT 'club'

The (old) EU established a foreign trade system with Eastern Europe that looks very much like the system developed for trading with developing countries: Eastern European exporting countries have been forced to submit to conditions set out by the 'old' EU countries which do not allow them to grow into serious competitors.

Serbia, one of the last countries to join the OPT 'club', is a good illustration of this policy. In 2005, it signed an agreement with the EU on trade in garment and textiles. Before that, its exports to the EU were restricted by quotas¹¹ which limited its potential to develop garment exports. Serbia must now adopt the EU's trade rules and systems (such as rules of origin for instance) hence produce under rules that were established between Germany and the former Yugoslavia back in the 1970s. It must also open its market to EU garments. Thus for Serbia, one protectionist system, that of quotas, has been replaced by another, that of the OPT system.

Comparing OPT and the WTO Agreement on Textiles and Clothing

The EU's OPT system and the WTO Agreement on Textiles and Clothing (ATC) appear to be very different sets of arrangements. However, they have similar impacts: they create seemingly booming artificial economic structures – like the mushrooming garment industries of Bangladesh or Bulgaria or the maquiladoras of Central America – which bring with them inhumane working conditions and highly dependent, fragile and mobile production systems as a pre-requisite of their existence.

In neither case have these industries led to social development or to the trickle down of some degree of prosperity. In Eastern Europe, a quasi colonial structure has emerged, a process which is described by Hannes Hofbauer as "the peripherisation of Eastern Europe"¹².

The end of OPT for countries that are now or will soon become members of the EU coincides with the phasing out of the ATC, which is having only a limited impact on the region, Turkey included. However, the phase-out is being used by company managers in the region as well as by international buyers to constantly threaten relocation and so exert ever more pressure on suppliers. While some standard garment production is moving to the Far East, the advantage of proximity to markets and costs low enough to compare with those of the Far East remain attractive.

7 The African Growth and Opportunity Act (AGOA) was signed in 2000 by 37 African countries. AGOA includes among others agreements on market liberalisation.


8 Clean Clothes Campaign: Made in Southern Africa, 2002, p. 9–15

9 From the word 'Lohn' which in German means wages.

10 OPT, a trade arrangement originally entered into with European countries close to but not belonging to the EU, is cancelled as soon as a country joins the EU.

11 just-style-com, Apparel Sourcing in the 21st century, 10 lessons so far.

12 Hannes Hofbauer. OSTERWEITERUNG. Vom Drang nach Osten zur peripheren EU-Integration, Promedia Verlagsges, Wien 2003

A woman is seen working in a textile factory, surrounded by machinery and fabric. The background shows other workers and industrial equipment, creating a busy manufacturing environment.

Turkey – the regional tiger

Unlike Eastern Europe, Turkey is both a major textile and garment production country, the biggest in the whole Euro-Mediterranean zone. The Turkish industry spans the entire production cycle, from cotton fibre production to the last stages of garment manufacture. Turkish manufacturers have also become major providers of production orders to Bulgaria, Romania, Macedonia and even further North. Turkey has managed in the past twenty years to upgrade part of its industry, moving from low quality, mass production to high quality, high value added manufacturing.

However, the contrast between the importance of the Turkish industry and the reality of its working conditions is even more striking than in Eastern Europe. Our research and other studies going on in Turkey show that on top of the 'usual' violations of basic labour standards, child labour occurs to a significant extent, the textile and garment industry is primarily and increasingly informal and trade union rights are seriously hampered – including by Turkey's legislation.

When the phase out of the ATC was being negotiated, the Turkish garment industry lobby raised considerable resistance to the end of quotas, fearing like everybody else that production would be relocated to China. But early, albeit anecdotal evidence¹³ seems to indicate that this is not the case: exports continue to increase.

Shining a Spotlight on buyers

Three categories of buyers share control over garment production and trade in Eastern Europe and Turkey:

- the big multinational retailers (e.g. C&A, H&M, Marks & Spencer, KarstadtQuelle, Carrefour, Metro, IKEA)
- international brands (e.g. adidas, Nike, Puma, Umbro, Lego, Kenzo, Yves Saint Laurent, Givenchy, Hugo Boss, Benetton, Disney)
- and manufacturers (e.g. Steilmann, Miroglio, Seidensticker, Hirsch, Girondella).

Due mostly to the use of a cheap and qualified labour force in Romania, Poland, Ukraine etc., the volume of sales by German garment companies has quadrupled¹⁴: Puma doubled its profit for the third year running, and adidas has broken its own record in 2004 by posting a surplus of 314 million euros. But companies in other countries also benefit: the success story of Sweden's H&M is also the result of sourcing from South Eastern Europe and Turkey. H&M has buying offices in Turkey, Romania and Lithuania among other places. Its latest increase in sales exceeded analysts' expectations in summer 2005.¹⁵

Regional wage competition, the debate on labour costs and the creation of poverty

The more companies and countries compete against each other for orders from a decreasing number of buyers, the more local suppliers come under pressure to lower their prices. Buyers are increasingly sourcing from countries further east like Ukraine, Belarus, Moldova and Russia, where the workforce is even cheaper. Manufacturers like

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Production in the region is being shifted around to countries with lower costs, higher unemployment, a more obedient and 'flexible' workforce and more tax breaks. If trade regimes play an important if not dominant role in building up international production networks for garments, very often the 'competitiveness' of a country is reduced to its labour costs. Yet labour costs constitute a minor part of production costs. According to industry analysts, "moving from Germany to Poland reduced labour costs by around 80%, but brought about a reduction in the cost of garments of just 10 to 20%. Throughout the world's low-wage economies, labour has become a minor component of a garment's total cost to the supplier (typically around 7%). But sourcing from low-wage countries incurs other costs – which almost always outweigh the savings in labour costs"¹⁶

According to Mike Flanagan of "Just-Style", further reductions in wages wouldn't have much of an impact on factory prices. On closer analysis, the central focus on wage levels, a key issue in the sector, turns out to be an obsession which has no basis in the facts.

Foreign companies openly threaten with relocation when they are lobbying for legal changes such as longer working hours or looser employment relationships (so workers can be more easily laid off), or when they face demands from trade unions or labour inspectorates (for instance for regular payment of wages or less overtime). Social dialogue is very effectively hampered by such practices because nobody – neither governments, unions or employers, wants to scare away buyers and risk losing orders and jobs.

Towards asserting worker's rights

In the meantime a race to the bottom is going on which is, as elsewhere in the world, at the expense of workers, in this case Eastern European and Turkish workers. It deprives them of decent working conditions and leads to the establishment of a new social strata: the working poor. The women working at the very bottom of supply chains – regardless of whether they are employed in factories or sweatshops or work from home – have little protection from such exploitation and from violations of the fundamental rights to which they are entitled according to the International Labour Organisation and national labour legislations. As there are almost no unions in the newly established or privatised workplaces, workers have no real bargaining power. Trade union activities, or activities that resemble trade union activities, are often punished with harassment and/or dismissal. To make matters worse, the majority of trade unions in the region are in deep crisis and need to regain vision and the trust of the workforce as well as develop alternative organising strategies in this feminised, primarily informal sector. Persistent gender stereotypes reinforce the difficulties encountered by workers, who remain mostly invisible.

However, those labour rights' NGOs and trade unions which are partners of the Clean Clothes Campaign in the region are working to promote a public debate on labour rights in Eastern Europe and Turkey and to effectively represent the interests of garment workers. They are closely interacting with the International Clean Clothes Campaign, a network of advocacy and solidarity NGOs and trade unions in eleven Western European countries which aims to improve working conditions and empower workers in the global garment industry, in order to end the oppression, exploitation and abuse of its mostly women workers.

¹³ Interviews with trade unionists and industry representatives in October 2005.

¹⁴ This shouldn't hide the fact that traditional German garment retailers for instance experience a decrease in consumer spending and that a concentration process is going on here as well as in other branches (s.WZB-Mitteilungen Heft 107 März 2005).

¹⁵ www.diewelt.de, 16 July 05

¹⁶ Just Style, April 04