



# **Export Processing Zones – Symbols of Exploitation and a Development Dead-End**



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## Introduction

The World Trade Organisation holds its 5th Ministerial Meeting in Cancun Mexico from 10 to 14 September 2003. Governments will debate and try to agree on a wide range of trade issues, concerning investment, services, development, agriculture and a host of other often complex and contentious questions. One of the most important issues of all, however, will be left off the WTO agenda altogether – the exploitation of working men and women around the world in the relentless quest to cut prices and increase profits by lowering labour standards.

***“Globalisation has the potential to bring prosperity to people across the world, but today’s crude free market globalisation is pushing standards down and leading to massive exploitation. Governments ignore this at their peril.”***

**Guy Ryder, General Secretary, ICFTU**

This report\* looks at the sharp end of globalisation – the working lives of over 40 million people, mostly young women, who work in the world’s free trade zones. The report focuses in particular on the textile, garment and footwear sector. These zones, also known as export processing zones (EPZs), free zones or “Maquilas”, have become a symbol of crude free market globalisation, where workers are made to take amphetamines to get them to work harder and faster, where violence and abuse are a daily reality for thousands upon thousands of workers, and where attempts to form unions and bargain collectively for a fair deal are often met with reprisals, sackings and even death threats.

EPZs are often held up as a way for countries to develop their economies, their labour markets and their infrastructure and to obtain vital export earnings. But serious questions remain as to the real benefits of EPZs to development. By its very nature, EPZ investment is precarious, and likely to leave the country at a moment’s notice if a cheaper, more compliant workforce is on offer somewhere else.

***“In no country has it been shown that free trade zones are a real path to development. Investment comes and goes, usually leaving little behind once it has gone”.***

**Zwelimzima Vavi, General Secretary,  
Congress of South African Trade Unions (COSATU)**

The international trade union movement will be pressing the case for workers’ rights at the Cancun meeting, but the odds are stacked against success. Powerful interests are brought to bear on governments, especially in developing countries, to keep this issue off the table at the WTO. In the absence of effective multilateral trade rules to support the standards set by the International Labour Organisation (ILO), the negative downward spiral of lower standards will continue, as governments compete against each other for foreign investment by offering cheaper labour, tax breaks and other concessions.

The accession to the WTO of China, with its blatant disregard for workers’ rights, is threatening the export markets of developing countries throughout the Americas, Africa and Asia. Already, thousands of much-needed jobs have been relocated from garment and other factories in EPZs in countries such as Bangladesh, the Dominican Republic, Guatemala, Honduras, Mexico, and The Philippines to China, where companies can be sure of even lower labour costs and can count on the heavy hand of the state to repress any worker who dares to raise their voice against exploitation.

***“We also have a factory in China which is growing fast. At the moment we find it easier to work with young Filipina women.... But the Chinese learn very fast.... In future we are likely to base our main plant in China and just keep a small one here”.***

**Interview with Philippine EPZ factory engineer, August 2003.**

## Labour Standards Sacrificed in the Name of Competition

In many countries which host EPZs, national labour laws are supposed to apply inside the zones. But even when these laws are below international standards set by the ILO, they are more often than not routinely violated. In other countries, EPZ employers enjoy exemptions from part or all of the labour code, making exploitation even easier. In Bangladesh, EPZs even publicly advertise “no unions or strikes” as an incentive to investors, although the government has now promised to allow unions in EPZs from 2004. Workers trying to form unions face an uphill struggle, often in direct contradiction to the voluntary codes of conduct of some of the world’s best-known multinational companies, which pledge that they will ensure their suppliers respect union rights.

***“There were eighteen members of the union committee last year when Grupo M attacked. Only one of them still works in the factory. After they began to organize, the company brought two gang members into the factory to begin attacking union supporters. Union members were chased by the gang members at work, and chased and physically attacked with metal tubes, hammers, and machetes. These attacks were carried out inside and outside of the factory. When inside, they were carried out in full view of managers, and workers, and with explicit support of company security. One of the unionists, Zacara, was chased through the shop floor during working hours to a manager’s office, where he locked himself inside. The head of security came to the office and began pounding on the door ordering it to be opened. Zacara describes being afraid and hesitated to open the door. When he did open it a crack to see who it was, the head of security pushed in, threw Zacara down, hit him over the head with his pistol, handcuffed him, and carried him out through the factory handcuffed for all the workers to see. He was subsequently put in a cell for the night with only the two gang members who attacked him earlier in the day. All three were released the next day without charges being filed.”***

**Testimony from the FM1 factory, owned by Grupo M, the largest EPZ employer in the Dominican Republic, (August 2003). Grupo M produces apparel and footwear for some of the world’s best known brands.**

In many EPZ factories, the large majority of the workforce are young women. For millions, a job in an EPZ is a better alternative than employment in the local labour market, and most EPZ employers report long waiting lists for jobs. But working in an EPZ is rarely a long-term option. Maternity rights are usually non-existent, and testimony from young women forced to undergo pregnancy testing is common. Massive profits are being made by those who own EPZ factories and the companies which buy EPZ products to sell into global markets. But very little of these profits are paid back to the workers.

## EPZ Workers Are Organising – Against the Odds

In cases included in this report, and other in free trade zones around the world, workers are trying to organise into trade unions and bargain collectively for fair wages and decent conditions. In the majority of cases, the workers face sanctions, dismissals, and often violent responses from company thugs.

***“I blame them for what happened. It was their fault I lost my baby. If they had given me permission to leave, I would never have lost my baby. I’m still feeling ill.”***

**Testimony (August 2003) from Aracely Lara Fuentes, 25, who works at the Corazon factory in the Calpules Zone, Honduras. Corazon managers refused her repeated requests to leave work when, 3 months pregnant, she felt ill. They again refused her permission to leave when she began to bleed. At 5.15 she finished her shift, returned to her 1-room shared flat, and at 7pm she miscarried.**

The international trade union movement, through solidarity actions, dialogue with employers, pressure on governments and public awareness raising, is supporting these workers in their struggle for respect for their basic rights. But every day, new anti-union actions take place in EPZs as more and more workers try to orga-

nise and join unions. And companies know that all they have to do is shift production to China, where legitimate union organising is ferociously repressed and where there is little risk of international exposure.

The ICFTU Survey on Trade Union Rights Violations documented serious violations of trade union rights in EPZs in 32 countries in the year 2002. EPZs are however by no means the only places where union rights are violated. The ICFTU Annual Survey showed that during 2002, 213 trade unionists were murdered and over 30,000 dismissed in countries around the world due to their trade union activities. By focusing on the situation in EPZs, this report highlights the broader problems of today's globalisation, as working people, their families and communities wait in vain for the bold promises made about it by politicians around the world to materialize.

**(\*) This report was compiled during July/August 2003 by the International Confederation of Free Trade Unions. (Statistics: source - ILO)**

## **What? How many? And since when?**

The concept of export processing zones is not new. Barcelona's free trade zone, for example, has been a huge success since the beginning of this century, as has Shannon, in Ireland, since the fifties, when it was set up. But it was not really until the seventies that the trend really took off, a trend that is still going strong today, with the proliferation of EPZs all over the world.

According to the ILO's latest figures, the number of EPZs has gone from 79 in 1975 to 3000 in 2002 and the number of countries with one or more EPZs has gone from 25 in 1975 to 116 in 2002. Today, more than 43 million workers are employed in EPZs the world over, most of them working in China's ever-growing 2000 special economic zones (SEZ).

According to the ILO definition, the EPZs are, strictly speaking, "industrial zones with special incentives to attract foreign investors, in which imported products undergo some degree of processing before being exported again". But the policies and practices concerning EPZs have evolved considerably over the years. Some countries, for example, are trying to go beyond simple processing activities and are developing specialised zones, such as technological or scientific parks. Furthermore, the incentives designed to attract investors often go beyond the boundaries of a specific zone or enclave, with entire countries, provinces or towns being qualified as a "zone". Other countries are creating free trade zones, bonded warehouses and free ports to achieve similar results to an EPZ.

In the light of these developments, the ILO now uses the term EPZ to cover any situation whereby investors are offered an incentive, and the product is primarily for export.

## **Why are EPZs set up?**

The aim of countries setting up EPZs is to attract investments that would be directed elsewhere if such zones did not exist. The main reasons behind the desire to attract investments are:

- to create employment
- to earn foreign currency
- to boost exports, particularly in key sectors
- to promote the transfer of technologies and skills
- to develop deprived regions
- to boost the economy as a whole.

For many countries, the exports dispatched from EPZs (or passing through them) represent an ever-increasing percentage of their overall export earnings, often accounting for more than 80 per cent of the goods exported.

## **How are they linked to international trade agreements?**

### **Agreement on textiles and clothing**

The WTO Agreement on Textiles and Clothing (ATC), which has replaced the MultiFibre Agreement (MFA), is one of the chief factors influencing investments in EPZs, and its expiry in January 2005 could undermine the jobs in these zones. These agreements rest on a system of clothing export quotas allocated to developing countries by developed countries. The quotas allocated to highly competitive exporters such as the Korean Republic and the Hong Kong Special Administration Region (China) tend to be restricted, while those allocated to less competitive exporters tend to be higher. This has led clothing exporters to move all over the world in search of the quotas available, contributing to the creation of millions of jobs in countries that previously only had a very small clothing export base, or no base at all. Thus, in Sri Lanka, for example, the earnings from clothing exports went from 623 million dollars in 1990 to over 2.7 billion dollars in 2000, which represented 50% of the country's total exports.

But there is now growing concern in the countries currently benefiting from high quotas concerning their chances of preserving investments in the clothing industry and the jobs they generate beyond 2005, in the face of competition from countries such as China, with virtually boundless production capacity and an exploited

and therefore very cheap labour force. The ICFTU has been looking into the impact of the new measures further affecting workers' rights that may be taken in such countries, and particularly in the free trade zones. In Bangladesh, for example, a country where clothing represents 75% of exports, a consultancy firm given the task of making recommendations for the period "post-2005" has identified policy in place to protect workers as one of the obstacles to competitiveness ... despite the fact that Bangladeshi workers are already among the world's least well protected in terms of labour legislation.

## **WTO agreement on the prohibition of export subsidies**

The entry into force of the WTO agreement on the banning of export subsidies (Agreement on Subsidies and Countervailing Measures) is also likely, in practice, to conflict with many of the measures taken by countries to encourage the creation of EPZs. Exemptions may, however, be granted until 2007 upon prior request, and least developed countries automatically qualify for exemption from the obligation to reduce subsidies laid down in the agreement.

## **Are EPZs really effective?**

EPZ promoters underline that thanks to such zones foreign investors have been encouraged to invest and create employment in countries that would not be the natural choice for direct foreign investment if it were not for the incentives offered. But will these investors remain in such countries if the financial incentives are withdrawn, if the cost of labour increases or the quota-based trading system for garments comes to an end?

The host governments devote considerable funds to the infrastructure and operations of these zones without collecting any taxes for a given period. In return, they manage to attract investment, sometimes receive employers' contributions to pensions, generate foreign currency earnings, and create jobs. Yet the benefits are limited in the following ways:

- The investors usually limit their activities in the EPZs to simple processing operations, thus limiting the transfer of technologies and skills;
- most jobs are poorly paid, low quality and involve few skills;
- a very small share of the foreign currency earnings generated remain in the country;
- the foreign investments are not secure and can be withdrawn from the country with relative ease, as seen with the numerous companies that have left the EPZs of various countries to relocate in China, where there is particularly little respect for workers rights;
- the investors often import all they need and source very little from the local market.

The very concept of export processing zones, where duty free products are imported and assembled for re-export, means that they have limited impact on the host country. According to a World Bank report published in 1999, customs duties represent 35% of the revenues of African countries, and the exemption of companies in the EPZs therefore constitutes a considerable loss. Furthermore, since the companies in the zones operate independently, the transfer of technology or skills to local partners is rare. Thus neither the workforce nor local industry gains much from the EPZs. Most of the laws governing the creation of an EPZ only provide for the application of privileges to "import-processing-export" operations. It is not easy to create backward and forward linkages in developing country economies, and the difficulties are aggravated by the fact that most governments do not have the strategies or the agencies required to promote such links among local and international companies. Some countries have therefore invested heavily in setting up, maintaining and promoting EPZs, even though the local population does not draw any major benefit from them.

## **How do they affect employment?**

With the global increase in the number of free trade zones from 845 in 1997 to around 3000 in 2002, the number of workers employed in them has also risen from some 22.5 to 43 million (of which 30 million are in China alone). These estimates are probably below the actual figures, given that information is not available for all the countries of the world. Employment in these zones has grown most since the mid nineties. For example, the number of people employed in EPZs in the Philippines went from 230,000 in 1994 to 820,000 in 2002, while in Costa Rica, it rose from 7000 in 1990 to 34,000 ten years later.

There are two cycles to the evolution of employment in the zones: investment and job creation tends to grow rapidly during the initial phase, reaching a threshold when local labour becomes scarcer. In Malaysia and Mauritius, for example, the zones were strategically used to create a considerable number of jobs by gearing them towards high value added production, to the extent that over recent years these two countries have had to bring in workers from abroad to cover the new posts. In the case of Mauritius, some investors have, however, relocated to Madagascar, in search of even cheaper and easier-to-exploit labour.

It should, however, be noted that the gains generated by EPZs in terms of employment cannot be considered as permanent in any country, and new strategies are constantly required to secure them. In Mexico, for example, the number of jobs in the maquilas went from 446,000 in 1990 to 1,285,000 in 2000, but then dropped to 1,086,000 in May 2002, partly owing to the growing pressure of competition from the Chinese EPZs. In Madagascar, the recent political turmoil has led to the provisional layoff of some 70% of the workers employed in the EPZs.

The zones are also affected by unusually high staff turnover, with workers rarely staying in their jobs for longer than five years. In some companies, the rate of staff turnover is as high as 30 to 40% per month. The intense rate of production, cultural factors, recourse to fixed-term contracts, the failure to develop their human resources, and the lack of importance attached to industrial relations in many companies all contribute to this phenomenon (for more details see the chapter on workers' rights violations on page 11). The high staff turnover rate makes it even more difficult for trade unionists to recruit workers in the EPZs.

In areas where labour is less abundant, the policies and practices in relation to human resources are often better, and companies tend to attract and hold on to their workers by offering non-wage entitlements.

## **What is the impact of globalisation?**

The globalisation of the economy has accentuated competition for investment between the EPZs of the various countries. In the fight to secure investments, even greater financial rewards are offered to investors (resulting in even lower gains for the country itself) or measures are taken to make workers even more compliant. In this respect, the accession to the WTO of China, where the government represses all workers' demands, has led to unfair competition for those developing countries that are trying to ensure at least basic respect for their workers' rights. Numerous companies, for example, are leaving countries such as Mexico or the Philippines to set up in the Chinese zones. The end of the Agreement on Textiles and Clothing (ATC) is further accentuating this trend.

In the context of globalisation, low wages are not the only criteria taken into account by investors when choosing their production sites. The growth of the global production network has made it possible for companies to source goods and services throughout the world and to reconfigure production lines quickly and easily, meaning that a country or a supplier can be cut out of the network if the conditions change and they are not able to react rapidly enough. Moreover, instant market feedback means that companies are constantly adapting their products, forcing suppliers to respond rapidly and flexibly. At the same time, the life cycle of products is shortening all the time, particularly in the electronics field, which has a strong presence in EPZs, with the result that production lines are changing more frequently, forcing workers to adapt ... or be replaced. The extremely tight delivery deadlines demanded by buyers and the pressure they exert on costs encourage producers to underpay the workers and force them to produce at an exhausting rate.

To be employed in an EPZ, workers are now having to fulfil the basic criteria of being able to work fast, adapt rapidly and work overtime without asking for even the minimum social benefits or wage increases.

## **Why is the workforce largely female?**

The zones have provided young women with major job opportunities in the formal economy, where they are better paid than in the agricultural sector or domestic service. The workforce is mainly female in most zones, with women accounting for as much as 90% in some cases. However, it would seem that, with new developments affecting the nature of the jobs in the zones, which are being increasingly geared towards high-technology production, the proportion of men to women is changing.

It is no coincidence that women tend to be employed to carry out unskilled, repetitive tasks in the highly labour intensive industries located in the EPZs. Women, who are considered to be disciplined, meticulous and more compliant than men, and therefore less likely to join a union, are a godsend for unscrupulous employers, who, moreover, prefer them to be young, single and without children. They are often the victims of numerous forms of discrimination, starting as soon as they are contracted, and continuing to affect their day-to-

day work and career development. Most EPZ-based companies take no account of the specific needs of women workers, such as suitable working hours, rights during pregnancy, maternity leave or crèche facilities. In some cases, they are forced to resign when reaching the fourth month of pregnancy, or are not allowed to return to work after the child is born.

The pregnancy tests imposed by some employers in the maquilas of Mexico are a striking example of the serious discrimination suffered by women workers. In the factories located along the US border, women are often forced to show used sanitary towels to prove that they are not pregnant. Pregnant workers are placed under such pressure that they are forced to resign, or are illegally dismissed. Based on the accusations launched by Human Rights Watch, in 2000, the ICFTU strongly condemned US companies such as Lear, Johnson Controls, National Processing Company and Tyco for their use of such practices in Mexican maquilas, along with the South Korean firm Samsung, Matsushita Electric Corporation and Sanyo of Japan, and the German company Siemens.

## **What other examples are there of workers' rights violations?**

Although EPZs contribute to job creation, the quality of the work leaves a lot to be desired. The formula of EPZs is well known: while they offer investors financial incentives (temporary tax breaks, duty free imports and exports, discounted electricity bills, etc.), specialised infrastructure, better market access (through the quotas linked to the Agreement on Textiles and Clothing (ATC)), their success among employers is also because of their exploitation of cheap and submissive labour.

Governments also therefore seek to attract foreign investors to the EPZs by offering them the least restrictive regulatory framework in terms of social and employment rights, in addition to financial incentives. Hence, restrictions on trade union freedoms, the right to strike, bans on collective bargaining, abusive salaries and working hours, poor working conditions (even affecting health and safety regulations) constitute the rule rather than the exception in EPZs. The ILO Committee of Experts, which monitors the application of international labour standards in the member countries, has underscored that since 1998 there have been numerous "inconsistencies" between the obligations prescribed in the international labour conventions or legislation and the practices in EPZs.

In the following pages, the ICFTU describes a long series of workers' rights violations frequently committed in EPZs (although not all employers are guilty of this). It should be noted that in most cases the existence of a code of conduct in the company concerned by no means guarantees that the scale of violations is any less. Moreover, inaction of the part of governments is generally at the root of these violations. It can be manifested in two ways: some governments, in their efforts to attract investors, exclude the EPZs from the scope of application of their labour laws; others, although not explicitly releasing the companies within the EPZs from the obligation to enforce the labour laws, do not take any measures to ensure that they are respected (for instance by employing a sufficient number of well-trained and equipped work inspectors). In the latter scenario, it is often trade union rights that suffer most from the governments' passivity.

## **Freedom of association and the right to strike constantly flouted**

The trade union fight to defend workers' dignity is by no means at odds with the long-term interests of the countries hosting EPZs. Indeed, the ILO has underlined the fact that only EPZs with a quality workforce and stable labour relations will be able to survive in the global economy's race for competitiveness. "The legal restrictions on trade union rights in a few EPZ-operating countries, the lack of enforcement of labour legislation, the absence of workers' representation and effective structures for labour-management relations and the shortage of human resource development programmes in a number of countries undermine the ability of zones to upgrade the skills, improve working conditions and productivity and thereby to become dynamic and internationally competitive platforms," stresses the ILO. Furthermore, such practices are flagrant violations of ILO Convention no. 87 on freedom of association and the protection of trade union rights, and Convention no. 98 on the right to organise and bargain collectively.

Relentless hostility to trade unions is, however, a constant feature of most EPZs around the world, and is among the arguments put forward by the authorities to attract investors. In Bangladesh, for example, codes of conduct proclaiming support for the workers' right to freedom of association have been posted by Nike and Tommy Hilfiger outside the Dada factory, but in an interview with a British daily newspaper in April 2001, the zone's managing director firmly declared that "unions are strictly prohibited". The EPZs of Bangladesh do not currently fall within the scope of application of the main laws establishing freedom of association and the right to collective bargaining, but faced with the risk of losing the commercial advantages linked to the Generalised System of Preferences for exports to US and Canadian markets, the government has announced that trade

unions will be authorised in the zones as of 1 January 2004(it remains to be seen whether the government will keep its promise as it will come under pressure from the employers on this issue).

Workers who reveal that they are trade union members face serious reprisals, not least of which is the loss of their jobs. In the Philippines, a study carried out by the Philippines Trade Union Congress (TUCP) reveals that in seven EPZs (Cavite, Victoria Wave, Luisita Industrial Park, Laguna, Subic Bay Metropolitan, Bataan and Cebu), at least 977 employees in 43 firms were dismissed either for being trade union members, because they had formed a union, or had demanded transparent trade union elections. In Lesotho, the director of a subsidiary of a garment multinational, infuriated by the workers' protests about the poor working conditions, assaulted a trade union representative, hitting him with a pair of scissors.

In Sri Lanka, the zones are managed by a government body, the Board of Investment (BOI), which sets the salaries and working conditions, and discourages trade unionism. Trade union members are the victims of intimidation, including threats of beatings by security officers. New recruits are warned that they had better not join a union. One of the most recent incidents of this nature took place on 25 June, when the management of

**The OECD Guidelines and the ILO Declaration: two valuable tools**

If they were correctly applied, the “OECD Declaration on International Investment and Multilateral Enterprises”, established in 1976, and the “ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy” would really help to solve the main problems raised by the ICFTU regarding EPZs.

The “ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy” (non binding) international code negotiated between governments, employers' and workers' organisations at the ILO, concerns all activities of multinationals, both inside and outside the zones. Paragraph 46, for example, stipulates that where governments of host countries offer special incentives to attract foreign investment, these incentives should not include any limitations on workers' freedom of association or the right to organise and bargain collectively. As regards salaries, paragraph 33 of the Declaration states that the wages, benefits and working conditions offered by multinational enterprises should be no less favourable to the workers than those offered by comparable employers in the country concerned. Further on, paragraph

37 underlines that multinationals should ensure the highest level of health and safety regulations, in compliance with national requirements, and take into account the corresponding experience acquired in the company as a whole. The issue of trade union representation is covered in paragraph 49, according to which workers employed by multinational enterprises should have the right, in accordance with national law and practice, to have representative organisations of their own choosing recognised for the purpose of collective bargaining. There is no doubt that if employers respected these core principles adopted by the very organisations that represent them, their companies would benefit from higher productivity and stability while at the same time ensuring much greater benefits for both the EPZ host countries and workers.

The OECD Declaration is a recommendation from the OECD Governments to multinational enterprises to abide by the Guidelines for Multinational Enterprises which are included as an annex to the Declaration. They seek to “encourage the positive contributions which multinational enterprises can make to economic and social progress by helping to ensure that their operations are in harmony with the policies of the countries in which they operate”.

The OECD Guidelines includes the “national treatment principle”, i.e.

to treat MNE's “no less favourable than that accorded in like situations to domestic enterprises”.

The OECD Guidelines themselves are said to be “good practice for all” and are, like the ILO Declaration, not legally enforceable. They are government recommendations covering MNE activities with chapters on general policies, disclosure of information, employment and industrial relations, environmental protection, combating bribery, consumer interests, science and technology, competition and taxation.

The Declaration applies to all governments of the OECD countries, together with Argentina, Brazil and Chile, and all multinational enterprises which are operating within these boundaries or are headquartered in any of these countries.

The impact of the OECD guidelines, revised in 2000, is comparable to the impact of the ILO Declaration: it is a set of positive guidelines creating an international framework to regulate MNE's and their social behaviour.

Despite the problems encountered practically in the application of the Guidelines, they remain, together with the ILO Declaration, the two most important sets of internationally recognised standards to date and they are, three decades after their adoption, still both relevant and necessary.

the Jaqalanka Ltd. Factory, in the Katunayake zone, which produces garments for RedKap and Nike, gathered together over a third of the workers, intimidating them so that they would not form a union (a vote was due to be held some days later to determine whether the union had sufficient members to be recognised as a collective bargaining representative). The management, supported by the BOI, falsely accused the union of being responsible for the closure of at least five companies in the region. At the end of the meeting, they asked the workers to sign a letter renouncing their trade union membership.

When threats of dismissal, physical assault or even death threats fail to discourage workers from joining the union, the EPZ employers sometimes call on the police force. In Egypt, for example, the police force recruits workers to spy on their colleagues in order to prevent any attempts to take strike action. There have also been cases of companies closing down and reopening in the same zone under a new name (or, in rarer cases, in other countries) in order to get rid of the union.

In some cases, the employers do everything they can to stop the formation of an independent trade union in their firm, and then set up their own puppet unions, sometimes called “worker-management councils” or “workers’ participation groups”, etc. Such committees, invented and controlled by the management, have very rarely had a positive influence on working conditions.

Several countries prohibit strike action in EPZs, as is the case in Namibia and Zimbabwe. Others impose much longer waiting periods than normal between the time the strike is announced and when it can actually take place. In some cases the companies receive a guarantee from the government that no strike action can be taken for a set period of time following their establishment in the zone. In Nigeria, for example, the law on EPZs prohibits strikes or lockouts for a period of ten years following the setting up of a company in a zone.

It should also be noted that strike action in EPZs is not always explicitly prohibited by law, but the companies working in these zones are classed as “essential services”, “activities vital to the national interest”, or “pioneer companies”, making strikes or any form of industrial action illegal.

### **Non-observance of national legislation and absence of labour inspection in the zones**

In several countries, the labour laws are not enforced in the EPZs, leaving the workers open to all kinds of abuse. This is the case in Iran and Sudan, for example. Elsewhere, the zones are exempted from parts of the legislation, such as in Cameroon, where the National Office of Free Zones draws up the list of incentives and stipulates that the employer is entitled to complete “flexibility in the recruitment and dismissal of workers”.

Even in countries where the legislation applies to the EPZs, the governments often turn a blind eye to illegal practices. In Lesotho, for example, some employers, particularly South African, Hong Kong or Taiwanese textile groups, take full advantage of the authorities’ powerlessness or lack of interest in ensuring that the applicable labour laws are observed. Many employers there pay wages below the statutory minimum, refuse to pay sickness benefits and make unilateral deductions from their employees’ wages.

Most often, the countries hosting EPZs face serious difficulties in ensuring respect for their legislation owing to the absence of labour inspectors or their inability to enter the EPZs. In India, although the government claims that the labour authorities regularly inspect all the units within the EPZs, it would seem that measures have been taken to exempt the zones from the labour legislation, and in some states, such as Andhra Pradesh, the Department of Employment has been instructed not to carry out inspections in the zones. In Madagascar, where there are blatant violations of the labour laws among the 200 or so firms established in the EPZs, the government is either incapable of (owing to insufficient resources), or has no interest in inspecting the workplaces or investigating the reports of anti-union activities. The same situation can be found in Brazil, while in Guatemala, according to a survey published by the Labour Ministry in August 2002, eight out of ten companies surveyed in the maquila sector do not observe the labour laws in force at national level, and do not offer their workers a suitable working environment and conditions.

### **Zones virtually inaccessible to trade unions**

Even when not faced with legal obstacles, trade unions are faced with great practical difficulties when trying to gain access to zones and to make contact with the workers. A Filipino trade unionist told the ICFTU of the difficulties he has encountered in his attempts to organise the Cavite zone, where only 39 of the 200 companies are unionised. “Contact has to be made with the workers outside the company premises, on their way to or from work, or even in their homes. It is very difficult, as the employers often call on politicians, police or other local officials to put pressure on the workers, to dissuade them from having any contact with trade unions. Most workers are even afraid to simply answer our questions; they fear for their jobs. The various companies within the zones are surrounded by barbed wire fences and manned by security guards. It is im-

possible to enter the company premises without the management's authorisation.”

In several countries, such as Cameroon or Gabon, the companies employ private security guards, sometimes armed, to prevent trade union officials from entering the production units.

The ICFTU's 2003 Annual Survey underlines another case in India where the law protects the workers' right to join a union and bargain collectively in EPZs, but access to the zone is confined to the workers, who enter the premises in company buses.

### **Under constant threat of dismissal**

The threat of dismissal is a weapon used by most employers in the EPZs to dissuade workers from exercising their rights. In Vietnam, barely 10% of the workers have permanent employment contracts. For the rest, the duration of the contracts varies from between three months to a year, which allows employers to get round the legal conditions for forming unions in companies with 10 or more employees. In spite of the low pay and poor working conditions, workers remain silent, for fear of losing their jobs.

According to the ICFTU's latest Annual Survey, in Egypt, a worker employed by a chemical company in the “Tenth of Ramadan City” zone stated that most workers are forced by their employers to sign letters of resignation before being contracted, so that they can dismiss them as and when they please. According to an Egyptian NGO dealing with workers' rights, “The bosses resort to wage reductions and transfers to remote areas to silence activists, or even dismiss them without notice if they do not follow orders.”

Workers in India also fear reprisals on the part of the management, and those who dare to protest are instantly dismissed. It is not unusual for workers to be employed by fictitious employers, on temporary contracts, rather than directly by the company. In the Noida EPZ, the workers were fired following demands that the labour laws be enforced.

### **Wage swindles in the EPZs**

The minimum or average wages officially paid in the EPZs are not, generally, much different from those in force in the country concerned. The problem arises in practice, when employers try to trick their workers by having them sign contracts that only stipulate the wages payable for normal hours or overtime. With no trade unions to defend them, the workers do not usually dare to refuse their conditions of employment, or are not even aware that they should sign a contract. When there is no contract between the two parties, some employers take advantage, refusing to pay overtime, or sufficient overtime rates, or deducting expenses that should be borne by the employer from the salary (such as for protective clothing, drinking water, ventilation, etc.). In some cases, workers are classed as apprentices for much longer than usual before being upgraded to a higher wage category.

### **Inhuman working hours**

As with the salaries, the absence of unions and contracts all too often leads to abusive working hours in the EPZs. Many workers complain that they have to work a ridiculous number of hours (between 15 and 16 hours a day in some extreme cases) if they want to keep their jobs. One of the reasons behind this phenomenon is the very tight delivery deadlines imposed by the buyers. Employers will often not turn down an order for fear of losing the next, and force their employees to work inhuman hours, often even limiting the time spent in the toilets (which can result in the development of urinary infections and kidney problems, as seen in the Philippines).

### **Deficient health and safety**

Only in rare cases are EPZ companies not obliged to observe the health and safety legislation generally applicable in the workplace. This is the case in Kenya, where temporary exemptions are currently granted, but the government is envisaging the repeal of such dispensations given the tendency among foreign companies to apply much lower standards than usual, posing a threat to the health and safety of the workers.

Yet even where the laws on health and safety are applicable to the EPZs, abuses also exist owing to the lack of labour inspections, as mentioned above. One of the most serious abuses in this respect is the practice of locking workers into the workplace during working hours. It is a result of paranoia among employers who fear theft on the part of the workers, and has already been the cause of numerous deaths in company fires. Bangladesh is one of the most dangerous countries in this respect: there are several fires a year in companies packed with people who are often locked into the premises. A factor contributing to the number of deaths in fires is the overcrowded conditions in the workshops, warehouses, and dormitories, which are very com-

mon in EPZs, as the zones are often located too far from the workers' homes for them to travel to work every day, so they have to stay in the often insalubrious dormitories on site.

Among the other problems frequently reported in relation to health and safety in EPZs are poor ventilation, the factories' failure to provide medical attention, protective equipment, sanitary facilities, and training on workplace hazards, etc. As mentioned above, the lack of labour inspections and hostility to trade unions are among the primary factors contributing to such situations.

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## Conclusion

This report has demonstrated the seriousness of the problem of repression of workers' rights in free trade zones, and the linked issue of how EPZs fail to offer a real model for economic development.

***“The Rosario Town Council had more money when the area was still a paddy field. The Free Trade Zone has mostly made things worse, and brought insecurity, traffic congestion, air pollution and noise pollution”.***

**Interview with town engineer, Rosario, The Philippines (March 2003).**

Many trade negotiators at the WTO meeting in Cancun will refuse to discuss these issues, denying that there is any linkage between trade and labour standards. The linkage is clear and real, but “business as usual” seems to be the order of the day. In this sense, Cancun risks being a missed opportunity to deal with a problem which not only will not go away, but will continue to get worse while governments pledge to respect core labour standards at the International Labour Organisation, but ignore the fact that the rules of the global trading system means that these standards are continuously undermined.

Attempts to start WTO negotiations on the liberalization of investment have fuelled the discussion on the pros and cons of freer capital flows. EPZs, whose main purpose was to attract foreign direct investment, and which now play a major role in world trade, have become symbolic in this debate. They illustrate perfectly how crude free market liberalisation, without respect for social and environmental standards, is resulting in profits for a few, while millions, even for those who find work in the zones, face debilitating conditions and exploitation.

In Cancun, some of the richer WTO members are pushing for an agreement to start investment negotiations to increase their companies' access to developing countries, to make investments more ‘flexible’ and to protect investors from governmental policy that would harm their investments. This increased flexibility could mean, for instance, abolition of rules which require a minimum of investment in the economy of the host country, or requirements on the allocation of profits. All this would make it yet easier to disinvest, and reduce the ability of governments to enforce social and environmental standards. It would increase investors' ability to search for the greatest financial benefits without paying attention to social considerations. In short, it would increase, not reduce, the pressure on developing country governments to engage in destructive competition for scarce foreign direct investment (FDI) that would lead to an expansion of the EPZ model of economic development.

EPZs symbolise the reasons trade unions criticise the current WTO regime - because it encourages an unhealthy brand of global competition that leads to the creation of low-quality, often exploitative jobs, and therefore ends up promoting the erosion of core labour standards. Our goal is to get the core labour standards - the basis for sustainable jobs - to be respected, to create a system in which governments and employers are not discouraged from respecting these standards. At the moment, the big winner in the globalisation of trade is China, where the most basic rights are violated. Other countries are trying to follow China's example by letting workers' rights go up in smoke. Those losing in this competition are not industrialised countries. As this report has shown, they are other developing countries, such as Bangladesh, Honduras and the Philippines.

That is why, at the WTO, it must become a priority to protect the fundamental rights of workers against unscrupulous governments or companies which seek to gain an unfair advantage in international trade through the violation of core labour standards. Furthermore, respect of core labour standards is crucial to achieving sustainable, equitable, democratic economic development.

Trade unions know what measures should be taken at the 5th WTO Ministerial Conference in Cancun. All WTO members should renew and demonstrate their commitment to uphold core labour standards. The Cancun meeting should take a decision that a first-ever meeting of Trade and Labour Ministers be organised. The trade policy reviews of the WTO should start to address social issues including the quantitative and qualitative effect of trade on employment. The WTO together with the full and equal participation of the ILO, must establish a formal structure to address trade and core labour standards. Such a body should also address the impact of trade policies on women. WTO members must agree that UN treaties have primacy over trade rules, and update the WTO agreements (including GATT Article XX and GATS Article XIV) to incorporate human rights standards including the core labour standards.

And as this report has shown, a clarifying statement is needed urgently, to state that the weakening of internationally-recognised core labour standards in order to increase exports, as in export processing zones (EPZs), is an illegitimate trade-distorting export incentive that is not permissible under WTO rules.

The international trade union movement will continue its campaign for governments to recognize the real linkages between trade and labour standards, to accept that this must be discussed at the WTO, and that the WTO itself needs to cooperate with the International Labour Organisation to stop the downward spiral. No country can develop when its workers are paid a pittance for a day's work, while some of the world's most profitable companies can set up production without paying a cent in tax.

Governments cannot afford to continue ignoring this problem. And the longer they take to tackle the problem, the harder it will be to solve.

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## **Annexe 1**

### **Dominican Republic: the government bows down to all-powerful employers**

The EPZ sector, with a total of some 40 zones, both public and private, employed 200,000 people by the end of 2001 and was the country's first source of exports. The main financial incentives offered to attract investors are 100% tax exemptions for EPZ companies for a duration of 15 to 20 years (depending on the location), unrestricted currency exchange and capital repatriation, and duty and tax free import of goods required for the construction and operations of EPZs.

Without openly stating it, the authorities of the Dominican Republic also ensure investors particularly cheap and submissive labour. The arsenal of trade union repression used in EPZs makes it impossible to ensure respect for the workers' basic rights. Despite it's the Dominican Republic's ratification of ILO Conventions 87 and 98 on freedom of association and collective bargaining, an ICFTU report published in 2002 noted that it is very difficult for workers to exercise these rights in practice. Intimidation and violence are the daily lot of those who attempt to protest. The Santiago EPZ, for example, systematically deploys anti-riot troops contracted to repress workers who want to organise. These shock forces are paid and protected by a number of employers, to prevent any attempts to organise unions.

Dismissal is one of the favourite weapons deployed by EPZ employers when they detect the slightest trace of trade union activity within their companies. In 2000, the Tortony manufacturing firm closed the plant when workers claimed their right to collective bargaining. When the management decided to reopen shortly afterwards under the name "Gramerci Diminicana", many of the former employees were not reinstated. Another example: on 10 September 2002, in the Santiago EPZ, Ramsa C por A dismissed all trade union leaders and members, including three pregnant women, when the union initiated talks within the framework of collective bargaining negotiations. Several managers from the company, some with firearms, threatened the workers. When action was taken to have the trade unionists reinstated, the firm hired people to visit the workers' homes on daily basis to intimidate them and offer money in return for giving up their demands. The labour code applies in the export processing zones, but no real effort has been made by the government to ensure that it is enforced. Working conditions in the EPZs are often deplorable, with unpaid overtime and the need to ask for permission to go to the toilet. Blacklists of the workers considered too militant are circulated among the employers in the various EPZs.

Discrimination between women and men workers is unacceptably high in Dominican EPZs. In spite of the country's ratification of ILO Convention 100 (equal pay for work of equal value) and 111 (prohibiting discrimination in respect of employment and occupation), many women workers do not receive the same pay as men, are kept out of positions of responsibility, and are subjected to harassment. They are, for example, for-

### **The Mexican government turns a blind eye to abuses in the EPZs**

Abuses are all too frequent in the 4000 or so maquilas of Mexico. The government makes very little effort to enforce legislation in the export processing zones where they operate, as it welcomes this massive influx of capital.

Since the North American Free Trade Agreement (NAFTA) came into force, some 3000 assembly-for-export companies have set up business in Tijuana (Lower California). According to a study by a Mexican NGO, over 1,300,000 workers are paid less than \$6 a day to work in often deplorable conditions, and only 40% of them stay more than three months in their job. Unpaid overtime, sexual harassment, discrimination in employment, non-existent health and safety precautions and unfair dismissals are just a few examples of the daily lot of maquila workers.

Thousands of Mexican workers have had to take up employment in the maquilas. Many have been forced to forgo the legal provisions that usually apply, and to accept temporary or unwritten contracts, affecting their right to organise. Many maquilas use employment agencies to draw up temporary contracts to suit the needs of the clients and have no assets to meet their obligations as employers in the case of strikes. Government policy is generally to allow the maquilas to operate behind closed doors and protect them from collective action by the workers, even where dangerous operations are performed without the proper equipment, threatening the health and safety of the workers. Unfortunately, the Mexican authorities do not protest against such practices, as their priority is to attract foreign investment.

ced to take pregnancy tests before being contracted, and those who test positive are not employed. Cases of sexual harassment and rape are not rare. “One of the supervisors at the factory where I worked asked me to go out with him. He made it clear what he wanted. I refused. The following Monday when I went back to work, he didn’t want to let me enter the factory. He told me to go and sell my body on the streets, because there was no work for me anymore with the company,” confided Dominican worker Estela to the Clean Clothes Campaign.

As employers rarely respect Industrial Tribunal rulings which go against them, the victims of abuse often say that there is no real point in protesting. In 2002, for example, Saradona Manufacturing dismissed a group of workers because a union had been formed and the workers had reported the violation of minors’ rights and cases of sexual assault within the company. In this case, as in so many others, the Dominican government did nothing to fulfil its obligation to ensure respect for the laws of the country.

## **Annexe 2**

### **Honduras: a stubborn union fight**

Workers attempting to organise in Honduras face relentless opposition from every quarter. Armed with courage and determination and backed by international pressure, they have experienced success in organising and bargaining collectively – but it hasn’t been easy!

#### **Yoo Yang**

Workers at the Korean-owned Yoo Yang plant in the Continental Park in La Lima started organising in 1999, with the assistance of the International Textile, Garment and Leather Workers’ Federation (ITGLWF) maquila organising project supported by the Dutch union centre, the FNV. They were inspired in their efforts by workers at a neighbouring plant, who had succeeded in setting up the first union in the zone.

In July, after several months of careful preparation, a union was formed. The company responded by immediately firing all six members of the executive committee. However, the union had a broad base of support in the factory, and four days of protests ensued. This, along with international pressure on the retailer, Phillips Van Heusen (PVH), forced the company to rehire the workers, which is very rare in Central America. Union membership grew rapidly during this conflict, increasing from 85 founding members to over 400 members by the end of the week.

Along with the other union in the zone, the workers took the innovative step of creating an industrial maquila union in order to allow workers in the zone to unionise without having to rely on the recognition of a new trade union in each factory. However, after lengthy delays, the Labour Ministry rejected the union’s application for recognition. This was clearly a politically-motivated decision. The Ministry misinterpreted the Labour Code, claiming that an industrial union and a factory union could not co-exist at one plant (in fact, the law only prevents the co-existence of two factory unions, which is in itself a breach of ILO Convention 87). The government’s bias was illustrated by the absurd comment that “it would not be appropriate for all of the 125,000 assembly industry workers of Honduras to be represented by the workers from two factories”. The government’s refusal to grant recognition was the subject of an ITGLWF Freedom of Association complaint to the ILO against the government of Honduras.

The organisation subsequently restructured to form a factory union, the Sindicato de Trabajadores de la Empresa Yoo Yang (STEYY). Legal recognition was finally granted in December 2000, eighteen months after workers had held their founding assembly.

While the union struggled to gain legal recognition, the company kept up its attacks against the union. Many workers were fired for their union activity. Union leaders were suspended without pay, moved to areas where production targets were hard to meet, and forced to work during a heat wave in a disused, unventilated storage area. The union repeatedly sought relief from the labor authorities, but the Labour Ministry failed to take any action to force the company to cease these abuses.

During this period of intense pressure, the union was able to maintain a majority. This was demonstrated when, in response to PVH’s announcement that it was cutting its orders, the union collected 300 signatures on a petition urging the company to return to the factory and to use its influence to bring about change.

Once legal recognition was secured, the union began to build worker support for collective bargaining. Negotiations began in March, but the company stalled for months.

In November 2001, the union sought to break the deadlock by renewing its internal organising drive to build up its now declining membership. The ITGLWF stepped up pressure on the Korean government, which intervened with the company to demand a resolution to the problem. In addition, an international support campaign was coordinated to put pressure on the retailer and the Ministry of Labour.

Feeling the pressure both nationally and internationally, the company agreed to come back to the table, and a few weeks later a contract was signed. The agreement provided a number of improvements, including a grievance procedure, improved benefits, and a wage increase.

As industrial relations improved, so did business, with the company at one point commenting that that since it had signed the contract it had more orders than it could handle.

## Corazón

In order to defend what it had achieved, the union moved quickly to begin organising at Corazón, a non-union plant owned by the same company in a different location.

In July 2002, some sixty Corazón workers held a founding assembly, creating the Sindicato de Trabajadores de Corazón (Sitracor). But, in a repeat of what had happened at Yoo Yang, the company fired three union leaders only three hours after having been notified of the creation of the union.

Following international pressure, the manager of the mother company ordered the union leaders to be reinstated, acknowledging that local management had acted improperly. However, in the days that followed, many workers were offered bribes to disaffiliate from the union, and warned they if they did not, they would be blacklisted. During this period, many activists were fired or harassed, including being shifted from one post to another or being suspended without pay.

In the meantime, the company set about creating a 'yellow' union and assisting it in securing recognition. While the Sitracor leaders had been summarily dismissed, the leaders of the yellow union on the other hand were allowed to operate freely inside the factory during working hours. When the yellow union submitted its request for recognition, the list of founding members contained names - but no signatures.

Because Honduran legislation does not allow more than one factory union in the workplace, setting up a company union and helping to secure its legal recognition effectively denies workers the right to organise freely. The ILO was asked to provide immediate technical assistance to the Labour Ministry to conduct an investigation into the matter.

Despite the fact there were clear indications that one of the unions was under company control, the Ministry responded to the situation by proposing union elections. Sitracor agreed, fearing that the Ministry would otherwise embark on a long drawn-out process of investigation, in the meantime allowing the company to continue its attacks against the union. However, the union and the ITGLWF have continued to exert pressure on the government to bring the Labour Code into line with ILO Convention 87.

In November, ITGLWF General Secretary Neil Kearney and Sitracor leaders met with the Labour Minister and insisted on a series of safeguards to ensure a free and fair election. In the election, Sitracor secured 223 of the 283 votes cast, its 4 to 1 victory giving it an absolute majority of the workforce. Legal recognition was finally granted in May.

However, anti-union pressures at the factory continued, with security guards being used to harass workers. One union member was falsely accused of theft and held overnight in handcuffs at the police station before being released for lack of evidence. She was fired when she returned to work. Another union activist was roughed up by a guard, and was fired by the company when she left to see a doctor.

The union has repeatedly raised concerns about the role played by the Ministry of Labour, which has repeatedly failed to hold the company to account. Over the past nine months, there have been 18 cases requiring the intervention of the authorities, but not a single case has been resolved. As a result, many workers sacked for their union involvement have been forced to accept severance pay. The Ministry of Labour is under pressure both at national and international levels to investigate the outstanding issues.

The two unions, Sitracor and STEYY, work very closely together. Sitracor is currently preparing to embark upon negotiations.

## **Annexe 3**

### **EPZs in China: a success story largely owed to unfair competition**

China's free trade zones are the bugbear in the debates taking place all over the world regarding the future of EPZs. China's accession to the WTO and the phasing out of the quota system for the least developed countries have accelerated the recent trend of shutting down operations in the various EPZs throughout the world and relocating to the Chinese zones.

A good deal can be learned simply from the figures on the subject. It should be noted, for example, that of the 29 types of garments already phased out of the quota system in 2002, China's share in the US market (the world's the largest textile and apparel market) was 31% at the beginning of the year, but had already reached 59% by the end. If Chinese exports to the United States continue to grow at the same rate, its share will reach 77% by the end of 2003. During 2002, the increase in textile and garment exports from China to the United States was higher than the total increase from all other countries in the world.

The growth in Chinese exports (primarily produced in EPZs) is even more spectacular for certain products. The ITGLWF stresses that the export of gloves from China to the United States rose by 291% during the 15 months preceding March 2003, while during the same period, Guatemala's glove exports to the US fell by 65%, Bangladesh's by 48% and Sri Lanka's by 47%.

According to the ITGLWF, the phenomenal rise of China will lead to a million job losses in Bangladesh (an estimate confirmed by the UNDP), another million in Indonesia, from 200,000 to 250,000 in Sri Lanka, and several thousand more in Guatemala, Honduras, the Philippines, and many other countries. Hundreds of factories have already closed down in Mexico since their orders have gone to China. Meanwhile Beijing is able to rejoice in the fact that the number of workers employed in the EPZs has gone from 22.5 million in 1997 to 30 million in 2002. In 2001, China held sixth place among the world's beneficiaries of direct foreign investment.

This raises the question as to what is behind the sudden success of China's EPZs, given that, unlike zones in other countries, it does not grant tax breaks to investors. Beside the infrastructure of its zones, it is the low unit cost of labour that proves so attractive to foreign investors. The average daily wage in China's free trade zones is 1.21 dollars (relative to \$3.75 in Thailand or \$5.00 in the Philippines). The cost is kept so low on account of the unbridled exploitation of the workers in the EPZs, exploitation that is virtually encouraged by the authorities, such is their passivity in the face of the large-scale violations of workers' rights committed day after day in the zones. Such exploitation, coupled with the virtually unlimited production capacity of this gigantic country, means that China is able to offer unbeatable prices for its products. The ITGLWF points out, for example, that the price of exports from China to the United States dropped by 44 percent in 2002 for garments that are not subject to the quota system, while that of the same exports from other countries only decreased by 2%.

China's recipe for securing such cheap labour is simple: it brings together all the workers' rights violations found around the world ... then amplifies them. To achieve this, one of the first steps is to suppress any form of independent trade union organisation within the companies. Chinese legislation prohibits workers from affiliating to anything other than the All-China Federation of Trade Unions (ACFTU), which is fully controlled by the Chinese Communist Party (CCP). China has not ratified either of the two core ILO conventions on freedom of association (no. 87) and the right to organise and bargain collectively (no. 98).

The ACFTU operates strictly as a monopoly, as stipulated by the law. It actively promotes the party line and the views of the authorities, according to which unauthorised action by the workers can lead to "social turmoil and chaos". The president of the ACFTU sits on the most powerful ruling body in China, the Standing Committee of the CCP Political Bureau and, in this capacity, directs a "campaign against strikes", a campaign under which thousands of people, accused rightly or wrongly of exercising criminal activities, are executed every year.

All attempts to set up organisations to represent the workers are repressed and the organisers arrested. Some are sentenced to carry out forced labour following trials during which the right to defence is systematically flouted. Others are sent for "rehabilitation through work", a form of administrative detention ordered by the public security authorities without trial or opportunity to appeal.

The employment contracts for work in the EPZs are generally drawn up by the employers, who set the salaries and working conditions themselves, as they are not set down in the legislation. In June 2001, an ACF-TU leader working in a joint venture told an outside trade unionist that his organisation would refuse a pay ri-

se, even if it were voluntarily offered by the employer, which is a multinational. He explained that granting a pay rise could trigger off demands for similar advantages by workers throughout the “special economic zone” where the company operates! This example gives a clear illustration of how ACFTU leaders perceive the defence of workers.

Without independent unions to protect workers, the Chinese zones are the focus of endless violations of even the most basic health and safety standards, unfair dismissals, the arrest or assault of workers who protest, infernal rates of production for very low pay or no pay at all in some cases. In Shenzhen, for example, at least half of the private firms, some with foreign investment, owe their employees wage arrears. Legal proceedings aimed at recovering the monies owed are very long and offer the workers no guarantee of achieving a result.

The success of Chinese exports is, thus, largely owed to the unbridled exploitation of the EPZ workers. By leaving China free to operate in this way, the international community is pushing the economies of numerous countries around the world towards bankruptcy. The trade union movement recommends that the quota system should be extended for at least a few years, so as not to reinforce the “all to China” trend, which, if nothing changes, will be further intensified following the end of the Agreement on Textiles and Clothing (ATC) in 2005.

## **Annexe 4**

### **Mauritius: companies flee to China**

Thirty years after having made their fortune in textiles thanks to the incentives offered by Mauritius, industrialists from Hong Kong and Taiwan are now pulling out of Mauritius to relocate in China, leading to drastic consequences for the economy and people of Mauritius.

Summit Textiles, Textile Industries, Stylish Knits: these are among the many textile factories that have been based on the island for decades and have shut down operations since last year. Many more, mainly Chinese, will follow in their footsteps in the months to come. Thousands of Mauritian workers have lost their jobs, many of whom had served these companies for years; many more await their turn. Thousands of other workers employed by small-scale subcontracting units no longer have any work coming in.

“We never dreamed this could happen, as there were no worrying signs that the EPZ companies were to close down,” explain Basdeo Ramkurrun and Sita Surdoo, two workers from Summit Textiles, based in Chemin Grenier, in the south of the island. Thousands of textile workers share the same fate: “We have mortgages to repay, the education of our children to deal with - what are we going to do? What’s more, it is not easy to find jobs in other sectors at the age of 40/45.” The decline of the textile industry is affecting the whole country. The banks, insurance companies, the port and the airport, domestic transport, supply firms and countless other services are all suffering the effects.

The job losses, according to the official figures, have already pushed the unemployment rate up to 10% of the working population.

No-one in the foreign companies wants to talk about the situation in the sector. Danielle Wong, president of the Mauritian Export Processing Zone Association (Mepza), says that she does not want to spur the loss of Chinese companies “by disclosing the names of the Chinese firms that are leaving”.

“They are already demotivated. I don’t want to discourage them even further, as well as discouraging those who are staying,” she stated. “If nothing is done to save them, the island is headed for unmanageable social disintegration. There is a price to pay for social peace,” she warns.

These industrialists came to Mauritius in the 70s, attracted by the incentives offered by the Mauritian State: political stability and repressive labour laws, tax breaks on the repatriation of profits, bank loans at concessional rates, the duty free import of equipment and raw materials, cheap labour, duty free exports to the European market, and a constitutional guarantee against the nationalisation of their companies. Mauritius was seen as a safe haven for their investments in the face of the uncertainty generated by Hong Kong’s future return to China.

Thirty years on, the same industrialists have transformed the island’s economy, which previously relied on sugar alone, making the textile sector the number three earner after tourism, with annual revenues of some 20 billion rupees (US\$ 715 million), which represents 12% of the island’s GDP. It created jobs for over 90,000 people, as well as creating thousands of others indirectly. It also contributed to improving women’s quality of life on the island. Women became genuinely economic partners of men with the opening of the zones, contri-

buting to the family budget, at the same time as becoming free and independent.

The EPZ companies are now relocating because, according to their owners, the island can no longer compete with China, Pakistan or Vietnam, particularly in light of the dismantling of the MultiFibre Agreement scheduled for January 2005. Their companies are burdened with debt and do not have the funds to meet their daily needs, never mind investing in training and new machinery. "Our sale price is becoming less and less competitive in relation to other low-wage countries, forcing us to make reductions to secure orders. Productivity is also low, the labour has become too costly - \$180 as compared with \$40 to \$60 in Vietnam, China, Sri Lanka and elsewhere. And the suppliers are far away," laments Raymond Chow, director of Summit Textiles. Richard Chin of Textile Industries is of the same opinion.

On the trade union side, however, the responsibilities of the companies themselves are underlined. "Despite the numerous incentives offered by the state for years, including bank loans at 8% per year, the trend towards closure is being pursued because the industrialists, particularly the foreign ones, only care about production costs and profits" says Jugdish Lollbeeharry, president of the Mauritius Labour Congress (MLC). He maintains that these companies have done nothing but produce for export, for years, without investing in restructuring or training the workers as the markets evolved, and without foreseeing the current difficulties, which the MLC, however, has been able to see coming for at least ten years.

"This is what has led us into the situation we are faced with today," he concludes.