

*The End of the WTO Fibre Agreement and
its impact on the local Textile Industry –
Implication on the Namibian Economy and
Employment*

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By

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Minister of Labour**

Honorable Members of Parliament

Distinguished Guests

Ladies and Gentlemen

I thank the Namibia Economic Society for inviting me to give you the keynote address on this important topic that faces us as a nation today, and for the region at large. As you know, the impact of the World Trade Organisation abolition of the quota restrictions on December 31st in 2004 has already caused the closure of factories in the region and left thousands jobless. Giving that Ramatex is one of the major employer in the country with about 7000 Namibians, it is important to assess such profound impact of the WTO agreement and what implications it has got on the textile industry in Namibia in terms of employment, poverty alleviation, and economic growth.

But as a Minister of Labour I am obliged to narrow my presentation to the impact such a global factor can have on Namibian employment.

First and foremost, as a small developing nation which is highly open to the rest of the world, we need to realise that such external shocks are there to stay and confronting us as a nation. We also need to take cognisance of the fact that such external factors can have devastating impacts for us as a small open economy.

Hence this impact is not an isolated one. Every African country in the continent with textile and clothing employment for example has suffered. Lesotho which relies on the garment industry for some 99% of its manufactured goods export earnings has seen eleven factories close with the loss of 13,000 Jobs. Another 20,000 jobs are under threat. Kenya has lost twelve factories and 14,000 jobs ; Mauritius, six factories and 15,000 jobs are lost ; South Africa, our big trading partner closed eleven factories with 4,000 jobs lost. Malawi has lost 2,500 jobs and Namibia, 2000.

It also seem to have affected bigger African economies which are considered closed by Southern African

standards. Tanzania has seen two textile mills close. Tunisia expects to lose up to 40% of its industry or nearly 100,000 jobs. Morocco, Ghana, Nigeria and Swaziland have all lost or expect to lose a significant part of their textile and clothing industries.

And many more jobs are likely to go in the coming months as African exports are undercut by goods produced in China which are not only flooding the European and US markets but which are also strangling domestic markets across Africa.

But our government has maintained that these effects will not be profound and that there would be safeguard provisions to be put in place to counter any such employment losses as it happened to Rhino Garments in Namibia.

Compared to other African countries, we as Namibians are not hard hit due to our resilience to regional integration. One of our development strategies as a

developing nation has always been the broadening of our economic space, through our membership to bilateral, regional and multilateral trade arrangements. It is for that reason that we remain members of the WTO, SADC, and SACU where we are trying to create conditions for the exports of Namibian products to such markets with a view to create more employment. We are also signatory to the international institutions such as the ILO that promotes fair and just employment conditions in the world.

We must also take into account that the government is doing its utmost best to fight unemployment and thereby accelerate job creation. This is reflected in NDP2 where Job creation has become a necessity in that it is the only meaningful way to ensure that Namibians can earn some form of income and thereby contribute to national development.

I am therefore of the opinion that the production process which is more labour intensive, such as the textile and clothing industry in Namibia makes this sector one of those key crucial sectors that can create

massive jobs in economies thereby aiding in poverty alleviation.

We do acknowledge that our unemployment problem is multifaceted and not only due to the external shocks such as the WTO MFA closure. Among other factors identified in the recent *Annual Report 2004 of Bank of Namibia* is our skewed and dualistic economic structure who is mainly dependent on exports of primary products, a small manufacturing base who is not well diversified, climatic factors such as droughts on agricultural employment and environmental conditions that has a bearing on fisheries employment. Other factors that are identified are lack of proper training skills and technology as well as poor access to finance.

Given the multi factors, I still remain convinced that employment generation in labour intensive industries such as textiles and clothing is still a much more secure route to economic development and hence in order to reduce substantially unemployment by 2030, then pro employment growth policies may need to be focussed on.

Our Ministry is cognisant of this and has identified strategies which are in line with our Vision 2030. These include raising production and productivity in key sectors such as IT, Agriculture, Services, and Manufacturing. The Ministry remains committed to labour intensive works programmes, abolishment of exploitation of workers at workplace, and the improvement of education, skills and vocational training in cooperation with Ministry of Education.

I remain committed to a dream that Namibian private sector and the government alike must combine their efforts to ensure the sustainable existence of our domestic textile industry and to find coping mechanisms in times of such external shocks that we witness at the end of December 2004.

I also call upon domestic financial institutions such as the Namibia Development Bank to provide resources for assisting those affected by closure of the Rhino Garment to be absorbed into a SME clothing making sector with additional support from us in the form of training.

Lastly, I call upon the WTO and ILO to jointly introduce measures to provide a breathing space especially for African textile industries to adjust to the challenges posed by the dominant exporters such as China.

Only through such concerted efforts can we aim to reduce poverty thereby creating more employment. Allow me to conclude that economic growth without job creation does not fuel economic development. Hence increasingly, I am of the realisation that since we are now part of the global village that only through safeguarding our trade policies now can we only save job creation in the longer term.

I thank you