

APPAREL EXPORTISM IN KENYA:
INTERNATIONAL REGIMES, CHAIN GOVERNANCE AND UPGRADING

A Thesis Submitted in Fulfilment of the Requirements for the Award of the Degree of Doctor of
Philosophy

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DECLARATION

I, Moses Mpuria Kindiki, declare that the work presented in this thesis is my own. Where information has been derived from other sources I confirm that this has been indicated in the thesis.

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ABSTRACT

An important question in development is how far can the contemporary global context create industrial development opportunities for the South, particularly for Low Income Countries? In an important sense, this can only be answered in non-abstract terms, since the institutional conditions facing particular industries at particular times are highly specific. In this research, a configuration of four regimes- the structural regime on production and trade in apparel, the labour regime, the neo-statist European Union regime on production and trade in apparel and the neo-statist United States regime on production and trade in apparel- creates a window of opportunity for a Kenyan export oriented apparel industry. However, we must ask whether this industry is autonomous from these regimes to the extent that its gains can be sustainably embedded within Kenya, notably in terms of product and labour upgrading, or is it, rather, subservient to them?

My theoretical discussion shows that the Global Value Chain (GVC) approach presents lead firms as the primary governors in GVCs, while International Relations theory presents regimes as the primary governors in issue areas. The discussion gives a Dependency interpretation of regimes, subsuming the GVC approach in that interpretation, and arguing that, as far as issue areas are concerned, 'external' control-emergent regime governance of the GVC overrides 'internal' control lead firm governance. My empirical discussion shows that the upgrading of the Kenyan apparel industry has been insignificant, and that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine it. Nonetheless, the Kenyan Government and social movements can exploit systemic weaknesses, the former by negotiating for a single transformation of fabric and promoting export of folklore/ hand loomed/handmade products, the latter by demanding for the full implementation of minimum labour conditions.

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ABBREVIATIONS

ACP	African Caribbean Pacific
AFL-CIO	American Federation of Labour and Congress of Industrial Organisations
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
AIP	Apparel Industry Partnership
ATC	Agreement on Textiles and Clothing
CBA	Collective Bargaining Agreement
CBI	Caribbean Basin Initiative
CCC	Clean Clothes Campaign
CNMS	<i>Centro Nuovo Modello di Sviluppo</i> (Centre for a New Development)
COMESA	Common Market for Eastern and Southern Africa
COTU	Central Organisation of Trade Unions
CSR	Corporate Social Responsibility
EAC	East African Community
EBA	Everything But Arms
EOI	Export Oriented Industrialisation
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZ	Export Processing Zone
EPZA	Export Processing Zones Authority
ETI	Ethical Trading Initiative
EU	European Union
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
FKE	Federation of Kenyan Employers
FLA	Fair Labour Association
FTA	Free Trade Agreement
G 7	Group of Seven

G 77	Group of Seventy Seven
GATT	General Agreement on Tariffs and Trade
GCC	Global Commodity Chain
GCM	Global Contract Manufacturer
GDP	Gross Domestic Product
GoK	Government of Kenya
GSP	Generalised System of Preferences
GUF	Global Union Federation
GVC	Global Value Chain
HTS	Harmonised Tariff Schedule
ICFTU	International Confederation of Free Trade Unions
IDL	International Division of Labour
IFIs	International Financial Institutions
IFTU	International Free Trade Unions
ILC	International Labour Conference
ILO	International Labour Organisation
IMF	International Monetary Fund
IPE	International Political Economy
ISI	Import Substitution Industrialisation
ITC	International Trade Centre
ITCB	International Textiles and Clothing Bureau
ITGLWU	International Textile, Garment and Leather Workers Union
ITO	International Trade Organisation
ITS	International Trade Secretariat
ITUC	International Trade Union Confederation
KAM	Kenya Association of Manufacturers
KAMEA	Kenya Association of Manufacturers and Exporters of Apparel
KHRC	Kenya Human Rights Commission
KICOMI	Kisumu Cotton Mills
KShs	Kenyan Shillings
KTTWU	Kenya Textile and Tailors Workers Union

LDC	Least Developed Country
LIC	Low Income Country
LTA	Long Term Arrangement
M ²	Million Square Meter Equivalent
MFA	Multi Fibre Agreement
MFN	Most Favoured Nation
MoTI	Ministry of Trade and Industry
MoU	Memorandum of Understanding
MSI	Multi Stakeholder Initiative
MuB	Manufacturing under Bond
NAFTA	North American Free Trade Agreement
NAMA	Non-Agriculture Market Access
NARC	National Rainbow Coalition
NGO	Non-Governmental Organisation
NIC	Newly Industrialised Country
NIDL	New International Division of Labour
NIE	New Institutional Economics
NMS	New Management Systems
OBM	Original Brand name Manufacturer
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
PTA	Preferential Trade Agreement
RIVATEX	Rift Valley Textile Mills
RoO	Rule of Origin
SAI	Social Accountability International
SAP	Structural Adjustment Programme
SDT	Special and Differential Treatment
SEA	South East Asia
SME	Square Meter Equivalent/ Small and Medium Enterprises
SSA	Sub-Saharan Africa
STA	Short Term Arrangement

TCM	Thika Cloth Mills
TNC	Trans National Corporation
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNIDO	UN Industrial Development Organisation
UNSD-COMTRADE	UN Statistics Division- Commodity Trade Statistics
US	United States
US-CBTPA	US-Caribbean Basin Trade Partnership Act
USOTEXA	US Office of Textiles and Apparel
USTR	US Trade Representative
UTI	United Textile Industries
WCC	World Company Councils
WCL	World Confederation of Labour
WFTU	World Federation of Trade Unions
WRC	Workers Right Consortium
WTO	World Trade Organisation

I INTRODUCTION AND METHODOLOGY

I.1 INTRODUCTION

This text is about apparel export promotion in a Low Income Country (LIC) in the light of international regime governance of the apparel Global Value Chain (GVC). It analyses product and labour upgrading trends in the Kenyan apparel industry, and determines the role of international regimes on production and trade in apparel, and the international regime on labour, in accounting for such trends. The text hopes to contribute to the understanding of the essential nexus between regime governance of the apparel GVC and upgrading.

One of the central questions in contemporary development debate is the extent to which LICs can use the apparel industry as a launching pad for industrialisation. Historically, the industry has been the ideal 'starter' industry. Most recently, the Newly Industrialised Countries (NICs) of South East Asia (SEA) extensively promoted it in the 1960s and early 1970s, and made significant industrial upgrading (see Galenson, 1979; White, 1988). Essentially, industrial upgrading could be seen from two perspectives. There is the wider perspective of structural change of the national economy as a whole, as a country abandons the apparel industry to concentrate on more technologically advanced ones. This is the perspective taken by Ranis (1979), Scott (1979) and Wade (1988) in their analyses of Taiwan, as well as Michell (1988) in his analysis of South Korea. In theory, this would be accompanied by higher standards of living among citizens of such an economy, including better wages and working conditions for labour. Alternatively, upgrading could be seen in the narrower, sectoral lens of producing more value added products, or engaging in more profitable functions in the industry (such as brand marketing), which would also be accompanied by higher standards of living, including better wages and working conditions for labour in the industry. This text is concerned with the latter perspective. In addition, while in theory upgrading in this subsector can be buoyed by domestic demand, the debate the study engages in concerns exportism.

At least two palpable contradictions that characterise the industry are central to an analysis of LICs' upgrading opportunities through apparel exportism. First, theoretical innuendos from the 1950s

suggested that the North was to hand over the industry to the South. In Vernon's (1971) Product Cycle theory, for instance, an industrialised country carves out a niche for a product it exports and uses Foreign Direct Investment (FDI) to produce for local markets abroad. Then the industrialising country builds a comparative advantage of its factor proportions of cheap labour, and starts exporting to the country where the product originated, by which time the developed country has switched to another product. In reality, however, *laissez faire* Product Cycle is utopia. The only Product Cycle explanation that makes sense in the real world is the managed (through industrial policy) 'flying geese' version developed by Japan (Kojima, 1977) that gave birth to NICs. This was a doctrine for managing the international economy by deliberately hiving off industries to less industrialised countries as the industrially advanced countries move on to higher levels (Biel, 2000).

Thus in the real world, the North has handed over the industry only partially. The main mechanism used to achieve this is trade restriction. The main violations of the supposedly free trade that the General Agreement on Tariffs and Trade (GATT) espoused began in the 1950s and early 1960s, initially covering cotton products only (under mechanisms of 'voluntary' exports, Short Term Arrangement on Cotton Textiles (STA) and Long Term Arrangement (LTA)). Restrictions for manmade fibre and wool-based products began in 1969 culminating in the Multi-Fibre Agreement (MFA) of 1974 (Aggarwal, 1985). The Agreement on Textiles and Clothing (ATC) phased out the MFA between 1995 and 2005. These violations were directed mainly at Asia, which had inherited the bigger share of the industry from the North. Since capitalism thrives partly on social Darwinism (it is the fittest who survive), some Asian countries applied false labelling (to change the apparent country of origin) and/or relocated some production to non-MFA signatories or countries whose quotas were not fully utilised (Dicken, 2003). It is this response that is responsible for the first main wave of apparel exportism in Sub-Saharan Africa (SSA). Kenya was hit by the first MFA-related wave from India, Pakistan and Sri Lanka in 1993 (Government of Kenya (GoK), ca. 2000).

The other contradiction is that multilateralism is dovetailed into regional spheres of accumulation that contradict it. First, since at least the early 1980s, there was the European Union (EU) Generalised System of Preferences (GSPs) that offered 'preferential' quotas and duty reduction on African apparel imports. However, by the time the spontaneous spread of the chain reached Kenya in 1993, the local supply chain was non-existent; hence Kenya could not meet this GSP's demand for a

double transformation Rule of Origin (RoO). Therefore, the country's exports under this GSP were puny, at best reaching only three percent share of SSA exports (Author's calculation based on United Nations Statistics Division- Commodity Trade Statistics (UNSD-COMTRADE) database). Then secondly, the United States (US) GSP, initially instituted in 1976, was improved by the African Growth and Opportunity Act (AGOA) in 2000. AGOA marked the second investment wave in SSA because it was more liberal than previous GSPs. The inclusion of apparel was missing in previous US GSPs. In addition, the complete removal of landed duty, and the exempting of LICs, such as Kenya, from a double transformation RoO were missing from previous US and EU GSPs. The first wave of AGOA-related investment boom in Kenya came from Sri Lanka in 2001, while the second came from India in 2002. Especially because of AGOA's RoO exemption, nearly 100 percent of apparel exports from the country since 2002 go to the US, for example, 99 percent in 2002 (Gibbon, 2003).

The scope of Kenyan industrial upgrading offered by these two investment waves- themselves fuelled by the two contradictions- within systemic governance of international regimes has never been analysed. Focusing on the period 1992-2007, this thesis seeks to address this gap. It addresses two key questions. Firstly, what has been the trend on selected aspects of upgrading in the Kenyan apparel export industry between 1992 and 2007? Specifically, on product upgrading, to what extent have exports expanded? Furthermore, on product upgrading, and using the proxy of movement from assembly of imported inputs to Original Equipment Manufacturing (OEM) (specifically local integration, fabric value addition, export of folklore/hand loomed/handmade products and integration into the GVC), to what extent has unit value increased? In addition, in relation to labour upgrading, what has been the experience of implementing labour standards as represented by labour conditionalities enshrined in AGOA? Secondly, why has the trend arisen?

Evidence shows that on product upgrading, apart from export expansion, the industry has not upgraded; the industry has not been locally integrated, fabric value addition is minimal, the country has exported only 3 out of 35 eligible folklore/hand loomed/handmade products, and integration into the GVC is poor. On labour upgrading, apart from the non-employment of children in apparel Export processing Zones (EPZs), no other AGOA labour conditionality has been met fully.

In deciphering these trends, this thesis uses a synthesis of GVC analysis and a Dependency interpretation of Regime literature. It posits that control lead firm GVC governance is nested within a pluralistic mode of control-emergent international regime GVC governance that is aimed at Northern accumulation, perpetuation of dependency and attainment of milieu goals of, among others, social reproduction of labour and low-level international social order. The structural regime on production and trade in apparel, and the EU-based and the US-based state-centric regimes on production and trade in apparel co-opt emergent industrial clustering in the South, while simultaneously restricting any substantive unsupervised industrial upgrading in the region. In addition, top-down Northern state policy accompanying state-centric regimes is meant to engender industrial cluster dynamism where it fails to emerge spontaneously. Thus a delicate balance is pursued: the structural regime pushes for a managed multilateral approach within the GATT/World Trade Organisation (WTO) to co-opt general global industrial spontaneous emergence, while the state-centric regimes pursue state-centred protectionist agreements to both co-opt general global industrial spontaneous emergence and engender it where it has failed to emerge. These regimes dictate lead firms' GVC governance of export volume, as well as the chain's geographical spread.

State-centric regimes are also configured to restrict substantive Southern accumulation in another sense by introducing conditionalities against sweatshop labour, so that the South cannot maximise on its cheap labour. This configuration on labour standards, although partly related to the interest of international regimes on production and trade in apparel of restricting accumulation in the South, mainly operates within its own international regime on labour standards. Its overriding systemic objective is that, while achieving only minimum work conditions will restrict any substantial accumulation, it will also guarantee both social reproduction of labour and social order. This regime largely dictates lead firms' GVC setting and enforcement of labour standards in the chain.

The implication of such regime governance on upgrading in LICs is that, in pursuit of Northern accumulation, instrumental barriers created by the three regimes on production and trade in apparel constrain LICs to pick up. These include quota limitations for the structural regime (up to 2005), and quotas and a restrictive RoO for the neo-statist regimes. It also implies that, in pursuit of global accumulation, the emergent nature of the structural regime leads to the emergence of major players

(currently China) who crowd LICs out of destination markets. These two implications mean that product volume and value upgrading in LICs is a Herculean task. However, because of the urgency to promote systemic milieu goals, the US-based regime has relaxed the RoO for SSA, until 2012, and hence Kenya has achieved limited volume upgrading. They also mean that this regime governance leads to the race to the bottom in LICs. This is what unites the inhibition of product upgrading with the inhibition of labour upgrading. However, in pursuit of milieu goals, the regime on labour calls for labour upgrading in such countries. But in juggling, on the one hand, Northern and global accumulation, and on the other hand, labour upgrading, the system is petrified by undermining the former than a failure to achieve the latter; hence labour conditions rarely improve in practice. Thus regime governance is a determinant of both product and labour upgrading.

This thesis therefore argues in support of the hypothesis that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine product and labour upgrading in Kenya between 1992 and 2007. At the same time, the thesis shows the potential for Southern manoeuvres to embed development. In particular, the Kenyan Government and social movements can exploit systemic weaknesses, the former by negotiating for a single transformation of fabric and promoting export of folklore/ hand loomed/handmade products, the latter by demanding for the full implementation of minimum labour conditions. Above all, the knowledge possessed by Southern actors about the functioning of these regimes gives hope for success in future struggles to upgrade industry.

In the remaining part of this chapter I will present the methodology employed in the research, which includes the main concepts of the research, and an overview of the chapters ahead.

1.2 METHODOLOGY

1.2.1 Research Design

Some research topics may require a combination of designs that might not fit into any conventional design (Blaikie, 2000), which is why this thesis adopted a mixed research design. However, while a battery of designs are present (archival analysis, secondary analysis, content analysis, case study, cross

sectional analysis, longitudinal analysis), the overwhelming designs are longitudinal and case study. It is longitudinal because it relates to change over time (in retrospect) from 1992 to 2007. However, as it is also a case study of the Kenyan apparel industry, the complete label is 'longitudinal case study'.

The term 'case study' is used here in one of the two senses I will use in this thesis- as a research design. In this regard, it is an embedded case study- it has a subunit of analysis (workers and management in one firm), while still treating the holistic case (the Kenyan apparel export industry) as a single case study (see Yin, 2003). All generalisations in the thesis, including those of the sampled workers, are dependent on what Yin (2003) calls 'analytical generalisation' or what Mitchell (1983 cited in Blaikie, 2000: 223) calls 'logical inference' as opposed to 'statistical inference'. The second use of the term 'case study' is as a mode of data selection (see section I.2.5.I below).

I.2.2 Research Strategy

The overarching research strategy used in this thesis is deductive analysis since, although one of the research questions is of the 'what' type, the central one is of the 'why' type. 'Why' questions investigate the causes of, or the reasons for, the existence of regularities in a phenomenon. They are normally preceded by 'what' questions as we need to know what is going on before we can explain it. Deductive strategy is based on an observed regularity which begs an explanation, and hence theory testing through hypothesis testing, as existing theories cannot account for these regularities. We reach an explanation by constructing a deductive argument whose premise will be either well-established abstract propositions or hypothetical propositions that can be tested; and not necessarily in the strict sense of the conventional cause and effect explanation (Blaikie, 2000: 25, 61, 74, 76).

Deductive strategy is in contrast with inductive strategy. The latter is grounded in the Positivism of, among others, Bacon and Durkheim. Positivism relies on the ontological assumption of an ordered universe made up of discrete observable events experienced by the senses. This order, it is argued, can be represented by generalisations about the relationship between concepts. Its epistemological assumption is that knowledge is produced through the use of human senses and by means of experiments and comparative analysis. This means that statements based on observations become theoretical statements about order in reality (see Blaikie, 2000: 62, 102-3, III-2).

Deductive strategy is grounded in Critical Rationalism, developed primarily by Karl Popper in the 20th century. Critical Rationalism accepts most of Positivism's ontological assumptions, with the exception of the assumption that senses are a secure foundation for scientific theories. However, it differs in a fundamental way from Positivism epistemologically, as it makes no distinction between observational and theoretical statements (that is, observations occur within a horizon of expectations, or, better put, they are theory dependent). Deductive strategy, therefore, assumes that descriptions involve some point of view, and hence pure description is impossible. In a word, researchers should impose theories on the social world rather than wait for it to reveal its regularities (Blaikie, 2000: 104-7, 111-2). Critical rationalism, using deductive reasoning, posits that the theory that offers least resistance to falsification should be preferred as the most probable explanation of the issue at hand.

However, deductive strategy accepts that 'why' questions can be preceded by 'what' questions. Hence the strategy accepts using answers to the 'what' questions of inductive strategy as topics for which answers to 'why' questions are sought. According to Blaikie (2000), the 'who', 'where', 'when', 'how many' and 'how much' questions are just different forms of the 'what' question. Within deductive strategy, therefore, this thesis employs the inductive strategy to answer the 'what' questions that build up to the 'why' question. First, I will endeavour to uncover the trends in product and labour upgrading in the Kenyan apparel export industry between 1992 and 2007. Then I will use the observed trends to test the hypothesis that the governance of regimes on production and trade in apparel was a sufficient condition to undermine upgrading in Kenya.

1.2.3 Main Concepts and Conceptual Model

1.2.3.1 Introduction

There are two ways of operationalising concepts: conceptualisation and operationalisation 'proper'. Conceptualisation is the formal definition of concepts in terms of how they are being employed in the research, whilst operationalisation 'proper' concerns itself with transforming concepts into variables (see Blaikie, 2000: 133-6). While both strategies are present in the research, this thesis is

mainly concerned with the former. This is partly because the concepts employed are relatively abstract, and partly because hypothesis testing in the study is relatively informal. This thesis will be concerned with three main concepts- regimes, governance and upgrading.

1.2.3.2 International Regimes

Krasner defined international regimes as the explicit and implicit principles (beliefs of fact, causation and rectitude), norms (standards of behaviour defined in terms of rights and obligations), rules (specific prescriptions or proscriptions for action) and decision-making procedures (prevailing practices for making and implementing collective choice) around which actor expectations converge in a given issue area (Krasner, 1982a)¹. In addition, an issue area is 'an organised or partially organised system of interaction' (Cox, 1972: 207). Aggarwal defined international regimes as 'rules and procedures that regulate national actions', and meta-regimes as 'principles and norms underlying the development of regimes' (Aggarwal, 1985: 16, 18). More recently, he has defined regimes as the 'sets of rules and procedures around which actors' expectations converge', and meta-regimes as the 'principles and norms that guide the entire regime' (Aggarwal, 2010: 263, 263-4).

This thesis agrees with Aggarwal that principles and norms should not be included in the definition of regimes, for they are only but the fund from which actors draw on in international regime-formation. However, it differs with him by arguing that Krasner's recognition of the implicit facet of regimes should be retained, for the process of drawing on is both implicit/informal and explicit/formal. The informal process is the emergent, and the key, facet of regimes, while the formal one, which is the actual formulation of rules and procedures, constitute the control facet of regimes. Thus if the thesis was to adopt this classic International Relations way of defining regimes, it would define them as the 'implicit and explicit rules and procedures around which actors' expectations implicitly or explicitly converge on a given issue area'. However, the thesis has chosen to emphasise the fact that regimes are primarily social institutions, rather than the more technical 'rules and

¹ International Relations has defined regimes in other ways. See, for example, Gilpin (2001), Puchala and Hopkins (1982) and Young (1982).

procedures' side of regimes emphasised in mainstream International Relations theory. In this regard, it is crucial that we be clear on how the thesis will define regimes.

In the social sciences, the term 'regime' can mean at least five things. First, a regime is any form or system of government or administration. Second, it is any set of rules about, say, tax, food, exercise *et cetera*; a 'designed mode of organisation'. These two are the broad definitions in common speech in political economy. However, they are not intended in this thesis. Third, a regime is an 'emergent mode of organisation'. This relates to the *Régulation* approach's specific use of the term 'regime of accumulation'. In this case, it is not only emergent, but also the time dimension is crucial because it assumes it to be a long cycle dealing with technology and institutional practices such as corporate structures and others. This concept is used in this thesis, but it is not the primary sense of regimes that is intended.

The sense which is intended partly relates to the fourth definition: regime as a 'designed mode of governance'. This is an institutional structure under which, for example, trade operates at a particular time, such as the WTO. Krasner's (1982a) and Aggarwal's (1985; 2010) definitions are intended to capture this definition. True, Krasner's definition partly captures the emergent facet of regimes- in so far as it makes reference to the reserve of principles and norms, and to the fact that rules, procedures, principles and norms can, at times, be implicit. However, mainstream International Relations scholars- who mainly come from knowledge-based and rule-based schools of thought- apply this dominant International Relations definition to situations where actors are explicitly self-interested in bringing order in international relationships. As a result, they emphasise agency. For example, while Aggarwal labels the period 1950-60- prior to the STA- as the period of 'nonexistence of a textile regime', or the period of 'no distinct textile regime' (Aggarwal, 1985: 22), this thesis would maintain that the textile-apparel structural regime he is referring to was fully operational during that period, since its core facet- the emergent one- had existed from as far back as the 1930s, through, among others, 'voluntary' export restraints; the formulation of the STA was just but the arrival of the control facet.

Thus the intended sense partly relates to the fifth definition: regime as an 'emergent mode of governance'. This is the strictest sense intended, and it refers to an emergent structure, for example,

the way industrial clusters evolve. It is the sense behind the critique of the tragedy of the commons (Hardin, 1968) at the international level, and the work of Nobel laureate Elinor Ostrom has clearly demonstrated this. Note that both the third and the fifth definitions share the common characteristic of emergence. A regime of accumulation is structured according to time, and it links to the long cycles, and to the International Political Economy (IPE). Regimes would flourish within those cycles. For example, industrial clusters flourish particularly in the kind of context of the crisis of the 1970s. The subsequent regime of accumulation merely co-opted them.

An international regime, therefore, is partly a designed institutional structure and partly an emergent social institution of transnational scale that creates order at that level, on the premise of the absence of a sovereign transnational order. Regimes may or may not be followed by the establishment of an international organisation. They respond to the problem of disorder at the international level in the Hobbesian paradigm of International Relations theory. The Hobbesian state's role is to maintain order. However, historically, regimes became important because of the characteristic institutional form of resolution of the conflictual nature of classical imperialism. In brief, international regimes are partly based on the need for the North to have structures to control, among others, industry, and thereby achieve order at international level. This is particularly the case given that the post-War Northern state is preoccupied with maintaining social cohesion at home. If industry is not properly controlled, this might lead to disorder at international level and social alienation due to unemployment in the North, and hence Northern labour will make unnecessary demands.

We also need to note that a regime can nest on a higher/wider regime.

The concept of nesting can be understood from the perspective of a hierarchy of systems. The textile system is nested within the overall trading system, and the trading system, in turn, is nested within the overall international strategic system (concerning security matters). Actions countries take in these other systems influence behaviour in the textile subsystem. ... Theoretically, one would expect problems in the 'higher-level' system to evoke greater concern than problems in subsystems, and that countries would therefore endeavour to bring subsystem behaviour into line with objectives of the higher-level system (Aggarwal, 1985: 27).

I need to emphasise that, although the regimes considered in this thesis are more akin to the designed structure definition than to the emergent structure one, this thesis shall highlight the interplay of

both definitions, while taking the latter as its primary understanding. For example, at one level, the WTO is an emergent institution, operating partly through hegemony and partly through voluntarism. If we view the great powers (effectively the Group of Seven (G 7)) as the effective actors in the balance of power model, the Prisoner's Dilemma in classical imperialism is solved under US hegemony. The US leads in pushing for voluntary multilateralism but in a way that permits it to act unilaterally. In this model, the G 7 countries are equal to each other out of their rapacious behaviour, but in addition, six agree to abide by US unilateralism, because if they don't there would be chaos. In its entirety, however, the WTO is not, strictly speaking, a regime. Rather, it is a disguised form of hegemony of the G 7, and effectively of the US, over other countries.

This emphasis is crucial because some mainstream scholars discuss regimes in their true design-emergent form, but what they refer to as 'regime' is not this form. Regarding the US state-centric regime in the apparel sub-sector, for example, Heron (2002: 756, 757) talks of 'the 807/9802 regime' and 'the 807A regime', in reference to the rules set out in the US-Caribbean Basin Trade Partnership Act (US-CBTPA) (see also Heron, 2006a). This relates to regime as a 'designed mode of governance', and, perhaps, to regime as a 'designed mode of organisation', but certainly not to regime as an 'emergent mode of governance'.

Nevertheless, Heron states that 'the [807/9802 and 807A] regimes governing this [US-Caribbean Basin] trade to a large degree reflect particular configurations of power, involving the state and competing interest groups' (Heron, 2002: 765). This configuration of power, which he also refers to as 'the domestic coalition of forces within the USA' (Heron, 2002: 760), is the true regime that is reflected by the 807/9802 and 807A rules and procedures, not the other way round. He shows that it comprises mainly the associations of textile-apparel industry, one internationally oriented and representing the interests of retailers and apparel manufacturers, the other domestically oriented and representing the interests of textile manufactures and labour. It also comprises other 'special interest' actors, such as US states which are hubs to the industry, together with their actors such as Senators and House Representatives, the Governors with their executive agencies, various government-business partnerships, and the Union of Needle Trades, Industrial and Textile Employees. It is an emergent structure because it arose as a spontaneous response to the emergence of OEM firms in Asia, who became the main suppliers of US retailers. However, this spontaneity was hijacked by actors who

actively designed the 807/9802 and 807A production sharing rules. However, even in the designing of these rules, Heron is clear that the process was an emergent one, full of uneasy compromises, with the domestic oriented players emerging as the eventual winners. It is, therefore, a true designed-emergent regime, and it is the same regime that is reflected by AGOA. It is an international regime because, although the bargaining process is domestic, the scale of articulating it is international. In this case, the poorer Caribbean and African countries are mere regime 'takers', a fact that Ruggie (1982) has, with candour, conceded.

Similarly, the EU Preferential Trade Agreement (PTA) is a reflection of the EU state-centric regime of the EU countries, and its scale of articulation is international. The MFA is an international regime only to the extent that it serves the common interests of the North, and only to the extent that it is one of the incarnations of the structural regime on production and trade in apparel that crystallised in the 1930s and is still in existence.

Finally, the thesis concentrates on the structural international regime on production and trade in apparel, the EU and the US state-centric international regimes on production and trade in apparel, and the international regime on labour standards. We will examine the extent to which perceptions, actions and strategies of selected regime actors demonstrate the governing influence of this international structure, as well as its implication on upgrading in Kenya. Regime actors will be classified as 'takers' (Kenyan state bureaucrats, entrepreneurs, Cabinet, Kenya Tailors and Textiles Workers Union (KTTWU) and workers), 'framers' (the US/ EU Governments and their allies) and 'intermediaries' (Non-Governmental Organisations (NGOs)).

1.2.3.3 Governance

GVC analysts define chain governance as the setting and/ or enforcing of parameters in a value chain, primarily by lead firms:

We use the term [governance] to express that some firms in the chain set and/ or enforce the parameters under which others in the chain operate... [it] has something to do with exercise of control along the chain...The question of governance arises when some firms in the chain work according to parameters set by others... In

short, governance refers to the inter-firm relationships and institutional mechanisms through which non-market coordination of activities in the chain is achieved (Humphrey and Schmitz, 2001: 2, 4).

It is clear from this that control emanating from within the chain has been the preoccupation of the GVC analysis. Control coming from outside the chain is discussed as well but not given as much attention; as is emergence from both within and without the chain, which is only implicitly discussed. According to the GVC approach, the parameters to be set are product definition (mainly varieties, packaging and design), production process definition (mainly technologies to be used, quality standards, labour standards and environmental standards), time of production, quantity to be produced and price (Humphrey and Schmitz, 2001). According to Humphrey and Schmitz, the first four are the most basic, while the first two are, in addition, the most critical. Price is considered neither very basic nor very critical.

The concept of regimes helps me to contribute to the debate by showing the interplay between control and spontaneous emergence. As far as issue areas are concerned, 'external' governance, which is mainly regime governance, plays a greater governance role than the 'internal' governance, which is mainly control lead firm governance. I am broadening the governance concept to include the overall international structure of the specific issue areas affecting the chain. This thesis focuses on the two most important and/ or prominent issue areas in the apparel GVC: labour and international trade in the commodity (apparel). Within this structure the 'internal' control emphasised by the GVC analysis becomes only a portion of the structure. In the light of this perspective, the priority of parameters put forward by the GVC analysis is no longer maintained. In its place, and in respect to the issue areas of labour and trade in apparel, quantities to be produced and labour standards become critical. In addition, such governance encompasses another parameter implicit in the GVC analysis: the geographical spread of the chain. These three parameters will be the focus of this thesis.

1.2.3.4 Upgrading

The third and final main concept is upgrading. Industrial upgrading is defined by Gereffi (1999a: 51-2) as 'a process of improving the ability of a firm or an economy to move to more profitable

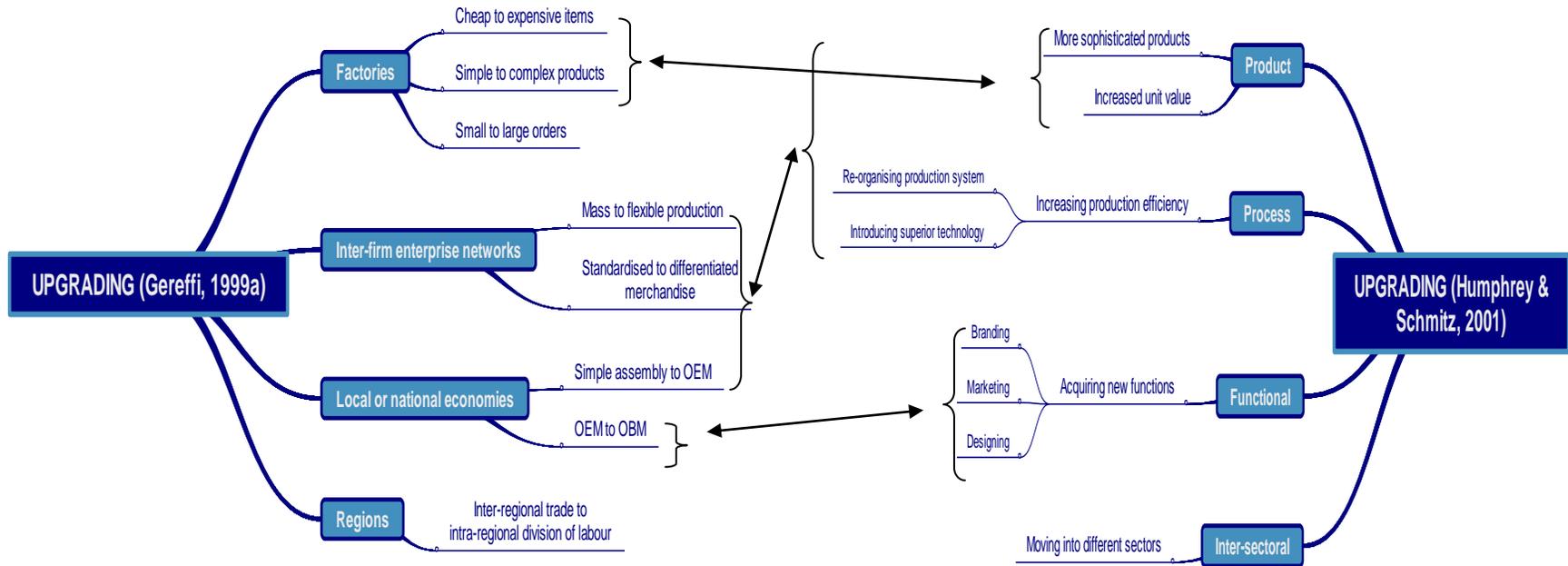
and/ or technologically sophisticated capital and skill intensive economic niches'. There are two main ways of looking at upgrading. Gereffi considers the level at which upgrading is taking place, identifying four upgrading types: factory, inter-firm, local/ national and regional (Chart I below).

(1) *within factories*—upgrading involves moving from cheap to expensive items, from simple to complex products, and from small to large orders; (2) *within inter-firm enterprise networks*—upgrading involves moving from mass production of standardised goods to the flexible production of differentiated merchandise; (3) *within local or national economies*—upgrading involves moving from simple assembly of imported inputs to more integrated forms of OEM and OBM [Original Brand-name Manufacturing] production, involving a greater use of forward and backward linkages at the local or national level; and (4) *within regions*— upgrading involves shifting from bilateral, asymmetrical, inter-regional trade flows to a more fully developed intra-regional division of labour incorporating all phases of the commodity chain from raw material supply, through production, distribution, and consumption (Gereffi, 1999a: 52) (emphasis in original).

However, Humphrey and Schmitz (2001), McCormick and Schmitz (2002) and Schmitz (2004) see upgrading from the perspective of what is to be upgraded, and hence identify four types: product, process, functional and inter-sectoral. Product upgrading is movement into more sophisticated product lines (which can be defined in terms of increased unit values); process upgrading is increasing production efficiency by reorganising the production system or introducing superior technology; functional upgrading is acquiring new functions, such as branding, marketing and design (or abandoning existing functions to increase overall skill content of activities); and inter-sectoral upgrading is where a firm moves into a different sector using the knowledge acquired in particular chain functions (Chart I).

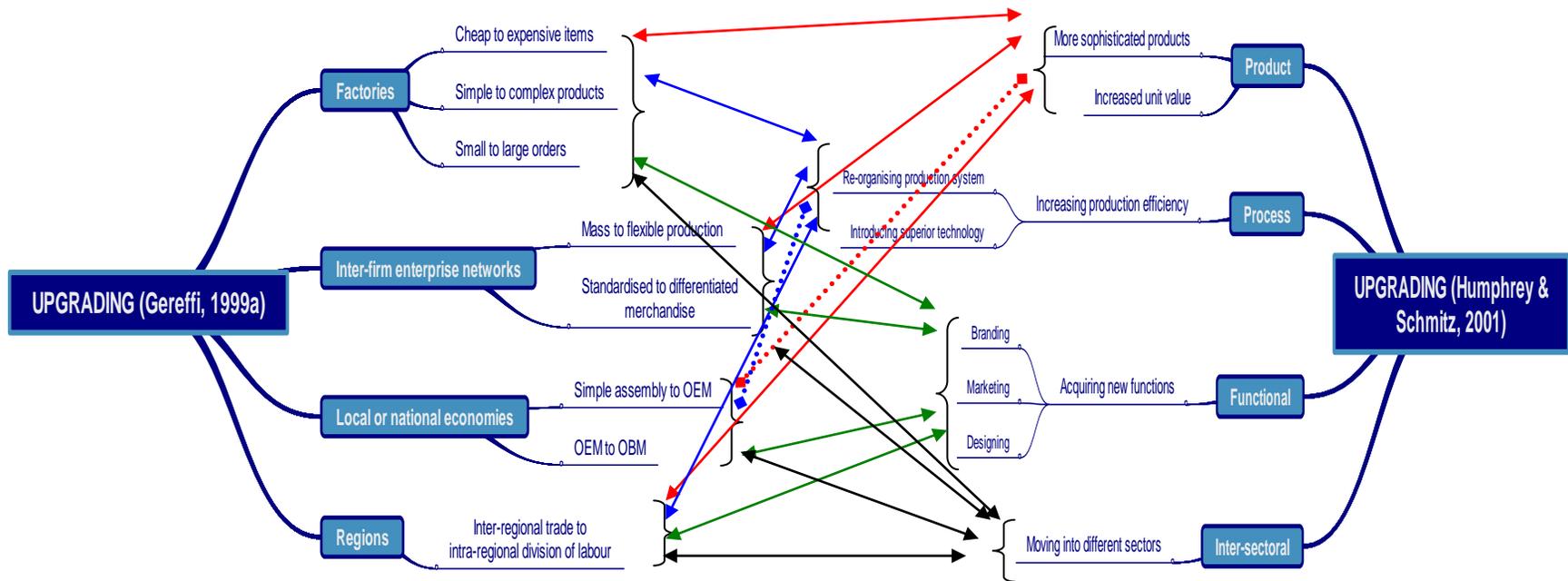
Bringing these two perspectives together, I see similarities between them, as the arrows in the chart show. However, combining the two perspectives might create an impression that product upgrading takes place only at the factory and inter-firm enterprise networks levels (assuming that flexible production and differentiated merchandise involve more sophisticated products than mass production and standardised merchandise respectively). Similarly it implies that process upgrading takes place at inter-firm enterprise networks and local/ national economy levels, and that functional upgrading takes place at the local/ national level.

Chart I: Upgrading model I



Source: Adapted from Gereffi (1999a); Humphrey & Schmitz (2001)

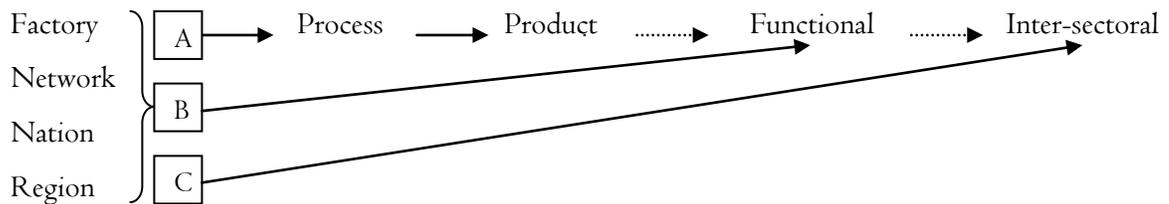
Chart 2: Upgrading model II



Source: Adapted from Gereffi (1999a); Humphrey & Schmitz (2001)

I want to correct this impression by stating that product, process, functional and inter-sectoral upgrading can take place at any of the levels identified by Gereffi, as I show in Chart 2 above. In reality, however, there are three important routes to upgrading (Chart 3 below). The most obvious route a factory, network, nation or region can use is to undertake process upgrading both as an end and as a means to achieve product upgrading. This is because it is insuperable to achieve product upgrading without process upgrading, as the progression is almost indissolubly related. In turn, product upgrading opens up possibilities for functional upgrading, which in turn opens up opportunities for inter-sectoral upgrading ('A' arrows). Infrequently, it is possible to achieve functional upgrading ('B' arrow) and inter-sectoral upgrading ('C' arrow) directly without first experiencing process and product upgrading.

Chart 3: Upgrading routes



Source: Author's

I will pursue only three selected aspects of upgrading. The first two come from Chart 3 route 'A'. The first is national product upgrading, defined as movement from small to large orders. Although in Chart 2 the size of orders is attributed to factory upgrading, I will nevertheless tackle it at the national level because the quantities involved in the unit case study of one firm are too puny for any meaningful analysis. The second is national product upgrading, defined as increased unit values as a result of moving from simple assembly of imported inputs to OEM². This will involve an analysis of the extent of local integration of the industry (extent of exporting within RoO requirements and of availability of raw materials, especially the fabric), fabric value addition (unit price comparison in

² By this I am effectively assuming that the increased unit values are linked to OEM production and both of these are associated with more complex products.

destination market and analysis of state of process technology), export of folklore/ hand loomed/ handmade products, and integration into the GVC (analysis of the rise of the top half of exports (ranked in value) as that of the bottom one falls, of product duty without AGOA 'preferences' and of Chinese competition). The dotted red line in Chart 2 indicates both instances.

Still, the image presented so far is vulnerable to the criticism of being empty of social improvement, incorporating not even the New Management Systems (NMSs) (Biel's terminology) of Asia. These are the new flexible ways of managing labour that are different from earlier post-War Taylorist-Fordist forms. NMSs constitute four main elements: Just in Time/ Total Quality Management principles; decentralised management, multi-skilling (production work integrated with quality control, for example), multi-tasking and team work; union recognition to involve, motivate and control workers, as well as lifetime employment to enhance commitment to the firm's ideals; and exporting all the above, or as much as possible, to suppliers upstream (see Humphrey, 1995). Thus the second aspect of route 'A' that is considered in this thesis is labour upgrading as part of process upgrading; as part of the reorganisation of the production process to increase production efficiency (dotted blue line in Chart 2). Within this, at least some aspects of NMSs such as labour multi-tasking are subsumed. The point is that labour 'is no longer seen as a cost of production which should be minimised, but a resource which needs to be augmented' (Kaplinsky, 1995: 63).

Flipping this, introducing NMSs is actually augmenting exploitation of labour beyond Taylorism and Fordism, and hence incompatible with its true upgrading. This critique can also be directed not only to the GVC analysis but also to other 'heterodox' approaches such as the New Institutional Economics (NIE), the New Political Economy (Sayer, 2001), and the *Régulation* approach. Furthermore, some aspects of NMSs such as granting lifetime employment are not necessarily meant to improve production process efficiency, but to enhance, again in an exploitative way, its commitment to capitalism. Moreover, anti-sweatshop conditionalities may improve production process efficiency and may boost commitment to capitalism, but they primarily serve other exploitative milieu interests in capitalism of ensuring social reproduction of labour and maintaining international social order. Therefore, this thesis analyses anti-sweatshop conditions independently of

the model in the charts above, since at this level, the GVC model loses its usefulness. This definition of upgrading can only be captured by the overall conceptual model incorporating the other two concepts of regimes and systemic governance. This is the third and final upgrading aspect pursued.

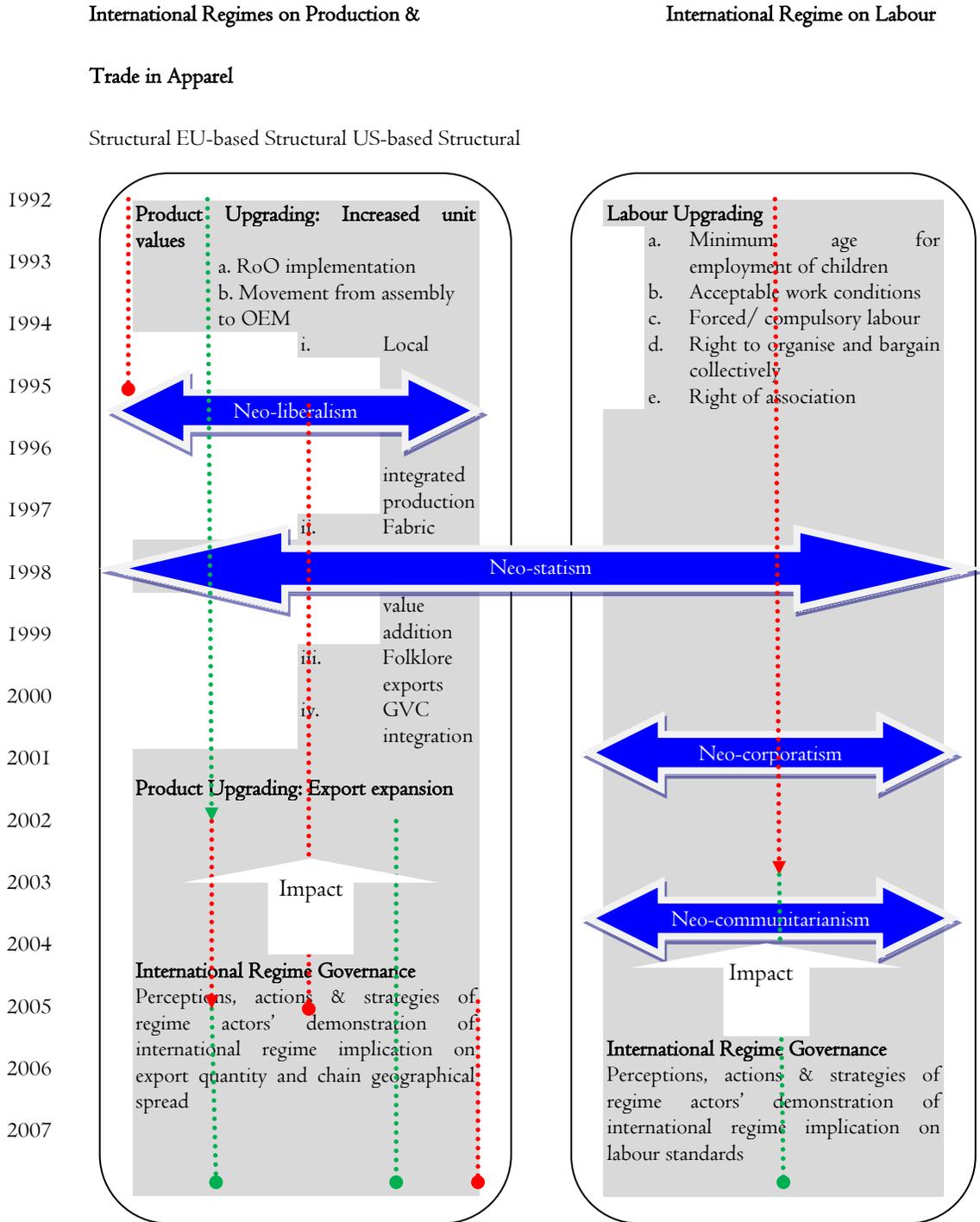
1.2.3.5 Overall Conceptual Model

The overall conceptual model adumbrated here shows upgrading opportunities under the two forms (product and labour) and various phases of regime governance (sort of mini regimes of accumulation) (Chart 4 below). The opportunities are represented by the dotted green lines. To start with, product upgrading is considered within three phases. Phase A is 1992-2001 where EU-destined exports dominated. The structural regime on production and trade in apparel, reflected by the MFA from 1992 to 1994 and the ATC from 1995 to 2001, was in operation. The EU state-centric regime represented by its PTA was also in operation. Upgrading opportunity was primarily in the form of increased unit values, and it was found within the framework of the latter regime as it required fabric double transformation. It was an opportunity because 'preferences' compensated for the difficulty in implementing the RoO.

In Phase B (2002-4), US-destined exports dominated. The structural regime, reflected by the ATC, and the EU and the US state-centric regimes, reflected by, respectively, EU PTA and AGOA, were in operation. Although AGOA was enacted in October 2000, it only became operational in 2001, and hence its impact was only felt for a whole year for the first time in 2002. The opportunity here was primarily export expansion and was to be found in AGOA because the Act gave the exemption to the RoO. While increased unit values still remained a considerable opportunity in theory, it was more prudent to gobble up the opportunity to export as much as possible to attract further investment. Presumably this might have influenced public policy to move the development of the local supply chain up the ladder of priorities.

The final Phase C (2005-7) is characterised by US-destined exports retaining their dominance, but with both sets of exports (EU and US) experiencing a slight slump. The structural regime was still in place, this time under the WTO's general rules and disciplines. The regimes reflected by EU PTA

Chart 4: Overall conceptual model



Source: Author's

and AGOA were still in place. Here, both export expansion and increased unit value were opportunities. The latter came to be an opportunity again because the assumption is that after the initial expansion of the industry, this phase should have been now concerned with developing fabric supply to buoy the industry when the RoO exemption was to cease in 2007.

Turning to labour upgrading, the regime on labour represented by both the International Labour Organisation (ILO) and parallel initiatives was in operation throughout the period under study. However, the real labour upgrading opportunity came in 2003 when the advent of AGOA coincided with the putting in place of a more democratic Government in 2002 (see section 3.3.1). The latter opened up democratic space, and the parallel initiatives led by NGOs became relatively visible. It is at this international regime level, this thesis avers, that labour upgrading is useful to industrial capitalist production in a way conventional approaches refuse to recognise. This is through improved working conditions- in particular increased wages- as a way to boost its reproduction as well as limit Southern accumulation and maintain social order. Increased income is expected to have a multiplier effect of poverty reduction beyond the direct income earners. My theorisation overturns conventional analysis' argument that justifies labour exploitation in EPZs on the ground that, at any event, most of such workers, working in such substandard conditions by Western standards, would have been either unemployed or employed under worse conditions in the absence of the zones. I will use AGOA labour conditionalities as reference point for the analysis of labour upgrading.

As the model shows, each of the regimes on production and trade in apparel is influenced by neo-liberalism and neo-statism, while the regime on labour is influenced by neo-statism, neo-corporatism and neo-communitarianism. Finally, the 1992-2007 time line whereby inside it are sort of 'mini' regimes of accumulation of MFA, EU PTA, ATC, AGOA and post-ATC helps us demonstrate dependency of the Kenyan apparel industry in very specific terms.

I.2.4 Data Collection Methods

Firstly, this thesis employs triangulation in the sense that I will be combining quantitative and qualitative methods of data collection and analysis, and not in the sense of minimising bias of particular methods as is the standard application in most social science research. Triangulation, it is propounded, corroborates data and enhances validity as well as elaborating so as to expand understanding of the case by providing different perspectives (see Rossan and Wilson 1985 cited in Blaikie, 2000). However, Blaikie contends that triangulation has the danger of mixing up ontology. In its place, he recommends combining strategies in sequence; it is safer as it involves switching from one ontological assumption to another between stages. It is the approach I shall adopt. In Chapter Four, the data is mainly quantitative, while in Chapter Five, the data is almost entirely qualitative.

Secondly, Blaikie notes that, while qualitative research methods of data collection are more likely to be used within the inductive strategy with its 'objective' observation ontology, if the overall strategy is deductive, the meanings emanating from such qualitative data can be treated within the latter's ontology; some sort of 'ontology superimposed over ontology'. In accord, in Chapter Five, analysis of the perceptions, actions and strategies of actors is inductive, but the meanings emanating from the analysis are being treated deductively.

Thirdly, I adopted three methods for collecting primary data. The first method was content analysis of original documents. While some of these- such as US and EU import data, the MFA and AGOA- were in electronic form and therefore available to the public, most of those in print form were not in public circulation. These include Kenya Development Plans, Sessional Papers, Statistical Abstracts, Cabinet Papers, Parliamentary Acts and archival documents. They also include private documents, personal documents and Kenya Human Rights Commission (KHRC) documents. The second method was focused interviews for different categories of representatives: management in the case study firm; the Government corporation mandated to oversee EPZs- EPZ Authority (EPZA); the Ministry of Trade and Industry (MoTI); trade association- Kenya Association of Manufacturers (KAM); trade union- KTTWU; KHRC; and production workers in the case study firm (see appendix A). The third and final method was my own informal observation. Primary data was combined with various sets of secondary data.

I.2.5 Data Selection

I.2.5.1 Selection of NGO and EPZ Firm

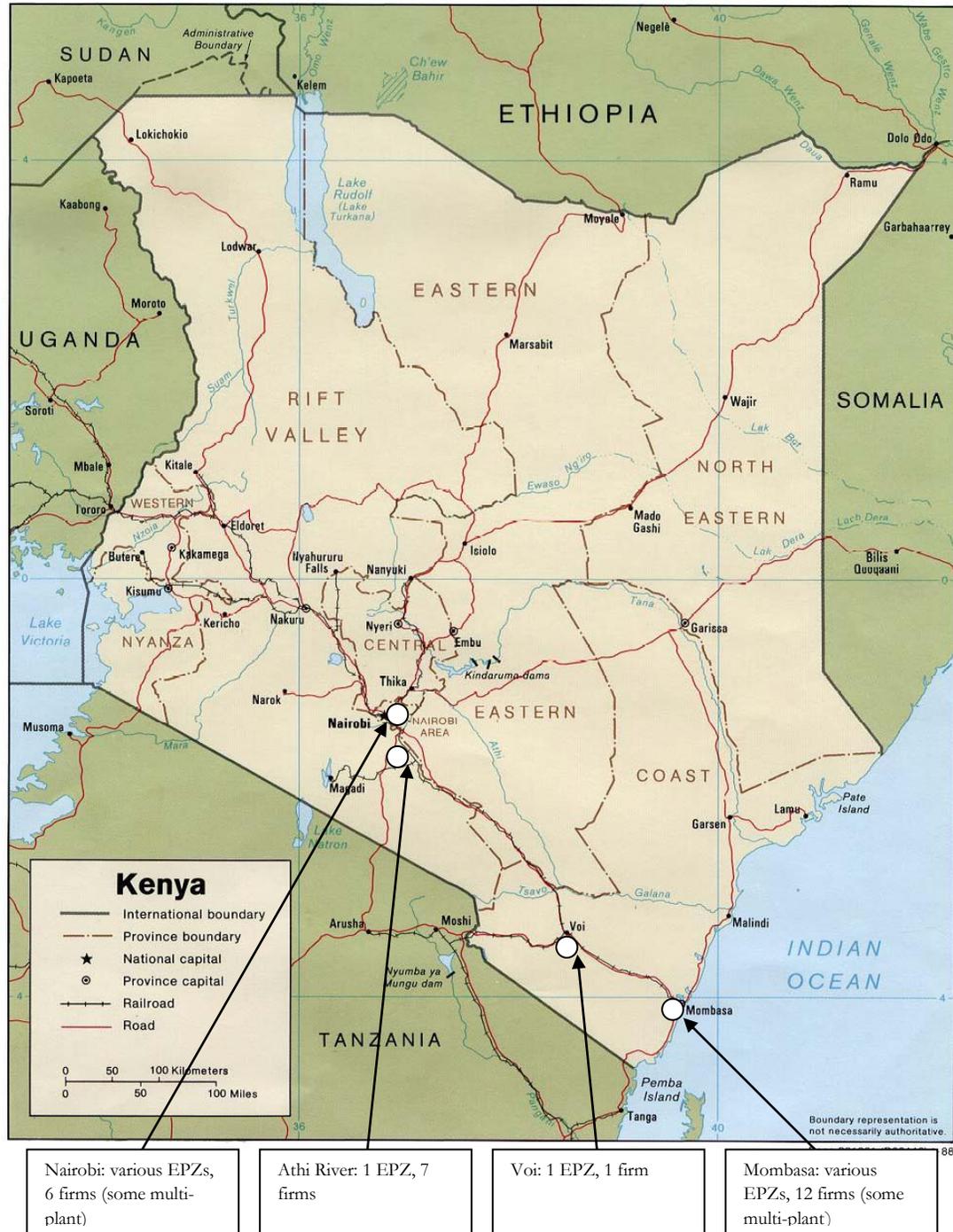
I could not research all EPZ firms and anti-sweatshop NGOs in Kenya owing to time and resource constraints, but more importantly the scope of the research. In this regard, out of the approximately ten anti-sweatshop NGOs, I purposefully selected one of them- KHRC- because it is the most active and organised on this issue area. It is treated in this research as an illustrative NGO actor in the labour regime, not a detailed case analysis. Out of the 20 firms operating in Kenya in April 2007, I purposefully selected one of the most vibrant firms- Protex EPZ Ltd (see appendix B for its structure).

I regarded case study at this point, not as an aspect of research design, but as a special approach to selecting data. This is in contrast to those who view it as a technique of data collection, and is in accordance with theorists who see it in the sense I am proposing. For instance Goode and Hatt (1952 cited in Blaikie, 2000: 215) see it as ‘a way of organising social data so as to preserve the unitary character of the social object being studied...[it] views any social unit as a whole...a person, a family, or other social group, a set of relationships or processes...[or] culture’. Similar to the earlier instance when case study was taken as a research strategy, I relied on ‘analytical generalisation’ when analysing interviews with the case study firm’s management and workers.

I.2.5.2 Population and Sampling of Workers

There are four zones that have apparel EPZ firms. These are Athi River, Nairobi, Mombasa and Voi (Map I below). The target population was the approximately 20 000 EPZ apparel workers in Kenya in 2007. The accessible population was 1 064 workers in Protex EPZ Ltd in Athi River EPZ.

Map I: EPZs with apparel firms (2005)



Sources: University of Texas (1988) (map); EPZA, 2005b (information on EPZs)

The rationale for defining and identifying the accessible population from the target population was partly based on theories of industrialisation, especially neo-Schumpeterian ones (see Chapter Two). These suggest that apparel industry workers at the assembly promotion stage of a LIC exhibit similar and often the same characteristics. Studies have indicated that the workers are highly skewed in terms of sex, age, level of exploitation and the like. In one global study, for example, United Nations Industrial Development Organisation (UNIDO) notes that '[f]or the particular industrial activities that dominate the zones, the companies have, at least to date, shown an overwhelming preference for young women' (UNIDO, 1980: 12). Therefore, the choice of any one firm in Kenya, whatever its size, as the accessible population guarantees population validity.

I then carried out random sampling of workers in this firm. In doing so, I had envisaged that the fieldwork data would generate substantial quantitative results. However, as I continued with data collection and later analysed it, it occurred to me that very little of this data from the workers would be represented quantitatively- such as in numbers that can be quantified and summarised, with the final results being expressed in statistical terminologies (see Golafshani, 2003). Thus although I had arrived at the number of workers to interview after consideration of a battery of issues relevant to statistical analysis, such as those raised by Blaikie (2000) and Bouma (2000), and after employing the social science formula for calculating population sample (see Bernard, 2006: 178-83; Blaikie, 2000: 208-10; Mugenda and Mugenda, 1999: 42-3), I organised that data qualitatively. The sample was 71 workers; 33 females and 38 males.

Therefore, I have ignored the detailing of the random sampling procedure in writing this thesis because it was initially taken to ensure repeatability, which was no longer relevant for the qualitative approach I eventually adopted. According to Golafshani, the question of replicability in the results does not concern a purely qualitative approach, such as the one I adopt here with regard to workers. What is important, is credibility. This is because

qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings... [it is] any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification... [Rather than seeking] causal determination, prediction and generalisation [it seeks] illumination, understanding and extrapolation to similar situations (Golafshani, 2003: 600).

It was also not possible to interview workers inside the factory; management is quite hostile to such arrangements. In addition, workers feared victimisation. Moreover, workers are not expected to be free to speak their mind in such circumstances. Therefore, I interviewed a few workers in their homes one by one, and most in batches at an agreed restaurant. The interviews were carried out between 2 and 22 April 2007. It is also important to note that the experiences of the sampled workers were not restricted to Protex. This is because most have worked for at least two EPZ firms, and argued that their experiences cut across their employment, since the difference between firms is minimal.

I.2.6 Data Reduction and Analysis

The study yielded both quantitative and qualitative data. I first read through the qualitative data to familiarise myself with it. I then grouped it into categories, themes and patterns. Next, I established relationships between these groups on the one hand, while establishing their relationship with the concepts of the research on the other hand. I had used the Statistical Package for Social Science computer program to analyse quantitative data emanating from workers, but I have not used this data in the thesis because I changed strategy, as I have already explained. I also used the Excel computer program to analyse quantitative import data. All data was analysed in the light of the hypothesis and the research questions.

I.3 ORGANISATION AND SUMMARY OF THE REST OF THE THESIS

Having given the introduction and methodology of the study in this chapter, I will present in Chapter Two the theoretical framework. Most data will be secondary. I will begin with a classification of theoretical formulations on global industrial relocation. While not exhaustive, it will nevertheless show the two broad classifications of macro and meso/micro approaches. The chapter

will propound that the Kenyan case is best analysed by the micro/meso-institutional approach of GVC. A counterpoint analysis will show that the GVC analysis is not clear on how we should theorise 'external' chain governance. The chapter will propose that this 'external' governance is mainly regime governance seen from a Dependency perspective. Elements of both structure and agency on both sides of the regime-dependency divide result in control-emergent regime governance that, as far as issue areas are concerned, overrides control lead firm governance in pursuit of Northern accumulation and perpetuation of dependency. This regime governance is overlaid with the control dimension issuing from contemporary forms of Northern state strategic selectivity. The chapter will then show the relevance of a Dependency framework for the upgrading debate. On the one hand, firstly, it helps us to see international regimes as institutions that embody, and act as instruments of, the will of the core to dominate the system. This means that product upgrading in the South, especially in LICs and LDCs, is a Herculean task. Secondly, it shows us that the parameters of contemporary IPE are more complex than those described in classic Dependency literature of the 1970s. However, far from necessarily facilitating upgrading, this factor may undermine it: in particular, the dependency of the apparel industry of a number of LICs, especially those of SSA, which include Kenya, on a new Asian sub-core, may further limit such LICs in their pursuit of product upgrading. On the other hand, a Dependency framework helps us to see possibilities inherent in this objective situation, and hence it inspires Southern agency in its struggle to embed industry, especially in its struggle to upgrade labour. The chapter closes with the hypothesis that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine product and labour upgrading in Kenya between 1992 and 2007.

Chapter Three will be on the evolution of the main regimes affecting the apparel industry, and of the Kenya apparel industry. In part one, first, the chapter will show the historical evolution of these regimes, beginning with the wider GATT/WTO regime. Then, it will show how the three regimes on production and trade in apparel- reflected by 'voluntary' restraints/ STA/ LTA/ MFA/ ATC/ post-ATC, EU PTA and AGOA- have both evolved and nested within the GATT/WTO. It will then describe the regime on labour, which is only partly nested within the GATT/WTO. Second, it will show that under the regime instrumentality facet of these regimes, central capitalism's interest is to keep the periphery constantly in the same role, albeit in changing forms. Third, the chapter will

show major trends in global production and trade in apparel in the last 50 years as a result of these regimes. The trends come in five phases. In the first phase (up to 1960s), Japan began to be displaced by NICs as a result of Japanese 'voluntary' export restraints. In the second phase (1970s), NICs reign, facilitated by the MFA. In the third phase (1980s), China, conditioned by the MFA, began to emerge and to challenge two of the NICs. Phase four (1990s) saw the emergence of India and Turkey, conditioned respectively by the MFA and the MFA accelerated by EU's outward processing arrangements. The MFA was also responsible for the first main wave of apparel exportism in Kenya. In the current phase (since 2000), China takes the lead and Mexico emerges as a dominant exporter. Also, Kenya starts exporting apparel worth a few hundred million US dollars. The MFA fuels the emergence of all these, but the process is accelerated by liberalisation (China) and US outward processing arrangements (Mexico and Kenya).

In part two, the chapter gives the evolution of the Kenyan apparel industry. Most of the sources of data here are primary and in limited circulation. The chapter shows that the first investment in a textile-apparel Import Substitution Industry (ISI) was in 1960. Since there was minimal link between the textile and apparel subsectors before 1970, protective measures taken in 1977 improved the linkage drastically and increased the size of the industry to about 18 percent of manufacturing employment in 1983. In 1980, among other things, reliance on domestic fabric was about 100 percent, and 98 percent of sales turnover went to domestic consumption. In a word, it was a classic ISI model. Importantly, labour repression played a key role in sustaining it. In the switch to Export Oriented Industrialisation (EOI), Kenya internally liberalised its economy beginning in 1980, and industrial sector liberalisation was inaugurated in 1988. Manufacturing under Bond (MuB) was introduced in 1989 and EPZs set up in 1991. As exportism was promoted, ISI firms, including textile-apparel ones, crumbled, beginning in the mid 1980s. Only six integrated mills and two spinners were in operation by 2006. Despite losing its composite nature, the sector is the second biggest employer in the manufacturing sector, and the fourth largest industrial segment. In the apparel export segment of this sector, much of the exportism is concentrated in the EPZs, with nearly 100 percent of EPZ exports going to the US, and EPZ firms as the main players under AGOA. Also, EPZ apparel firms account for over 50 percent of the EPZ programme on all indicators. They also contribute 30 percent and 5 percent to non-food manufacturing and national exports respectively.

Whilst Kenya's exportism is insignificant by global standards, it plays a significant role in SSA. Finally, apparel firms in Kenya are inserted into the GVC in a 'captive' way, they are controlled by South Asian capital and have no home workers.

Chapter Four will be on upgrading. Almost all of the data is primary. This chapter will use six proxies in six sections. Section one will be on product upgrading as export expansion. The section will show that between 1992 and the peak of the growth in 2004, the expansion was 1005 percent. US-destined exports increasingly become the lifeline of the industry in the AGOA period (from 2002) taking a share of over 95 percent. In 2007 Kenya was the second most dynamic SSA country in respect of US-destined exports, and experienced the highest growth- 329 percent- at the acme of the AGOA boom (2002-4). Although the growth began to slump from 2005 onwards following liberalisation of the sector, the country was the most resilient to the slowdown in SSA, experiencing the least slump (6 percent).

Sections two to five will be on product upgrading as increased unit values as a result of movement from assembly of imported inputs to OEM production. Section two will be on local integration of the industry. This will involve an analysis of RoO implementation and local availability of the main raw material (fabric), including state policy on its provision. To some little extent, local availability of accessories will also be analysed. The industry is not locally integrated; EU PTA RoO was never implemented, the country relies on Asian fabric, and the public policy to reverse the dependence has so far been unsuccessful. Also, local input expenditure and local accessory sourcing is minimal. Section three will be on the extent of fabric value addition, using the proxies of unit price comparison in destination market and state of process technology. Unit price comparison with Chinese, Indian, Swazi and Mauritian products in the US market will reveal that Kenyan products have minimal ornamentation. The technology will be shown to be suitable for assembly-only production, and the country has not maximised on a multi-skilled labour force. Section four will be on export of folklores. It will show that the country has exported only 9 percent of eligible folklore/hand loomed/handmade products. Section five will be on the integration of the industry into the GVC. It will show that, overall, the top half of products arranged in order of value had a smaller

share of upgrading than the bottom half. The section will also show that there is no evidence that AGOA 'preferences' are sufficient to guarantee the continued existence of the industry in Kenya in the near future, outside of manmade fibre and woollen apparel exports, that have high import duties in the US. This further compromises integration into the GVC post-AGOA. Moreover, the section will reveal that most of the Kenyan products with a share upgrading of at least 1 percent were among the Chinese categories that the North limited in 2005 (at least 83 percent). Therefore, from 2009, this upgrading is very likely to have been undermined.

Finally, section six will be on labour upgrading. Apart from non-employment of children, no other AGOA labour conditionality has been fully met. Despite this situation, lead firm monitoring of conditions of work is superficial. Auditors concentrate on conditions of work, rather than the pay and hours of work; workers are never sensitised on labour codes of practice by management and lead firms do not seem to question this; auditors are not bothered to find out who actually works at firms; workers are coached by management on what to tell auditors and lead firms are not keen to stamp out the practice; and management's presence during auditing negatively interferes with the process.

In the light of the upgrading results of Chapter Four, Chapter Five will first examine the extent to which actors demonstrate the governance of regimes, and second, seek to link the governance of the regimes on production and trade in apparel with the hypothesis that, while it was not a necessary condition, it was a sufficient condition to undermine upgrading in Kenya. Thus at one level it will be analysing the extent of regime governance, while at another level it will be discussing this regime governance by showing its implication on upgrading. Since the hypothesis is not that the governance of regimes on production and trade in apparel was a necessary condition, but rather that it was a sufficient condition, to undermine upgrading in Kenya, this analysis and discussion is the direct link between this chapter and the findings presented in Chapter Four.

Beginning with an analysis of the extent of regime governance, with regard to the regimes on production and trade in apparel, the structural international regime on apparel will be analysed first. Entrepreneurs will be shown to have a mixed perception, on the one hand being aware of regime instrumentality as a result of the influence of neo-liberalism, while on the other hand, being caught

on the hop by the sector being liberalised, which is the emergent facet of the regime. Cabinet's perceptions will also reveal an attempt at circumventing constraints imposed by the emergent nature of the regime. Bureaucrats' attempt to initiate a common SSA strategy in the light of liberalisation will be a further indicator of circumvention of the constraints resulting from emergent evolution of the regime. Second, although some bureaucrats and entrepreneurs will propound an exalted place for Kenya as a regime 'taker', their overall perceptions, actions and strategies will be shown to take into account the instrumentality of the US-based regime governance, particularly as a result of the influence of the neo-liberal/ individual neo-statist Northern state strategic selectivity. Third, we will look at two dialectical interplays, between, on the one hand, the structural regime and the US-based and the EU-based regimes, and on the other hand, neo-liberalism and collective neo-statist Northern state strategic selectivity influences within the structural regime. A Kenya Cabinet paper and US government actors will show the first interplay, which results in Kenya running away from the limitations of 'preferences' to more limitations within regime emergence where Asia has ubiquitously inserted itself in the GVC as a somewhat secondary metropolitan. The EU Trade Commissioner and Kenya entrepreneurs and bureaucrats will show the second interplay, which results in the South's lack of a common accumulation strategy.

On the implication of this regime governance on product upgrading, two similar implications will be shown. The first is that the industry in LICs is constrained to pick up, particularly as a result of the instrumentality issuing from these regimes. This led Kenya to pursue a contradictory strategy: one that simultaneously reflected a fantasy influenced by NIC sanguinity on the one hand, and one that was constrained particularly by the US-based regime, on the other hand. Policy documents in Kenya, statements of US- and to some extent EU- policy makers, and interviews with bureaucrats and entrepreneurs will demonstrate this. The other implication is that LICs are crowded out of destination markets by major players. This is mainly a result of the emergent facet of the regime, where currently China is responsible for this limitation. Bureaucrats, entrepreneurs and secondary sources will demonstrate this. These two implications mean that product upgrading in LICs is a Herculean task. Nevertheless, because of the urgency to promote systemic milieu goals, the US-based regime has relaxed the RoO for SSA, until 2012, and hence Kenya has achieved limited volume upgrading.

When we turn to the extent of the governance of the labour regime, the interplay of forms of Northern state strategic selectivity will still be seen to influence regime actors. First, neo-statist form influence will be shown by entrepreneurs and bureaucrats. Their views on the social clause are incongruent, but the clause is seen to influence their proposals on labour upgrading. Second, entrepreneurs, the union, bureaucrats and workers will show the influence of neo-corporatism. Entrepreneurs and some bureaucrats prefer ILO's 'international standards', while some bureaucrats prefer Special and Differential Treatment (SDT). While the union and workers will reveal the working of tripartism, entrepreneurs and the union will emphasise that the ILO is the central actor in neo-corporatism. Third, neo-communitarian form influence will be shown by bureaucrats, the union, the NGO and workers. They will all portray NGOs as the most active neo-communitarian actors.

On the implication of the governance of the labour regime on labour upgrading, we shall continue with the regime-dependency theme of the previous three regimes. The interplay of the selectivity within the labour regime will be seen to theoretically provide for a Kenyan labour upgrading opportunity. However, the above two implications on product upgrading also mean that regime governance on apparel leads to the race to the bottom in LICs. In juggling labour upgrading in the South (which restricts Southern accumulation, and ensures labour reproduction and attainment of international social order) with the race to the bottom-driven Northern accumulation, capitalism is more petrified by undermining the latter than a failure to achieve the former, and hence labour conditions rarely improve in practice. This is what unites the inhibition of product upgrading with the inhibition of labour upgrading. It also shows regime governance as a determinant of both product and labour upgrading. The natural vanguard for labour upgrading would be unions. However, post-War unionism has been rendered moribund, largely remaining a part of neo-corporatism. Nevertheless the regime of accumulation launched in 1980 saw the Northern state and its allies, such as NGOs, being influenced increasingly by neo-communitarianism. This provides the best opportunity so far to upgrade labour, and embryonic labour upgrading experimentation is ongoing in Kenya.

Thus the perceptions, actions and strategies of the actors selected will demonstrate regime governance that, as far as issue areas are concerned, overrides lead firm governance, and that is aimed at Northern accumulation, perpetuation of dependency and attainment of milieu goals. Hence the thesis will argue in support of the hypothesis that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine upgrading in Kenya. At the same time, this chapter will show the potential for Southern manoeuvres to embed development. Above all, the knowledge possessed by Southern actors about the functioning of these regimes gives hope for success in future struggles to upgrade industry.

The text will close with Chapter Six, which will first summarise the preceding five chapters before giving conclusions and recommendations. It will conclude that the dominant theoretical approach in interpreting apparel chain governance and upgrading- the GVC analysis- is ill equipped to analyse systemic chain governance, that governance should be differentiated into systemic issue area chain governance (which is mainly control-emergent regime governance) and chain level control (which is mainly control lead firm governance), that regime governance largely determines chain upgrading outcomes, and that the knowledge possessed by Southern actors about the functioning of these regimes gives hope for success in future struggles to upgrade industry. It will recommend that the Kenyan Government and social movements can exploit systemic weaknesses, the former by negotiating for a single transformation of fabric and promoting export of folklore/ hand loomed/handmade products, the latter by demanding for the full implementation of minimum labour conditions.

2 THEORETICAL FRAMEWORK

2.1 INTRODUCTION

In this chapter, I venture to formulate the theoretical framework. First, without being definitive or exhaustive, I will show approaches to industrial diffusion. Second, I will detail the main approach I critique in this study- the GVC approach. I will concentrate on the 'external' governance dimension of the analysis. Thirdly, I will show how the GVC approach could be enriched by a Dependency reading of Regimes theory. In particular, regime governance from structure-agency interplay within regime-dependency debate will be theorised, followed by a presentation of the relevance of a Dependency framework for the upgrading debate. Finally, a hypothesis will be drawn.

2.2 APPROACHES TO INDUSTRIAL DIFFUSION

In general, following the industrial transformation of the 1970s, most theories on industrial diffusion have taken on board an institutional perspective (Gereffi, 2005). Strong institutionalism is often associated with radical approaches, weak institutionalism with liberal ones. Another departure is the macro or micro/meso. I illustrate this medley in Table I below.

The neo-Schumpeterian approach has been closely associated with research at the Science Policy Research Unit, University of Sussex since 1966 (for example Dosi *et al* (1988)). It analyses the systemic and cyclical nature of capitalism; periodisation of Fordism; the match between a technico-economic paradigm and a socio-institutional framework; and the stability of a long wave of economic development. Also, it lays a heavy emphasis on the role of technology and technical standards in initiating, sustaining and separating long waves (Amin, 2000). Neo-Schumpeterians see the transformative role of technology in driving capitalism in the four broad types of progressively significant technological change: incremental innovations, radical innovations, change of technological system and changes in the techno-economic paradigm (Dicken, 2003) (see also Elam, 2000; Freeman and Perez, 1988).

Table I: Representative theoretical approaches to industrial diffusion

		Micro/meso institutional & organisational		Macro institutional	
		Name	Emphasis	Name	Emphasis
Liberal/ institutional	Less	GVC	Vertical networks	Neo-Schumpeterian	Role of technology & technical standards in driving capitalism
Radical/ institutional	More	Industrial Districts	Horizontal networks	Régulation	Capitalism's instability, crisis & change
		Flexible Specialisation	Horizontal networks; mass industrial production versus flexible specialisation		
		Industrial Clusters	Horizontal & vertical networks		

Source: Author's conceptualisation

Neo-Schumpeterianism can be criticised. The most palpable criticism is that in practice, the forms of product innovation described above, also captured by the less grand *laissez faire* Product Cycle theorisation encountered in Chapter One, are rarely linear. Not infrequently, the progression of the rise and eventual fall in demand for a single product, as modelled by Product Cycle, for instance, is interrupted by the IPE cycle. This was what Froebel *et al* (1980) showed. Moreover, the partial recognition of socio-institutional factors by theoreticians like Freeman notwithstanding, the neo-Schumpeterian approach is technologically deterministic and takes the survival of capitalism as given. It views the 'socio-institutional' as subordinate to the 'technico-economic' (Elam, 2000: 46). However, in managing capitalist systemic crisis, technology is not always useful. The solution in the 1945 blockage, for instance, was a shift in international politics, represented in Keynesianism, which differs from the 1970s where technology, in particular technological management system, played a key role in the restructuring (Biel, 2000). Above all, neo-Schumpeterianism, being macroeconomic, is less useful to this thesis's sectoral interest.

Régulationists agree with much of neo-Schumpeterianism: systemic and cyclical nature of capitalism; periodisation of Fordism; the match between a technico-economic paradigm (*régulationists* use the term ‘regime of accumulation’) and the socio-institutional framework (*régulationists* use the term ‘mode of *régulation*’); and the stability of a long wave of economic development. However, they reject neo-Schumpeterians’ technological determinism and the assumed survival of capitalism by taking on board Marxian dialectics to argue that the future of capitalism will be determined by the contestations of various actors at any particular moment (Lipietz, 1987b; 2000; Jessop and Sum, 2006). The approach has four levels of analysis. There is the relative stability that capitalism experiences over a relatively long period, the regime of accumulation. The Parisian school (there are at least seven schools) distinguishes between two accumulation regimes: intensive (associated with Fordism) and extensive (associated with post-Fordism) (Jessop and Sum, 2006; see also Amin, 2000; Lipietz, 1987b). In the latter, capitalism expands mainly by spreading into new areas of activity and into new geographical areas using flexible labour. It is this type of regime of accumulation, therefore, that, we are to infer, offers greater opportunity for industry to diffuse from the North to the South. The other three levels of analysis are the dominant industrial paradigm/ labour process/ mode of accumulation (see Amin, 2000; Jessop, 1991; 2000; Jessop and Sum, 2006; Lipietz, 1987b), the mode of *régulation* (see Amin, 2000; Jessop and Sum, 2006; Lipietz, 1987b) and the mode of societisation (see Boyer, 2002).

The mode of *régulation* is the most appropriate level of analysing systemic governance. However, as a ‘comparative institutional’ theory³, the *Régulation* approach is focused on complete capitalist economies, or at least near complete ones, such as NICs. It has therefore very little explanatory power for a case like Kenya, where a substantial part of the economy is ‘informal’. More importantly, the approach has done little to theorise international regimes which fall within this level of analysis. According to Vidal (2002), there has been only relative analysis of monetary regimes, in particular by Aglietta- one of its founders- and the stability and change in international economic relations.

³ Other ‘comparative institutional’ theories that have gained prominence but will not be reviewed include National Systems of Innovations (Lundvall, 1992), Social Systems of Production (Hollingsworth and Boyer, 1997), Varieties of Capitalism (Hall and Soskice, 2001) and Business Systems (Whitley, 1992).

Following this brief review of these two macro institutional approaches, and since my interest is sectoral, I consider the micro/meso institutional approach as best suited for such analysis. There have been three main micro/meso institutional approaches to the analysis of industrial diffusion. I will deal with the first two briefly as I have done with the macro analyses, and reserve a considerable detailed examination for the last one in the next section, since it is one of the two central approaches in the text.

The first approach emphasises horizontal networks. This comes in two strands. The first is Industrial Districts literature (Humphrey, 1995; Pyke and Sengenberger, 1992; Rabellotti, 1995; Sengenberger and Pyke, 1991) of late 1980s and 1990s that emphasises intra-cluster networks. The best cited case is that of Italy where small firms in the Emilia-Romagna region experienced tremendous export growth since the 1970s for such products as shoes, leather handbags, furniture, tile and musical instruments (Humphrey, 1995). Rabellotti (1995) defined industrial districts in terms of four key factors: a cluster of mainly small and medium enterprises, spatially concentrated and sectorally specialised; a set of forward and backward linkages among economic agents, based both on market and non-market exchanges of goods, information and people; a common cultural and social background linking the economic agents and creating a behavioural code, sometimes explicit but often implicit; and public and private local institutions acting to support the cluster.

Closely associated with Industrial District literature is Flexible Specialisation literature. Its chief proponents- Piore and Sabel (1984)- attempt to reconceptualise the Japanese industrial experience within an understanding of small firms. The contention is that, alongside the post-1970s dominant model in large firms- variously referred to as Toyota, lean production, Just in Time and Just in Case or Total Quality Management- is a similar small firm model similar to that which had been observed in Italy (see Sabel, 2000). Flexible specialisation encourages the geographical clustering of productive activity (Storper, 2000). According to Amin (2000), its most distinguishing aspect is the de-emphasis of the role of general structural tendencies in economic and social life, and more or less the rejection of a deterministic account of historical evolution and transition. It is based on a basic conceptual distinction between mass industrial production (before 1970s) and flexible specialisation

and/ or craft production (after 1970s). According to its apologists, these two have existed since the 19th century, and occasionally, as a matter of historical circumstances and political choice (rather than a matter of logical necessity), one may limit the other to emerge as the prevailing international standard (Piore and Sabel, 1984: especially Chapter One and Chapter Two). We infer that industrial diffusion since the 1970s has been driven more by flexible specialisation than mass production.

While both Industrial Districts and Flexible Specialisation theoreticians share an emphasis of horizontal networks, the former have impugned Piore and Sabel's observed similarities between this small firm model and the Toyota one. Humphrey for example contends that just as the Toyota experience was codified into the lean production model for a Western audience, Piore and Sabel have merely codified the Italian experience and presented it to the same Western audience in the name of Flexible Specialisation (see Humphrey, 1995). It has also been criticised for a lack of clarity on how a moment of stark choice between paradigms is reached, the dualistic logic that caricatures each of the paradigm with little room for diversity in each of them, its too easily slipping in between voluntarism and historical logic in explaining crossing industrial divides, the naivety of imagining a large scale rebirth of craft industries, and an underestimation of the power of Trans National Corporations (TNCs) as protagonists of Fordism (Amin, 2000). Also, the outlook of the global industry portrayed by the Flexible Specialisation approach is rebutted by some organisational approaches such as the GVC approach that shows strong global hierarchies and networks. Moreover, although the paradigm incorporates politico-institutional forces and exercises of economic power, its overwhelming attention to market trends renders an interpretation on which politics and exercises of power are too often shrivelled to the perceived actions of 'sovereign consumers'- securing a place for Adam Smith and his prefigurative powers of the market (Elam, 2000: 56).

The second approach emphasises both horizontal and vertical networks. One of the best known strands is Industrial Clusters literature (Rabellotti, 1999; Schmitz and Nadvi, 1999)⁴. It was an

⁴ Global Production Networks (Henderson, 2005; Henderson *et al*, 2002) could also be seen as another strand. Rather than focusing on the cluster, it focuses on firms and their horizontal relationships especially their embeddedness in the national economy alongside their vertical global relationships.

improvement of the 'static' Industrial District model above, and it emphasises not only intra-cluster linkages but also those linkages external to the cluster. Industrial Clustering literature considers the collective efficiency emanating from clustering as one of the central opportunities to be found in clusters (Schmitz, 1995). Pure agglomerations of unrelated firms do not give rise to collective efficiency, hence in the strict sense they cannot be classified as industrial clusters. However, given the complexity of patterns of interaction, and the emphasis in Clustering literature on 'soft' non-measurable variables, such as trust, it is difficult to draw a clear cut border between mere industrial agglomerations and real industrial clusters with strong positive externalities (Altenburg and Meyer, 1999). The inference here is that like the Flexible Specialisation approach, industrial diffusion since the 1970s has been driven by the collective efficiency of clusters. This time, however, what is being emphasised is both horizontal and vertical networks, not the dualistic logic of mass versus craft production.

Still, these micro/meso institutional approaches are not very useful to this thesis. As we will see in Chapter Three, the specific form of 21st century dependent development typified by the Kenyan case of EPZs would fulfil only a fraction of the ingredients of the Industrial District/ Clustering categories. Clusters enjoy opportunities for collective efficiency emanating from the following: positive external effects emanating from the existence of a local pool of skilled labour and the attraction of buyers; forward and backward linkages between firms inside the clusters; intensive information exchange between firms, institutions, and individuals in the cluster, which gives rise to a creative milieu; joint action geared to creating locational advantages; the existence of a diversified institutional infrastructure supporting the specific activities of the cluster; and a socio-cultural identity made up of common values and the embeddedness of local actors in a local milieu which facilitates trust. While in the real world even the simplest industrial agglomerations, such as EPZs, will generate some very basic externalities, they would largely not fulfil any of the other variables (Altenburg and Meyer-Stamer, 1999). This shows spontaneous clusters like Sinos Valley and planned ones like EPZs are different things. Planned EPZs are meant by neo-liberalism to stimulate spontaneous emergence; although policy/planning has not brought about spontaneity in Kenya, and arguably the entire SSA.

This leaves us with GVC as the most suitable of the approaches to analyse our case. It emphasises vertical relationships not between clusters and external actors but between individual firms on the one hand and global actors on the other hand. GVC is an offshoot of earlier versions, in particular the Global Commodity Chain (GCC) approach originating in Gereffi and Korzeniewicz (1994).

2.3 THE GLOBAL VALUE CHAIN APPROACH

2.3.1 Introduction and the Four Dimensions

The value chain concept was used in the 1960s and 1970s by analysts interested in mineral exports, in late 1970s by French planning literature in the form of *filières*, and in the 1980s in the works of business economist Michael Porter (Kaplinsky, 2000). However, the version that is of interest to this thesis was originally widely analysed under the label GCC approach and primarily developed for manufacturing exports. It was first popularised by a 1994 publication edited by Gereffi and Korzeniewicz. As noted by Gibbon and Ponte (2005) and Raikes *et al* (2000), in the remaining part of the 1990s, while the vanguard Gereffi applied it to apparel exports from East Asia, Mexico and the Caribbean Basin to the US, others have applied it to other commodities, including tourism (Clancy, 1998), services (Rabach and Kim, 1994), footwear (Schmitz, 1999) and automobiles and auto components (Barnes and Kaplinsky, 2000; Kaplinsky and Morris, 1999).

There are four dimensions in the GVC analysis. First, there is the input-output structure, the flow along the chain (a chain is a sequence of value adding economic activities). For example, typically, an apparel chain has five main stages: design, purchase of inputs, production, distribution through wholesalers and retailing. However, some of the stages may be subdivided or combined. Another parallel but less visible structure is the knowledge and expertise needed for the structure above to function. The latter, however, may differ from the former in terms of intensity at various stages. For example, knowledge inputs at a product's design stage may be greater than the material inputs, and vice versa for the production stage (McCormick and Rogerson, 2004). The second dimension is the geographical spread. Gereffi (1994) identified the third dimension as governance, and distinguished between producer-driven and buyer-driven GVCs. The former is governed by lead firms controlling

key product and process technologies, the latter by lead firms controlling intangible aspects, such as brands, markets and design. In producer-driven GVCs, large transnational manufacturers in capital and technology intensive industries, such as automobiles, play central roles in coordinating production networks. In buyer-driven GVCs, however, buyers of labour intensive commodities, such as apparel, play central roles in setting up decentralised export production networks, typically in the global South. In both types of chains, lead firms externalise low-profit functions- in particular production- to other suppliers upstream in the chain (Gereffi and Korzeniewicz, 1994).

Gereffi (1994) had initially conceptualised only the first three dimensions. Later he added the institutional dimension (Gereffi, 1995). The GVC analysis has not been clear on what this should mean, although it resembles NIE's 'rules of the game' (North, 1990). In Gereffi (1995: 113) it is the 'local, national and international *conditions and policies* that shape the globalisation process at each stage in the chain' (my emphasis). In Gereffi (1999b: 37), it is the '*social and organisation dimensions* of international trade networks' (my emphasis). Then take Gibbon and Ponte (2005). While the authors view policy regulation and quality conventions as part of what they call GVC 'external' governance, it would fit Gereffi's (1995) definition of institutional framework.

We should not be hindered from seeing the wood for the trees. This thesis collapses both governance and institutional framework into one broader notion of governance. This is because my definition of governance in Chapter One- not as mere control as emphasised by the GVC analysis, but as control and emergent processes of organising capitalism- renders this bifurcation into governance and institutional dimensions irrelevant. The proposition here is that even what Bair calls 'the broader institutional environment' should be seen as part of GVC governance. Indeed she states explicitly that the use of the term 'external' to represent the institutional environment is misleading, since these conditions are not exterior to, but rather constitutive of, chain dynamics (see Bair, 2005).

In the GVC tradition, the first two dimensions are meant to be descriptive. The last two, however, constitute the key theoretical concepts. However, this thesis will make an attempt to analyse a part of input-output and geographical spread dimensions under governance. First, the theoretical model allowed us to analyse geographical spread as a parameter to be set within the chain. Secondly, we will

analyse the parallel but less visible input-output structure of 'knowledge and expertise'. This dimension is only implicitly analysed in GVC literature, and in contexts outside governance. For example, Humphrey and Schmitz (2001), McCormick and Schmitz (2002) and Schmitz (2004) see it as either useful or necessary for inter-sectoral upgrading. Another example is where Gereffi and Korzeniewicz (1994) argue that low profit is not the only factor considered in externalising functions; that a more important one is organisational flexibility of the subordinate firm.

As we saw in Chapter One, the GVC analysis concentrates on chain control, and has portrayed lead firms as the principal chain governors in that regard. As a result the analysis has focused on what it has sometimes called 'internal' governance (control mechanisms within the GVC), where its version of governance has featured more than its institutional framework. Infrequently the analysis has looked into other instruments of control such as NGOs and state policy. It has sometimes referred to this as 'external' governance (control mechanisms emanating from outside the GVC), where both of its versions of governance and institutional mechanisms girdling it have featured. Since governance that recognises regimes is central to this thesis, it is 'external' governance that is of relevance to my research. Nevertheless, 'internal' governance has been the preoccupation of the GVC analysis, and an exposition that does not include this kind of control within the chain will make the review incomplete. It is therefore presented first, albeit briefly.

2.3.2 'Internal' Chain Governance

The GVC analysis developed the 'internal' governance debate in three main stages. Firstly, Gereffi's twin typology of governance was questioned. In the late 1990s, it was observed that some producer-driven chains in automobile, computer and consumer electronic industries exhibited characteristics of buyer-driven chains. While producers in these chains would sometimes outsource portions of component manufacture, as is archetypal of producer-driven chains, at other times they would outsource both supply chain logistics and assembly, while retaining the marketing of the brand- a characteristic of buyer-driven chains (Gibbon and Ponte, 2005). In addition, Clancy's (1998) investigation of the tourism industry, focussing on hotels and airlines subsectors, questioned the applicability of this classification in such industries. While no adequate response has come from

Gereffi in relation to the former issue, with regard to the latter one, he has suggested that in addition to the two types of chains, possibly a third Internet-based form has been emerging since the mid 1990s- the 'infomediary-driven chain' (Gereffi, 2001a: 2001b).

Secondly, his assertion that lead firms attain chain leadership partly by externalising low-profit functions was questioned as well. Sturgeon (2002) and Sturgeon and Lee (2001) contrasted three types of supply relationships: the commodity supplier (provides standard products through arm's length market relationships), the captive supplier (makes non-standard products using machinery dedicated to the buyer's needs) and the turnkey supplier (produces customized products for buyers, and uses flexible machinery to pool capacity for different customers). Their main contention was that increased strategic outsourcing by groups of lead firms has, over time, led to the rise of a shared supplier 'modular production network' associated with the turnkey supplier. This can be accessed by the industry as a whole, including the lead firms that compete head to head in final product markets. They labelled such suppliers as Global Contract Manufacturers (GCMs). By this classification, apparel firms found in EPZs in LICs, including those in Kenya, are of the captive type (see section 3.3.3.5). Thus Sturgeon and Lee showed that GCMs' generic capacity enables them to perform high profit functions [in some literature GCMs are simply referred to as OEMs and are to be found among first tier supplier firms]. (See also Fold's (2001) study on the impact of the restructuring within European chocolate processors on West African cocoa producers).

Gibbon and Ponte (2005) defend the earlier assertion by Gereffi (1994) by arguing that the functions outsourced by lead firms were of low-profit at the time this took place, but became more profitable as a result of technological changes that created opportunities for scale economies. Moreover, this network seems to clarify, at least partly, the issue of producer-driven chains behaving like buyer-driven chains. However, the debate seems to have shifted focus from governance to supply relationships, a point which Gibbon and Ponte recognise.

Thus the third stage of the debate accentuates supply relationships; analysing governance types within particular segments of chains. This is a move which Gibbon and Ponte (2005) refer to as a deviation to concentrate on forms of coordination within chains (or at least not making any distinction between overall forms of governance and forms of coordination). Gibbon and Ponte argue that this

makes it difficult to situate Gereffi's original twin typologies of governance within the new typologies.

Two interpretations have been offered. The first comprises four particular control and governance types. In one instance, buying and selling is left entirely to the market in market-driven/ arm's length chains. This is typical of standard goods, such as men's cotton athletic socks. In the second instance, there is a balanced network of firms, for example, collaboration between producers of eco-friendly knitted fabric and the apparel manufacturers who make this fabric into fashion apparel. The third type of governance is where lead firms form a directed network/quasi hierarchy within which they control production, specifying what is to be produced and by whom. Examples would be the automobile industry (producer-driven) and the apparel industry (buyer-driven). Finally, there is a hierarchy of control with one or two firms owning and controlling the process from start to finish. An example would be most local knitting mills (Schmitz, 2004) (see also McCormick and Rogerson, 2004). The 'modular production network' was also recognised within this framework (Humphrey and Schmitz, 2004). What these scholars labelled as 'arm's length' chains is what Sturgeon and Lee associated with 'commodity' suppliers and what they labelled as 'quasi hierarchical' is what Sturgeon and Lee associated with 'captive' suppliers, such as those in Kenya.

Gereffi seemed to have been influenced to lean towards the latter line of thinking. Another typology of governance in GVCs, which is the second interpretation, is introduced in Gereffi *et al* (2005). First, they argue that the 'quasi-hierarchical' category identified by Humphrey and Schmitz corresponds to Sturgeon and Lee's 'captive' category, as I have noted above. Second, they imply that a category they identify as the 'relational network' corresponds to Humphrey and Schmitz's 'balanced network' category. Third, they take these two categories to be subcategories of what they now call the 'network' category. Finally they add 'modular governance' to this 'network' category to come up with three distinct types of governance: modular, relational, and captive, with market-based relationships among firms, and vertically integrated firms (hierarchies) making up opposite ends of a spectrum. Hence there are five basic types of value chain 'internal' governance. They argue that suppliers in modular value chains make products to buyers' specifications, but take full responsibility for competencies surrounding process technology, for example, when providing turnkey services. Relational networks are mutually dependent networks, and are managed through reputation, family

or ethnic ties, spatial proximity, *et cetera*. In captive networks, small suppliers are dependent on much larger buyers, and often face significant switching costs. Such networks are monitored and controlled by foreign firms.

How has this debate related to upgrading? Although it is not always stated explicitly, the GVC analysis suggests that the network category, especially relational or modular, should be the ideal governance structure that guarantees industrial upgrading in the South (see Sturgeon, 2002).

I now turn to 'external' governance.

2.3.3 'External' Chain Governance⁵

Raikes *et al* (2000) were among the earliest to question the role of 'external' factors in shaping power relations within the GVC. Bair (2005) has put forward similar sentiments. She contends that in so far as Gereffi *et al* (2005) represent the latest version of a theory of GVC governance, the GVC approach focuses on how inter-firm relations are shaped by the internal logics of sectors, such as industry structure and production-process characteristics that are more technical or organisational in nature, with little attention to 'external' factors, such as the broader institutional environment.

Gereffi *et al* (2001), Humphrey and Schmitz (2001) and Kaplinsky (2000) were perhaps among the earliest to admit that 'external' governance plays an important role in product and process parameters. They state that governors may include NGOs, and government agencies and international organisations setting and/or enforcing parameters on design aspects or physical characteristics of products to safeguard consumer safety.

⁵ While I will largely deal with the GVC strand of global chains/networks, I will take on board some literature that deals with the global chains/networks metaphor more generally.

Gereffi *et al* (2005) have themselves been open, acknowledging that the GVC approach is inadequate in dealing with this matter, and have insinuated that the approach can indeed be informed by other approaches.

Our primary concern... is with organizational structures that span international borders and particularly in those that have a global reach. Nonetheless, *local and national structures and institutions* also matter. Geographers and planners have provided us with insights into how the spatial and social propinquity of local industrial agglomerations work to buoy organizationally disaggregated, and often highly innovative, economic activities ...The varieties of capitalism literature, coming largely from political science... similarly argues that *national-level rules and institutions*... profoundly affect the character of industries... It is also clear that *global-scale regulations, the 'rules of the game'* as it were, have a profound effect on the shape and direction of change in global value chains... (Gereffi *et al*, 2005: 98-9) (my emphasis).

Similarly, Spener *et al* (2002:9) state that

...although we grant analytical primacy to the role of different types of inter-firm networks in determining the evolution of the textile-garment chain and the generation of wealth at different points along it, we recognise that the social-economic consequences of this process are embedded in a *multilayered institutional setting that incorporates a variety of other factors as well* (my emphasis).

But perhaps none of these would match the force and detail of Gibbon and Ponte (2005). They not merely recognised the necessity to broaden the analysis; they also singled out trade agreements and policy regulation, and quality conventions, and argued spiritedly for their role in governance. They espy 'external' governance of GVCs in the light of not only how lead firms configure 'internal' governance as a response to this institutional framework, but also how they attempt to reshape it, through lobbying public agencies and influencing negotiation processes.

Thus governance in GVCs involves more than how firms decide whether to make or buy something ... and more than how they relate with their immediate suppliers and buyers. For example, the *governance of the global clothing industry is also related to the Multi-fibre Arrangement*... At the same time, governance is not just an effect of changing *trade agreements and public regulation* either... (Gibbon and Ponte, 2005: 85) (my emphasis).

It could be argued that Gibbon and Ponte are making a similar argument as the present study. However, they present the role of trade agreements and policy regulation as subordinate to that of lead firms. In contra, this thesis sees lead firms as subservient to such agreements and regulations, and actually they are surrogates of a configuration of international regimes on production and trade in apparel, hence regimes are the ultimate chain governors.

I also question Gibbon and Ponte's view on quality conventions. The authors have employed Convention theory, and forcefully argue for the role of conventions in process governance. The evolution of the role of quality standards in shaping access to GVCs, they argue, should be understood in relation to the changing features of consumption in the North. The key characteristics of this consumption sphere are food and/or safety awareness, 'globalisation' of consumer tastes, and social and environmental concerns. These characteristics- as well as the fact that there is market saturation for goods with commodity traits- lead to product proliferation and differentiation, and the increased importance of issues of quality control management, traceability and certification. As quality requirements get more complex- that is, as consumers demand more of these characteristics- one would expect lead firms to coordinate and govern the chain in a more hands-on manner. Conversely, lead firms embed this information about quality in standards, labels and certification, and this enables them to have hands off coordination and governance of the chain. Gibbon and Ponte imply that because of this, quality conventions should be espied as 'external' governors in the chain. However, throughout the authors see lead firms, and not such conventions, as the 'real' governors.

However, I submit that the fact that conventions are sources of parameters should prompt us to analyse in detail this wider terrain of conventions and their relationship with other actors in the chain. Firstly, the development of these conventions is usually not as straightforward as it may seem. Even Gibbon and Ponte concur on this point; they say, for example, that lead firms are the ones that indeed prompt consumers to question their preferences- through advertising, shelf positioning *et cetera*- and in so doing try to steer a 'spontaneous' and gradual process of qualification and requalification of products to their (lead firms) advantage. They then attempt to reshape this institutional framework by making mandatory *de jure* or *de facto* the adoption of standards they already use (or have devised).

Secondly and even more importantly, Gibbon and Ponte acknowledge that quality conventions relate to 'socio-structural trends' and involve more than consumers and lead firms:

... [L]ead firms are by no means in complete control of the governance of consumption. Broad quality conventions relate to fundamental *social-structural trends*, and even modifications in their mix and hierarchy are shaped largely independently of the wishes of lead firms. The latter may occur, for example, via the rise of *new social movements*... or through the institutionalisation of new bodies of expertise concerning good taste, developed for example by *lifestyle journalists and gurus, fashion scouts, property makeover consultants, and celebrity cooks*...lead firms attempt to take advantage of changes in consumption and in governance via the (re)qualification of fashionable products in propriety forms (brands, patented products, and process) rather than trying to govern consumption as such (Gibbon and Ponte, 2005: 194) (my emphasis).

I see, along Bernstein and Campling (2006), a fresh list of actors emerging, actors whose precise vocation is, as Bernstein and Campling note, to justify people's commitment to capitalism, and to render this commitment attractive. We can add that NGOs and the state are important actors missing from the above quotation. But these other actors, or at least some of them, also set chain parameters directly at production site.

Restricting myself to labour standards, I argue that whether by directly setting parameters at production site or by influencing conventions from which lead firms draw and set parameters, these other actors, together with lead firms, represent a control-emergent GVC governance of the international regime on labour standards. The interests of lead firms and those of the regime as a whole may be slightly at variance, but in quintessence they have a shared interest in accumulation. Lead firms taking on board parameters from conventions might be driven simultaneously by their immediate interest in increasing profits at the expense of other actors (suppliers) upstream in the chain (located in poorer countries), by transferring the cost of managing the compliance with the conventions (for example costs of certification), and long term interests of accumulation. But the interest of the regime as a whole is mainly long term accumulation and international social stability.

Palpacuer implicitly confirms that accumulation is the overall interest of the regime. She does not theorise her work as regime analysis, but I argue that the three governance types she presents are merely variations on the role regime governance should serve.

She rightly criticises what she calls ‘market based, shareholder oriented governance in mainstream GCCs’ (Palpacuer, 2008: 406) for the assumption it makes; that maximising an individual firm’s performance could serve to improve conditions for the economy and society as a whole. As a result, it would at least implicitly endorse the argument that ‘no corrective policies should be adopted regarding work conditions at the base of the chain’ (Palpacuer, 2008: 407). Essentially, this is the Taylorist view of labour. Next, under ‘stakeholder governance’, she argues that focusing on shareholder value is not only unfair ethically, but detrimental to firm performance. What she is referring to, in my opinion, is the NMSs, at least partly. Corporate Social Responsibility (CSR) has become important to firms, she argues, and the direction it is taking is still similar to the Asian NMSs: that corporations should realise that the value of their products depends on consumers’ perception of their endorsement of a socially responsible behaviour; but this should be purely voluntary hence retaining its liberal affinity. She implies that both governance types have not led (or are not expected to lead) to ‘humanised’ supply chains. Finally, she says there is the institutional view of GCC governance, associated with the *Régulation* approach’s view of capitalism, among others. This view calls for wealth redistribution in society, primarily through labour laws and collective bargaining to enable a ‘virtuous circle’ of wealth-generation and redistribution of the Fordist model. Although the rise of GVCs and the ‘shareholder value doctrine’ have erased this view and replaced it with unconnected and unequal institutional systems, primarily in the South, another ‘corporate accountability’ movement emerged from at least the 1990s. Its agenda, under Multi-Stakeholder Initiatives (MSIs), resonates to a large extent with Fordist institutional systems akin to those that the *Régulation* approach propagates, and forms a reasonable counter power transnational network. The movement is also complex, for example, a social movement simultaneously campaigning against a lead firm’s working conditions and at the same time cooperating with such a firm in devising the firm’s code of conduct in a MSI. Unlike the first two, this governance has brought (or at least can be expected to bring) some ‘humanisation’ of supply chains.

Let me be more specific regarding what I believe the difference, between Gibbon and Ponte and Gereffi's theorisation on the one hand, and between GVC analysis and my theorisation on the other hand, to be. Gereffi presents a governance dimension (that which I have called 'internal' governance) and an institutional one. The latter encompasses dynamics both within chains (social and organisational dimensions of international trade networks) and outside them (local, national and international conditions and policies that shape the 'globalisation' process at each stage in the chain). While Gibbon and Ponte recognise these two dimensions- 'internal' governance and institutional framework- they restrict the label 'institutional' framework to the dynamics within chains and label dynamics outside the chains as 'external' governance. My argument is that, as far as issue areas are concerned, 'internal' governance and 'institutional' framework within chains are subsumed within 'external' governance/institutional framework outside chains. 'Internal' governance is mainly lead firm control of chains. 'Institutional' framework is the emergent facet of chains as a reflection of regime emergence. 'External' governance is mainly control-emergent regime governance. That is, all 'external' governance is not necessarily regime governance, but the bigger part of it, particularly the international dimension of the two issue areas considered in this study, is. Gibbon and Ponte not only fail to theorise this subsuming, but also fail to theorise these regimes.

Thus taking Gibbon and Ponte's attempt to theorise 'external' governance, and restricting myself to the apparel GVC, trade agreements and public policy regulation fall within the governance of regimes on production and trade in apparel. Similarly, restricting myself to labour standards, lead firms and other actors who directly set parameters at production site or influence conventions from which lead firms draw and set parameters, constitute the international regime on labour standards.

I will now present some of the main GVC analysis' empirical studies on 'external' governance.

2.3.3.1 Market Institutions in Chain Governance and Product Upgrading

Bair and Gereffi (2001) show the role of market institutions in accounting for the emergence of full package firms (upgrading) in the Mexican Torreon cluster. This was as a result of the arrival of new

American buyers in the cluster following the signing of the North American Free Trade Agreement (NAFTA) in the mid 1990s, which resulted in reconfigured governance structures. Following Fligstein (1996), Bair (2005) defines market institutions as institutions that enable actors in markets to organise themselves, to compete and cooperate, and to exchange. These institutions include property rights, governance structures, conceptions of control and rules of exchange (NIE's 'rules of the game'). Bair and Gereffi's (2003) study of the Mexican, US and Caribbean Basin apparel industries had similar findings; that the governance that facilitated upgrading came from governance structures generated not by lead firms but by NAFTA-related dynamics. This thesis would see these NAFTA-related governance structures as the emergent facet of the US-centric international regime on production and trade in apparel. However, even after arguing for the role of these structures and going as far as stating that 'we agree with those who point out that *institutional environments* are a *critical* factor in shaping international networks...' (Bair and Gereffi, 2003: 164) (my emphasis), the general thrust of Bair and Gereffi's work is that it is the lead firms that play central roles in governing and upgrading.

Discussing upgrading in Asia, Gereffi (1999a) shows the role played by the information flow and learning potential associated with the buyer-seller links established by lead firms on the one hand, and the organisational succession among lead firms on the other hand, in factory and enterprise upgrading. On the links, manufacturers in production sharing arrangements with suppliers offer only assembly-relevant information, since that is what is needed by the supplier. However, retailers and marketers offer technological, logistical and market-related information because they need a supplier that can not only manufacture apparel, but also one that has the logistical capabilities to outsource all of the components needed for the finished apparel. Such suppliers may in turn subcontract part of the order to smaller local firms. Therefore, factories and enterprises in NICs upgraded from assembly of imported inputs to OEM and to OBM, through links with retailers and marketers. And concerning the succession: discount chains, such as Kmart, and mass merchandisers, such as JC Penny, were often the first to source production from Asia. However, they moved to lower-wage countries or less experienced factories as departmental stores and/ or speciality stores sourcing for higher quality versions of the same apparel came along. Finally, this process was repeated when higher status buyers came along sourcing for still more expensive apparel. The 'information flow and learning' should be seen as the control, 'internal', lead firm governance. The organisational succession

among lead firms is the emergent facet of chains, as a reflection of the emergent facet of the structural regime on production and trade in apparel. Thus this regime governed the geographical spread parameter and played a key role in upgrading.

However, the spread of the chain was also determined by other dynamics: a ‘combination of domestic supply side constraints (labour shortages, high wages and high land prices) and external pressures (currency revaluation, tariffs and quotas, preferential access to overseas markets and social networks)’ (Gereffi, 1999a: 57). I am arguing that the international aspects of these dynamics constitute regime governance. Currency revaluation relates to international monetary regimes. These are beyond the scope of this study. Tariffs, quotas and ‘preferences’ constitute the regimes on production and trade in apparel, which are discussed in greater detail below. What would fall under market institutions here would be the social networks, which represent chain emergence, as a reflection of the emergent facet of the structural regime on production and trade in apparel. Labour shortages and high wages relate to labour regime emergence/‘hegemonic self-organisation’. Thus these two regimes governed the geographical spread parameter and played a key role in upgrading. In spite of recognising this, Gereffi’s general push is that lead firms were the central actors in governance and upgrading.

2.3.3.2 Policy Regulation in Chain Governance and Product Upgrading

Taking NAFTA as what it was- policy- what facilitated the networks was NAFTA’s ‘yarn forward’ rule (sourcing fabric from within NAFTA countries) (Bair and Gereffi, 2001)⁶. Lead firms reconfigured their networks to take advantage of this new RoO. Buyers shifted their interest from Asian suppliers to take advantage of the ‘preferential’ access of fabric and apparel accorded to Mexico, and this accounted for the initial apparel export boom in Mexico. Therefore, NAFTA’s RoO governed the quantity and the geographical spread parameters. It also led to export expansion upgrading, which led to value upgrading (see also Bair and Gereffi, 2002). Bair and Gereffi (2003) raise an additional issue, in relation to the Caribbean Basin version of NAFTA- the US-CBTPA of 2000 that grants quota and duty free access to the US for apparel made with fabric from the US.

⁶ For examples of the role of policy regulation in the coffee sector see Ponte (2002a), Ponte (2002b) and Talbot (1997).

This version is shown not to encourage the development of the local supply base and hence for Caribbean Basin countries, unlike NAFTA, there was no value upgrading. Bair and Gereffi's research confirmed Kessler's (1999) earlier prediction that NAFTA would be an important intervening variable in North American economic integration in terms of Mexico's ability to effectively penetrate the apparel GVC. However, Kessler's conclusion that, as a consequence, the *Maquiladoras* system as a barrier to industrial upgrading will be eliminated as Mexico farms out *Maquiladoras* kind of industries to other low-wage countries, was disconfirmed. It is only in some clusters such as Torreon that upgrading took place.

In spite of recognising the role of policy regulation, there is an implicit assumption in Bair's, Gereffi's and Kessler's studies that lead firms account for the governance and upgrading of firms. This thesis sees NAFTA's and US-CBTPA's RoOs as the control/instrumental facet of the US-centric international regime on production and trade in apparel. The governance structures that emerged out of this instrumentality made American buyers shift their sourcing from Asia to Mexico.

Taking quotas and 'preferential' access in Gereffi (1999a) as policy instruments, Gereffi states that 'quotas determined *when* the outward shift of production began, while preferential access to overseas markets and social networks determined *where* the firms...went' (Gereffi, 1999a: 57) (emphasis in original). Under the MFA, import restrictions by the United Kingdom (UK) in 1964 triggered Hong Kong manufacturers in the late 1960s to shift production to Singapore, Taiwan and Macao, aided by the cultural and linguistic ties with the Chinese population there. Macao benefited from its proximity to Hong Kong, while Singapore qualified for commonwealth 'preferences' for imports into the UK. Triggered again by the MFA, in the early 1970s, Hong Kong firms went to Malaysia, the Philippines and Mauritius, for similar reasons. They went to Mauritius also because of the EU's 'preferential' access in terms of low tariffs. The last wave was to China in the 1980s and 1990s prompted by the opening of the Chinese economy in 1978. In South Korea, the relocation was still sparked off by the MFA. Initially firms went to Mariana Islands. Later waves were motivated by the domestic constraints of rising wages and worker shortages. Firms went to Guatemala, Honduras, the Dominican Republic, *et cetera* because of this region's proximity to the US market and easy quota access. They also went to SEA and South Asia, in such countries as Indonesia, Sri Lanka and

Bangladesh mainly because of the countries' low wage rates. In Taiwan, the relocation was in the early 1980s, also initiated by the MFA.

In my view, the structural regime on production and trade in apparel, reflected in this case by the MFA, and the EU-based regime on production and trade in apparel, reflected here by commonwealth and the EU 'preferences', were the main control tools that were responsible for the governance of the spread of the chain and quantities exported, and primarily accounted for the achievement and hindering of upgrading outcomes that accompanied. They were, however, accompanied and/ or complemented by chain emergence (cultural and linguistic ties and proximity to the US market) as a reflection of the emergent facet of the structural and the US-based regimes on production and trade in apparel, other aspects of the structural regime emergence (one of the results of the opening of the Chinese economy) and labour regime emergence that takes the form of 'hegemonic self-organisation' (wage dynamics).

In SSA, Gibbon (2003) shows that in Mauritius, EU and US lead agents screen suppliers and their performance according to different principles (Table 2 below). The key point is that behind the

Table 2: US & EU apparel chain governance structures

	US destined	EU destined
Level of externalisation of functions to suppliers	Lower	Higher
Basis of supplier certification	Process + product	Functional+product
Nature of product specification and of QC [Quality Control] system	Detailed, specified unilaterally; QC by customers' out stationed employees	Less detailed, negotiated; QC contracted out to third party
Nature of critical path reporting	Frequent, detailed	Less frequent, less detailed
Procedure for resolving contractual differences	Bureaucratic	Informal
Level of suppliers' capacity typically occupied	30- 100 %	10-15%

Source: Gibbon (2003: 1813)

differentiated governance structures was EU's double transformation RoO. Although not explicitly employing GVC analysis, Baissac (2004) argues that the Mauritian industry benefited from the RoO

because the country entered into the EOI race ahead of the rest in SSA, in the 1970s. This enabled it to develop local textile mills to supply fabric to some of its EPZs, and hence meet the RoO requirement. Without the RoO implementation, the development of the more economic rewarding EU-based governance structure as well as national upgrading, and hence a further development of the structure (for instance a further externalisation of higher value functions), would have been very limited (Gibbon, 2003). And my argument is that this policy is rooted in the EU-based regime. Despite his findings, there is an overall feel in Gibbon's study that chain governance is within the framework of assigning at least its primary component to lead firms.

Gibbon then examines the five leading SSA apparel exporters in 2002, which accounted for 89 percent of total SSA apparel exports to the US in that year (Author's calculations based on US Office of Textiles and Apparels (OTEXA), 2005). He contends that AGOA 'succeeded' (elicited supply response) only in countries where it generated a highly specific apparel GVC that has evolved on a global plane in relation to much of US import trade. The fundamental features of this GVC are: scale, specialisation in long runs of a narrow and basic product range, and specialisation in an equally narrow range of functional activities (see Table 2). In short, the US-based regime governed the spread of the chain, and this generated assembly suppliers who import 100 percent of the fabric.

This is how he elucidates it. South Africa and Mauritius had the largest and most advanced apparel industry in SSA, and were posed by many pundits as the likely prime beneficiaries of AGOA. To the contrary, the absence of this GVC dynamic in the two countries saw their AGOA exports easily overtaken by newcomers Kenya, Madagascar and Lesotho. This is demonstrated by the fact that in 1990-2002, the US's apparel imports from SSA became more dispersed than the EU's, meaning that AGOA legislation dispersed export boom to new export enclaves, where the type of enterprise mentioned above sprung up. For example, in 1991-3 (before AGOA), the two leading SSA exporting countries to the EU (Mauritius and South Africa) accounted for 91.6 percent of all EU imports from the region, and in 1999-2001 (after AGOA) the two leading countries (Mauritius and Madagascar) accounted for 92 percent of such imports- no major change. By contrast, the joint share of the two leading suppliers to the US (Mauritius and Madagascar) in the first period (1991-93-before AGOA) was 90.7 percent, while that of the same countries (who were still leading) in 1999-2001 was 57 percent (dropped further to 52.4 percent in 2002) - a major drop. In order to show

that the US supply base was indeed being dispersed from Mauritius and Madagascar to other countries, it is noted that the redirection of existing trade from the EU to the US was limited. Only in Kenya and Lesotho, and then only for relatively restricted periods (1992–94 for Kenya, 1992–99 for Lesotho), is there evidence of direct substitution of US for EU exports.

An important contribution of this study is the critique of Mattoo *et al* (2003) who were widely quoted by, among others, the World Bank and the International Monetary Fund (IMF). The authors argued that the foremost reason why Least Developed Countries (LDCs) had by then recorded the most impressive gains, as opposed to South Africa and Mauritius, was that AGOA did not exempt the latter from the RoO requirement, which affected close to 90 percent of their exports. Mattoo *et al* do not use a GVC framework but conventional economic (partial) equilibrium model. What is important however is that the authors failed to recognise that SSA non-LDCs lacked the specific enterprise model Gibbon is talking about, which was generated by AGOA, and which accounted for the export boom in LDCs. Gibbon is obliquely saying that even if the RoO was exempted from the two countries, they would not have attracted AGOA-related investment. Why? Because such investment was looking for a non-integrated industry to exploit the RoO exemption, and South African and Mauritian industry was largely locally integrated, hence taking in investment that encourages them to switch to importing the fabric would be downgrading their industries.

The critique is that in spite of recognising this US-based regime governance, Gibbon neither theorises it as regime governance nor assigns it the primary governance role.

2.3.3.3 Labour Standards in Chain Governance and Labour Upgrading

O'Rourke (2003) asserts that lead firms have an upper hand in labour standards setting, but he also notes that NGOs are taking on activities that were previously the sole purview of state and international regulatory bodies. He analyses key regulatory programmes in the US and Europe: the Fair Labour Association (FLA), the Worldwide Responsible Apparel Production certification programme, Social Accountability International (SAI), the UK Ethical Trading Initiative (ETI), the Dutch Fair Wear Foundation, the Workers Right Consortium (WRC), private firm internal

monitoring initiatives and independent investigations and other 'generic' initiatives, such as Global Reporting Initiative and Global Compact. The author unearthed that, while it is hard to determine how much improvement firm-led codes of conduct and monitoring programmes have achieved, they are generally seen as vulnerable to corporate manipulation. Even external monitors and certifiers, such as FLA, were shown to be selected and paid by firms. The WRC is, however, seen to be more 'socialised'. O'Rourke concludes that in spite of such shortcomings, under certain conditions, NGO regulation can influence factory practices.

Hughes' (2005) main interest is to show how corporate culture, financial management and corporate restructuring shapes variations in corporate commitment to ethical trade as an 'external' form of chain governance, and how the variations shape organisational approaches to ethical trade social auditing. She shows that out of the three approaches (arms length auditing through contracting specialist auditors, coordinated auditing which is passing the responsibility of auditing to producers, and developmental auditing which is MSI) it is the developmental approach that in theory 'promises to deliver more improvements in terms of labour conditions, though further research is needed to investigate this claim' (Hughes, 2005: 1159). Even then, it 'is still deeply rooted in a neo-liberal trading context in which retailers and brand manufacturers lead approaches to auditing... and that codes of conduct, modes of auditing and programmes for worker and supplier education still mirror Western models of development...running the risk of producing paternalistic approaches to ethical trade' (Hughes, 2005: 1159).

Hughes (2006) shows how this 'external' governance has introduced new research centres, ethical business texts and ethical consultancies. She argues that this commodification of ethical knowledge, rather than portraying progress, portrays some of the very limits of capitalism's moral turn, since the process itself becomes bound up in profit maximising circuits of capital. In tandem with O'Rourke, she argues that it is mere displacing of politics from the state to the markets -who in turn enlist 'civil society'- rather than its decline. Again, there is no evidence that these latest efforts make any difference to labour conditions in practice, apart from fostering an emotional, committed sense of 'the other' on the part of the recipients of such knowledge.

Locke *et al* (2007) took a case study of Nike and explored whether monitoring compliance with corporate codes of conduct improved working conditions, and stepped up enforcement of labour rights. Their conclusion was that as far as it remained an external pressure (be it from NGOs, the state or unions) improvement of labour conditions was found to be 'limited'⁷.

In agreement with O'Rourke, Barrientos and Smith (2007) show that, while the role of corporations in setting labour standards is still superior, the role of NGOs is rising. While their core interest is the role of labour standards on labour, their study also has implications for how such standards mirror chain governance. This is because they address the tensions between a corporate approach focusing on compliance with technical/ outcome standards⁸ and a 'civil society' one focussing on process/ universal/enabling standards⁹. The tension is still not completely resolved even when the two approaches come together under MSIs, such as the ETI in the UK and the SAI in the US. This is despite the fact that the general consensus among such MSIs is that, as a minimum, corporate codes of practice should include ILO core conventions which focus on process standards.

They found that codes were having an effect only on outcome standards, but little or no effect on process standards. Regarding outcome standards, the clearest positive change was in health and safety provisions and reductions in working hours. Impact on workers income was mixed. There were no instances of wage increase as a result of Collective Bargaining Agreement (CBA), and most instances of wage increase came as a result of national minimum wages implementation, which still did not constitute a living wage. Where suppliers paid into state insurance and pension, this was

⁷ They claimed that when it was combined within firms' NMSs such as those of continuous improvement of quality and efficiency, working conditions seemed to have improved.

⁸ Entitlements and specific conditions of employment, such as health and safety, living wage and working hours.

⁹ Such standards as freedom of association and non-discrimination policy.

accompanied by more poverty for workers in the event of childbirth or illness. Even then, such payment was made only for permanent contract or regular workers, as casual labour contract workers (often women) had least access to legal entitlements and were rarely represented in unions and worker committees. The only thing process standard significantly achieved was that there was no use of child labour. There was least impact on freedom of association and the right to collective bargaining. The authors also highlight an interesting point: the double standards of corporations. The suppliers interviewed argued that it was more difficult to implement process standards because of lead firms' pressures of downward movement in prices, shorter lead times, increasingly stringent demands on product specification (often at the expense of suppliers) and insecurity of orders.

Nadvi uses the case of Nike's termination of sourcing soccer balls from its lead supplier in Pakistan in 2006. One of his central research questions is whether standards make value chain ties more 'close' (hence potential for industrial upgrading) or more arms length. He claims to bring on board the "institutional and political' governance' (Nadvi, 2008: 331). While his finding was that in the area of labour standards it is not clear what ties develop (hence perhaps difficult to predict upgrading outcomes), his work clearly demonstrated the 'external' dimension of chain governance.

Finally, Carr *et al* (2000), Hale and Opondo (2005), Hale and Wills (2005; 2007), Knorringa and Pegler (2006), Nadvi (2004), Ngai (2004), Palpacuer (2000) and Rothenberg-Aalami (2004) have highlighted the 'humanising' of supply chains theorised by Palpacuer. Others are Barrientos and Kritzinger's (2004), Clean Clothes Campaign (CCC) (2005) and Nadvi and Thorburn's (2004).

These empirical studies on labour regime governance have shown five main things. One, in contrast to the underlying implication of governance theory in standard GVC analysis that lead firms are the governors, labour standards are mainly set 'externally' by the regime as a whole, and lead firms are only one of the actors. Two, none cites this explicitly as regime governance. Three, in agreement with the GVC analysis, the studies show lead firms still play a significant role even within the regime; at least in practice. Four, on upgrading, there is no scope of achieving process standards beyond 'humanising' of supply chains. At best labour standards chain governance achieves outcome

standards. And five, none of these studies regards, at least explicitly, impact on labour as part of upgrading the industry.

Putting these studies together with the earlier ones on market institutions and policy regulation, and considering the GVC theoretical review, we are justified in concluding that, as far as issue areas are concerned, lead firms cannot be the primary governors in the chain, even if we restrict ourselves to control mechanisms, and ignore emergence. Now, it is proposed that one of the best ways to understand governance beyond the GVC approach is to turn to Regimes literature. Indeed IDS Asian Drivers Team (2006) states that, since there is, as yet, no widely agreed theoretical framework in economics for analysing GVCs, there exists a need to proceed by *inter alia* approaching the issues in an inter-disciplinary manner.

2.4 INTERNATIONAL REGIMES

2.4.1 Mainstream International Relations View

2.4.1.1 Definition

International Relations theoreticians' views on the significance of international regimes vary. According to Hasenclever *et al* (1997), there are three main schools of thought: realist, neo-liberal and cognitive¹⁰. Using the billiards table illustration, realists focus on power relationships, and assume that states care for both absolute and relative gains. They hold a minimalist view of causal significance to international regimes. Neo-liberals focus on individual interests, and see states as egoistic actors who care only for their absolute gain. Thus, while not completely turning a blind eye to the effects of power differentials, they nevertheless emphasise the role of international regimes in solving Prisoners Dilemma problems. In their view, international regimes are both effective and resilient. Cognitivists focus on knowledge dynamics, communication and identities, and therefore

¹⁰ See Haggard and Simmons (1987) for a slight variation of this classification into structural, game theoretic, functional and cognitive.

accentuate the role of causal as well as normative ideas. The strong version of this asserts that neo-liberals provide only a truncated picture of the sources of regime robustness by failing to recognise the repercussions of institutionalised practices on the identities of international actors. Consequently, their embrace for institutionalism is much broader than realists and neo-liberals. Contrary to most realists and some neo-liberals, this school emphasises that international regimes can be interactive.

Krasner (1982b) clarifies the realist view; that the billiards table is the traditional view, that it assumes only relative state gains and that it has almost no regard for regimes. He shows that the view that assumes both absolute and relative state gains is actually called neo-realism/systemic-centric realism/ structural realism. He contends that the billiards table metaphor of International Relations of the 1960s was replaced with the tectonic plates metaphor in the 1970s by some realists who began appreciating international regimes more. While in both images the outcomes are a function of the distribution of power in the system, the former is concerned solely with political interactions among states, while the latter is concerned with the impact of the distribution of state power on various international environments. In this latter model, Krasner asserts, conflict is not ignored, but the world is not zero sum. Relative power is not the only state objective. Other objectives such as economic wealth could be ends in themselves; hence one plate is the distribution of power among states, the other international regimes. In agreement with Krasner, Gilpin avers that under neo-realism, initially popularised by Waltz (1979 cited in Gilpin, 2001), 'although the state is the primary actor in international affairs, realism should acknowledge the importance of such non-state actors as multinational firms, international institutions, and nongovernmental organisation in the determination of international affairs' (Gilpin, 2001: 17).

Put differently, neo-realists use neo-liberal philosophical model in order to understand the development of structure within international politics. The hidden hand, which is the equivalent of markets in neo-liberal philosophy, is the emergent international structure of the balance of power, and the actors are states not firms and individuals, as is the case with neo-liberalism. The crucial chasm is that neo-liberals emphasis the individual so much; that the national state would rather be transcended so that the individual consumer, firm *et cetera* is able to operate in a seamless international arena- a view structuralism would be wary of.

2.4.1.2 Sources, Autonomy/Resilience and Transformation

According to Krasner (1982a), international regimes stand between basic causal factors and related outcomes and behaviour, acting as a function of five basic causal variables: egoistic self-interest; political power; diffuse norms and principles (that influence a particular international regime in a particular issue area yet such norms and principles are not directly related to the issue area); usage (regular patterns of behaviour based on actual practice) and custom (long standing practice); and knowledge.

The first two causes are the most discussed in International Relations theory, and hence the ones that I will consider. Egoistic self-interest, usually economic, is the most dominant. Young says it takes three forms of calculation. It may be a spontaneous process that in turn gives rise to spontaneous emergence of regimes- ‘... the product of the action of many men but ... not the result of human design’ (Hayek 1973 cited in Young, 1982: 282). Such regimes do not involve conscious coordination among participants, do not require explicit consent on the part of the subjects and are highly resistant to social engineering. However, we need to be careful not to overemphasise this spontaneity. For example, ‘natural’ markets are notoriously presented by neo-classical economists in this manner, and yet they are driven by a conscious coordination aimed at accumulating capital. Emergence of some regimes (mainly commons regimes such as naturally occurring industrial clusters) is mainly spontaneous, but that of the international regimes I am investigating is often weakly emergent.

In contrast to spontaneity, international regimes may spring from a process of negotiation, giving birth to negotiated orders characterised by conscious efforts to agree on the major provisions, explicit consent on the part of individual participants and formal expression of the results. Negotiated orders could be constitutional contracts (where subjects are directly involved) or legislative bargains (subjects do not participate directly but are represented) (Young, 1982). Negotiated orders characterise the international regimes I am dealing with from the North’s perspective.

A third calculation is imposed orders. According to Young, these orders are fostered deliberately by dominant actors/ consortia of actors, do not involve explicit consent and work effectively in the

absence of formal expressions. This can take overt hegemony or *de facto* imposition. This form of calculation is a characteristic of the regimes I am analysing from the perspectives of both the North (hegemony) and the South (hegemony and imposition).

Turning to political power, this could be either cosmopolitan and instrumental or particularistic and potentially consummatory. In the former, associated with neo-classical economics, it is argued that power secures optimal outcomes for the system as a whole, where, according to Adam Smith, it is necessary for the state to provide certain collective goods, such as defence, order, protection of infant industries, minimum welfare, public works, standards for commodities and property rights. In the latter, power is used to maximise the interest of specific actors, usually states, within the system (Krasner, 1982a). The milieu goals associated with cosmopolitan and instrumental power characterise the regimes I am analysing in a major way.

The view of this thesis is that international regimes primarily stem from capitalism's desire to design superstructures to solve international Prisoner's Dilemma problems that threaten capital accumulation. Thus they are either oppressive, or capitalism hijacks them and turns them oppressive. In a sense, Young shoots himself in the foot. Having argued for spontaneity as yielding the best outcomes, he adds that international regimes do not necessarily need to yield equity, for even spontaneous orders involve intense power struggles, as the dominant actors finally co-opt other actors and drive the spontaneity in the direction that best suits them. In a word, international regimes are seldom developed under a veil of ignorance, as he concedes.

Moving on from sources of regimes to their autonomy/resilience, Krasner (1982b) says that there are two ways in which international regimes acquire the latter. Firstly, it may arise out of lags; the relationship between basic causal variables and international regimes become attenuated, giving international regimes a leeway to impact independently on outcomes and related behaviour. For instance, contrary to Hegemonic theory, the decline of the hegemonic economic power since the 1970s did not lead to disorder because post-War international regimes had by then grown great incongruence with the original causal variables and could run the system. Secondly, Krasner continues, international regimes may become interactive, not simply intervening, variables. Once an international regime is in place, it may develop a dynamic of its own that can alter, not only related

behaviour and outcomes, but also basic causal variables. This is as a result of four feedback mechanisms: alteration of actor's calculation of how to maximise their interests, alteration of interests themselves, evolution of international regimes into sources of power to which actors can appeal, and alteration of the power capabilities of different actors.

Krasner shows that once international regimes acquire autonomy, they may experience changes in the latter period. Changes in rules and procedures are changes within international regimes, as long as principles and norms remain unaltered; and changes in principles and norms are changes of the international regime itself. For instance, Krasner argues that the inclusion of the SDT rule for LDCs in the GATT Articles during the Kennedy Round was a change in the rules that brazenly violated the Most Favoured Nation (MFN) norm under the liberal economic international regime. However, he continues, the danger posed to international regime change as a result of possible accumulation in the poorest countries was counterbalanced by the concept of 'graduation' that was forced into the GATT by Americans during the Tokyo Round. The concept requires poor countries to abide by the liberal economic rules after reaching a certain level of accumulation. A change within regimes weakens it, but might or might not lead to its change.

Finally, Young (1982) proposes three sources of international regime transformation. First are its internal contradictions. This might be either as a result of irreconcilable conflicts between its central elements, or where the contradictions, such as those of capitalism as a whole, assume a developmental character and deepen over time. Then there are shifts in the underlying structure of power, such as a major decline in the effective power of the dominant actor(s). Third are exogenous forces either coming from societal development as a whole- for example changes in technology, overall population growth, or changing tastes- or from pressure exerted by changes in another international regime. I hold that the primary source is contradictions within the international regime.

2.4.2 A Dependency View: Overall Theoretical Approach

2.4.2.1 Introduction

Having shown how the concept of regimes has been applied in International Relations theory, I now want to give my application of the concept within Dependency theory, my primary understanding of international relations and IPE throughout this thesis. I have four aims. The first aim is to show the relationship between Regime and Dependency theories. In other words, I aim to make clear the fundamental underpinning of this thesis; that, as far as issue areas are concerned, control-emergent regime governance of GVCs overrides control lead firm governance, primarily serves the accumulation interests of metropolitan capitalism, perpetuates dependency and promotes milieu goals. The second aim is to demarcate myself against mainstream International Relations scholars by highlighting the structural dimension of regimes, and showing the agency dimension in Dependency. This is because, although some mainstream International Relations regime scholars recognise emergence in regime-formation (for example Young, 1982), the general theorisation of the regime concept within this mainstream focuses on agency. And, International Relations theory as a whole has mistakenly seen Dependency as a purely structuralism theory. Thirdly, by advancing the regime-dependency argument, I hope to bring to the fore the dependency aspect that none of the three main schools of thought within International Relations (realist/neo-realist, liberal/neo-liberal and cognitive) can adequately capture. Finally, I aim to contextualise the influence of contemporary forms of Northern state strategic selectivity on regime-formation. This will clarify further the first point regarding the relationship between regimes and Northern-driven global accumulation.

I begin by noting that the structure-agency relationship is one of the key problems in social science, and it arises in a very interesting way with respect to our topic. This is because the relationship is not only a central problem with respect to our specific requirements in constructing a theoretical framework for the current research, but also because it has more general implications for an understanding of the IPE in a wider sense. In the following discussion, I will argue that elements of both structure and agency exist on both sides of the regime-dependency divide. By grasping these relationships, we will be able to map them out, thus enabling us to construct a link between the two. We will begin with Dependency, and then turn to regimes.

2.4.2.2 Agency and Structure in Dependency

I take the general understanding of Dependency theory as defined by Dos Santos (1970: 231): ‘a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected’. I clarify this because it is obvious that the theory has never been homogeneous, and Hoogvelt’s (1982) discussion of the relationship between different tendencies within the Dependency school, clearly indicates this. However, there are key authors who can be considered to define the Dependency trend (or who were its precursors, or who dialogued with it in a constructive way). They include Samir Amin, Andre Gunder Frank, Walter Rodney, and the group clustered around the journal *Monthly Review* (led by Paul Baran and Paul Sweezy), as well as those who shared many common concerns with it, like Arghiri Emmanuel.

Dependency theory is often, for example in the International Relations literature (Hout, 1993), equated with structuralism. This is too simplistic, however. Most fundamentally, Marxism, from which the dependency perspective derives its source, has always been opposed to determinism (Marx, 1947 [1865]); the objective features of the mode of production constitute a basis upon which struggles occur. The struggles are purposive, but not in a merely idealistic sense: they seek to respond to, and develop, in an open-ended way, the possibilities inherent in a particular objective situation. Structure, therefore, does not define the outcome in any determinist sense, but it does provide the starting point for an understanding of the role of agency.

Of course, it is true that 20th century forms of Marxism did sometimes fall into determinism, notably the mainstream Soviet trend. However the key authors mentioned above very much demarcated themselves against the mainstream Soviet orthodoxy. As with Marxism, the Dependency emphasis was very much on objective circumstances as an invitation to struggle.

As an example, we could mention Frank’s (1978) treatment of 18th century India, early 19th century Egypt or mid 19th century Latin America as an arena where social forces could seek to grab some autonomy in relation to the international organisation of production and trade (a mode of

organisation dominated by the systemic core, but a domination which could be challenged). It is true that dependency relationships also explain why such struggles might well be defeated, but there is nothing to say that in a new set of circumstances, such as the world of 'globalisation' which we are addressing in this research, countries could not take advantage of the new set of circumstances offered, and escape in the direction of becoming less dependent. In his original formulation of Dependency, Dos Santos did after all say that the structural relationships create effects upon the periphery, which might be positive ones (Dos Santos, 1970).

In Dos Santos' argument it is true that, the stimulus being external rather than endogenous, the periphery's position might appear somewhat passive. But if we incorporate the role of agency, fundamental to the Marxian origins of Dependency, we can arrive at a situation where the shifting global power balance may open up (and of course slam shut) windows of opportunity. In this context, it is interesting to consider a creative development of dependency thinking on the part of South Korean scholars in a work edited by Kyong-Dong Kim (Kim, 1987). In particular, Young-Ho Kim synthesised Dependency and Modernisation theories in an economic model that showed the 'spreading' and 'backwash' effects of capitalism in the South, and in fact, 'neither of the [effects] is likely to exist alone without the other'. They 'will also co-exist and interact with each other on a short term basis' but eventually 'they will show a clear tilt either towards dependency or development' (Kim, 1987: 182, 199).

According to Biel this is one of the most concrete illustrations of the mix of impacts that the capitalist structure has on the periphery, encompassed in Dos Santos definition of dependence. He argues that the terms should not necessarily be equated with 'good' and 'bad': 'Spreading' means breaking up traditional structures, which can be 'bad', but it can also mean the growth of local capitalism, which...[can be] something 'good'" (Biel, 2000: 202). Behind this spreading-backwash outcomes, Biel shows that there were actually two different imperatives: the political necessity, part of Cold War, of permitting some autonomous capitalism in Asia, and the economic one of subcontracting manufacturing of cheap consumer goods to the region. However, since imperialism is incapable of smoothly bringing the two together, he argues that the hole was sealed by NIC elites taking advantage of the situation and partly driving NIC development in their own direction. But the key issue remains the dialectical relationship between the 'backwash' facet of dependency, which

sucks value into the core, and its 'spreading' facet, which creates development opportunities. This is highly relevant to our research, because as we will see in Chapter Three on evolution of regimes, and concretely in the case of Kenya in Chapter Four and Chapter Five, it may precisely be the regimes which open the windows of opportunity, and make 'spreading' possible (see also Biel, 2006).

This is not to deny the qualitative differences between South Korea and Kenya, quite the contrary. It is precisely the relative autonomy of Asian capitalism in being able to seize advantages offered by the global economy which has enabled them to develop features of something which we might consider a secondary core, notably in our particular case, the textile-apparel industry; and it is precisely this factor which may make it more difficult for Kenya to follow in their footsteps in the direction of autonomy. I address this in Chapter Five. The point however is to see whether the 'spreading' opportunities opened up by the dependency relationship in its very recent form (AGOA) act as an incentive for attempts by the more disadvantaged actors in the international system to negotiate in pursuit of their own interests. This is precisely what our research will reveal to be the case: the Kenyan actors (especially firm managers, bureaucrats, trade association and Cabinet) sense, and can respond with cleverness and alacrity to the parameters of a more complex IPE than that described in the classic Dependency literature of the 1970s, notably one where there is a new Asian sub-core. In effect, they respond to openings in the structure of the IPE, within which agency can operate. Such attempts may be doomed, and indeed our conclusions tend in this direction, but their failure is not pre-determined. It is precisely the actors' understanding of structure which makes such attempts interesting, even heroic. Of course, their understanding of structure is somewhat intuitive, and there would be scope to make it more analytical. This may indeed be one of the normative contributions of this research.

In this regard, the work of the pioneer of the 'scientific' division of labour, Charles Babbage, is central. Micro/meso institutional literature referred to in section 2.2, particularly Clustering literature, is clear that the reason why industrial production is growing in the South is because of the factors around tacit knowledge, networks and the embeddedness of industry in local milieu. A number of those studies refer to the New International Division of Labour (NIDL) thesis (Froebel *et al* (1980) to show that the transplanting of parts of the industrial production to the South is based on cheap labour. Froebel *et al* themselves were drawing from the work of Babbage to illustrate this.

Nearly two centuries ago, Babbage had a theory that you could fragment the production of pins so that you could get women and children to do parts of the work, which would be cheaper than if you used men. Since the criterion upon which these divisions are based is merely ascribed, capitalism discovered that it could be extended to cover nation and race, rather than just age and gender. However, this is still a very one sided interpretation of Babbage's work. This is because his central theme was actually that the changing division of labour results from advances in knowledge, or, rather, development happens through knowledge.

The advantages which are derived from machinery and manufactures seem to arise principally from three sources: *The addition which they make to human power.- The economy they produce of human time.-The conversion of substances apparently common and worthless into valuable products....* there are, however, other sources of its increase, by which the animal force of the individual is itself made to act with far greater than its unassisted power... (Babbage, 1832: 6) (emphasis in original).

Using an experiment on the force necessary to move a stone along various surfaces, Babbage went on:

the force necessary to move a stone along the roughly chiselled floor of its quarry is nearly two-thirds of its weight; to move it along a wooden floor, three fifths; by wood upon wood, five ninths; if the wooden surfaces are soaped, one sixth; if rollers are used on the floor of the quarry, it requires one thirty-second part of the weight; if they roll over wood, one-fortieth; and if they roll between wood, one fiftieth of its weight. At each *increase of knowledge*, as well as on the contrivance of every new tool, human labour becomes abridged (Babbage, 1832: 7-8) (my emphasis).

This is a more qualitative definition of the contribution of the human element, rather than simply muscle power. Thus from the 1980s, IPE changed in the direction where the reason it was looking to the periphery was not just to get cheap labour, but also to co-opt networks, embedding and tacit knowledge. Subcontracting to OEM firms, for example, is based on the extensive knowledge of networks of these firms. Thus, although Clustering literature often refers to these factors, it rarely links them to Babbage. In Chapter Five, the knowledge that will interest us is not technical, but political-economic: the understanding of both the wider IPE of capitalism and the narrow workings of the GVC. Suffice to say that this is also somewhat related to one of the most under-researched

dimensions of the GVC analysis- the knowledge input-output structure. It could be argued that in the case of Kenya and SSA, this dimension is not important because of the low level of industry. My response is that Clustering literature has then failed to state explicitly that in the most peripheral parts of the South, IPE simply pursues cheap labour. However, this dimension might be deemed less relevant if our interest is only technical knowledge, which is not the case here.

Let us now consider regimes.

2.4.2.3 Agency and Structure in Regimes

Here too, I would argue, there are elements of both structure and agency, of intentionality and emergent, self-forming order. The starting point is to recognise a fundamental ambiguity in the usage of the term 'regime', that the two forms the term decomposes into are in fact both centrally relevant to our research and that they are situated in different regions of the structure-agency spectrum.

On the one hand we have regimes whose essential characteristic is precisely that they embody spontaneous emergent order; they 'happen' as a result of complex processes of social interaction, rather than being designed. This captures Young's (1982) spontaneous regimes. Commons regimes are the classic case: they have existed historically, and continue spontaneously to pop up today, in response to challenges of resource management, as shown by Bollier (2003), Dolsak and Ostrom (2003), Ostrom (1990) and Ostrom *et al* (1992). The cement which makes regimes work is typically an informal set of rules and practices; these may in many cases be translated into formal rules too, but the latter often do not capture the regime's soul or essence. An 'institution', in the special way the term is used in the institutional theory applied in this thesis, can well be informal.

On the other hand, we have designed institutions which incorporate a strong degree of agency. This captures Young's (1982) negotiated and imposed regimes, and it is the broad understanding in International Relations theory. At first sight, the latter institutional definition seems overwhelmingly to predominate in the area which is our concern, that of international trade. Nevertheless, a deeper analysis will reveal a more nuanced picture.

To begin with, let us consider whether there is a common area of overlapping meaning shared by the two definitions. I believe that there is. Most obviously, regimes reveal, and indeed, prove the existence and viability of, a non-Hobbesian form of societal order-formation: their rules are observed not (or at least not exclusively) because of sanctions which enforce them, but because they are useful to the participants. Alongside grassroots commons regimes, we find more elite-driven examples, which at the same time can legitimately be said to manage a ‘commons’, in the sense of some good which is of value to the participants. Cases could include those institutions which survived the demise of the League of Nations (Universal Postal Union, Intercontinental Maritime Consultative Organisation).

A reasonable argument can be made that structures such as the GATT/WTO, and those around the issue area of labour, such as the ILO, fall into this category. Take the GATT. Something was needed to regulate trade, and GATT somehow evolved to fulfil this function, and proved quite resilient. Of course, the GATT rules were formal, but still a strong case can be made that there is an informal set of procedures, customs and practices which are at least as important as the formal rules, and could well be argued partly to explain its institutional resilience. I will clearly show this in Chapter Three.

2.4.2.4 Agency and Structure within the Regime-Dependency Debate

By bringing in the case of GATT/WTO, we have immediately suggested an important point bridging our regime argument and the dependency debate. Although the GATT/WTO operates as an internal commons of the core participants, its operation is quite different with respect to the more peripheral countries: in this case, it may well embody, and act as an instrument of, the will of the core to dominate the system. Recall that I stated this in sections 1.2.3.2 and 2.4.1.2. In this context, it is extremely interesting to consider the ‘system of rules’ governing the textile-apparel trade, in its various incarnations (STA, LTA, MFA, ATC and post-ATC). Arguably, this is an act of pure instrumentality on the part of the historic core: rather than permit an International Division of Labour (IDL) to self-engineer along the lines predicted by Ricardo’s liberal theory, instrumental barriers are created to channel the system’s self-ordering in a direction conducive to the historic core’s interests. These incarnations of the international textile-apparel trade could be called a regime mainly

in the colloquial sense of a system of governance, but in the more technical sense employed in Regime theory as applied in this research, they are a regime only inasmuch as they articulate the agreed collective interests of the core countries.

It is important to note that in the Dependency analysis, the default position might well be for even a self-engineering IDL to reproduce the unequal structural relationships which were (owing to colonialism) placed at its point of departure. Nevertheless, there is no reason *prima facie* why the periphery could not unfold a Southern-centred form of agency to counteract this. The latter could be either collective (as in the New International Economic Order movement of the 1970s) or more individualist, as in the case of Kenya presented in Chapter Five.

The Southern producers' struggle to challenge the dependency relationship has elements of agency, but it is not necessarily a pure product of the old style voluntaristic national development tradition. It can be highly decentralised, as in the 'guerrilla capitalism' thesis (Lam and Lee, 1992). At the same time, it is important to note that a Southern drive to autonomy is not limited to a choice between, on the one hand agency in the conventional sense of industrial policy, or on the other, scattered and individualist responses. On the contrary, it can itself enlist forces of self-organising systems with elements of regime-formation.

The clearest case of this would be industrial clusters. Some of the classic examples addressed in early Clustering literature (see Schmitz and Nadvi, 1999), such as Sinos Valley in Brazil or Sialkot in Pakistan, were indisputably emergent phenomena: they happened through self-reinforcing processes without in a significant sense being designed; and there is some identifiable 'commons' (consumers' expectations of reliability of delivery *et cetera*) which had to be managed, typically through reciprocity (see section 2.2). Being both emergent and with a clear fund of mutual benefit and informal rules, clusters are a classic case of regimes in the strictest sense addressed by the Regime theory as applied in this thesis. None of this is to deny that they could be drawn into a subordinate role within GVCs, and indeed in this case, far from being exempt from the dependency relationship, they could indeed be one of its main embodiments. There is no doubt that the IPE has adjusted to incorporate clusters. However, the outcome of the question of whether they counter or reinforce dependency is not pre-ordained.

It is precisely in this context that, in the industrial policies of the last couple of decades, clustering often interacts with more purposive and state-centric uses of agency: it has become commonplace to seek to stimulate cluster-formation through appropriate state incentives, thus supposedly working with spontaneous emergent processes rather than ignoring them (as in old-style modernising approaches). In the overall argument I am making this clear: it is my interpretation of one of the major roles of EU PTA and AGOA. What factors influence the success or failure of such attempts?

It is in this context that we should introduce the final piece of the jigsaw: accumulation regimes. Although this branch of theory developed somewhat separately from the Dependency literature, there are very strong interactions, notably in the works of Wallerstein and Lipietz (see Wallerstein, 1983; Lipietz 1987a). The Dependency literature always reflected an understanding that the notion of long cycles must be part of the model somehow. The notion of accumulation regimes constitutes an interesting response to this problem. Again, the structure-agency relationship is interesting. In the post-War regime the role of agency appears very strong, if we think of the role of Keynes or Bretton Woods, and more generally the centralised role of corporations and even of their subcontracting networks. Nevertheless, there are very important elements of emergence: the relationship between technologies, energy sources, labour relations *et cetera* are too complex entirely to be managed. This is even more the case with the regime of accumulation which issued from the crisis of the 1970s and is currently on its deathbed.

The regime had its roots in the 1960s when TNCs increased their production sites in the South (Simai, 1990). There were cooperative politicians in the South (Lipietz, 1987a: 72), but metropolitan capitalism was also in a fix! If Southern demand was to continue to depend entirely on the wealth generated by exporting raw materials, it would fall as the price for these kept declining. At the same time, capitalism had to keep the prices of raw materials low to facilitate growth in the North (Biel, 2000). In addition to this paradox, the rate of profits in the North had begun to fall under post-1945 Keynesianism (Lipietz, 1987a). This forced capitalists to delay investments, or in the case of companies, to invest for the purpose of building competitiveness rather than expanding the underutilised capacity, resulting in a crisis of over-accumulation and/ or under-consumption

(Amin, 2003). The solution was to export capital as long prophesied by Imperialism theory (see Hobson, 1938; Lenin, 1996 [1916]). In addition, the relocation gelled with the political task of overseeing the transition from colonialism to neo-colonialism because it portrayed capitalism's apparent respect for nationalism in the South. Also, it was an indirect route to export promotion of cheap manufactures from the South (Biel, 2000). Re-technologising and commercialising brands halted the relocation in the ISI form for a while (Biel, 2000), but the 1970s technological revolution made it technically possible to split the production process giving birth to the New IDL (NIDL) (Froebel *et al*, 1980), within which GVCs operate. Thus neo-liberalism established a certain playing field conducive to the emergence of structures like GVCs, but did not design them.

This structure-agency interplay within the post-1970s regime of accumulation helps us to contextualise the influence of contemporary forms of Northern state strategic selectivity on regime-formation. The *Régulation* approach has shown the relevance of the notion, originating from Gramsci and Poulantzas, of the inclusive capitalist state. Access to the capitalist state is not restricted to the bourgeoisie, and repressing the masses is not the only function of the state. Rather, the capitalist state is both an institutional site to be managed, and ultimately 'a given form of [state] regime will be more accessible to some forces than others', and an agent of managing capitalism, or, better put, the generator of diverse strategies, in so far as 'it serves as an institutional base through which diverse societal forces mobilise accumulation strategies and hegemonic projects' (Jessop, 1990: 260 cited in Neil, 2004: 87) (see also Jessop, 1999). 'This means that the state is not equally accessible to all social forces... and is not equally available for all purposes' (Jessop and Sum, 2006: 98). Within this frame, in the post-1970s regime of accumulation, the metropolitan capitalist state generated four forms of strategic selectivity: neo-liberalism, neo-statism, neo-corporatism and neo-communitarianism. Only the general principles and/or norms that embody these forms will be discussed, as given by Jessop and Sum.

The principle and/or norm that embody neo-liberalism is economic intervention by promoting markets (privatisation, liberalisation *et cetera*) even when this conflicts with the creation and/or maintenance of a coherent national Northern industrial core that can provide an enduring base for

international competitiveness. The approach for social intervention is neo-corporatism, and the principle and/or norm embodying it is structural competitiveness as opposed to the Fordist Keynesian concern with full employment. Neo-statism is the principal form of compensation for market failure, and the principle and/or norm that embody it is the promotion of a state guided approach to economic organisation through intervention from outside and above market mechanisms. Among other policies, the state intervenes directly and openly to restructure declining industries. Lastly is neo-communitarianism, which is shrouded in ambiguity, since its principles and/or norms are its promotion as a supporting measure for neo-liberalism as well as an alternative to all forms of capital-friendly economic and social policy.

However, Jessop and Sum's coupling of the correction of market failure and a state guided approach is confusing because there is a contradiction between the two. The former is a mainstream liberal economics of a certain kind, which is regulating markets in the manner of Keynesianism. The latter is similar to the Developmental State strategy followed by Japan to industrialise, where the state replaces the markets' work. In this thesis, neo-statism is used in reference to the Northern state, Keynesian or developmental. The Southern equivalent is Developmental State or enabling state. Kenya is an enabling state, in the sense of facilitating the integration of the country within 'globalisation'. In my research, an enabling state stimulates raw material linkages rather than specifying local content (see section 5.2.4.1). The more typical form of neo-liberalism, such as Douglas North's (1990) NIE, or the 'good governance' form of World Bank state theory that came in the 1990s (World Bank, 1992), affirms an enabling state. A Developmental State, as it applies to NICs, for example, is quite nationalist. It assumes a very strong kind of harnessing of state policy behind national economic interests, something that has been anathema to neo-liberalism. In fact, the market fundamentalism form of neo-liberalism repudiates the state altogether.

These forms enabled, rather than designed, post-1970s regimes; Northern agency, drawing on specific principles and/or norms, generated a state strategic selectivity conducive for structure to emerge. Since the selectivity came from the Northern state, it served Northern accumulation interests, and hence regimes flourishing under it perpetuated dependency.

Similarly, Southern agency might respond to openings within regimes as emergent structures, in search of autonomy. True, we earlier depicted the 'sets of rules' around international trade in apparel as instruments of dependency. This is how it would appear with respect to the South. Nevertheless, they are not the pure emanation of the will of some unitary actor. They are the product of bargaining processes, and crucially these are both domestic and international (Odell, 1993). An example of the former in the textile-apparel industry is given by Heron (2002). Although international bargaining processes do not necessarily result in a regime in the strict sense of true reciprocity, nevertheless we cannot *prima facie* assume that such a process cannot result in regime-formation. Consider Odell's (1993) study. Threats of economic retaliation, issued to Brazil in 1985 by President Reagan if it refused to scrap a programme designed to promote its computer industry, and hence displace US firms, flopped. Why? Brazil hardened its stance when it learnt that US computer firms were divided at best, or even largely opposed to Reagan's coercion. The crux of it is that a few days after the threats, IBM and Burroughs officials, attending a private symposium with Brazilians in Washington, passed word that they had not asked for the threats. Brazilians were also advised of this disunity by former US policy-makers. In short, there is no unified definition of the national interest in the core. Although in a Thatcherite reading one might embrace de-industrialisation and re-deploy in the direction of financial services, many economic actors, including elite ones, would strongly disagree (see Krugman, 1991; Krugman *et al*, 1999).

In addition, neo-liberalism and neo-communitarianism are particularly double-edged. Potentially, they can facilitate Southern accumulation and labour upgrading respectively.

Thus international bargaining processes, conducted in a context where a unified definition of the national interest in the core lacks, and within the context of the principles and/or norms embodying contemporary forms of Northern state strategic selectivity, may arguably provide room for manoeuvre for the South. In the context of this thesis, 'humanising' the GVC in the South is possible. That is to say that, although it would be classic for the social responsibility argument to be co-opted as a disguised protectionism, we cannot foreclose the possibility of its being seized upon by interests in the South to benefit increased embedding of development in the form of the increased development of the human resources of the industrial workforce. Product upgrading is less feasible,

since Kenya and SSA are further limited by a new Asian sub-core. Even then, this limitation is not pre-determined.

2.4.3 The Relevance of a Dependency Framework for the Upgrading Debate

The relevance of a Dependency framework for the upgrading debate can be summarised as follows. On the one hand, firstly, it helps us to see international regimes as institutions that embody, and act as instruments of, the will of the core to dominate the system. Thus, contra to the voluntarism associated with mainstream approaches to industrial upgrading, especially the GVC approach, a Dependency framework shows us that product upgrading in the South, especially in LICs and LDCs, is a Herculean task. This thesis is in agreement with the GVC analysis and related literature, that lead firm upgrading is not entirely incompatible with the demands of the contemporary IPE. However, a Dependency framework reveals that capital has a 'lower grade' for LICs and LDCs. Thus, while lead firms can promote (and of course hinder) upgrading in LICs such as Kenya, this happens within a wider framework of regime governance that perpetuates dependency.

What has changed is that, contrary to the classic Dependency literature of the 1970s, the parameters of contemporary IPE are more complex than those it described. However, far from necessarily facilitating upgrading, this factor may undermine it: in particular, the dependency of the apparel industry of a number of LICs, especially those of SSA, which include Kenya, on a new Asian sub-core, may further limit such LICs in their pursuit of product upgrading.

On the other hand, a Dependency framework helps us to see possibilities inherent in this objective situation, and hence it inspires Southern agency in its struggle to embed industry. As pointed out above, in many of the cases, including that of Kenya considered in this study, such struggles to upgrade *products* will be seen to be unsuccessful. However, even with product upgrading, failure is not predetermined. More inspiring still is that, when we turn to *labour* upgrading, possibilities within the current IPE under neo-communitarian ideology often exist, at least in theory.

2.5 HYPOTHESIS

The central theorisation is that control-emergent regime governance of the GVC dominates over control lead firm governance of the GVC, serves the accumulation interests of metropolitan capitalism, perpetuates dependency and promotes milieu goals. The specific hypothesis is that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine product and labour upgrading in Kenya between 1992 and 2007.

2.6 SUMMARY

In this chapter, we have reviewed theoretical approaches to industrial diffusion, detailed the GVC approach and theorised regime governance. As far as issue areas are concerned, it is clear that lead firms are not the primary governors in the chain. Rather, they are only one of the actors. We have argued that this 'external' governance is mainly regime governance. Taking a Dependency reading of Regimes theory, we contended that elements of both structure and agency exist on both sides of the regime-dependency divide. The resulting control-emergent regime governance overrides, as far as issue areas are concerned, control lead firm governance. It primarily serves the interests of Northern accumulation and perpetuation of dependency. It is also overlaid with the control dimension issuing from contemporary forms of Northern state strategic selectivity. We have identified the relevance of a Dependency framework for the upgrading debate as follows. On the one hand, firstly, it helps us to see international regimes as institutions that embody, and act as instruments of, the will of the core to dominate the system, and hence product upgrading in the South, especially in LICs and LDCs, is a Herculean task. Secondly, it shows us that the parameters of contemporary IPE are more complex than those described in classic Dependency literature of the 1970s. However, far from necessarily facilitating upgrading, this factor may undermine it: in particular, the dependency of the apparel industry of a number of LICs, especially those of SSA, which include Kenya, on a new Asian sub-core, may further limit such LICs in their pursuit of product upgrading. On the other hand, a Dependency framework helps us to see possibilities inherent in this objective situation, and hence it inspires Southern agency in its struggle to embed industry, especially in its struggle to upgrade labour. We then hypothesised that the governance of regimes on production and trade in apparel,

while not a necessary condition, was a sufficient condition to undermine product and labour upgrading in Kenya between 1992 and 2007.

3 BACKGROUND TO REGIMES AND TO KENYAN APPAREL EXPORTISM

3.1 INTRODUCTION

In this chapter, I show how apparel international regimes, and the Kenya apparel industry, have evolved. In part one, first, I will deal with the GATT/WTO regime, the three regimes on production and trade in apparel, and the regime on labour, in that order. While the three regimes on production and trade in apparel are fully nested within the GATT/WTO regime, the regime on labour is only partially nested within it. Second, I will emphasise regime instrumentality within the framework of North-South relations. Third, major trends in global production and trade in apparel in the last 50 years will be directly and indirectly related to these regimes. In part two, I will give the evolution of the Kenyan apparel industry. First, I will show its birth and growth under ISI (1960-85). Second, I will show the birth and growth of apparel exportism under EOI (1986 to date), and the influence of neo-liberalism in the shift. Finally, I will show the existing apparel export industry.

Although this chapter's primary aim is to provide a factual background, it is crucial that we recognise the key theoretical points that surface amongst the factual narrative. In part one, I am stressing that, in international regimes, there are elements of both strong Northern agency and spontaneous order. As in the dependency model, existing power relations create forces which encourage the benefits of emergent order to flow to the historic core. Nevertheless, that mechanism could slip out of control, which is why the ongoing adjustment of institutional structures needs to create a framework which, on the one hand, encourages self-organisation of the trading regime, and, on the other hand, channels that self-organisation in a manner conducive to the North's interests. This goal is partly embodied in the structures of the institutions themselves, notably in the relation between formal and informal rules. In contrast to classic dependency, where the structures of core-periphery relations were premised upon, and acted to reinforce, industrial dominance of the core, the new set of relations

enables overall dominance to be maintained under conditions of a partial de-industrialisation of the core and shifting of manufacturing capacity to the periphery. Alongside the issue of informal rules, we can consider Gramscian hegemony as an additional informal/systemic function which acts to channel spontaneous order in directions conducive to existing power relations. Although this is a major function of the labour regime, the role of ‘regional spheres of accumulation’ is also significantly ‘hegemonic self-organisation’; it was not planned by the historic core, but it embodies their continued dominance under conditions of their own partial de-industrialisation. In a temporal sense, regimes signify the long cycles globally orchestrating the production relations of the capitalist mode of production; in a structural sense they are the institutions embodying those relations.

In part two, I am showing- although somewhat indirectly in most instances- the fact that the relation between regimes and states is a key locus of power relations within regime institutional structures. The history of Kenya’s apparel industry has unfolded against the background of these shifting structures. Nevertheless, as we have seen above, these structures are not foolproof, and there are factors which could be seized upon to promote autonomy. However, these are difficult to mobilise in the Kenyan case, because of, *inter alia*, Kenya’s somewhat reactive rather than proactive approach, the ubiquitous insertion of Asia in value chains, Africa’s marginal bargaining position, and the contradiction between product and labour upgrading and the need to compete in markets.

3.2 APPAREL REGIMES: EVOLUTION AND IMPACT ON GLOBAL APPAREL TRADE

3.2.1 Main International Regimes in the Apparel Industry

3.2.1.1 *The GATT/WTO*

The GATT traces its roots to December 1945 when the US invited 14 countries to negotiate on trade liberalisation. There were two tracks: a broader attempt to set up the International Trade

Organisation (ITO) (alongside the IMF and the World Bank) that included *inter alia* tariffs, employment, subsidies and reconstruction, and a narrower one to reduce tariff levels for manufactures. Concerning the former, four preliminary conferences took place: in London (1946), New York (1947), Geneva (1947) and Havana (1947-8). The US Congress rejected the Havana recommendations for, *inter alia*, their UN-type of one nation-state, one vote democracy, leading to the death of the ITO initiative in December 1950. The narrower track had arrived at the GATT on 30 October 1947 with 23 signatories. Governments were forced to revert to the GATT (O'Brien *et al*, 2000; Peet, 2003). In essence, 'the GATT merely codified aspects of the treaties that the United States had negotiated since 1934' (Barton *et al*, 2006). The Interim Commission for the ITO within the UN coordinated eight rounds of GATT multilateral trade negotiations (Peet, 2003). The first seven rounds (Geneva- 1947, Annecy- 1949, Torquay- 1951, Geneva- 1956, Dillon- 1960-I, Kennedy- 1964-7 and Tokyo- 1975-9) had a limited participation (an average of 25 countries), and excluded agriculture and textile-apparel (Jawara and Kwa, 2003). The last of the rounds (Uruguay- 1986-94) integrated textile-apparel, and also transformed the GATT into the present WTO in 1995 in Marrakech, Morocco (Peet, 2003).

The WTO was established by 124 countries. Its 144 Members by 2002 accounted for over 97 percent of world trade (Das, 1998b; Jawara and Kwa, 2003). It has six Agreements, among them the Multilateral Agreements on Trade in Goods, which has two main components: the general GATT 1994, and twelve other Agreements in the area of goods, including one covering textile-apparel (Das, 1998a; 1998b; Peet, 2003). The Ministerial Conference, which meets at least once every two years, is the main decision-making body (Peet, 2003; Narlikar, 2005). The WTO has a secretariat based in Geneva, and except for about 22, most countries send delegations to their permanent missions in Geneva to enable participation in negotiations. NGOs or interest groups do not have direct access, but can be accredited to access some Ministerial Conferences and meetings. The principle of enforcement, borrowed from the GATT, was strengthened through surveillance by the Secretariat through regular Trade Policy Review Mechanisms (Narlikar, 2005). This is the principle that, on the whole, set apart the WTO as a more legal organisation than the GATT.

In this thesis, regimes are both ‘designed modes of governance’ and non-compulsory and emergent structures. Therefore, it is crucial we see how capitalism has managed the GATT/WTO regime, to the interests of the great powers, within interplay of rules and voluntarism. Under GATT, each member government was in theory equal, but there was no majority voting. Agreement was reached by a consensus dominated by the governments of the strongest economies who set the agenda and drafted documents. The basis of consensus was Article XXV.5: that ‘Except as otherwise provided for in this Agreement, decisions of the CONTRACTING PARTIES will be taken by a majority of votes cast’. Consensus, which became the norm rather than the exception, was reached in the invitations-only Green Room meetings, which would in turn be extended to all contracting members. This process excluded the South (except Brazil and India who were regularly invited) from all decision-making and agenda-setting. Industrial powers therefore excluded products which had potential for accumulation in the South, and imposed that decision on the South (Narlikar, 2005).

This management offered capitalism sufficient flexibility to innovate and adapt to changing circumstances. The first four rounds were concerned primarily with tariffs on goods. Beginning with the Kennedy Round, and more extensively in the Tokyo Round, non-tariff barriers to trade were brought into purview. Most notable, however, was the Uruguay Round which created a more formal judiciary with an Appellate Body, and brought under the GATT’s liberalisation agenda ‘new issues’ (services, Trade-Related Intellectual Property Rights, Trade-Related Investment Measures) (Barton *et al*, 2006). Since these areas were advantageous to the North, it dangled their liberalisation as carrots in exchange for a promise to liberalise those that were supposedly advantageous to the South (agriculture, textile-apparel and industrial goods) (Narlikar, 2005; Westhuizen, 2006).

On the whole, the WTO system is more oppressive to the South than the GATT. WTO’s decision-making is characterised by voting, consensus and informal procedures, all of which were inherited from the GATT. But as stated, the norm is consensus, codified in Article IX.I. It states that there

shall be consensus 'if no Member, present at the meeting when the decision is taken, formally objects to the proposed decision' (Narlikar, 2005). Narlikar argues that first, 22 countries of the South have no delegations at Geneva, and most of those with one can only afford a small one compared to a Northern one, which is normally twice as large. Several parallel meetings means that Southern delegations cannot voice their opposition at each and every decision. In addition, exclusive behind-the-scene meetings still go on. This is in turn based on the preference for informal diplomatic procedures rather than formal ones. And according to Jawara and Kwa (2003), corporations play a major role in lobbying for agreements, both informally and through industry members of government delegations. What is more, they add, coercion of poorer countries has intensified in the WTO; they are arm twisted and threatened by, *inter alia*, aid cuts and loss of 'preferential' trade programmes.

Second, the two main principles inherited from the GATT- non-discrimination and reciprocity-remain oppressive to the parts of the South that compete with central capitalism. Non-discrimination is based on violation of two principles. MFN (extending concessions between two parties to the rest) is violated by the exceptions of regional agreements, 'preferential' agreements and exceptions to a new acceding country. National treatment (all parties extended to reciprocate) is violated by excepting services. Third, the GATT comprised only industrialised countries, and, although most members signed up to all Agreements, it was voluntary. But the WTO was launched as a single undertaking, meaning that Members must be party to all its Agreements. Fourth, the benefits extracted by the North, especially under the 'new issues', far outweigh those that the South can possibly extract.

3.2.1.2 'Voluntary' Restraints/STA/LTA/MFA/ATC/Post-ATC

Under protection in the late 19th century, the US textile-apparel industry began to challenge the then leading British industry. After World War I, the US Tariff Acts of 1922 and 1930 made this protection even higher: in 1930 the average US tariff on cotton and woollen goods was 46 and 60

percent respectively. The Great Depression forced trade in the sector in these two leading countries to slow down, giving Japan some leeway¹¹. The UK used the Imperial Preferences System to manage the Japanese threat, while other affected countries used quotas. On its part, the US, in 1936, forced Japan to ‘voluntarily’ restrain its exports. By the 1950s, these restrictions had been extended to Eastern Europe and a few other countries in the South (Cline, 1987).

US restrictions on Japanese cotton textile-apparel exports were renewed in 1955 and 1957 (Aggarwal, 1985). As a result, the Japanese share of US imports of cotton textile-apparel fell from 63 percent in 1958 to 26 percent in 1960, while that of Hong Kong rose from 14 to 28 percent (Cline, 1987) (see also Keesing and Wolf, 1980). In 1959 India, Pakistan and Hong Kong were also forced by the UK, under the Lancashire Pact, to restrict their exports¹². Other European countries used Articles XII and XXXV of the GATT to impose these restrictions. Even then, flooding of Northern markets by imports was only an excuse; there was no evidence. The primary cause of the protectionism was to build an artificial comparative advantage in the industry. In the US, producers were relocating to the south of the country for cheaper wages, while in other Northern countries the development of synthetic fibres was leading to intra-industry competition and a solution was needed (Aggarwal, 1985).

When Hong Kong was ‘asked’ to restrain itself by the US, it refused, forcing Undersecretary of State Douglas Dillon, under direct instruction from President Kennedy, to push through the GATT for an agreement. The agreement was negotiated between 1959 and 1960 and became the basis of the 1961 STA. The STA was followed by the LTA in 1962 (Aggarwal, 1985) (see also Das, 1998a; 1998b). Also, in 1960, US negotiators pushed for the adoption of the concept of ‘market disruption’, which was defined as instances of sharp import increases associated with low import prices not attributable to dumping or foreign subsidies (Cline, 1987). This concept remained a cornerstone for the STA, LTA, and, later, the MFA. The LTA was monitored by the GATT’s Cotton Textiles Committee

¹¹ Japan became the leading world exporter of cotton textile-apparel in 1933 (Aggarwal, 1985).

¹² Indian, Pakistan and Hong Kong exports into the UK had mainly grown under the Imperial Preferences system.

where GATT allowed the North to conclude bilateral agreements with the South, or impose unilateral restraints if they could not secure them. Much of the North chose the agreements route, with the US concluding 18 of them by 1966 (Aggarwal, 1985; Das, 1998a; 1998b). The LTA was extended for three years in 1967, and for another three years in 1970 (Das, 1998a; UNDP, 2003). The automatic rise of quota for STA and LTA was 5 percent (Cline, 1987).

Manmade fibre and wool-based products had to be restricted too. The US attempted to restrict them in 1969 but this was resisted by Europe. Europe feared restriction of its own exports to the US, instead preferring a unilateral and bilateral approach without deference to the GATT (Aggarwal, 1985). Japan had also refused to 'voluntarily' restrain its manmade and wool exports. President Nixon threatened a unilateral restriction under the 'Trading with the Enemy Act'. Before the day of enforcement, however, Japan agreed to comprehensive restraints. By 1972, the US had further bilateral agreements restricting these products- with Hong Kong, Korea and Taiwan. Diversion of exports to Europe exerted pressure for Europeans to agree to the comprehensive MFA (Cline, 1987).

The MFA came into effect on 1 January 1974. Its automatic rise of quota was 6 percent. In going for the MFA, the US wanted a multilateral approach so as not to dampen the GATT, to share out the import 'burden' with Europe, and to avoid burdening Congress with regular legislation (Cline, 1987). MFA's monitoring mechanism was the GATT's Textiles Surveillance Body, a subsidiary organ of another GATT subsidiary organ, the Textiles Committee. African-Caribbean Pacific (ACP) countries (hence Kenya) did not sign the MFA, although caution is necessary because in theory they were covered: the arrangement was to be 'open for acceptance, by signature or otherwise, by government contracting parties to the GATT, or having provisionally acceded to the GATT and by the European Economic Community' (GATT, 1974: Article 13).

The MFA was extended for four years in December 1977 (MFA II), with the protectionism being tightened further. Europe was now leading the drive. First Europe complained that its imports had surged more because it had dragged its feet behind the US in bilateral restraints (the first European restraint was in 1975- on Hong Kong and Korean exports). However, a greater issue at hand was actually European inter-regional trade associated with rising specialisation in the region during that

time. Over opposition from the South, Europeans replaced the relatively difficult to demonstrate clause of 'market disruption' with one permitting 'jointly agreed reasonable departures' (Cline, 1987; Keesing and Wolf, 1980).

The MFA was renewed for another five years in December 1981 (MFA III). The 'reasonable departures' clause was removed but still another one on 'anti-surge', which provided for restraint in the face of sharp increase of imports of sensitive products with previously underutilised quotas, was inserted. In July 1986 the MFA was extended through July 1991 (MFA IV), and the 'anti-surge' clause retained, among other even more tightening clauses, such as expanded coverage and anti-fraud measures (Cline, 1987). Finally, the MFA was renewed indefinitely in July 1991 (MFA V) pending the outcome of the Uruguay Round (Das, 1998a; UNDP, 2003). The round mandated a transitional ATC to phase it out in four stages between 1995 and 2005 (16 percent in 1995, 17 percent by 1998, 18 percent by 2002 and 49 by 2005). The ATC was monitored by the WTO's General Council through its Goods Council and Textiles Monitoring Body surrogates.

Looking at Table 3 below, contra to this protectionism, apart from Japan, trade among industrial countries, estimated in 1984 at 43 (textile) and 35 percent (apparel), took place unfettered. The estimated MFA restraints of the Japanese and the rest of the South's imports into industrial countries was 3 and 11 percent (world textile trade) and 1.4 and 38.5 percent (world apparel trade) respectively. The remainder of world trade in the sector was restricted through other means. Also, the approximate South's imports were only 30.8 and 12.8 percent of textile and apparel trade respectively (Cline, 1987).

The ATC did not set a clear benchmark for integrating products. This gave Northern importers (apart from Norway) the opportunity to effectively back load the integration process. As a result, while integration targets and quota growth were met, restrictions were not effectively eliminated as scheduled. Back loading was made easier by the lack of specification regarding the choice of the products (from the four groups of tops and yarns, fabrics, made up products and apparel) at

Table 3: Shares of world trade in apparel subject to MFA and other restraints (%)

	<i>Importing Area</i>	<i>Supplying Area</i>	<i>%</i>
I.	Free of restraints		
	Industrial countries	Industrial countries except Japan	35.1
2.	MFA restraints		
	Industrial countries	Japan	1.4
		Developing countries	38.5
		Subtotal	39.9
3.	Bilateral or national restraints		
	Industrial countries	Eastern area	5.0
	Developing countries	All sources	12.8
	Eastern area	All sources	7.2
	Subtotal		25.0
	Subtotal, restrained	(2+3)	64.9
	Total		100.0
	Memorandum: value (US\$ billions)		46.0
<i>Source: Adapted from Cline (1987) Table 6.1</i>			

different stages. Selection of the products for integration was left to the discretion of the restricting countries (Das, 1998b; Hayashi and Bauer, 2004; Nordas, 2004). For example, it is the less sensitive products, such as tire cords, tampons and tents that were liberalised by Canada, the EU and the US during the first stage (Baughman *et al.*, 1997 cited in UNDP, 2003). However, when it came to apparel imports, which is a 'sensitive' item, the EU liberalised a mere 1 per cent of the quotas rather than the targeted 17 per cent, and it was a similar story for the US (UNDP, 2003). Removing what were still high export tax equivalents in 2005 automatically led to an export surge from the world's leading supplier, China. Chinese exports to the US increased by 39 percent in 2005, exports of formerly quota constrained products inching up by 270 percent (Hoekman and Kostecky, 2009).

The North managed this by introducing safeguard measures against Chinese textile-apparel, under China's WTO accession protocol provision that expired on 1 January 2009¹³.

The liberalisation of the sector is also phoney because tariff escalation remains (Blackhorse *et al.*, 1996 cited in Hayashi and Bauer, 2004). Tariffs for the sector's products remain much higher than for most other manufactures; the Uruguay Round only reduced the trade-weighted tariff average in industrial countries from 15 to 12.1 percent (Hoekman and Kostecki, 2009).

My intention is to show the interplay of agency and spontaneous emergence, and hence I want to state that we need not over-emphasise agency as it seems I have done so far. With regard to the MFA/ATC, perhaps what demonstrates this interplay best is that a spontaneous response to the protectionism arose where some Asian countries applied false labelling (to change the apparent country of origin) and/or relocated some production to non-MFA signatories or countries whose quotas were not fully utilised (Dicken, 2003). However, this was short-lived: soon central capitalism was in control of profits in the sector once again through brand identities and re-technologising the industry (Biel, 2000). In Germany, for instance, physical capital per employee increased considerably faster for the apparel industry than for the manufacturing sector as a whole between 1970 and 1984 (Spinanger, 1992). In addition to branding, from 1980s, neo-statist regimes, which we shall consider in the next two sections, arose spontaneously to counter the threat of the efficiency of the Asian industry following its spontaneous expansion. These regimes received a boost from agency, in the form of government policy on outsourcing of the most labour intensive aspects of production, while retaining the higher added tasks. In the US, this 'served to undercut the protectionist coalition that had sustained the MFA up until this point' (Heron, 2006b: 5).

The relocation to non-MFA signatories, the innovation of branding and the emergence of neo-statist regimes were primarily spontaneous responses to remain afloat. These combined with more explicit agency roles given above, and others, such as the fact that some industrialised countries had export

¹³ For example, some Chinese apparel categories were limited by the Memorandum of Understanding (MoU) signed between Washington and Beijing on 8 November 2005 (see Office of the US Trade Representative (USTR), 2005).

interests, in particular the EU countries' export interests to the US for higher value apparel (Croome, 1999), to hasten liberalisation. The North was also explicitly using liberalisation as a sweetener in return for the introduction of services and intellectual property rights in the WTO. Moreover, Francois *et al* (1997 cited in Nordas, 2004) show that by the time of the liberalisation, much of the liberalisation welfare gains had been calculated to be concentrated among importing countries, and in one projection, exporters would experience a welfare loss, since 'the rise in exports is not sufficient to compensate for the loss of quota rents' (Nordas, 2004: 25) (see also World Bank, 2005a). Thus overall, it is because of the interplay of these dynamics, rather than either of them, that international trade in the sector switched from protectionism to relative liberalisation in 2005.

The systemic structure broached here is dovetailed into regional spheres of accumulation- with much tension because of the contradiction inherent. Regional spheres of accumulation stem from a development in 1965 (Kennedy Round) when the GATT formally recognised a GSP under Article XXXVI: 8. However, there was a precursor to the GSP, namely the first negotiations launched under GATT auspices in the early 1940s. Initially, the US forced the British Empire to scrap its Imperial Preferences System granted to its dominions. It was 'agreed' that no additional margins of 'preferences' were to be granted, that the then existing 'preferences' were not to stand in the way of action with regard to US tariff 'preferences', and that reduction in tariffs was automatically to reduce or eliminate margins of 'preference'. These three, in America's lexicon, were by design to confine and eventually eliminate the system (Gardner, 1969). However, the principle was returned, first in the Haberler Report of 1958, the Ministerial Declaration of 1961, the Action Programme of 1963, and the Trade and Development chapter added to the GATT Articles in 1965.

GSPs cover products with a MFN duty below ten percent. However, it contradicted Article I (the MFN principle); hence the Enabling Clause was adopted in 1971, initially for ten years. When the MFA came to be crafted, the preamble had made allowance for GSP (GATT, 1974: Preamble, Paragraph 7). In 1979 (Tokyo Round), the Enabling Clause was amended to run indefinitely. The GSP was pushed by the United Nations Conference on Trade and Development (UNCTAD), and only eleven countries or country groups implemented it.

However, GSPs excluded textiles-apparel products. These were among ‘sensitive’ products policed through closely monitored bilateral PTAs that were more detailed than the GSP- because of the threat of Southern accumulation that they posed. The key point is that, just like GSPs, they were not ‘preferential’ as they seemed. In manufacturing, the North’s intention was to simultaneously stimulate their declining industries by subcontracting only basic assembly (through the restrictive RoO), while maximising on cheap Southern labour by importing cheap products- the so-called production sharing/ outward processing arrangements. I deal first with EU PTA.

3.2.1.3 EU-based Regime: the Case of EUPTA

Building on technical aid programmes towards ACP countries initiated by the Treaty of Rome (1957), Yaoundé I Convention (1963) and Yaoundé II Convention (1969), the EU developed its GSP under Lomé I Convention (1975), renewed as Lomé II Convention (1979), Lomé III Convention (1984) and Lomé IV Convention (1990). The conventions offered ‘preferential’ quotas and duty reduction of ACP apparel imports. While the conventions were generally restrictive, requirements for ‘sensitive’ products (essentially apparel) went ahead to require a double transformation RoO.

A product could be considered to be an export of a beneficiary country only if: a transformation within the country had taken place between tariff headings and there had been a minimum of 60 percent domestic value addition. Rules of origin for clothing were even tighter. A process criterion (two distinct stages of production had to be undertaken in the beneficiary country) was applied, and third country raw material content could not exceed 15 percent of the ex-factory price of an exported good. In other words, in the case of clothing, weaving or spinning had to take place in the country of origin (or in another beneficiary country) for the product in question to command duty-free status (Gibbon and Ponte, 2005: 52).

For Kenyan apparel, for example,

EC Directive 3817/81 dated 23.12.1981 defines “goods originating in a preferential-treatment country” as follows, within the framework of the WTA [World Textile Agreement/MFA]: goods completely produced in the country concerned; goods produced in the country concerned by using materials which had not been

produced locally, however, which had been processed locally to a sufficient extent. With regard to cotton knits in list A of the above mentioned Directive, “sufficient extent” is defined as follows: “Chapter 60 “knits- Manufacture from carded or combed natural fibres... i.e. cotton may be imported in the form of carded sliver or combed sliver; all other process steps, such as spinning, knitting, dyeing and sewing, must have been carried out in Kenya and proof of this must be submitted”. Only if this is the case, cotton knits or finished goods made thereof can be given a Kenyan certificate of origin... (Nacken, 1982: 47-8).

In 2000, the Cotonou Agreement replaced Lomé Convention IV. The agreement set a ‘legal’ basis to initiate fresh negotiations between the EU and non-LDC ACP countries, which were to culminate in the establishment of Economic Partnership Agreements (EPAs) with various groupings of such ACP countries by 1 January 2008. This means that, since the Agreement was a transitory one, SSA continued to trade more or less under Lomé IV rules. In any event, the Agreement was ratified much later, in April 2003, and the EPAs are yet to materialise for most ACP members¹⁴.

3.2.1.4 US-based Regime: the Case of AGOA

The US GSP was instituted in 1976. With regard to SSA, until 2000, 48 countries enjoyed ‘preferential’ access to the US market¹⁵. According to Mwega and Muga (1999), they would pay essentially zero tariffs but were subjected to a battery of conditions; *inter alia*, duty averaging 17 percent of landed value (for apparel products). And according to Mattoo *et al* (2003), their margin of ‘preference’ over other MFN suppliers was a mere five percent. However, European colonial ties with SSA also accounted for the American GSP’s lack of supply response from SSA. Either way, to give a fillip to the response, this GSP was improved by AGOA, effective 1 October 2000. The Act added to the GSP approximately 1 800 duty free product tariff lines, among them those on apparel, to make a total of approximately 7 000 product tariff lines at present. Apparel became the most

¹⁴ The EPA (and the Cotonou Agreement) excludes LDCs who instead can ‘benefit’ from the Everything But Arms (EBA) of 2001 (took effect in 2005). EBA resembles the Lomé conventions, and accommodates nine more beneficiary non-ACP LDCs (Afghanistan, Bangladesh, Bhutan, Cambodia, Lao, Maldives, Myanmar, Nepal and Yemen). For a more comprehensive review of the Cotonou Agreement and EBA see Gibb (2006).

¹⁵ GSPs are regularly reviewed, and the latest US review extends through to 31 December 2009.

important export to the US, partly because of the high duties imposed earlier on (McCormick *et al*, 2006). AGOA was initially to run through to 30 September 2008.

These were the major AGOA rules. There would be no quantitative limitations for articles assembled from fabric wholly formed and cut in the US from yarns wholly formed in the US, and those assembled from fabric wholly formed in the US but cut in a SSA beneficiary country, as long as the yarn is wholly formed in the US and the thread is American. If the yarn is either African or American, but the fabric is formed in SSA, a cap of 1.5 percent of the aggregate Square Meter Equivalent (SME) of all US apparel imports in the preceding year would be imposed. This would be for the first year, which would be subsequently increased in each of the seven succeeding years, to reach 3.5 percent in the last year (2007). LDCs (based on 1998 World Bank measurement and classification of countries with less than US \$ 1 500 Gross National Product *per capita*) were allowed to get fabric- wholly formed or even cut- from wherever in the world through to 30 September 2004, but they were not exempted from the caps. There were also two important special rules. There was the *de minimis* rule; that products with limited non-US/ non-African fibres and yarns will be given duty free status, as long the weight of such fibres and yarns does not exceed seven percent of the total weight of the product. The second rule was the discretion of allowing duty free articles containing non-US/ African findings and trimmings (sewing thread, buttons, zippers, labels *et cetera*), as well as interlinings, as long as they do not exceed 25 percent of the total cost of the components making the article. Finally, folklore/ hand loomed/ handmade articles were also to be allowed duty free, as well as articles cut/ knit-to-shape and sewn from non-US/African fabric or yarn not available in commercial quantities (US Congress, 2000).

A 2002 amendment ('AGOA II') raised the cap of non-third country fabric exports from 1.5 to 2.17 percent for the year beginning 1 October 2002, to rise by equal increments, and by 7 percent in 2007. This was not of benefit to Kenya because all its exports are made from third country fabric. The amendment also lifted quantitative limitations for articles assembled from components which are knit-to-shape (such as sweaters, Tee-shirts and socks) in the US using US yarn or those knit to shape in a SSA beneficiary country, as long as the yarn is wholly formed in the US and the thread is

American. Moreover, it allowed for cutting of fabric/ knitting of yarn to occur in the US and SSA, rather than one or the other, and LDCs' RoO exemption was retained (US Congress, 2002).

'AGOA III' extended AGOA 'preferences' to 2015 and LDCs exemption from adherence to the RoO to 30 September 2007. It also raised the *de minimis* rule from seven to ten percent, and demanded that African beneficiary countries should support WTO liberalisation agenda. Certain machine-made articles were also included under the folklore/hand loomed/handmade category. The other important amendment was the addition of a third special rule allowing duty free imports of articles with the following non-US/ African components: collars and cuffs, drawstrings, padding, waistbands, belts attached to article, straps containing elastic and elbows (US Congress, 2004). 'AGOA IV' extended the LDC exemption to 30 September 2012 and set the limit for commercial quantity availability of denim articles at 30 million SME (M²) (US Congress, 2006).

AGOA came with a battery of eligibility criteria. First, the beneficiary SSA country was not to stand in the way of US foreign and security interests. Second, it was to respect human rights, and cooperate in the fight against terrorism. Third and most important for this thesis, it was to show evidence for, or should have been making continual progress to show evidence for, acceptance of markets, political and judicial 'good' governance, friendliness to US investment, poverty reduction (partly through market mechanisms such as micro-credits), anti-corruption and upgrading labour standards. Regarding the last, it should have shown evidence for, or progress towards

protection of internationally recognised worker rights, including the right of association, the right to organise and bargain collectively, a prohibition on the use of any form of forced or compulsory labour, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (US Congress, 2000: 4).

But what is AGOA? As I will show in Chapter Five, AGOA's basis is partly economic, partly political. Economically, the US is competing with other great powers and AGOA is meant to stimulate the US textile-apparel industry and/ or expand the sphere of influence of US TNCs. Politically, the US is taking from Europe the latter's hegemony in Africa (see Biel, 2003). Biel makes it clear that AGOA is also meant to reconcile the demands of improved governance (some limited

and policed accumulation and/ or poverty reduction) through low-wage employment, creating a self-maintaining system of international level order, which leaves crude military intervention as a last resort. We can add that such stability secures systemic social reproduction of labour. This leads us to the final regime on labour.

3.2.1.5 The Regime on Labour

Within the regime on labour there are two interests for capitalism as a whole: maintaining low-level international social order and protecting Northern industry. The first interest is a broad interest of the system not restricted to regimes, let alone to this one. What I broach here, therefore, focuses more on the second interest- regime evolution as a protective device for metropolitan profitability of industry, including apparel, and for maintaining the balance between class forces in the North. The regime revolves around two forms: a 'public' one revolving around the state, and a more recent 'private' one that excludes the state to some extent.

First the 'public' form. This is the main one, and hence the one I will detail. It revolves around the ILO, which was formed in 1919. True, the ILO was predated by six 'public' developments, namely the 1886 First International's proposal for an international labour policy agenda, the 1890 Berlin Conference on international labour legislation, the 1901 establishment of the International Labour Office, the 1904 First bilateral labour treaty between France and Italy and the 1906 first multilateral treaties on night work by women and use of white phosphorous (Stavis and Boswell, 2008). However, this 'public' face first crystallised in 1919.

ILO decisions are taken at its annual general assembly (International Labour Conference (ILC)), and at its executive council (Governing Body). Each of the national delegations at ILC has two government representatives, one representative for employers and one for workers. All four may vote and may take different positions (O'Brien *et al*, 2000). Thus the ILO brings together governments, capitalists and international union confederations. The latter bring national union confederations together. The largest and most active of these confederations is the International Trade Union

Confederation (ITUC). ITUC, previously existing as the International Free Trade Union (IFTU), split from the World Federation of Trade Unions (WFTU) in 1948. The World Confederation of Labour (WCL), which stresses spiritual and humanistic aspects, is a much smaller union with greater affinity to IFTU/ITUC than to WFTU (O'Brien *et al*, 2000). It is imperative that we understand why this split took place.

Contemporary trade unionism traces its roots back to Robert Owen's formation of the Grand National Moral Union of the Productive and Useful Classes in 1833, and, the consequent official birth of the English working class movement in the same year (Heilbroner, 1969; Taylor, 1982). Unlike modern unions, its goals were not limited to hours and wages or to management prerogatives and other general working conditions. Rather, it was to be an instrument of not only social betterment but also of social change. The collapse of this movement was followed by the Communist League in 1836 which died in 1848. The International Workingmen's Association of 1864 (First International) had modest success before winding up in 1874 (Heilbroner, 1969). Braithwaite and Drahos (2000) argue that the zeal for social change caused internal strife within the International: Marxists wanted to conquer the state, anarchists wanted its destruction. Thus Stevis and Boswell (2008) label 1864-76 as the period of challenging the state and capital.

Braithwaite and Drahos (2000) add that it was after the overthrow of Marxists and anarchists by Fabian Socialism during the Second International (1889-1914), that unions shifted focus from the nationalisation of the means of production to the improvement of wages and working conditions. Stevis and Boswell (2008) label this as the period of reforming the state and capital. They show that this is the time that Northern labour protectionism was born, and also the context in which the contemporary architecture of the global union network came into existence. They show that first came the International Trade Secretariats (ITSs) (called Global Union Federations (GUFs) since 2002), which bring together unions in a particular sector. ITSs were soon followed by umbrella national union federations- national organisations of various sectoral unions. Next, the exclusion of unions from the Second International, led to the formation of the International Secretariat of National Trade Union Centres in 1901, renamed IFTU in 1913, chiefly to marginalise anarchists.

Unlike this union network, the Second International had membership from Latin America and Asia, but like the network, it also marginalised anarchists. IFTU was reconstituted in 1919. Communists were excluded and Christian unionists stayed away, forming WCL. It was IFTU that represented labour interests at ILO formation. The Third International, formed in 1919, formed the International Council of Trade and Industrial Unions in 1920-1 (Stevis and Boswell, 2008). The key point is that the pre-War shift of unionism ideals leaves us with little wonder as to why its co-option in the ILO by capitalism during the Versailles negotiations was not as difficult.

Now, the split occurred at the beginning of what Stevis and Boswell (2008) call the period of fighting along with the state (1945-69). The vehicle for fighting was WFTU, formed in 1945 to replace IFTU, by the merging of the US Congress of Industrial Organisation (CIO) with British and Soviet trade unions, as a grand alliance of labour to mirror the grand alliance of nations against Germany and Japan (Cox, 1977). The disagreement was therefore about sympathy for communism that was coming from Soviet unions- against ILO's interest. Braithwaite and Drahos (2000) are clear that a major concern behind establishing the ILO was that as capital gets internationalised, the race to the bottom might fall into the hands of communism agitators, who might use it to accumulate. Thus the WFTU was left to unions sympathetic to communism, and IFTU became the International Confederation of Free Trade Unions (ICFTU) in 1949. Stevis and Boswell (2008) add that ICFTU remained weak in the 1970s and 80s. They also add that in 2006 ICFTU joined with the second largest union, WCL, and others, to form ITUC, while GUFs formed the Council of Global Unions in 2007.

In addition to the tripartism above- what Cox (1977) calls 'centralised' corporatism- the ILO also works with corporations directly- what Cox (1977) calls 'enterprise' corporatism. This originates from World Company Councils (WCCs) that were set up in the 1970s by ITSs to coordinate unions within the same corporation. Although WCCs were unsuccessful, and were abandoned by the end of 1970s (Stevis and Boswell, 2008), their successors have contributed in managing labour as the ILO prompts them. The Group of Seventy Seven's (G 77) efforts from the early 1970s to gain a UN Code of Conduct for TNCs were effectively vetoed by the US. Instead, in 1976, the

Organisation for Economic Cooperation and Development (OECD) established Guidelines for Multinational Enterprises, and in 1977 the ILO adopted a Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. These initiatives culminated in ILO's 1998 International Labour Conference downsizing the number of standards to four (freedom of association and collective bargaining, forced labour, child labour and discrimination in employment) (Braithwaite and Drahos, 2000). These four become manifest in eight conventions which Kenya has ratified, with the exception of Convention 87 on freedom of association.

But what is ILO? It is primarily the expression of the corporate state, the dominant streak being the internationalisation of American capitalism, an expression that is complemented by enterprise corporatism. I will use Cox's case study of American withdrawal from the ILO in 1975 to demonstrate this. Cox (1977: 394) shows that the reason given for the notice to withdraw- 'fundamental concern' with the 'erosion of tripartite representation'- was a mere ideological statement whose 'real meaning can be seen to be impatience at resistance to the expansion of American capitalism...American labour's foreign policy has stressed American interests first, international labour solidarity second'. However, to understand the ILO more fully, we have to grasp the Gramscian concept of hegemony as summarised by Cox (1977: 387, 415). It is the

unity between material forces and ethico-political ideas- in Marxian terms a unity of structure and superstructure- in which power based on dominance over production is rationalised through an ideology incorporating compromise or consensus between dominant and subordinate groups. In the hegemonic consensus, the dominant groups makes some concessions to satisfy the subordinate groups, but not such as to endanger their domination. The language of consensus is a language of common interest expressed in universalist terms, though the structure of power underlying it is skewed in favour of the dominant groups.

And tripartism is, Cox continues, an ideology based upon a dominant historical tendency, namely the emergence of a corporate form of state in both developed and underdeveloped countries. It was perpetuated as a global hegemonic model by the American Federation of Labour-CIO (AFL-CIO) in concert with US business interests and the Central Intelligence Agency. This was initially through

AFL during World War II and shortly thereafter, but it gained momentum from 1954 (when AFL and CIO merged) under both the Eisenhower and the Kennedy Administrations. The focus in the pre-1954 period was Western Europe, while that of post-1954 was the rest of the world, particularly Latin America where the only way to penetrate and install such corporatism was to execute a number of *coup de tats* in countries such as Guatemala (1954), Brazil (1963-4), British Guiana (1963), Dominican Republic (1965) and to some extent Chile (1973). The US was initially not a member of the ILO, but it took a domineering role when it joined it in 1934 and began internationalising the New Deal. Hence both the ILO and international union confederations, such as ITUC, have sometimes been at odds with AFL-CIO's unilateralism. Nevertheless the unilateralism has often succeeded because hegemony in international organisations works through bureaucratic controls rather than majority voting. The conclusion Cox comes to is that the ILO lacks the capacity to confront the real issue area around labour, as such initiatives have ended up being diverted into programmes consistent with the hegemonic ideology and power relations. Cox (1977: 393-4) also adds that tripartism works because

organised labour- broadly representing the upper half of the work force- shares in the fruits and, through its union leaders, shares in the management of the economy... the lower half of the workforce has no secure status with the hegemonic coalition. In good times, the upper half supports social welfare to provide some solace for the most vulnerable among the lower half while keeping an eye on them. But in time of crisis, these social programmes are pared according to the exigencies of an economy conceived in terms of the interests of the dominant groups.

Cox contends that, in fact, ILO's tripartism is ambiguous. In one sense it can mean institutionalisation of conflict, the recognition of class struggle in the production process which can be regulated and moderated by collective bargaining. In another sense it means production is non-conflictual and workers can be harmoniously integrated with management through public policy, a corporatist interpretation. It is the latter however that has been pre-eminent in post-War capitalism. Cox also argues that in the South, it is state corporatism that predominates against enterprise corporatism, and that within this state corporatism, there are no authentic voices of labour as unions are either manipulated by metropolitan unions or politicians in the South.

O'Brien *et al* (2000) show capitalism's recent failed attempt to increase the effectiveness of policing the regime through the IMF, the World Bank and UN Summits (see also Stevis and Boswell, 2008). The IMF Managing Director Michel Camdessus attempted to lure ICFTU to cooperate in view of SAPs during ICFTU's 16th World Congress. This was later dismissed by delegates. IMF wanted unions to limit government corruption and the misspending of SAP loans, whereas the unions wanted a change of SAPs to stop the race to the bottom. They could not agree. On the part of the World Bank, its privatisation of government services and the non-consultation of unions in the implementation of SAPs has always been in conflict with the unions. Also, there is no department in the Bank that is concerned with labour. However, in 1995 the Bank included labour issues in its World Development Report, and following the Asian crisis, the Bank started to include labour rights and limited social security to those thrown out of work (see also Stevis and Boswell, 2008). O'Brien *et al* (2000) also show labour's influence on the 1995 UN World Social Development Summit in Copenhagen, which resolved to support basic labour rights and ILO conventions. This formed the basis for the attempt to include a social clause in the WTO.

Thus the WTO is currently perhaps the next most formal route of managing the labour regime (the failed ITO had something akin to social clause) (Stevis and Boswell, 2008)). Since the WTO is a more legal entity than the GATT, some have argued that this shift displayed a change from an informal club to a rule-based, legal international organisation. My view is that the shift displaced exercise of power on informal consensus building on actual international trade to exercising it on informal consensus building on rules that would govern such trade (see also O'Brien *et al*, 2000). It is within this context that we need to understand the attempt by the North to bring labour surveillance on board the WTO rules since the 1996 Singapore Ministerial. The social clause was an attempt to commit states to respect seven ILO conventions (87, 98, 29, 105, 100, 111 and 138) around the four ILO core standards (ILO, 2009).

Policing the labour regime through the clause is one of the clearest indications of the contradictions in capitalism that will never be resolved within the system. WTO's primary mandate of liberalising trade is responsible for the race to the bottom in the South. This is advantageous to the North

because it facilitates continuous global and Northern accumulation. It is also advantageous to the South because in theory the region can exploit such cheap labour to accumulate. But it is disadvantageous to Northern labour because it takes jobs to the South. Therefore the North, and hence the WTO, will in general push for liberalisation and exclusion of the social clause. Most Southern countries will also reject the clause. However, the North, or at least sections of it, will at times be seen to support the clause, in association with metropolitan unions. The way I interpret O'Brien *et al* (2000)'s chronicle of the Singapore Ministerial is that the clause could not be adopted, not because of Southern opposition (supported by some Northern states in particular the UK and most Northern businesses), but because overall Northern interests prevailed upon Northern labour demands (with France, Norway, Denmark and US in support). However, in another sense this was an achievement for Northern labour and for the regime on labour as a whole because there was a mention of core labour standards in the final declaration, as well as enshrining cooperation with the ILO. O'Brien *et al* (2000) conclude by saying that this enshrinement provided ground for ICFTU to follow up and keep the issue alive by continually inserting labour issues into the trade policy review mechanism hearings. However, it could not go beyond this enshrinement, partly because the Bush Administration lacked the verve of Clinton, effectively leading to the exclusion of labour issues from the Doha Round, which merely restated the Singapore enshrinement and the ILO cooperation (Barton *et al*, 2006; Stevis and Boswell, 2008).

The intention of this thesis is not to downplay the positive flipside of maintaining minimum standards, but to show how the regime's working partly contributes to the undermining of accumulation in the South. This thesis supports labour upgrading, but not for the reasons given by capitalism. ICFTU, for example, cajoles the South to support the social clause on the grounds that trade sanctions will be applied only to the most obstinate offenders, and after years of reports, consultations and multilateral assistance. It also argues that, since there is no attempt to legislate wage rates, the North will still be subject to cost competition. Also, at its World Congress in 1996, it told the South that the greatest competitive threat to low wages is fellow countries in the South, where the Indian delegate accused China of such low-wage competition. The other reason given was that ILO's monitoring activity needed to be complemented by the WTO's enforcement capability (its dispute settlement mechanism and the threat of sanctions) (O'Brien *et al*, 2000). None of these makes sense:

Southern labour needs to be upgraded, not for these reasons, but because it is the most exploited segment within global capital-labour relations; in Gramscian concept of hegemony, the most subordinate of the subordinated groups.

There is a third 'public' route: PTAs and Free Trade Agreements (FTAs). This has been explained in AGOA's eligibility criteria in the preceding section. The fourth successful 'public' route, which is purely an informal way of running the regime, is that of categorising countries, as explained in sections 2.4.1.2.

The major developments that mark 'private' policing of the regime are as follows. Firstly, within the mainstream, there were three developments. We had a development driven by unions in 1960s and 70s in which we mentioned WCCs. The 1970s witnessed the second development driven by TNCs themselves under what is today called CSR. However TNCs were prompted by the ILO, in 1972, 1977 and 1998. There was OECD's prompting also in 1976, and the G 77's efforts also bore fruits when the parallel Global Compact code was embraced by the UN in 2000. The third development was the adoption of the European Social Charter in 1992 (Stavis and Boswell, 2008). Secondly, there is the more effective 'private' route of the loose social movement around which one finds the work of independent research institutes, NGOs and unions not recognised by governments and international union and organisation structures above.

It is important that we grasp the manner in which capitalism juggles with the issue area at various fronts. Take the kneejerk reaction to revitalise the ILO when the WTO social clause failed. According to O'Brien *et al* (2000), ILO's post-Singapore response was a new declaration and supervisory mechanism through annual reviews of the four core labour standards, as well as their status of ratification. This was pushed by employers' group, opposed by workers' group, given muted support by governments from industrial countries, and not only opposed by most Southern governments (exceptions included India and China) but Asia, including Japan, pushed for a review (and weakening) of existing ILO mechanisms. In this balancing of contradictory interests, those opposing lost, and the ILO adopted a new declaration on core labour standards in its 1998 Conference. There was also a proposal for institutionalising social labelling (see Basu *et al* (2002))

where the ILO could oversee and regulate it. This shoving of the fulcrum of the regime from the ILO to the WTO briefly and quickly back to the ILO is very interesting!

3.2.2 The Unchanging Role of the Periphery within Regime Instrumentality

Let us briefly look at the role of the periphery within regime instrumentality. I will use ‘preferences’ under EU PTA and AGOA to make my point. ‘Preferences’ do little good to recipients and actually bring harm. Brenton and Ikezuki (2006) and Hoekman and Kostecki (2009) agree. I will use Hoekman and Kostecki’s (2009) summary.

Firstly, the RoO may be so strict that it might be cheaper to pay MFN tariffs (the RoO has a 3-5 percent ‘tariff equivalent’). Secondly, products eligible are almost invariably those seen as ‘sensitive’ by the North. Thirdly, there is uncertainty: eligibility and administrative rules can be changed any time by the granting power, or the power can erode the value of these ‘preferences’ any time by undertaking MFN liberalisation or concluding PTAs with countries competing head-to-head with the beneficiaries. Fourthly, ‘preferences’ often come with non-trade conditionality (environmental, labour-related and political), which is a form of reciprocity. Fifthly, a share of the rents is captured by importers (retailers and distributors). Caribbean Basin exporters capture only two thirds and those captured under AGOA are estimated to be lower. Sixthly, they can result in a country not exiting a sector, or not upgrading, because there is no need to do so. Finally, they divert trade and often bring harm to recipients when they are withdrawn.

There has been a recent discourse within the WTO on the issue of replacing ‘preferences’ with aid for trade. The latter focuses directly on the reasons poor countries cannot compete in world markets (Hoekman and Kostecki, 2009). Aid to increase their capacity to trade, it is argued, is the solution. Such aid is targeted at building and/ or upgrading physical infrastructure (roads, airports, power generation *et cetera*), reforming institutions (for example increasing performance of customs), mitigating adjustment costs associated with liberalisation (for example giving fiscal support and policy advice), technical assistance (for example giving advice and expertise on trade matters), and capacity building (for example training government officials) (Nielson, 2006). The idea dates back

to the establishment in 1964 of the International Trade Centre (ITC). The centre was said not to have delivered, and in the 1996 WTO Ministerial a need to fan the idea arose (Hoekman and Kostecki, 2009). This need did not arise out of the blue: the devastating effects of the top-down Washington Consensus, particularly the effects of unbridled liberalisation, were getting out of hand.

Amin's (1974) theory of Accumulation on a World Scale has demonstrated that the chief characteristic of IDL is the laws of unequal specialisation as between the centre and the periphery, which keeps the periphery constantly in the same role, though in changing forms. The constant role is to supply the centre with cheap commodities, initially cheap food, later raw materials and most recently cheap manufactures. The post-War changing forms were through the GSP and other related 'preferences'. However, at a higher level, liberalisation is more beneficial to the North and the system as a whole. However, it also undermines the capacity of the periphery, particularly LICs and LDCs, to deliver on its constant role because it entails scrapping 'preferences' which contradict it. The ingenuity of this is that liberalisation combined with aid for trade can sustain more or less the same capacity that peripheral countries possessed under 'preferences'. But whether capitalism continues to offer 'preferences' or replaces them with aid for trade, none of these can on its own make any fundamental impact on the accumulation interests of the periphery.

3.2.3 Major Trends in Global Trade in Apparel

It is important for me to state two points regarding this section on trends. First, while I will at times refer to the textile-apparel industry, my focus will remain the apparel industry, since this is the interest of my thesis. Second, I am aware that there are two almost distinct 'sub-industries' within the apparel industry. There is the low-wage industry often found in EPZs in the South which focuses on mass production of lower-quality and/or standard apparel. Then there is the dynamic, innovative industry targeting high quality fashion characterised by modern technology, relatively well-paid workers and designers and a high degree of flexibility. The bigger part of the latter is located in the North, often in clusters such as Emilia-Romagna in Italy (Nordas, 2004). This thesis is concerned

with the former ‘sub-industry’, but in this section I will consider both ‘sub-industries’ as one industry.

Table 4: 13 Leading textile-apparel exporters: 1965-97 (shares of world trade and rankings)

	<i>1965</i>	<i>1973</i>	<i>1983</i>
China	2.0 (12)	2.1 (13)	6.3 (5)
Italy	16.8 (1)	11.7 (2)	11.0 (2)
Hong Kong	12.0 (2)	12.4 (1)	11.3 (1)
US	6.8 (6)	2.6 (12)	2.1 (9)
Germany	8.1 (5)	8.2 (4)	6.2 (6)
Turkey	0.0 (47)	0.5 (31)	1.6 (15)
France	9.6 (4)	9.3 (3)	4.2 (7)
UK	5.5 (8)	3.9 (8)	3.2 (8)
India	05 (22)	0.9 (25)	1.6 (13)
Republic of Korea	0.8 (17)	6.7 (5)	9.0 (3)
Taiwan	0.8 (18)	6.4 (6)	7.2 (4)
Belgium/Luxemburg	5.8 (7)	5.1 (7)	1.8 (10)
Japan	11.3 (3)	3.3 (10)	1.6 (14)
Total (sum of shares)	80.1	73.1	67.1
World (billions US\$)	2.53	11.15	41.30
<i>Source: Adapted from Spinanger (1999): Table 2</i>			

Global trade in the apparel industry has grown tremendously in the last 50 years, from US\$ 3 billion in 1965 to US\$ 200 billion in 1998 (Spener *et al*, 2002) and to US\$ 345 billion in 2007 (Morris and Barnes, 2009). In addition, the South’s share of the industry’s manufactures has increased. In the 1960s the North dominated exports. Today the South accounts for three quarters of world apparel exports; for example 60 percent in 2000 (Hayashi and Bauer, 2004). Thus the North still controls a substantial part of the industry. What we want to highlight in this section is the fact that in the post-War era, the apparel industry developed in five phases. Taking the 13 largest textile-apparel exporters in 1997 (Table 4 above), Spinanger (1999) shows the first three of these phases.

The chief characteristic of the first phase (up to 1960s) is that Japan, which had emerged in 1933 to challenge the dominance of Western Europe and the US, begins to be displaced by NICs. It is already overtaken by Hong Kong by 1965. The chief facilitator of this dynamic is Japanese ‘voluntary’ export restraints. The second phase (1970s) is the reign of the NICs, who in 1973 occupied the second, third and fourth largest exporters’ positions, collectively accounting for 27 percent share of world apparel exports. This is facilitated by the MFA. In the third phase (1980s) China begins to emerge and to challenge two of the NICs. In 1983 China accounted for 6 percent of world share against Taiwan’s 7 percent and Korea’s 9 percent. The dynamics are still conditioned by the MFA. The performance of SSA and Kenya are insignificant as far as the table is concerned, but one of the developments during this phase is that the first SSA country (Mauritius), under a combination of MFA and EU PTA dynamics, begins some noticeable participation in the industry.

Table 5 below shows the latter two phases. Phase four (1990s) saw the emergence of India, Turkey, Indonesia, Thailand, Malaysia, Pakistan and Tunisia. Since it is India and Turkey that sustain this dominance up to 2007, their emergences are the most significant mark. In 1990, India accounted for 2 percent of world share, Turkey 3 percent. While the dynamics dictating the emergence of most of these countries remained those relating to the MFA, Turkey’s and Tunisia’s emergence is conditioned by the MFA and accelerated by EU’s outward processing arrangements.

I will highlight two developments that cannot be captured by the table due to their insignificance, yet they are relevant to this thesis. The first is that the spontaneous response to the MFA under which Asia relocated production to cheaper wage sites (see section 3.2.1.2) was responsible for the first main wave of apparel exportism in Kenya. In 1980, there were over 50 EPZs in the world, but only 3 in SSA- in Mauritius, Senegal and Liberia (UNIDO, 1980). Kenya was hit by the first MFA-related EPZ investment wave from India, Pakistan and Sri Lanka in 1993 (GoK, ca. 2000). The other development is that in SSA, only Mauritius, Madagascar and South Africa made use of EU PTA (Mauritius was the most successful). In 1992-3, Mauritius and South Africa were leading, both

accounting for approximately 92 percent of the leading six SSA countries' exports and 89 percent of all 48 SSA exporters in 1992. Mauritius alone accounted for 69 percent and 66 percent respectively. Kenya's three percent share of the leading six SSA suppliers in 1992 progressively fell down over the years to reach below one percent at present (both for the leading six suppliers and for 48 SSA suppliers) (Author's calculation based on UNSD-COMTRADE database). Thus, while post-2005 competition has pared down SSA exports under this regime, the effect on Kenya is irrelevant.

Table 5: World apparel exports by top 10 countries in 2007 (millions US\$)

Country	1980	1990	1995	2000	2005	2006	2007	% Change 1990-2007	% World Total	
									1990	2007
China	1 625	9 669	24 049	36 071	74 163	95 388	115 238	1 092	9	33
Hong Kong	4 976	15 406	21 297	24 214	27 292	28 391	28 765	87	14	8
Italy	4 584	11 839	14 424	13 384	18 655	20 035	22 771	92	11	7
Germany	2 882	7 882	7 530	7 320	12 394	13 910	16 020	103	7	5
Turkey	131	3 331	6 119	6 533	11 833	12 052	14 001	320	3	4
France	2 294	4 671	5 659	5 414	8 500	9 250	10 647	128	4	3
India	673	2 530	4 110	6 179	8 595	9 465	9 655	282	2	3
Belgium	-	-	-	3 941	6 715	7 236	8 338		0	2
Mexico	2	587	2 731	8 631	7 306	6 323	5 150	777	1	2
US	1 263	2 565	6 651	8 629	4 998	4 876	4 297	68	2	1
World	40 590	108 129	158 353	197 498	276 822	309 593	345 301	219	100	100

Source: Morris and Barnes (2009): Table 5

The main characteristic of the current phase (since 2000) is that China takes the lead and Mexico emerges as a dominant exporter. China begins the lead in the 1990s, accounting for 15 percent of world exports in 1995, while its closest rival Hong Kong accounted for 13 percent. By 2007 China accounted for 33 percent of world exports, while its closest rival (still Hong Kong) accounted for 8

percent. Mexico accounted for 2 percent of world exports in 1995, and following the passage of NAFTA in that year, this rose to 4 percent in 2000. Another less significant development is the emergence of Vietnam, Philippines, Bangladesh, Sri Lanka, Poland, Romania, Hungary, the Czech Republic, Morocco, Mauritius and about five Caribbean Basin countries exporting apparel worth at least US\$ 1 billion. An even less significant development, although relevant to this thesis nonetheless, is that five more SSA countries, among them Kenya, start exporting apparel worth a few hundred millions of US dollars. The MFA fuels the emergence of all these, but the process is accelerated by liberalisation (China), EU outward processing arrangements (European countries and Mauritius) and US outward processing arrangements (Mexico, Caribbean Basin and the five SSA countries).

Therefore, the US outward processing arrangements represented by AGOA marked the second investment wave in Kenya; AGOA was more liberal than both the previous US GSP and Lomé conventions. The inclusion of apparel was missing in previous US GSPs, while the complete removal of landed duty, and the RoO exemption were missing from both the previous US GSP and the Lomé conventions. Availability of cheap labour was another attraction. However, the component of duty free access was ineffectual because SSA countries are not the only ones accorded this. For example, out of the six countries with which the US had entered into a FTA with by 2003 - Canada, Chile, Israel, Jordan, Mexico and Singapore- only Chile and Singapore are yet to fully enjoy zero duty 'preference' on products also benefiting SSA under AGOA. The same applies to regional unilateral PTAs similar to AGOA- the Andean Trade Preferences Act covering Bolivia, Colombia, Ecuador and Peru, and the Caribbean Basin Initiative (CBI) including Central American and Caribbean Basin beneficiaries (Corporate Council on Africa, US Department of State, 2003).

In countries where there was apparel assembly going on, AGOA elicited supply response. In 1999, SSA apparel exports to the US stood at US\$ 584 million. At their peak in 2004, this figure had grown by 301 percent to US\$ 1.8 billion. However, the lion's share is taken by six countries. In 2004, for instance, about 90 percent (by value) was taken by these six in the following order of decreasing share: Lesotho, Madagascar, Kenya, Mauritius, Swaziland and South Africa (Author's calculation based on USOTEXA, 2005). The 2005 liberalisation brought in stiff Chinese

competition, but so far the effect is minimal. In 2005, exports declined 21 percent (by value) and 19 percent (by volume) from their 2004 level. In 2006, the further decline was 12 percent (by volume) and 13 percent (by value) from their 2005 levels (Author's calculation based on USOTEXA, 2006). The nominal Chinese effect is explained by its temporary export restraints by the North.

Gibbon (2003) claims that the first wave of AGOA-related investment boom in Kenya came in 2000, originating from the Gulf States, and that the second came in 2001, originating mainly from Sri Lanka and China. This is not entirely true. As I will have occasion to show in section 3.3.3.5, EPZA data shows that the first wave came from Sri Lanka in 2001, while the second was in 2002, and was dominated by Indian capital. Especially because of AGOA's RoO exemption, nearly 100 percent of apparel exports from the country since 2002 go to the US, for example, 99 percent in 2002 (see Gibbon, 2003).

Between 1992 and 1999, Kenya exported an average of US\$ 32 million annually and was ranked third in the years 1992-4, and fourth in the period 1995-9. When AGOA came, from a base of US\$ 39 million in 1999, Kenyan apparel exports to the US had grown by 607 percent by 2004- the peak of this export growth- when the country exported 73 M² valued at US\$ 277 million. This ranked the country second (by volume) and third (by value) SSA apparel exporter to the US with a SSA share of 16 percent (by both volume and value) (Author's calculations based on USOTEXA, 2005; 2006; 2007; 2008). Moreover, the number of firms grew from 6 in 2000 to 35 in 2003. Employment also rose from approximately 10 000 direct jobs in 2000 to nearly 40 000 in 2004 (EPZA, 2005a). Like in SSA, the Kenyan growth has slowed following liberalisation of the sector in 2005. In 2005, the country had an insignificant increase of 0.7 percent (by volume), but a slightly marked drop of 3 percent (by value) from 2004 levels. And in 2006, the drop was 11.4 percent (by volume) and 3 percent (by value) (Author's calculations based on USOTEXA, 2006).

Finally, it is clear that the North has contained the threat of losing the industry to the South. Italy, Germany and France have constantly remained among the world top ten exporters. Similarly, for the

bigger part of this period, the US, the UK and Belgium were in the list. And although the tables do not reveal them, the Netherlands, Portugal and Spain are substantial exporters as well.

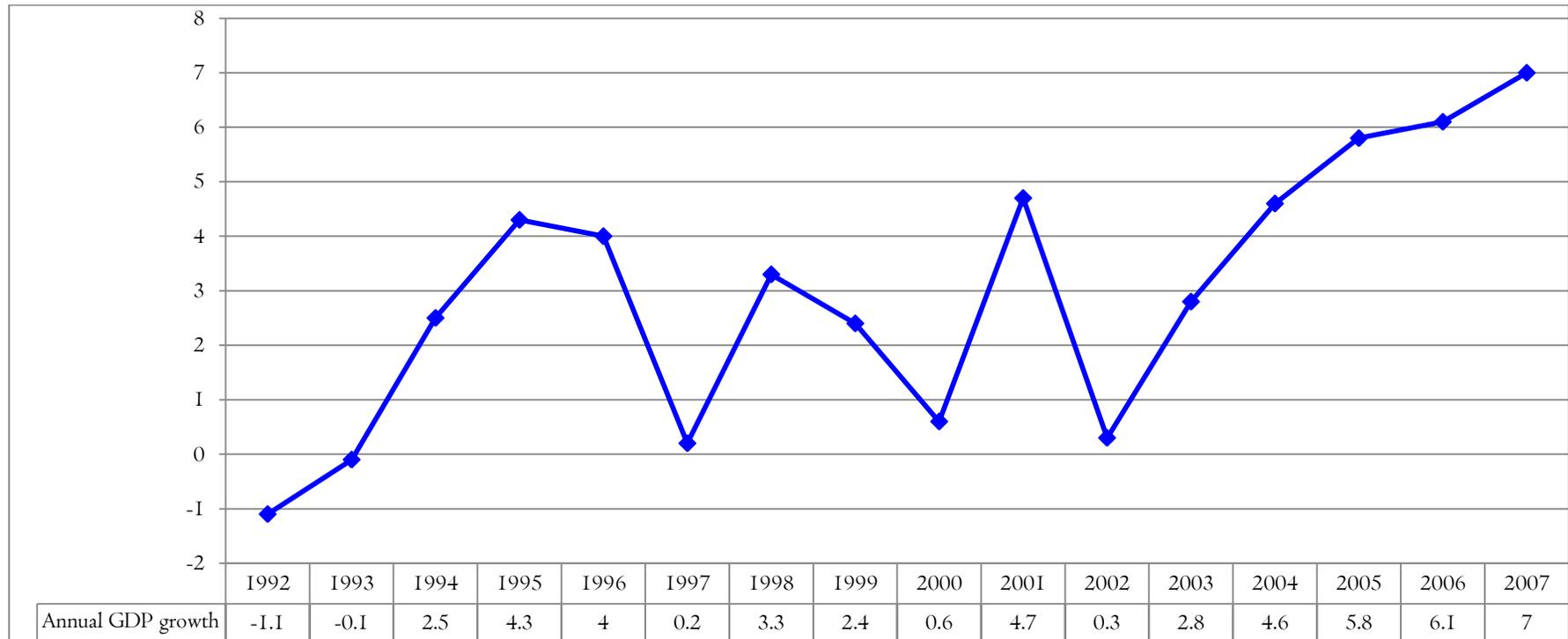
3.3 BACKGROUND TO KENYAN APPAREL EXPORTISM

3.3.I General Political and Economic Background

Kenya lies on the east coast of Africa. In 2007, the country's population was 34.7 million and its Gross Domestic Product (GDP) at current prices in real and purchasing power parity was US\$ 29.3 billion and US\$ 58.9 billion respectively (IMF, 2008). Following the scramble for and partitioning of Africa in 1884, Imperial British East Africa Company took charge of British East Africa in 1888. The company transferred administration to the British Foreign Office in 1895, which, in turn, transferred it to the Colonial Office in 1905, with Nairobi replacing Mombasa as the headquarters in 1907. The country gained 'independence' in 1963 with Jomo Kenyatta as Prime Minister. In 1964, it became a Republic with Kenyatta as the first President (see Coger, 1996).

Kenyatta's reign was a 15 year one party *de facto* dictatorship. Between 1964 and 1973, the country's annual real GDP growth averaged 7 percent. After the oil crisis, between 1974 and 1979, it was 5 percent (GoK, 1997). Kenyatta died in 1978, and Daniel Moi took over and ruled for 24 years, until 2002. Under his reign, real GDP grew annually at an average of 3 percent (see Chart 5 below). The National Rainbow Coalition (NARC) removed Moi's party from power. NARC produced Mwai Kibaki as the third President. Kibaki has received the US and International Financial Institutions' (IFIs) backing despite irregularities with his re-election in 2007 (see McIntire and Gettleman, 2009), apparently for achieving an average of 5 percent annual GDP growth during his first term (Chart 5 below) and increasing Kenya's real GDP from US\$ 13 billion in 2002 to US\$ 29 billion in 2007 (projected to be US\$ 52 billion in 2013), compared to Moi who had raised it from US\$ 11 billion in 1980 to US\$ 13 billion in 2002 (IMF, 2008).

Chart 5: Kenya's annual GDP % growth (constant 1980 prices), 1992-2007



Source: IMF (2008)

3.3.2 Industrial Background with Specific Reference to the Apparel Industry

3.3.2.1 ISI: Colonial Times to 1985

Following the laying down of basic infrastructure, particularly the Kenya-Uganda railway between 1895 and 1903, 'white' settlement commenced with about 1 000 settler farmers in 1915 (Leys, 1975)¹⁶. Their consumption needs were met by import-export houses established in Kenya as early as 1905. Soon the houses were replaced by ISI firms. These were mainly primary processing firms associated with the first phase of ISI, and were first set up in 1922 (beer), 1924 (tea and coffee), 1932 (wattle bark and extract), and 1935 (meat) (Swainson, 1980). Others were set up in 1909 (flour), 1922 (sugar), 1938 (blanket, soap and leather goods), 1948 (canned fruit and vegetables), 1958 (cigarettes, tobacco and matches) and 1960 (apparel) (Ogonda, 1992).

Post-War competition in Britain, especially from rising US TNCs in the late 1950s, drove more British capital into the market of British East Africa (Livingstone 1956 cited in Nyong'o, 1988). Nyong'o laments that this meant expanding internal markets at the expense of colonial administration enforced saving, which is one of the sources of national accumulation. He cites Livingstone's (1956 cited in Nyong'o, 1988: 18) contribution to the East Africa Royal Commission 1953-5 Report, which noted 'a natural conflict between the desire to encourage the African population to save and the desire to encourage new industry'. Livingstone settled for the latter. Lord Hailey was later to endorse this idea; that the British premier interest was to nip in the bud US economic influence in SSA (see Hailey, 1957), not Kenyan accumulation. At any event, the colonists had an extreme low opinion of indigenous Africans' saving propensity, believing that they could only contribute to capital formation through taxation and spending. Livingstone blamed it on

The conservatism of the average African who is more given to sitting in the sun outside a leaky and ill-furnished mud hut, chatting to his wives, smoking Player's cigarettes and quaffing Allsopp's Pale Ale, than to

¹⁶ By the 1930s, settler farmers had taken over more than half of the productive land in Kenya (over eight million acres) from indigenous Africans (Sayer, 1998).

foregoing these latter extravagances and putting his house into a pattern more akin to Western ideas of civilisation. And who is to say he is wrong, apart from the competitors of Mr. Player and Mr. Allsopp? It may sound obvious to say that the African way of life is indefensible and that he should change forthwith to a Western pattern. But it is by no means obvious to the African, who could, if he knew, point to the high incidence of ulcers and thromboses in Nairobi European Hospital, and retire, content, to his hut, his wives, his Players and his Allsopps (Livingstone, 1956 cited in Nyong'o, 1988: 19).

Leys (1975) notes a brief disinvestment between 1955 and 1964 when settlers sold their land to the state, and left. But according to Nyong'o (1988), following 'independence' in 1963, between 1964 and 1975, capital began coming back. This third wave was marked by a diversion of investment from agriculture to manufacturing. Nyong'o attributes this to the Kenyan elite's demonstration to imperialism that they genuinely respected private property. He is referring to the Government's passing of the Foreign Investment Protection Act (GoK, 1964) guaranteeing ISI firms the right to repatriate profits, loans, interests on their loans and the approved proportion of the net proceeds of sale of all or any part of the approved enterprise. As a result, anti-nationalisation was widely reflected in Kenya's first 'post-independent' development masterpiece: *Sessional Paper No. 10* of 1965 (GoK, 1965). The Act, and later the Paper, showed Kenyatta's contradictions as one of the crusaders of African Socialism, a contradiction that whetted the appetite of foreign capital. Even before the Act was passed, Kenyatta never shied from expressing these contradictions (see Kenyatta, 1964).

Narrowing down to the textile-apparel industry from this point onwards, it is noted that the disinvestment Leys is talking about was in the economy generally. As for the textile-apparel sector, investment was actually growing. According to Helmschrott, the first investment in the sector was in 1960, a spinning and weaving mill called Nath Brothers Ltd. Then came United Textile Industries Ltd (UTI) in Thika town (1964), Kenya Rayon Mills Ltd in Mombasa City (1964) and Kisumu Cotton Mills (KICOMI) Ltd in Kisumu City (1965). There were also blanket weaving mills, among them the Nakuru Industries Ltd in Nakuru town, established in 1963 and which was, and remains, the biggest in East Africa. There was also Shah Bhagwanji Kachra (E.A.) Ltd (1965) and Blanket Manufacturers (Kenya) Ltd (1966), both in Mombasa. With the exception of the blanket industry, the textile industry at that time was essentially limited to the manufacture of coarse cotton fabrics and, to some extent, rayon fabrics. Cotton fabrics were mainly bleached and dyed and served as bed linen, curtain materials, table linen, for the making of women's and girls' dresses and in the form of

khaki cloth for jackets and trousers/ shorts for men and boys. Rayon materials were chiefly coloured women fabrics and were used for traditional apparel, such as *Kikoi* (Helmschrott, 1970).

There was minimum link between the textile and apparel subsectors before 1970, and the latter is older than the former.

As yet the textile industry is only loosely associated with the garments industry. It is true that knitwear and hosiery factories are already purchasing a notable proportion of the necessary yarns, particularly rayon yarns, from spinning mills, but the rest of the garment industry (predominantly shirt manufacture) uses foreign materials almost exclusively. This is because the coarse fabrics offered by the East African weaving mills are not suitable for shirt making. Not until early 1967 did some of the weaving mills reluctantly extend their production programme to fine poplin shirting, with the result that, in so far as domestic products can compete with imports as far as quality and price are concerned, the East African garments industry will rely more on domestic fabrics in future...

The tailoring trade and to some extent also the garments industry in East Africa are older than the textile industry. Even today they still procure a large proportion of their materials from abroad. This demonstrates that the tailoring trade and the garment industry by no means owe their existence to the textile industry. They were rather placed at a disadvantage than benefitted by the building up of a domestic textile industry. It has repeatedly been stressed that a large-scale textile industry in East Africa could be established only because the domestic price level for fabrics was raised sharply with the help of high duties and quantitative import restrictions as towards third countries. So the materials purchased by the tailoring trade and the garments industry- regardless of whether they are imported or domestic materials- have become more expensive. From this it follows that the building up of a textile industry in East Africa had no stimulating effects on the tailoring trade and the garment industry (Helmschrott, 1970: 36, 60-1).

O'Connor (1966) corroborates Helmschrott's findings. He argues that by 1964, the small textile mills in Kenya, enjoying a textile-apparel industry import tariff protection of about 33.5 percent and engaged in the production of cloth from imported artificial fibres, sent only a small proportion of the output to be used in about 20 factories in the whole of East Africa to make underwear and shirts. Much of their local production was instead used by innumerable tailors and dressmakers.

1977 was the watershed for the ISI textile-apparel sector: the Government took drastic measures to protect it. Until then, Kenya's industrial protection policy was generally liberal with moderate tariffs

complemented by refunds and remissions of duty on raw materials, and further supplemented by quantitative controls through import licensing, import quotas and allocation of foreign exchange. In the case of the textile-apparel sector, imports, especially of apparel, had been permitted, but had now to be restricted further- especially new ones from SEA as well as second-hand ones from elsewhere- following complaints from local industries. Other raw materials, such as fabrics, were also being dumped in Kenya. Kenya argued that if the North was protecting itself through the MFA, the country could also do the same unilaterally. The idea was bolstered by a prediction that, although in 1976 local fabric production could only meet 40 percent of local demand, projections showed that this would rise to 83 percent by the end of 1977 and 100 percent by 1980. Therefore, Kenya raised the rate of import duty during the 1976/7 Budget from 45 to 60 percent for woven fabrics, from 45 to 55 percent for knitted fabrics, and from 50 to 70 percent for new apparel, while 100 percent duty was levied on imported second-hand apparel (Ministry of Commerce and Industry, 1977).

In addition to these *ad valorem* import duties, in the same year, imports of fabrics costing less than Kenya Shillings (KShs) 15 per metre and apparel costing less than KShs 75 per piece were banned as an anti-dumping strategy. Additionally, a quota allocation of foreign exchange with a ceiling of KShs 20 million was recommended, of which 75 percent was meant for existing importers, while 25 percent was to be reserved for new comers (Ministry of Commerce and Industry, 1977).

This move paid off (Table 6 below). Although by the time the East African Community (EAC) had atrophied in 1977 Kenya's 6 major integrated mills' contribution of fabric to the country's domestic apparel subsector had risen to 60 percent (43 million meters of woven fabric), to meet the 40 percent shortfall, two more mills were set up: Nanyuki Textile Mills equipped with second-hand spinning and new Northrop looms, and Rift Valley Textile Mills Limited (RIVATEX) equipped with new machinery from Europe. Also, African Synthetic Fibre Limited specialising in yarn manufacturing and Sunflag Textile Mills which had spinning, weaving and knitting capacity all under one roof were added. The total number, by around 1980, rose to 14. Four (KICOMI, RIVATEX, Thika Cloth Mills (TCM) and UTI) were major firms and 12 of the 14 had total production capacity of about 14 000 tonnes spun yarn (GoK, 1983). KAM claims that in 1983, Kenya had a total of 52 operational textile mills (presumably integrated and non-integrated) (KAM, 2006).

Table 6: Imports of new & second-hand apparel, 1972-80 (000s KShs)

	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>
Ready-made garments	36 780	49 862	73 341	91 000	117 000	160 000	89 000	52 000	69 000
Second-hand clothing	9 610	10 844	21 389	22 000	41 000	15 000	6 360	2 927	2 320
Total value of imported clothing	46 390	60 706	94 730	113 000	158 000	175 000	95 360	54 927	71 320

Source: GoK (1983:18) (original data from Annual Trade Statistics 1972-1980)

The 14 integrated mills directly employed about 15 000 people, which was about 18 percent of manufacturing employment, and the gross product for 1980 was in excess of KShs 500 million (see Appendix C). In addition, while some such as RIVATEX had modern machinery imported from Germany all with the same date of manufacture, others were equipped with second-hand spinning machinery and old power looms. One of them, UTI's carding and drawing machinery was 48 years old, while its Japanese made looms were 18 years old. KICOMI had five different looms from three different manufacturers with manufacturing dates ranging from 1965 to 1978. TCM had four different types of draw frames by different manufacturers with manufacturing dates ranging from 1950 to 1976. Overall, however, the Government was satisfied that 'the significant economic contribution of the textile sector has been the virtual full realisation of the Government policy on import substitution, as increased local production of a wide range of textile and garment product have reduced importation thus led to savings of scarce foreign exchange' (GoK, 1983: 2).

In addition to the 1977 policy, particular attention was paid to the textile-apparel industry in the fourth Development Plan of 1979-84 (GoK, 1979). This improved production capacity, particularly for polyester and nylon textile mills, which became composite. At its peak in the early 1980s, the textile-apparel industry was the leading manufacturing industry, accounting for 30 percent of manufacturing labour force, and, owing to its composite nature, employing 200 000 farming

households. It was also the fifth largest foreign exchange earner (EPZA, 2005a; KAM, 2006). ISI policies offered effective rates of protection ranging between 72 and 93 percent (EPZA, 2003a).

Let us narrow down further to the apparel subsector. Firstly, concerning the number and substitution level of firms, around 1980, there were about 350 apparel making units across Kenya, excluding tailors (GoK, 1983; Nacken, 1982). Although population had risen from 11 million in 1972 to 16 million in 1980, it was thought that these units could meet local demand for apparel. Therefore, as late as 1983, the Government was insisting on further protection by restricting imports. It argued that, since

Kenya grows the cotton fibre, the textile industry holds out the prospect of accumulating foreign exchange for use in other areas of industrial development, because far more foreign exchange will be saved by the reduction in cloth imports than could be earned through exporting the amount of fibre consumed in textile production, even after allowing for the import cost of textile machinery (GoK, 1983: 1).

It produced the data in Table 6 above as evidence that over the 1972-80 period apparel imports were growing and needed to be curtailed because Kenya could meet its demand.

It is important this point does not bypass us: from producing 40 percent of the fabric needed to integrate the industry locally in 1976, to 60 percent in 1977, to a projection of 83 percent at the end of 1977 and 100 percent in 1980, and now this resolve here to create 100 percent local apparel consumption demand, Kenya was on course to build a classic ISI model in SSA.

Secondly, according to GoK (1983: 11), the estimated annual production capacity of the main units was as follows:

2.5 million dress shirts
750 000 sports and Tee shirts
700 000 trousers
213 000 jeans
50 000 suits (worsted)
3.5 million pieces of men's inner wear

900 000 ladies outwear
 1.5 million pieces of ladies inner wear
 250 000 pieces of children wear
 300 000 dozen socks
 250 000 pieces of sweaters, pull-overs and cardigans

Thirdly, the subsector's sales turnover was substantial. In the early 1980s Germany was the leading apparel importing and exporting country in the world (see appendix D). In 1982, the country commissioned Nacken to study the Kenyan apparel industry with the hope of increasing its investment in Kenya and acquiring cheap imports. He compiled data from 129 apparel companies employing approximately 10 000 people, although only 24 were visited. He worked on approximate figures for the annual sales turnover of the apparel industry in 1979-80 as follows:

Domestic	KShs 914 million
Exports	KShs 14 million
Total	KShs 928 million
Possible turnover with 30-50 % unutilised capacity	KShs 619 million
Possible total turnover under full capacity	KShs 1 547 million ¹⁷

Again, this is a classic case of successful ISI in SSA- 98 percent local consumption!

Fourthly, we have the share of apparel exports in total exports, their nature and their destination. Apparel exports were 0.7 percent of total Kenya exports, and they were for the articles shown in Table 7 below- mainly tariff line 846, the bulk of which was Tee shirts as shown in Table 8 below. Except for Tee shirts, exports were restricted to Africa, mainly to EAC before its collapse. Tee shirts

¹⁷ In 1981, 1 US\$ was equivalent to 7 KShs.

were destined mainly for Europe; over 80 percent went to Germany, which was 42 and 38 percent of total apparel exports in 1979 and in 1980 respectively. From 1980, German buyers stopped orders, citing low quality, components not being guaranteed due to local supply inadequacy and import problems, widths of local fabric being uneconomical leading to high wastage, and high production costs due to poor work organisation, and hence prices 30-50 percent above the European ones (Nacken, 1982).

Table 7: Apparel exports, 1979-80

Article	1980		1979	
	Quantity (000 units)	Value (000 KShs)	Quantity (000 units)	Value (000 KShs)
842: Outer garments, Men	20	1 219	9	743
843: Outer garments, ladies		1 792		1 045
844: Undergarments	145	891	202	1 089
845: Knitted garments	120	1 186	66	739
846: Tee shirts, shirts and others	830	7 131	1 001	8 375
847: Handkerchiefs, shawls, ties, others		1 110		840
848: Others		986		688
Total		14 315		13 519
<i>Source: Nacken (1982: Appendix IV)</i>				

Table 8: Export statistics for Tee shirts, 1979-80

	<i>1979</i>	<i>1980</i>
Total garment exports	KShs 13.5 million (100%)	KShs 14.3 million (100%)
Tariff item 846	KShs 8.4 million (62 %)	KShs 7.1 million (50 %)
Sub item 846.2II (T-shirts & shirts)	KShs 4.7 million (35 %)	KShs 5.4 million (38 %)
846.2II exports to Germany	690 000 pieces KShs 5.7 million	598 000 pieces KShs 5.4 million
846.2II exports to UK	141 000 pieces	60 000 pieces
846.2II exports to 15 Residual countries	11 000 pieces	24 000 pieces
Total export of 846.2II	842 000 pieces	682 000 pieces
<i>Source: Adapted from Nacken (1982: 28-9)</i>		

Fifthly, on the demise of the nascent exportism, Nacken concluded that European investment in Kenya was not feasible for the following reasons: better incentives elsewhere; Kenya had banned import of used machinery; Kenya had a complex custom clearance; longer geographical distance between Kenya and Europe compared to less distant countries, such as Portugal, Morocco, Tunisia and Turkey; European businesses wanted to use existing production capacity; and there was lack of suitable fabric and fashionable trimmings. A close look at this list shows two types of constraints. There were those that related to the failure of Kenya as an enabling state (complex custom clearance and failure to provide good quality and competitively-priced fabrics) and as a Developmental State (banning import of used machinery). Then, there were those that related to the fact that the GVC

spontaneous spread had not yet reached Kenya. These are represented by the 'presence of better incentives elsewhere' and Europeans' lack of interest in expanding production capacity.

According to Nacken (1982), there were limited possibilities for subcontracting. Although no bonded warehouse production could be traced in 1982, such production was permitted for companies intending to export 100 percent of their products. It had to be cleared by the New Projects Committee¹⁸, customs security had to be in the form of bank guarantee, there had to be 30 percent minimum net value added in Kenya, and handling fees were 0.25 percent of the Freight on Board export value. One of the few bonded manufacturers who existed in 1980-1 stopped export production citing administrative difficulties, and started producing for the local market. Another one also closed shop when the German contractor complained of poor quality and uncompetitive prices. The only possibility was for Kenyan industrialists to independently supply Germany and Europe with exports under EU PTA.

However, since the GVC spontaneous spread had not yet reached Kenya, even if the country dealt with the enabling state and Developmental State constraints, exportism would not have been possible. AGOA simply exploited the spread of the chain in Kenya in 1993: it addressed one of the enabling state constraints (lack of fabric), by exempting Kenya from the RoO requirement.

Before we turn to the revival of apparel exportism in 1989, let us finally look at industry-labour relations under ISI. This reveals that labour repression played a key role in sustaining the model. Without confuting the validity of Nyong'o's argument that the return of capital in the 1970s was due to Kenyan elites' demonstration to imperialism that they genuinely respected private property, I believe that a more important reason was the struggle of capitalists in the North to salvage industry

¹⁸ An inter-ministerial committee established in 1968 to bargain with TNCs to secure protection through tariffs/ bans, duty exemptions, Government shareholding, Africanisation *et cetera* (Langdon 1978 cited in Nyong'o, 1988).

because of the stagflation of the time, owing to the un-sustainability of Keynesianism. It would have been foolhardy for capitalism to allow rising wages in the South.

Unionism in Kenya began in the 1930s with Asian construction workers under Markhan Singh. Their first strike was in 1937. Later unions of indigenous Africans sprang up led by Chege Kibachia. In 1950, a general strike of both Asians and indigenous Africans under the East African Trade Union Federation led by Fred Kubai and Markhan Singh took place. This, coupled with the uprising of the main anti-colonial movement, *Mau Mau*, led the Attlee Labour government in Britain to send experts who colluded with part of the union leadership to craft a 'guided unionism' pact (Chege, 1988). In the first pact, African elites were to abandon rebellion in exchange for political responsibility, while the empire benefited by setting up more ISI (Nyong'o, 1988: 15-6).

Tripartite agreements continued in 'post-colonial' Kenya. One was formulated in 1964. Private employers and local governments were to increase workforce by 10 and 15 percent respectively, and unions were to carry a total ban on strikes and freeze demands for higher wages for 12 months. In 1965, the Government published the Trade Disputes Act to reflect these agreements. In 1970/71 another agreement was made. Government and the private sector were to increase labour force by 10 percent, and unions were to extend the same goodwill as in the 1964 pact (Nyong'o, 1988).

The acme was in 1971 when the Government amended the 1965 Act to close in on striking workers. The amendment provided for a more or less permanent freeze on wages, and instituted a complicated and crafty negotiation process that reduced strikes to mere theoretical weapons (Leys, 1975; Nyong'o, 1988). In particular, the 1965 Act prohibited strikes in 'essential services', and unions in such sectors were instead to report the dispute to the Labour Minister, who would settle the matter in 21 days or refer it to the Industrial Court that had been created the same year for the purpose. The trick is that the Industrial Court judge/magistrate sits with four other appointees, two from Central Organisation of Trade Unions (COTU) (a Government controlled umbrella union formed in the same year, see below) and two from the Federation of Kenyan Employers (FKE). The 1971 amendment empowered the minister to appoint the COTU and FKE representatives! There was another tripartite agreement in December 1978 (Chege, 1988).

Total demobilisation of active unionism came in 1966 when the right-wing Kenya Federation of Labour and the leftist Kenya African Workers Congress formed COTU. It was FKE that lobbied Government to form COTU. FKE was originally founded in the 1950s by TNCs led by East African Tobacco Company. The TNC wanted to influence Government in its favour, clamp on workers (Leys, 1975) and create an African comprador bourgeoisie by appointing state functionaries and politicians as directors and board members in subsidiaries of TNCs (Nyong'o, 1988). KAM, which began in 1959 and concerned with the East African Common Market, complemented FKE. In 1963, KAM's concern was focused on exerting pressure on the Government to increase protectionism. The association did not achieve the status of FKE in industrial relations, but by 1969 it had overshadowed the Kenya National Chamber of Commerce and Industry which was left to small scale African businesses engaged mainly in merchant capital (Nyong'o, 1988).

The demobilisation suited Kenyatta who disparaged the participation of masses in active politics and the activism of the unions (Leys, 1975; Nyong'o, 1988). COTU's constitution gave the President powers to appoint top officials (or confirm their election). This put the final seal on the 'bourgeoisification' of union leaders, and went well with international capitalism as the World Bank urged Kenya to keep wages low (Nyong'o, 1988).

Looking back over this pre-1986 background, in a nutshell, from the 1970s to about 1985, Kenya was pursuing a successful ISI strategy. An attempt to foster exportism in the early 1980s through MuB flopped. Finally, we have seen that unions were demobilised by, above all, being forced to join the umbrella state-controlled COTU in 1966.

Apparel exportism began in 1989, following the introduction of SAPs. SAPs followed the dogma of market liberalisation. As a result, apparel ISI collapsed. It was replaced with export promotion, which operates under the GVC model. Kenya would henceforth be exposed to the stringent RoO when acquiring inputs. The whole point is that ISI was based on domestic inputs into the apparel industry, while today's exportism is based on foreign inputs. This undermined the embedding of the industry within Kenya. It also exposed the country to accusations that it is a transshipment point for Asian exports. It took the 2000 RoO relaxation by AGOA for the country to overcome this accusation.

This exportism is our concern from this point onwards, both in this chapter and the rest of this thesis.

3.3.2.2 EOI: 1986 to Date

To start with, it is important to be unequivocal about the nature of EOI strategies in the South. On the one hand, there are countries (Developmental States) which employed export promotion as an instance of industrial policy, that is, on the basis of a sturdy state guidance, the most successful ones being those that followed the ‘flying geese’ model (see Jessop and Sum, 2006). On the other hand, and for the majority of the South, including the case I am analysing in this study, there are open and internally liberalised economies where the factors of production supposedly are meant to seek out their niches purely spontaneously. In theory, both categories of EOI strategies use apparel as an early industry, but in practice it is the former category that has reaped significant fruits. This is the context under which contemporary apparel exportism in Kenya should be understood.

EOI in Kenya was presaged by SAPs. The first World Bank SAP loan for Kenya was prepared in July 1979 and approved in March 1980. Under pressure from the Bank, Kenya interrupted its five year Plan released earlier in March 1979 by preparing *Sessional Paper No. 4* of April 1980 on *Economic Prospects and Policies*. This Paper was the first to explicitly express the limitations of ISI; although there were traces of SAPs in the 1979 Plan (Hecox, 1988). The Bank had urged Kenya to produce intermediate goods for export by making their prices competitive in the international markets. Thus local production costs had to be lowered through currency devaluation (Ogonda, 1992).

In tandem with *Sessional Paper No. 4* of 1980, *Sessional Paper No. 4* of 1982 on *Development Prospects and Policies* explicitly stated, with regard to industrial policy, that ‘...it has become clear that the scope for further import substitution is limited and that future industrial growth must depend more on export markets’ (GoK, 1982: II). Ultimately when SAPs are fully implemented, the Paper went on, import duty concessions and quantitative restrictions were to be eliminated for their

inefficiency. *In lieu*, reasonable and equivalent tariffs were to be initially arranged and then gradually reduced, and incentives for export were to be devised. Some had begun to be implemented already.

The [SA] programme was initiated in... 1980. The initial steps were the removal of bans on imports and no objection certificates, tariff increases on over 200 items to ensure reasonable protection, and the imposition of a 10 percent tariff surcharge.... export compensation was increased from 10 to 20 percent and interest rates were one percentage point. Since that time... [f]irst, a significant revision of price controls was introduced during 1981 as a means of promoting industrial efficiency....Second, two adjustments of the foreign exchange rate amounting to approximately 22 per cent were introduced during 1981....Third, increases in tariffs ranging from 2 to 90 percent were introduced on over 1 400 items in the Budget message of 1981...Finally, a new system of import licensing has been introduced with full effect from November, 1981 (GoK, 1982: 12-13).

In summary, on trade, the Government converted quantitative restrictions to tariff equivalents, raising the average tariff from 40 to 46 percent. However, in 1990, it reduced and rationalised the tariff level so that by 1997/8 the simple average tariff rate had declined to 16.2 percent, while the weighted average tariff had fallen from 25.6 to 12.8 percent. Between 1990 and 1998, tariff bands had been reduced from 15 to 4. Import licensing requirements were also abolished. On foreign exchange, exchange rate restrictions were lifted in 1993 (Ikiara and Odhiambo, 2001).

The liberalisation agenda culminated in the publication of *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth* (GoK, 1986) (the second master plan after *Sessional Paper No. 10 of 1965*), which had been reflected in the *Development Plan (Fifth) for the Period 1984-1988* (GoK, 1984). The Paper introduced a reform package of price decontrol, financial market modernisation, parastatal reform, export promotion and tariff rationalisation.

According to *Sessional Paper No. 1 of 1994 on Recovery and Sustainable Development*, the basic cause of the slowdown in the rate of growth of the industrial sector- which led to the collapse of ISI- was 'clearly' the fact that 'given the small size of the domestic market, it did not take long for the most obvious import substitution possibilities to become saturated' (GoK, 1994; 56). Thus industrial sector liberalisation was formally inaugurated in 1988 through the Industrial Sector Adjustment Programme (Mireri, 2000). By around 1989, MuB firms, most owned by local

industrialists and exporting mainly apparel, had been established¹⁹ (Himbara, 1994). GoK (ca. 2000) shows that there were about 6 apparel firms in 1989, exporting 24 000 dozen of men's and boys' shirts. Himbara argues that a 1 000 percent increase in application fees, and bottlenecks in customs clearance and issuing of export licences, stalled the scheme. In 1990, the World Bank approved a US\$ 30 million credit (80 percent of the required funds) to cover investment in infrastructure for an EPZ and direct assistance to exporters. This was used to fund Phase I of the main EPZ in Kenya, Athi River. The remaining 20 percent was provided by GoK (Mireri, 2000)²⁰. The EPZ programme²¹ was inaugurated in 1990 by the EPZ Act (GoK, 1991) that established EPZA.

EPZ production began in 1993. In that year, there were 35 apparel companies exporting to the US. About 30 were under either the EPZ or MuB. 85 percent of the surged EPZ investment came from India, Pakistan and Sri Lanka because of the quotas placed on these countries under the MFA. This surge exasperated Americans, who in 1994 and under the MFA imposed quotas on Kenyan men and boys shirts, bed sheets and pillow cases (GoK, ca. 2000). Mauritius is the only other SSA country that was affected. The two countries were accused of being used as a transshipment point for Asian exporters (Mwega and Muga, 1999). Apparel exports to the US that had risen steadily from US\$ 2.5 million in 1990 to US\$ 35.2 million in 1994, fell to US\$ 34 million and US\$ 27.1 million in 1995 and 1996 respectively. Thus the spontaneous spread of the chain, as a reaction to the MFA instrumental barriers within the structural regime in apparel, reached Kenya in 1993.

The impact of *Sessional Paper No. 2 of 1996 on Industrial Transformation to the year 2020* (GoK, 1996a), which more or less re-stated the 1986 Paper, was not felt amid these restrictions.

¹⁹ The main objective of MuB is export promotion, the main incentive being removal of import tariffs on equipment and production inputs.

²⁰ The Bank gives only a tepid approach to the EPZ approach. Its official position is overall liberalisation of a country's economy. It sees EPZ more or less as a protectionist policy (Rolfe *et al*, 2004).

²¹ Unlike MuB, firms must be located in designated areas where they enjoy special infrastructure and tax breaks. In the case of Kenya, the tax holiday is 10 years followed by a 25 percent tax rate (Rolfe *et al*, 2004).

As EOI firms were being promoted, stringent restrictions on some imports to control the foreign exchange problem (Ogonda, 1992) meant that ISI firms could not import spare parts, and began crumbling (Ogonda, 1992; Nyong'o, 1988). By 1997, the production index for apparel firms was barely higher than its level before the 1977 protection (EPZA, 2003a). By 2001, the fabric and apparel from these ISI firms accounted for only 45.3 percent of the total 183 M² textile-apparel consumed in the Kenyan market (EPZA, 2002). 17.5 percent was accounted for by imported fabrics, 20.8 percent by imported new apparel and 16.4 percent by imported used apparel (KAM, 2006). The country was left with an estimated six integrated mills (producing yarn, fabrics (knitted and woven), canvas, blankets, sweaters, shawls, uniforms, towels, baby nappies and knitted garments) and two spinners (producing yarn and sewing thread) (KAM, 2006). It took the 2000 RoO relaxation by AGOA for substantial apparel production to resume, this time for US export. Thus the US-based regime governed this new spread of the chain and these increased quantities Kenya could now export.

It is crucial that I state that the switch to EOI was not due to domestic market limitation as conventional economists within Government bureaucracy argued, as seen in the policy documents above. Rather, it was due to the birth of a regime of accumulation that relied on exportism, which I clearly described in section 2.4.2.4. It is instructive that a Kenyan interest in EOI was ignored by central capitalism in the 1970s. As early as 1973, KAM was pushing the Government to usher in EOI 'to take the place of Hong Kong' (KAM 1979 cited in Himbara, 1994: 128). However, Nyong'o (1988) argues that the Government industrial policy advisor in the 1960s, Van Arkadie, had vehemently discounted the export possibility. He had instead encouraged the East African market to be exploited for British Imperial interests, whether that be through production or imports, endorsing the view of Livingstone and Lord Hailey. As a result, Kenya gave up the thought of carrying a feasibility study for an Industrial Free Zone, after toying with the idea between 1972 and 1973 (Ryan, 1974).

On the one hand this overturns the argument of market limitation in Kenya as the basis for EOI. Indeed, the preceding section has not shown any market limitation in the textile-apparel industry. On the other hand, it shows that, partly, this agency role was responsible for delaying Kenya's, and SSA's,

adjustment to the demands of the new regime of accumulation. This is because only a few countries' accumulation can be accommodated in every regime of accumulation. NICs were meant to be the main beneficiaries of the post-1970s regime. SSA still remains a reserve region, and Kenya was invited to exportism too late, and at the convenience of central capitalism. We have seen that elite arms of capitalism imposed EOI in the 1980s, too late for a country to reap any significant benefits from the regime.

This thesis is concerned with apparel exportism, and much of this is concentrated in the EPZs. The rest of this chapter and Chapters Four to Six have this sector and dimension in mind. In this section, I present the existing apparel industry. I will demonstrate the role of EPZ apparel firms and AGOA in national apparel exportism, after which I will demonstrate the role of apparel firms in the EPZ programme, and finally show their role in manufacturing sector and the national economy. However, I will first briefly show the role of the whole textile-apparel industry in the Kenyan economy.

3.3.3 Existing Apparel Industry with Specific Reference to the Export Dimension

3.3.3.1 Textile-Apparel Sector in the Kenyan Economy

Looking at the textile-apparel sector as a whole, it is currently the fourth largest segment of the industrial sector. It contributed 11 percent to the number of manufacturing enterprises in 2004 and, excluding EPZs, had a production turnover of KShs 6.1 billion (approximately US\$ 88.4 million, November 2007 exchange rates) per annum between 2002 and 2004. Out of this turnover, manufacture of apparel accounted for approximately 27 percent. The sector (including EPZs) comprises 255 formally registered enterprises. This figure excludes the estimated at least 1 000 informal establishments, usually of approximately ten employees, which manufacture only apparel. Despite having lost its composite nature that reached its peak in the 1980s, the textile-apparel sector as a whole (including EPZs) is now the second biggest formal employer in the manufacturing sector

(after food and beverages) at 42 646 employees in 2003, which was 18 percent of formal manufacturing employment (KAM, 2006)²².

All we need to bear in mind are the following points. First, production in all the large enterprises in the EPZs relies on foreign fabric, and almost all is for export. Second, production in Small and Medium Enterprises (SME) is for either domestic consumption (non-bonded ones) or domestic consumption, export or both (bonded ones). Third, production in informal establishments is for local consumption.

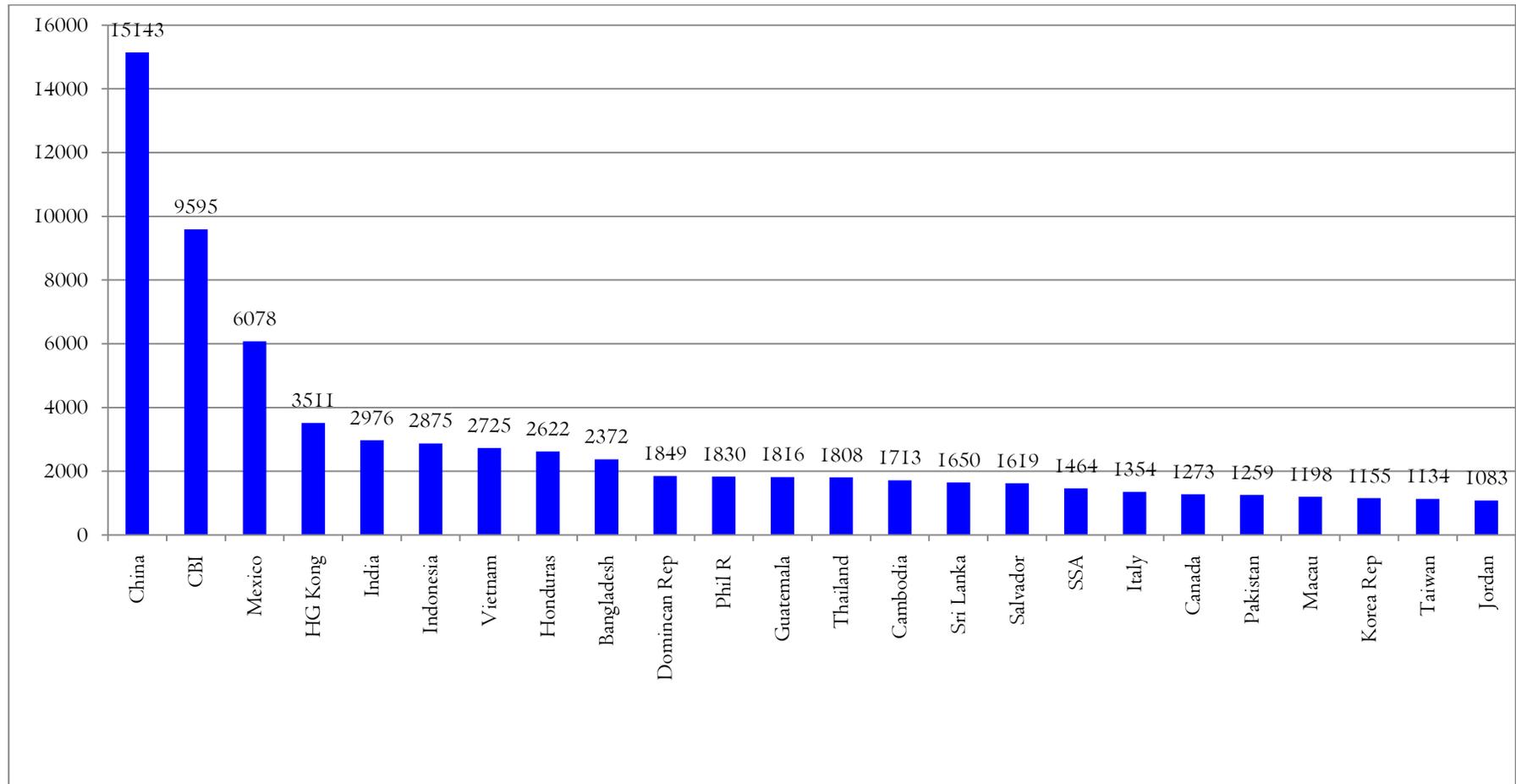
3.3.3.2 The Size of Kenyan Apparel Exportism and the Role of EPZ Apparel Firms and AGOA in It

According to UNSD-COMTRADE, there is no evidence that any substantial exports from SSA and Kenya go outside the US and the EU. Gibbon (2003) corroborates this by showing that for Kenya, nearly 100 percent exports go to the US.

At approximately two percent of both world exports and US apparel imports, SSA's (and hence Kenya's) participation in the industry has been, and remains, dismal. For example, in 2005, the US imported US\$ 68 713 million worth of apparel. From Chart 6 below, China was the leading source of the imports, accounting for 22 percent, followed by CBI countries at 14 percent and then Mexico at 9 percent. These three accounted for 45 percent of the imports. SSA accounted for a mere two percent! Looking at exports of at least 1 US\$ billion, there were 15 single exporting countries ahead of SSA as a region²³. Kenya's 19 percent contribution to SSA exports to the US in 2005 was 0.4 percent of US imports. The country's share of SSA exports to the EU and the US rose from 3 percent in 1999 to 12 percent in 2005 (Chart 7 below). Therefore, whilst Kenya's industry is small

²² The sector's employment was previously 27 243 in 1999, 26 563 in 2001 and 34 933 in 2002. It indirectly employs an estimated 140 000-150 000 in cotton growing (KAM, 2006).

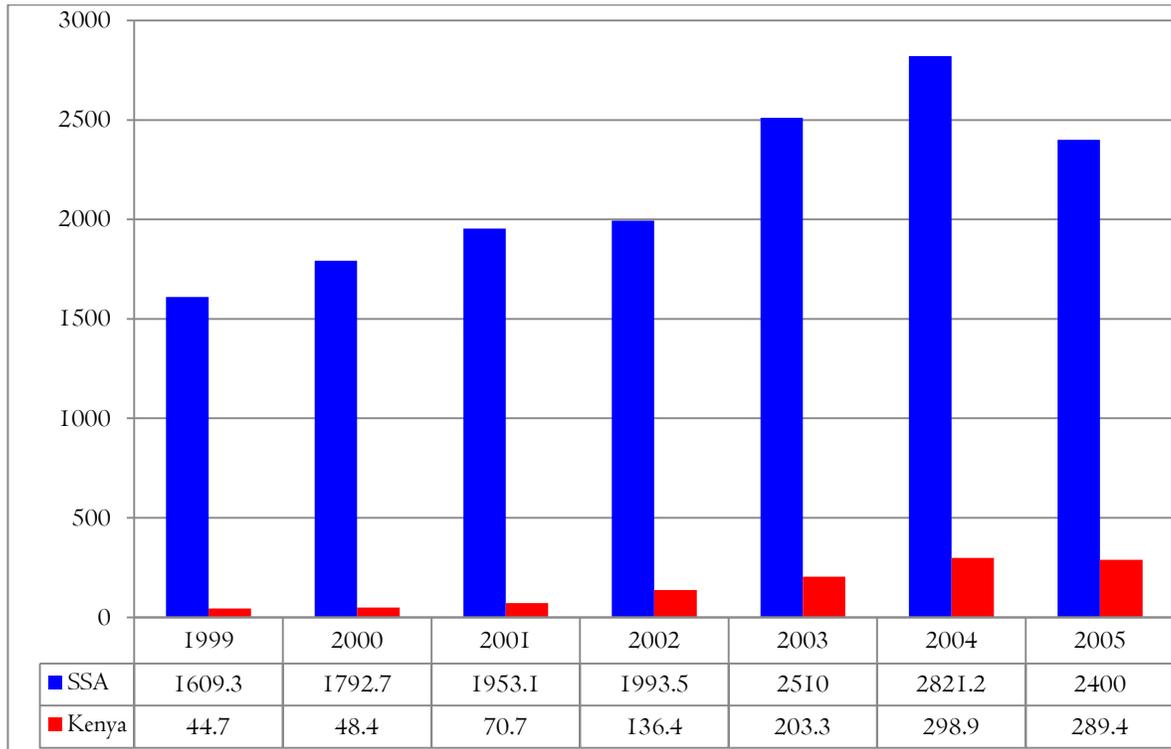
²³ The figures in Chart 7 add up to more than total US imports due to rounding up.

Chart 6: Exports, leading world suppliers to US, 2005 (millions US\$)²⁴

Source: Author's calculations based on USOTEXA (2006)

²⁴ 'Exports' in this chart and in subsequent charts means 'apparel exports'.

Chart 7: Exports, 48 SSA countries & Kenya to EU & US, 1999-2005 (millions US\$)



Source: Author's calculations based on UNSD-COMTRADE

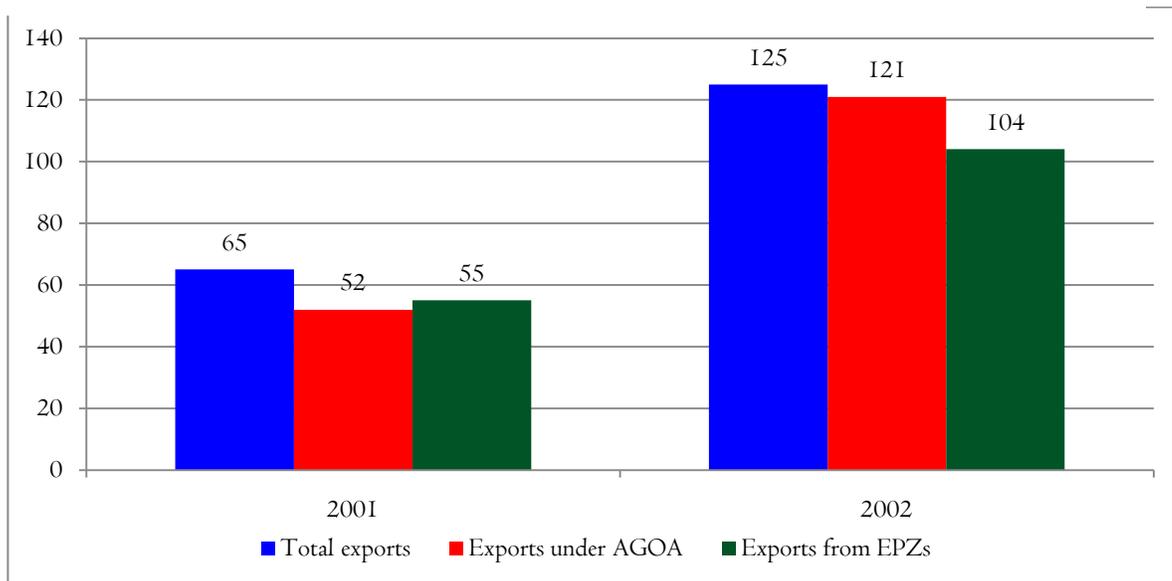
by global standards, it plays a significant role in SSA, and it is in favour of the US.

EPZ firms have been the lifeline of apparel exportism. According to KAM (2006), non-EPZ textile-apparel export earnings in 2003 were KShs 1.8 billion (approximately US\$ 26.1 million, November 2007 exchange rates). Much of it was most likely for yarn because Kenya exports substantial yarn to India and China (Mugambi, 2006). Even if we accept for a moment that the whole earnings were from apparel, EPZ enterprises earned KShs 13.8 billion (approximately US\$ 200 million, November 2007 exchange rates) that year (EPZA, 2004b). This means that EPZ apparel exports took at least 88 percent share of textile-apparel exports (KAM, 2006).

As stated already, nearly 100 percent of EPZ apparel exports go to the US. In 2005, only four firms exported outside the US: one firm to Canada and Netherlands, another to Germany and the United Arab Emirates (UAE), a third to UAE, and a fourth to Canada, making a total of KShs 219.1 million (EPZA, 2005b). Although EPZA does not account for an extra KShs 1.9 million, it argues that, in total, non-US exports for that year amounted to KShs 221 million (approximately US\$ 3.2 million, November 2007 exchange rates). This was a mere 1 percent of the KShs 14.9 billion (approximately US\$ 216 million, November 2007 exchange rates) EPZ exports for that year.

EPZ apparel firms are the main players under AGOA. In 2001 and 2002, US imported from Kenya US\$ 65 million and US\$ 125 million worth of apparel respectively (Chart 8 below). AGOA accounted for US\$ 52 million and US\$ 121 million respectively (USOTEXA, 2008). Apparel EPZs firms exported KShs 4.29 billion and KShs 8.15 billion worth of apparel respectively (US\$ 55 million and US\$ 104 million respectively, 2001 and 2002 annual exchange rates respectively).

Chart 8: Exports, Kenya to US, 2001-2 (millions US\$)



Source: Adapted from USOTEXA (2005) and EPZA (2005b)

The chart shows that EPZs' contribution to AGOA apparel exports was presumably 100 percent in 2001 (since EPZ's US\$ 55 million is higher than the US\$ 52 million under AGOA) and 86 percent in 2002. On the one hand, this might not be true because other firms outside EPZs export to the US under AGOA. However, this can be solved as we know total Kenyan exports to the US. Subtracting EPZs' contribution from total apparel exports, we get that non-EPZs firms contributed US\$ 10 million and US\$ 22 million in 2001 and 2002 respectively. But, on flipping this, not all non-EPZs apparel exports were exporting under AGOA! (There is even a possibility that little or nothing was under AGOA). However, for the purpose of substantiating the argument that EPZs are the main players under AGOA, it can be assumed that all non-EPZs apparel exports were under AGOA. In that case, EPZs firms contributed at least US\$ 42 million and US\$ 100 million to AGOA apparel exports for the two years respectively. This is at least 81 and 83 percent share respectively. For the two years respectively, the share in total apparel exports works out to be at least 65 and 80 percent²⁵.

3.3.3.3 The Role of Apparel EPZ Firms in the EPZ Programme

The number of EPZ apparel firms reached its peak in 2003 (53 percent of all EPZs firms) (Table 9 below). It is important to bear in mind that EPZA surveys are carried out at a particular point during the year and therefore this is not a reflection of the highest number of firms ever established. For instance, an unpublished MoTI paper shows that at some point, most likely early 2004, there were 36 firms (MoTI, Department of Industries, 2006). My interview with the General Manager of the case study firm showed that at some point there were 46 apparel firms in operation (Isinga, 2007). At their peak performance in 2004, EPZ firms accounted for 76 percent of EPZ sales. But their contribution to EPZ workers reached its acme in 2002, at 96 percent. While much of the data for exports and investment is missing, that which was available shows that apparel firms contributed 74 and 53 percent respectively in 2005.

²⁵ Rolfe *et al* (2004) quote EPZA explicitly stating that more than 80 percent of the exports came from EPZs, a figure which corresponds to my calculations here.

Table 9: Contribution of EPZ apparel firms to the EPZ programme, selected indicators, 1998-2005

	<i>Total firms</i>	<i>Apparel firms</i>	<i>Apparel firms % share</i>	<i>Total sales (US\$ millions)</i>	<i>Apparel firms sales (US\$ millions)</i>	<i>Apparel firms % share</i>	<i>Total workers</i>	<i>Apparel firm workers</i>	<i>Apparel firms % share</i>	<i>Total exports (US\$ millions)</i>	<i>Apparel firms exports (US\$ millions)</i>	<i>Apparel firms % share</i>	<i>Total investments (US\$ millions)</i>	<i>Apparel firms investments (US\$ millions)</i>	<i>Apparel firms % share</i>
1998	-	-	-	-	-	-	3 645	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	5 077	-	-	-	-	-	-	-	-
2000	-	6	-	-	-	-	6 487	5 565	85.8	-	30	-	-	16	-
2001	-	17	-	-	-	-	13 444	12 002	89.3	-	55	-	-	48	-
2002	-	30	-	-	-	-	26 447	25 288	95.6	-	104	-	-	88	-
2003	66	35	53.0	149	195.2	76.3	38 199	36 348	95.2	-	146	-	-	128	-
2004	74	30	40.5	224.8	305.3	73.6	37 723	34 614	91.8	-	221	-	-	108	-
2005	68	25	36.8	314.5	200.8	63.8	38 051	34 234	90.0	265	197.2	74.4	247.1	132	53.4

- Data missing

Sources: Wolfe et al (2004) (data for 1998-2002); EPZA (2003b; 2004a) (data for 2003-4); EPZA (2005b); MoTI, External Trade Department (ca.2006b) (data for 2000-5)

Firms were becoming efficient before liberalisation struck. Before 2003, exports were growing at a faster rate than firms, grew while firms decreased in 2004, and declined at a slower pace than firms in 2005. This efficiency is also shown by the fact that, while the number of firms and the level of investment grew at the same rate up to 2002, the rate of investment increased against that of number of firms in 2003, decreased at a slower rate than that of firms in 2004, and even increased when that of firms decreased in 2005. The 2005 investment dynamics also suggest that despite the liberalisation challenges, entrepreneurs were optimistic that they would prevail against the difficulties. The other interesting thing is that the size of firms is relatively large- at least in a LIC context. The average is 1150 workers (EPZA, 2003b). As I said in Chapter One, the case study firm had 1064 workers in 2007, which is close to this average.

3.3.3.4 The Role of Apparel Firms in Manufacturing and National Economy

EPZs' contribution to manufacturing and the national economy is given in Table 10 below (also see appendix E).

Table 10: EPZ % contribution to manufacturing & national economy, selected indicators, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
National GDP	0.24	0.3	0.47	0.53	0.84	1.30	1.53
National exports	1.05	1.49	2.46	2.7	4.04	5.75	7.15
National employment	Missing	0.07	0.09	0.11	0.21	0.39	0.52
Manufacturing GDP²⁶	1.8	2.26	3.56	4.05	8.57	13.27	15.77
Non-food manufactured exports	4.93	8.63	14.72	15.86	21.65	29.93	39.75
Manufacturing employment	1.60	2.03	2.77	3.56	7.35	13.47	18.30

Source: Adapted from EPZA (2002) (data for 1997); EPZA (2004b) (data for 1998-2003) (see also Glenday and Ndi, 2000)

²⁶ Share of EPZ in national GDP divided by share of manufacturing GDP (see GoK, 1996b; 2001, 2006 in appendices F to H).

Comparing data in Tables 9 and 10, apparel firms contributed 29.57 and 5.32 percent to non-food manufacturing and national exports respectively in 2003. Also, they contributed 16.47 and 0.47 percent to manufacturing and national employment respectively in the same year.

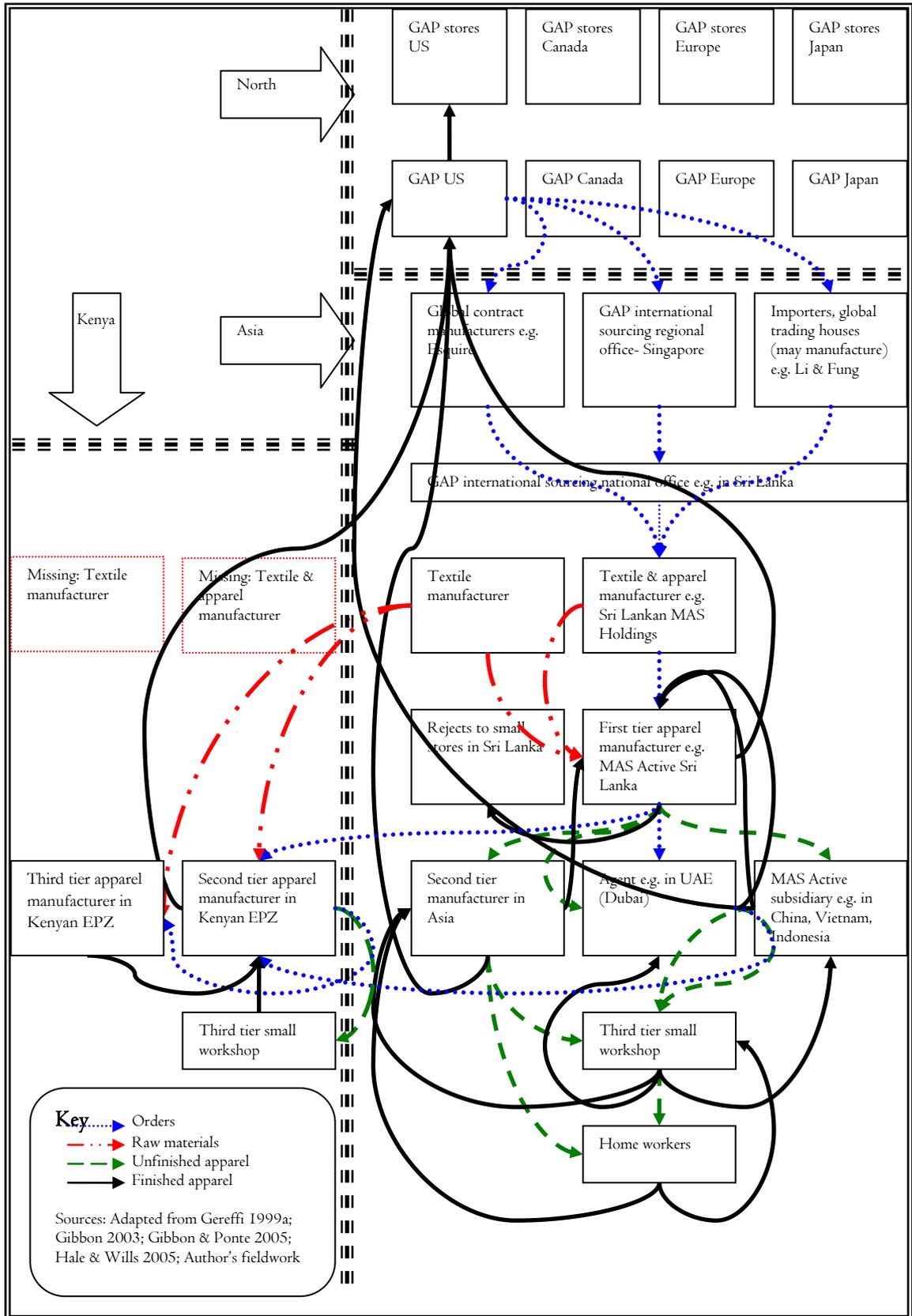
3.3.3.5 EPZ Firm Ownership and Insertion into GVC

Although the GVC analysis understates the role of international regimes in the spread of the chain, its descriptions of the sourcing patterns of lead firms can be used here. Gereffi (1999a) identifies four types of lead firms who source through various organisational channels: the giant cost-driven discount retail chains, such as Walmart, Kmart and Target; upscale branded marketers, such as Liz Claiborne, Nike, Disney, Tommy Hilfiger and Nautica (these were previously manufacturers); apparel specialty stores which combine both retailing and marketing—such as The Limited and The GAP (most speciality stores were also previously manufacturers before switching to brand marketing and retailing); and private labels among mass merchandising retailers, such as JC Penny and Sears (these are retailers who own production sites to manufacture their own brands). Typically, discount retailers, marketers and speciality stores rely for supply on OEM firms, primarily in Asia, either directly, or through a network where Asian OEM firms coordinate the subcontracting of low-assembly operations to other countries in Africa, Latin American and Asia where labour is cheaper. OBM of private labels, by contrast, use imported inputs and rely on regional sourcing where US firms go to Mexico and the Caribbean Basin, European firms go to North Africa and Eastern Europe and Japanese and NIC firms go to lower-wage regions within Asia (see also Hale and Wills, 2005; Gereffi, 2003).

As shown in Chart 9 below, the contemporary Kenyan apparel industry is highly vertical, with very few backward linkages with the national textile industry. Firms in such LICs as Kenya agglomerate in the most elementary form of EPZs. Protex EPZ Ltd General Manager confirms it.

...our factory's head office is in Taiwan... first of all the costing will be done there... They are the ones who do all the sourcing of raw materials. They also have agents based in the same country who will look for orders. ... they send the samples here... then we check the quality [and] we have to send it directly to the buyer in the US. [Then the buyer says] 'this is fine, now can you start production'... The buyer will send the quality assurance [persons]... once you get the approval then you can ship. But if there

Chart 9: Insertion of Kenyan apparel EPZ firms into GVC- a GAP model



is some defects on the garments then you will have to re-do it or rather you will have to negotiate for a discount... (Isinga, 2007).

The Protex General Manager added that EPZ firms subcontract to firms both within Athi River and Nairobi EPZs, as well as outside the EPZ to smaller MuB firms, and that the EPZ firms at times use their social networks to link the smaller firms with the US market (Isinga, 2007). However, links must be with small boutiques, as US lead firms do not make any direct orders. They are usually too large for the Kenyan industry to handle. KHRC (ca. 2006) argues that, while GAP engages 65-70 percent capacity of firms in Lesotho and Madagascar, it has had minimal engagement with Kenya. In 2000, it had assessed 16 companies prior to sourcing, and only 3 qualified. By 2005, only 7 had qualified. GAP argued that such a qualification rate was too low, and hence there are only two firms who are known to have had orders from GAP US. Even then, GAP occupied only one to six percent of their production capacity. However, KHRC is not explicit about whether GAP's engagement is direct or indirect. It is likely that GAP has no direct links with Kenya and perhaps much of the rest of SSA. Its lower-end orders, archetypal of Kenya, are conducted through Asia.

KAM also corroborates the above description of how the chain 'touches ground' to small MuB firms:

We team up with the other agencies in Kenya to promote [apparel exports] in the US by exhibitions. That is, pushing from below people who are not able to find markets themselves... When they [buyers] place the order here they place the order with, say, one firm. That firm we are telling it since it is a big order and it is needed in a short time, you subcontract to others. So that through subcontracting you are giving or sharing that benefit with others.... So, after subcontracting all the apparel is exported by the firm that subcontracted. But we know ourselves who manufactured for that firm (Kariuki, 2007).

It is also instructive that there are no home workers in Kenya as is the case elsewhere, particularly in much of Asia. This is interesting given that the more upstream you analyse the chain, the more you

expect to find such workers. This is perhaps because Asian industry is embedded in social structures (albeit exploitative ones), while for SSA, industry seems not yet wholly part of society.

Other characteristics of this insertion- according to a survey I had carried out in 2005 independently of the this study (see Kindiki, 2009)- are as follows: foreign owned firms in Kenya are either sole investments in the country or duplicates of similar 'portable' firms in other countries with a central owner/parent company in Asia; the majority of firms maintain regular suppliers of Asian fabric; the most popular source of fabric is India, followed by Taiwan, Hong Kong and Pakistan, United Arab Emirates and Macau in that order; the most common way of securing orders comes through a buying office located in Asia; and discount chain stores are the most popular end market destinations.

This kind of GVC insertion is what has been called 'captive'. 'Captive' suppliers are frequently confined to a narrow range of tasks, mainly the simple assembly of imported inputs. Also, they are not dependent on lead firms for design, logistics, component purchasing or process technology upgrading (Gereffi *et al*, 2005).

A final point- and perhaps following this insertion- is that ownership of firms is dominated by investors of Asian origin, or at least Kenyan nationals of Asian origin (Table II below). In 2003, for example, India and Sri Lanka were top on the list, which contradicts Gibbon's (2003) allusion that Kenyan apparel capital is dominated by the Gulf States, Sri Lanka and China. The dominance of Indian and Sri Lankan capital is not surprising. There is the fact that the business community in Kenya has traditionally been dominated by South Asians, particularly of Indian origin. Their dominance in the Kenyan industrial sector is traced to the building of the Kenya-Uganda railway. According to Sayer (1998) the British Empire had brought in 31 983 labourers from India. Most of them returned to India. However, 6 724 chose to stay on in East Africa, and most became traders, opening shops and small factories drawing on the experience of the Indian merchants and middlemen who had long operated on the East African coast (Sayer, 1998). Sayer goes on to say that as the country's modern economy expanded, some of them came to play a dominant economic role alongside the earlier Indian merchant class that had arisen out of East Africa's contact with Arab Peninsula traders in the 8th century AD.

Table II: Apparel EPZ firm ownership, 2003

Region/ Country	No. of Firms	% Representation
South Asia	16	55
India	8	
Sri Lanka	7	
50 % Bangladesh/ 50% India	1	
East Asia	6	21
Taiwan	3	
China	2	
Hong Kong	1	
US	2	7
West Asia/Gulf (Bahrain)	1	3
Kenya	1	3
55% Kenya- 45% Qatar	1	3
33% Kenya-67% India	1	3
15% Kenya- 85% Taiwan	1	3
<i>Source: Adapted from EPZA (2003b)</i>		

Now, while most of these are Kenyan nationals, they still maintain strong family and other social connections with Asia, and this aided in pulling fellow Asians to take advantage of AGOA. Rolfe and Woodwands (2005) have also noted this. This strong connection with South Asia in general and India in particular could not be completely erased even by the fact that East Asian capital dominates the apparel industry globally, particularly where ‘preferential’ provisions exist, or in the case of the MFA, where quota windows existed, as I showed in Chapter Two, particularly in section 2.3.3.2. In addition, the investment waves do not seem to have come in 2000 and 2001 as Gibbon asserts. Rather, they seem to have come in 2001 and 2002. Out of the 25 firms operating in 2005, I began operation in 1997, 8 in 2001 and the rest (16) in 2002 (EPZA, 2005b).

What is more, the South Asia connection has some sort of diaspora links. This is an important dimension of IPE because such links constitute a kind of counterweight to the effect of the North

within GVCs. Indeed, one of the reasons why the Chinese economy has been successful is because of these linkages, which operate on principles which are not entirely those of normal capitalism (see Lam and Lee, 1992). They are therefore in many ways more resilient and adaptable. For example, the same capital was able to come back to Kenya after an initial trial somewhat failed. In the MFA-related wave of 1993 investors came from India, Pakistan and Sri Lanka, while the AGOA wave of early 2000s was dominated by India and Sri Lanka. It has been argued that similar linkages can give a fillip to development in other regions of the South. The Kenyan link with South Asia therefore has this potential. The other side of the coin is that in Chapter Two I presented the Dependency leaning of this study, and I have to emphasise here that even if this could happen it would still be somewhat dependent on Asia.

3.4 SUMMARY

We have first seen how regimes on apparel have evolved. The GATT was born in 1947 and transformed into the WTO in 1995. Under the GATT, agreement was reached by a consensus dominated by the strongest economies. The WTO system is even more oppressive to the South than the GATT: consensus is still the norm, the WTO was launched as a single undertaking, the benefits extracted by the North far outweigh those the South can possibly extract, and non-discrimination and reciprocity remain oppressive to parts of the South that compete with central capitalism. The structural apparel regime took shape in the 1930s when the North began restricting cotton apparel imports mainly through Japanese 'voluntary' exports. It was later replaced with the STA and the LTA under the GATT, in 1961 and 1962 respectively. The more comprehensive MFA that added manmade and wool products came into effect in 1974, still under the GATT. The ATC, under the WTO, phased out the MFA between 1995 and 2005. The EU neo-statist apparel regime, also nested within the GATT/WTO, began with technical aid programmes towards ACP countries in 1957, followed by the GSP in 1975. In 2000, a transitional Cotonou Agreement initiated negotiations for EPA for non-LDC ACP countries by 2008. And, while the US neo-statist apparel regime, still nested within the GATT/WTO, was instituted in 1976, its effect in SSA was given a fillip by AGOA in 2000. Three further amendments to improve AGOA's effectiveness followed in 2002, 2004 and 2006. However, AGOA came with a battery of eligibility criteria. The most important to this thesis is evidence for, or continual progress towards building evidence for,

upgrading labour standards. The regime on labour revolves around two forms: a 'public' one revolving around the state, and a more recent 'private' one that excludes the state to some extent. The 'public' form revolves around the ILO, and its most successful route is ILO's tripartism since 1919, as well as ILO's direct workings with corporations since 1960s. The other route, since the late 1990s, is the WTO. The third 'public' route, the PTA and FTAs, has also experienced relative success in the last few decades. The fourth successful 'public' route, as old as the beginning of post-War re-ordering, is that of categorising countries. The major developments that mark 'private' policing of the regime are two. Firstly, unions formed WCCs in 1960s and 70s, TNCs instituted CSR in 1970s and the European Social Charter was adopted in 1992. Secondly, the loose social movement on labour has been vocal in the last few decades.

Second, we argued that under regime instrumentality facet of these regimes, central capitalism's interest is keeping the periphery constantly in the same role, though in changing forms.

Third, major trends in global production and trade in apparel in the last 50 years were shown to have developed in five phases: up to the 1960s under Japanese 'voluntary' export restraints, the 1970s under the MFA, the 1980s under the MFA, the 1990s under the MFA and EU's outward processing arrangements (where, under the MFA, the first main wave of apparel exportism in Kenya was witnessed), and since 2000 under the MFA, liberalisation and US outward processing arrangements (where US AGOA was responsible for the second investment wave in Kenya). That was part one.

In part two, we turned to the evolution of the apparel industry in Kenya. From the 1970s to about 1985, the country was pursuing a successful ISI strategy. An attempt to foster exportism in early 1980s through MuB flopped. Beginning in the mid 1980s, apparel ISI firms began collapsing. In their place, a second foundation of apparel exportism relying on foreign fabric under MuB and EPZs was built, beginning in 1989. A 1993 investment wave from India, Pakistan and Sri Lanka, escaping MFA quotas, and one following the 2000 RoO relaxation by AGOA, marked the two export oriented investment waves. Much of the apparel export segment is concentrated in the EPZs, nearly

100 percent of EPZ exports go to the US, and EPZ firms are the main players under AGOA. Whilst Kenya's exportism is small by global standards, it plays a significant role in SSA. Finally, apparel firms are inserted into the GVC in a 'captive' way and are controlled by South Asian capital.

4 PRODUCT AND LABOUR UPGRADING

4.1 INTRODUCTION

Chapter Two showed that the GVC analysis fails to theorise regimes. We then contended that elements of both structure and agency on both sides of the regime-dependency divide result in control-emergent regime governance that, as far as issue areas are concerned, overrides control lead firm governance. Such governance serves systemic interests of Northern accumulation, perpetuation of dependency and attainment of milieu goals. We saw the evolution and impact on global trade of these regimes in Chapter Three. In Chapter Five, we shall test both the extent to which actors demonstrate this governance, and the hypothesis that it was a sufficient condition to undermine upgrading in Kenya. This chapter will seek to answer our first key question: is there upgrading? In Dependency terms, have the opportunities offered by the 'spreading' of capitalism been maximised?

Part one will be on product upgrading, as export expansion, and as increased unit values. The latter will involve an analysis of local integration of the industry (analysing EU PTA RoO implementation and availability of local fabric and accessories), the extent of fabric value addition (by way of unit price comparison in the destination market, and an assessment of process technology) and an assessment of the success of folklore/ hand loomed/handmade product exports. Finally, integration into the GVC will be analysed; the extent to which the share of groups of products with higher values expands in the destination market, while that of products with lower values contracts. In part two, labour upgrading will be assessed in terms of implementation of AGOA labour conditionalities.

4.2 PRODUCT UPGRADING: EXPORTS EXPANSION

4.2.1 Introduction

I will be engaged here in analysing product upgrading as export expansion. I will use data from the USOTEXA and UNSD-COMTRADE databases, and an extremely insignificant portion from Gibbon (2003: 1814). There are discrepancies between the two sources, but they are minor and are

unlikely to change the facts in any fundamental way. For example, USOTEXA has Kenya's 2005 exports to the US as US\$ 271 million, while UNSD-COMTRADE gives them as US\$ 286 million.

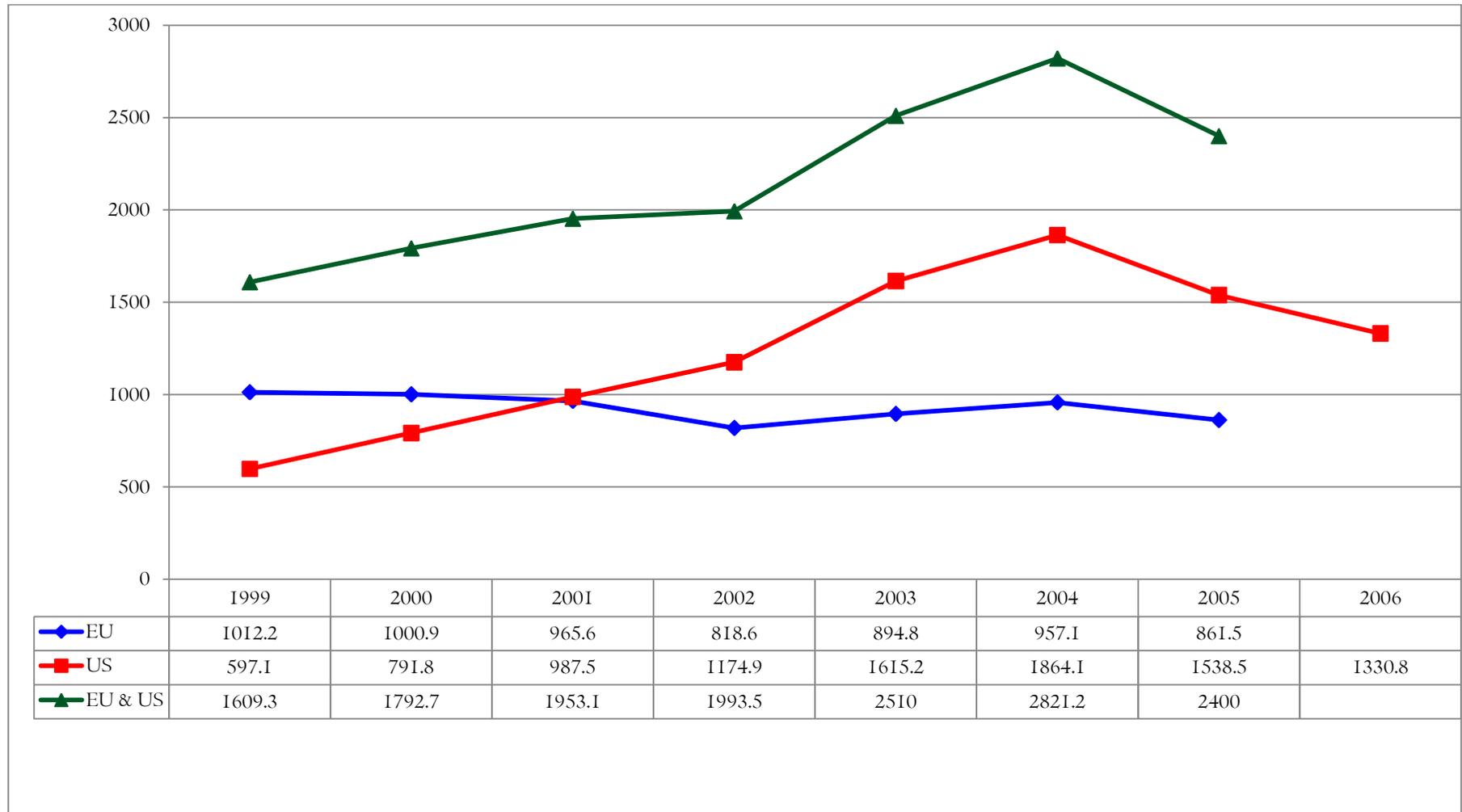
4.2.2 Exports Expansion

Over 90 percent of apparel exports from SSA are accounted for by six countries, Kenya taking the fifth position (cumulative exports). Chart 10 below is based on UNSD-COMTRADE, and goes only as far back as 1999, the only available data covering all the 48 SSA countries' exports to the EU and the US. Exports to the US rose between 1999 and 2004, while those to the EU fell between 1999 and 2002, and only rose in 2003 and 2004. All exports fell from 2005. Chart 11 that follows is based on data for the leading six suppliers. It has been enlarged to cover the whole period under study by incorporating data for 1992-1998. The chart confirms that over 90 percent of the imports in any given year shown in chart 10 were accounted for by the leading six countries. They accounted for between 93 and 96 percent for the period 1999-2005. Little wonder that the chart also shows the trajectory of trade between them and SSA as a whole in the previous chart to be almost identical.

Mauritius accounts for the largest share of total SSA exports (Chart 12 below); for example, 40 percent of cumulative exports between 1999 and 2005. Its leadership should be understood within social Darwinism in capitalism. However, at least at the time Mauritius' export oriented apparel industry was nascent in the 1970s, it was not Mauritius that was primarily involved in this social Darwinism but Hong Kong. It is in the context of the social Darwinism of the South of circumventing the restrictions in the North imposed by the MFA- as explained in section 3.2.1.2- that Mauritian apparel exportism emerged: Hong Kong moved part of its apparel production to the SSA island country (Cable, 1990; Gibbon, 2003; Morris, 2006).

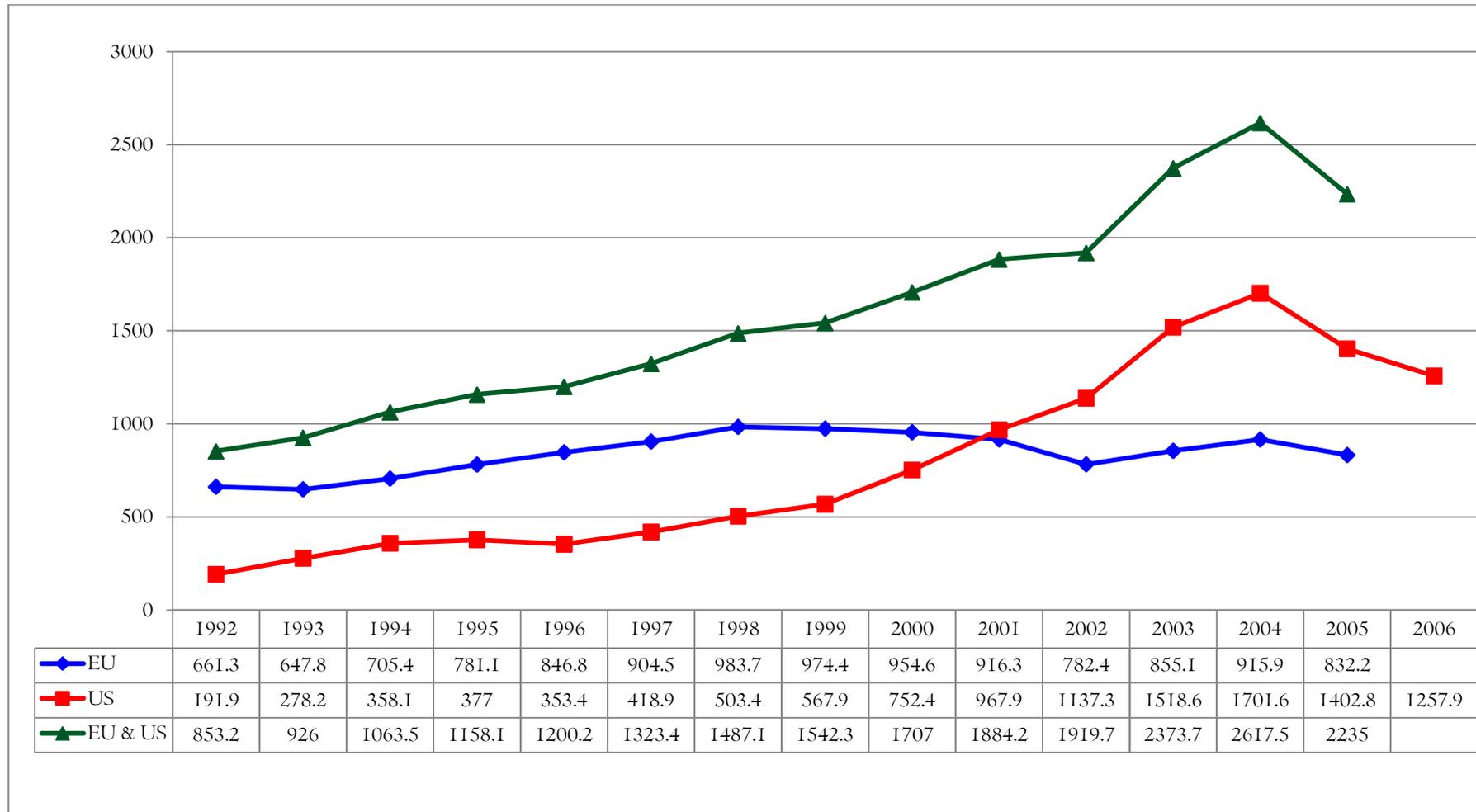
Following Mauritius at 18 percent is Madagascar. Since 1995, Madagascar has been SSA's second largest exporter. The dynamics surrounding Madagascar's emergence are similar to those of Mauritius: Mauritian firms relocated to Madagascar partly to look for quotas, and partly to get lower

Chart 10: Exports, 48 SSA countries to EU & US, 1999-2006 (millions US\$)



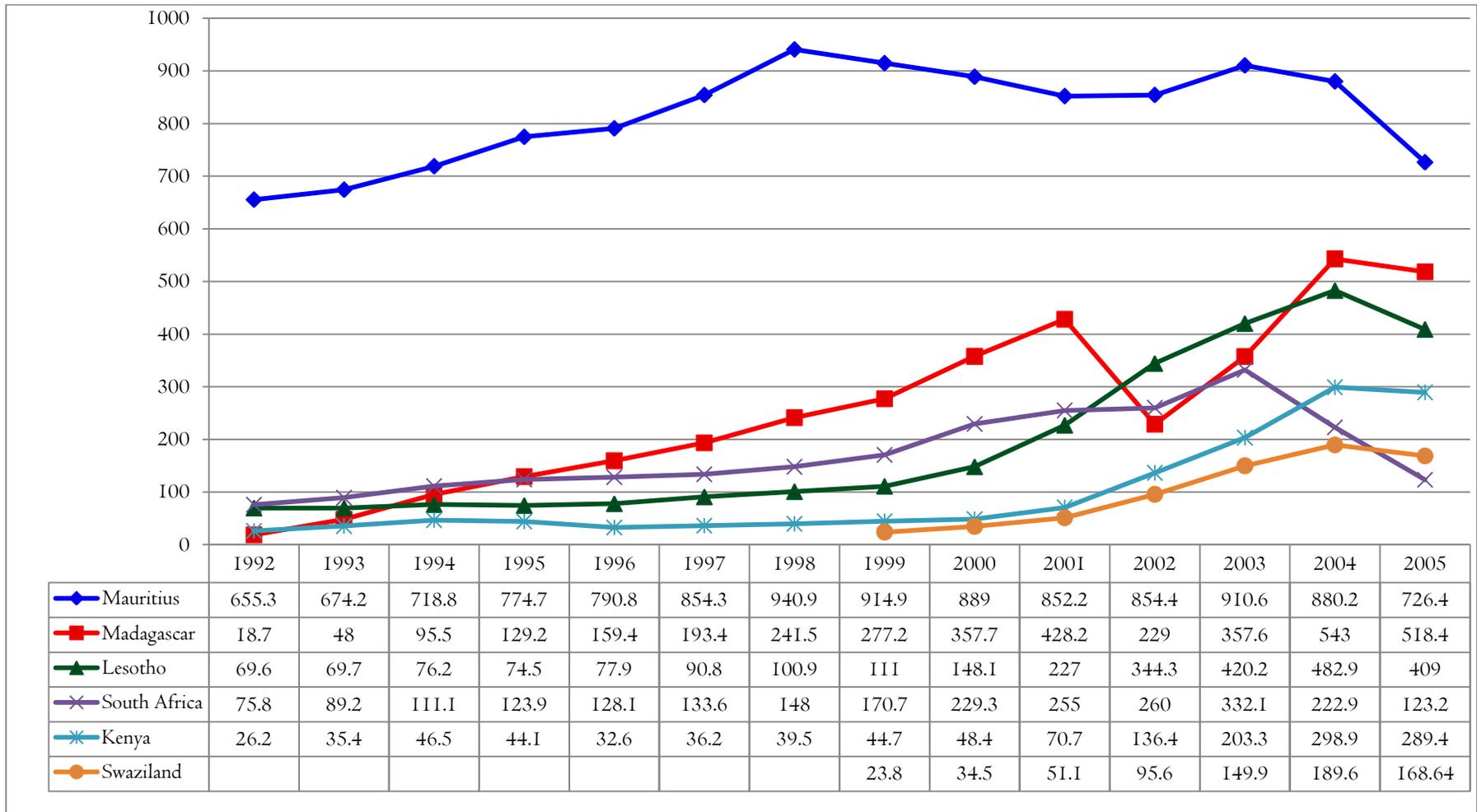
Source: Author's calculations based on UNSD-COMTRADE

Chart II: Exports, 6 leading SSA suppliers to EU & US, 1992-2006 (millions US\$)



Source: Author's calculations based on USOTEXA and Gibbon (2003:1814) (data for 1992-1998); UNSD-COMTRADE (data for 1999-2006)

Chart I2: Distribution of exports, leading SSA suppliers to EU & US, 1992-2005 (millions US\$)



Source: Author's calculations based on USOTEXA (data for 1992-1998); UNSD-COMTRADE (data for 1999-2005)

wages. While both indigenous and foreign firms relocated, it is mainly the latter that were involved in this relocation (see Gibbon 2003). Therefore, while Madagascar was more or less a beneficiary of the social Darwinism of Mauritius, the country's benefits are still connected to Hong Kong's movement in capitalism. This connection with Hong Kong is reflected in direct substitution of exports between Mauritius and Madagascar. While exports from both countries were growing at almost the same rate since 1992, a 9 percent drop in Mauritian performance between 1998 and 2001 is contrasted by a rather sharp 77 percent rise in the case of Madagascar.

After Madagascar are Lesotho, South Africa, Kenya and Swaziland in that order. Kenya comes before South Africa in 2004 and 2005. The key point is that Kenya has upgraded as far as export expansion is concerned. Between 1992 and the peak of the growth in 2004, the expansion was 1041 percent, and between 1992 and 2005- when all conditions of liberalisation had set in- the growth was 1005 percent.

In Chart 12, while Mauritian and Madagascan exports (and to some extent South African) grew considerably for much longer than those of Lesotho and Kenya, the latter group accelerated beginning in 2001 (Madagascar falls in both groups). To unravel the distinction, I show how the leading countries share out the US and the EU markets. For this analysis, I will follow the periodic divisions A, B and C (see conceptual model).

4.2.2.1 Phase A (1992-2001): Growth and Dominance of EU-Destined Exports

Total exports to the EU and the US rose in Phase A. They grew cumulatively by 21 percent in the 1999-2001 period (Chart 10), while those of the leading six countries grew by 121 percent in the 1992-2001 period (Chart 11). Dynamics for each of the destination markets, however, diverge greatly.

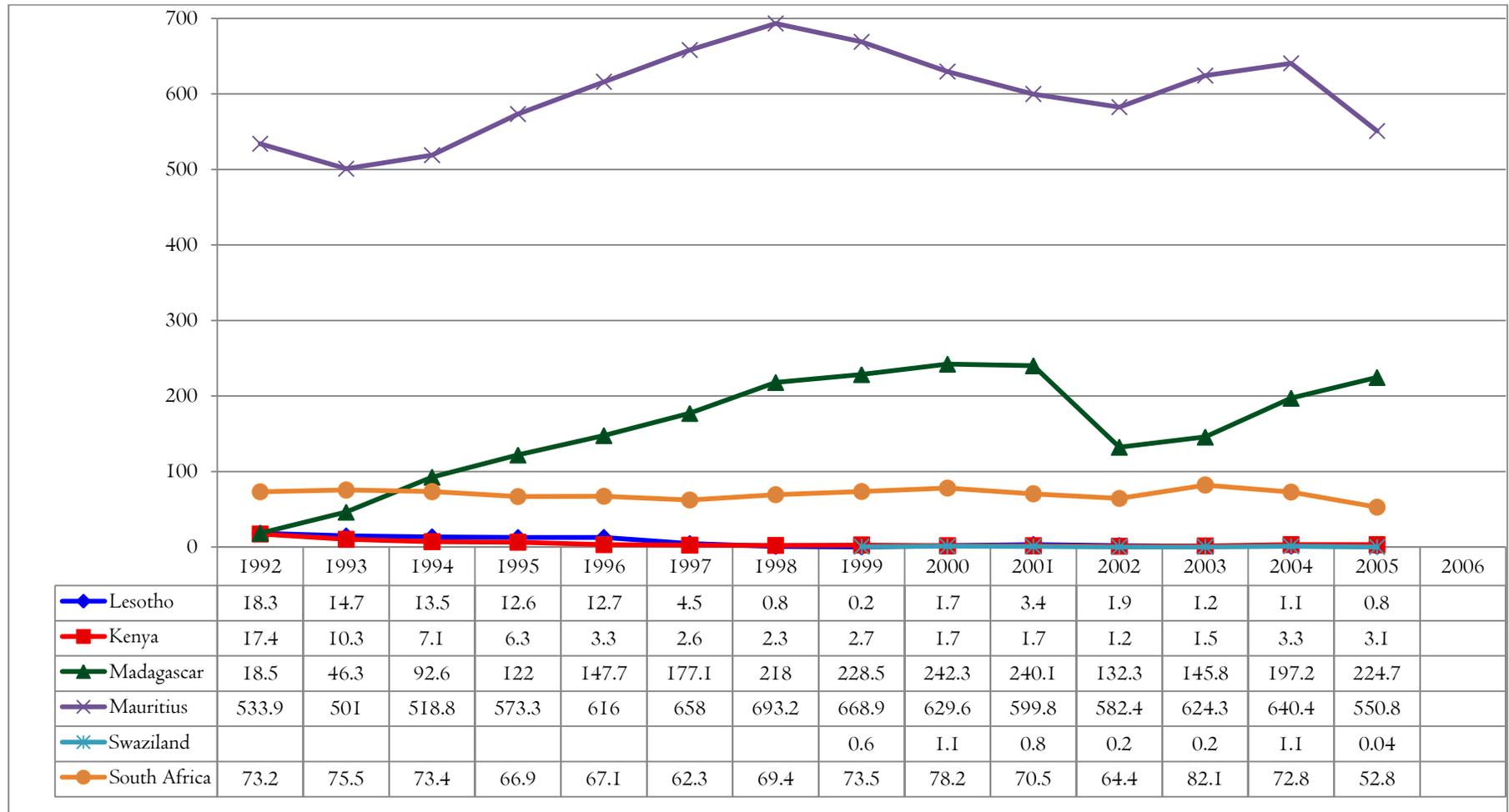
Between 1992 and 1998, EU imports from the leading SSA suppliers rose by 49 percent. With initial arrangements to have AGOA in place sometime around 1998, however, these imports began

experiencing a decline. This is because AGOA favoured SSA countries exporting to the US market in terms of both duty and double transformation RoO exemption. Between 1999 and 2001, the imports dropped by six percent, and between 1992 and 2001, their growth was 39 percent (Chart II). To locate Kenya in this trade, I will disaggregate the data even further.

Chart 13 below shows that the Lomé Conventions were responsible for the emergence of Mauritius and Madagascar- through the dynamics explained earlier on Hong Kong's social Darwinism- and to some extent South Africa, in that order of importance. However, Mauritius is far ahead of the other two. For Madagascar, however, the conventions are not entirely responsible for all of its growth: the role of Hong Kong firms in Mauritius and Madagascar in the substitution of exports can be seen here as well. A 7 percent drop in Mauritian EU exports between 1998 and 2000 is contrasted with an 11 percent rise on the part of Madagascar in the same period. However, this is not by any means the expected sharp rise that corresponds to the 77 percent rise in total exports between 1998 and 2001, despite the fact that the drop in Mauritian exports is slightly more severe than its drop in total exports. It is therefore definite that much of the 77 percent growth in total Malagasy exports was on account of AGOA's expectations, and therefore directed to the US. The cases for the other countries are as follows. South Africa is the third best performer in this set of exports and its performance remained almost constant. Next is Lesotho. While its emergence could be attributed to the Lomé Conventions, Lesotho exports an insignificant quantity. Concerning the focus of my research, Kenya, the trend is quite similar to that of Lesotho; as it is for Swaziland. The point: Kenya is not a beneficiary of the EU-based regime in this phase.

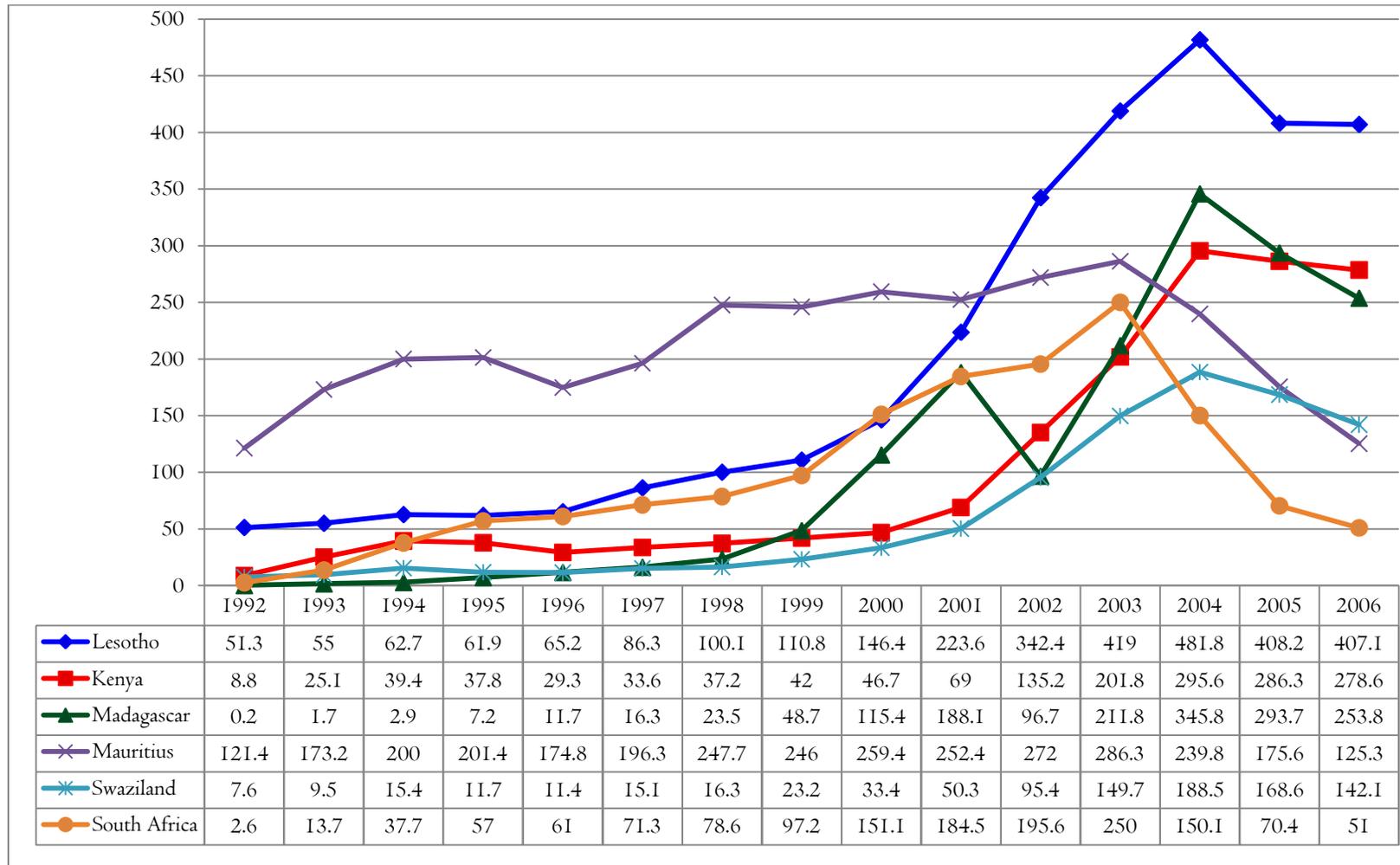
Let us now deal with US-destined exports. One of the most striking observations is that, while trade for the two set of exports had been rising between 1992 and 1998, US-destined exports were growing faster than EU-destined exports. Between 1992 and 2001, US-destined exports from the six leading suppliers rose by 404 percent, compared to the EU's 39 percent. Further, while the latter dropped by 6 percent between 1999 and 2001, the former increased even more, by 92 percent (see Chart II). What explains this dynamic? Among other reasons, LDCs were exempted from the double transformation RoO. During this period, the LDCs were Madagascar, Lesotho and Kenya. Thus the changes (rise) in exports for the US-destined exports should be understood within this context.

Chart I3: Distribution of exports, 6 leading SSA suppliers to EU, 1992-2006 (millions US\$)



Source: Author's calculations based on UNSD-COMTRADE

Chart 14: Distribution of exports, 6 leading SSA suppliers to US, 1992-2006 (millions US\$)



Source: Author's calculations based on USOTEXA (data for 1992-98) and UNSD-COMTRADE (data for 1999-2006)

On distribution among leading countries (Chart 14 above), Mauritius is still dominating, but there is substantial challenge from Lesotho and South Africa, and, between 1999 and 2001, Madagascar. Mauritian exports slump in 1995 as a corollary of US quotas (as we saw in section 3.3.2.2, Kenya was also affected by these quotas). While Kenya and Swaziland suffered a slowdown between 1995 and 1996 they are on their recovery path in 1997, if somewhat sluggishly. A casual projection of the graph indicates that, if Kenya had not been slapped with quota restrictions, it would have overtaken Lesotho in 1999 to emerge as the second leading exporter to the US. As will be seen below, Lesotho overtook Mauritius when AGOA set in. As will be seen later, dynamics surrounding Lesotho's rise are similar to those surrounding Kenya, except for the 1994 quota restrictions, and hence there is no reason why Kenya could not have ultimately emerged as the leader. The point is that Kenya's early dynamism under the US regime was curtailed by the quota restrictions.

4.2.2.2 Phase B (2002-2004): Growth and Dominance of US-Destined Exports

Total exports to US and EU continued to rise in Phase B and reached their peak (Chart 10), a 44 percent cumulative growth between 2001 and 2004. A slip in Madagascar in 2002 slowed the growth. Madagascar was affected by contested election results in 2001. This development reinforces my earlier contention of export substitution between Mauritius and Madagascar, signalling the connection of these two countries' apparel firms with the expansion of Hong Kong apparel firms since at least the 1970s. When the crisis hit Madagascar, leading to a drop, Mauritius, which had been experiencing a decline since 1998, arrested its slowdown until at least 2003. Madagascan firms transferred orders to Mauritius where they had sister factories. This can be seen in Chart 12. However, as I have showed already and as will continue to emerge, there is evidence that a Mauritius gain in that year was attributed partly to this crisis and partly to AGOA. Moreover, this substitution means that had Kenya had strong links with Asian social Darwinism and arrested its drop like Mauritius did, there are chances that Kenya would be the leading SSA apparel exporter to the US by 2004. Between 2001 and 2004, the leading six countries' exports grew by 39 percent (Chart 11).

EU-destined exports dropped slightly in 2002, and recovered slightly in 2003 and 2004 (Chart 11). Again, the drop in 2002 is due to Madagascar's poor performance. On distribution among the six leading countries, Mauritius still leads, followed by Madagascar and South Africa (Chart 13).

Lesotho is overtaken by Kenya in 2003 and Swaziland is still last. There is no substitution between Mauritius and Madagascar. Thus the substitution observed in total EU and US exports was restricted to the US. South Africa's performance is still constant between 2002 and 2004. In 2002 Kenya experiences a further drop, but this is reversed in 2003 and 2004. Lesotho's performance is poor and is on a par with Swaziland in 2004. Swaziland exports an insignificant amount in 2002 and 2003 (below US\$ 1 million). We see here that Kenya is still not making use of the EU 'preferences'.

US-destined exports had a rapid 76 percent growth in three years (2002-4) (Chart II). In contrast to the previous phase, changes in country share are dramatic (Chart I4). Mauritius was recognised as an LDC in 2004. Even then, it is outshined by Lesotho, Madagascar and Kenya. Swaziland also overtakes South Africa. The catalyst for these dynamics was AGOA's RoO exemption. The rates of growth for the dynamic countries were quite high. Lesotho grew by 115 percent, Madagascar by 84 percent and Kenya by 329 percent. Mauritius dropped by 5 percent, Swaziland grew by 278 percent, while South Africa dropped by 19 percent. Conclusion: Kenya gets a reprieve from the US quotas, and takes advantage of AGOA's RoO exemption to top the rate of growth.

4.2.2.3. Phase C (2005-2007): Decline of both EU and US-Destined Exports

The greatest effect felt in this phase is the decline of both EU and US-destined exports. Under the 10-year transitional ATC, global trade in apparel was 'liberalised' in 2005. This gave a competitive edge to low-cost producers in Asia and elsewhere, in particular China. SSA began losing its share of exports, affecting the operations of the two sets of exports. In 2005, SSA exports dropped by 15 percent (Chart I0). Leading suppliers' exports also dropped by 15 percent (Chart II).

Declining exports to the EU seen in the previous phase continued in this phase; in addition to the post-ATC effect. Imports into the EU slipped by 9 percent in 2005 (Chart II). All leading suppliers except Madagascar experienced a drop (Chart I3). Swazi's drop was 96 percent, South Africa's was 28 percent, Lesotho's was 27 percent, Mauritius' was 14 percent, Kenya's was 6 percent and Malagasy's growth was 14 percent. Also, Swaziland relinquished its tie with Lesotho to take the sixth position. The point: even under liberalisation, Kenya is unable to export under the EU-based regime.

While US exports continued to dominate, they dropped by 26 percent (Chart 11). Kenya overtakes Madagascar to emerge the second largest SSA exporter, and Swaziland overtakes Mauritius to emerge the fourth largest exporter. Lesotho and South Africa retain their rankings as the largest and the sixth largest exporters respectively. Ranking corresponds to the rate of slump: the top three countries, enjoying the largest share, experienced a lesser drop. Lesotho's drop was 16 percent, Kenya's was 6 percent, Madagascar's was 27 percent, Swazi's was 25 percent, Mauritius' was 48 percent and South Africa's was 66 percent (Chart 14). The average drop for the first three countries was 16 percent, while that for the last three was 46 percent. Therefore, in 2007, Kenya was the second most dynamic country in respect of US-destined exports, with the highest rate of growth. In addition, it is the most resilient to post-ATC competition, experiencing the least slump from among the leading six.

4.3 PRODUCT UPGRADING: MOVEMENT FROM ASSEMBLY TO OEM

4.3.1 Introduction

In this section, I will employ four approaches to analyse product upgrading as increased unit value. The overall proxy will be movement from simple assembly of imported inputs to OEM. I will be using proxies because it is virtually impossible to calculate the actual value added. Rolfe and Woodward attempt to do so, but reach a cul-de-sac. They note that, while EPZs import data in Kenya is available, unlike for much of SSA, it is not separated into components, and plant and equipment. Since the latter could be substantial, especially if a company is still being set up, this can warp the results greatly. Instead, they assess 'local input expenditures', which 'better indicate an EPZ company's contribution to the Kenyan economy (along with wages)' (Rolfe and Woodward, 2005: 18). In a word, EPZ firms do not divulge the important information necessary for this exercise.

Firstly, I will consider the extent to which the apparel industry is locally integrated in Kenya. One proxy will be a general assessment of whether or not the EU PTA RoO was implemented. This will be supplemented by another proxy, the assessment of the extent to which the local supply chain is supplying the EPZ export firms with fabric and accessories, the main raw materials. Local integration

might be questioned by some by arguing that the North has, at least in the earlier forms of IDL, dominated the global system because it was processing imported raw materials. However, unlike LICs, the North controlled technology, and hence it appropriated value. Others may say that this may be different today when most of the value accrues to brand holders; that what counts is occupying a strategic place within the overall process, not necessarily uniting all the phases within your frontiers. However, while local integration might not be the most competitive upgrading option, firms in LICs are excluded from both pre-assembly chain functions and post-assembly ones that possess much of product upgrading. Therefore, one of the options left for such firms is to upgrade their local supply chain, however limited upgrading this might be.

Next, I will consider the extent to which the fabric is added value, even if it is imported. This somewhat flips the above argument. While both local integration and fabric value addition are less lucrative upgrading options, the former has better prospects. This is because ideally, the assembly stage is assigned very little value in the chain, and that is why export enclaves, such as EPZs, are established- to add this minimum value. Value addition is also bound to be fraught with technology transfer restrictions. Therefore, what Rolfe and Woodward mean by local input expenditures being a 'better indication' of EPZs' contribution to the Kenyan economy than assembly stage value addition calculations is, I believe, that, while the value created at assembly stage would be the same whether inputs are local or imported (assuming their cost would be the same), additional value would be created within a country's textile-apparel sector if inputs were local. But, since I am also interested in a proxy for value addition at assembly stage, I will carry out a unit price comparison with other supplier countries in the destination market, taking into account the cost of production. To complement this, I will also assess the state of technology of machinery, as it tells us the extent to which the fabric can be transformed. However, we will not assess the extent to which technological changes have taken place. We only wish to avoid introducing another dimension- process upgrading seen as 'introduction of superior technology', which is outside the confines of this thesis.

The third way I will look at it is the possibility of the export of indigenous products that are wholly Kenyan in raw material composition and technology of manufacture. The argument for this proxy is the same as for local integration.

Finally, I will examine the rise/ decline of the share in the destination market of the top half of products ranked in value, *vis a vis* that of the bottom half. This is upgrading/ downgrading irrespective of whether a country is exporting low or high value products. The margin of upgrading for the leading five products in each of the halves will also be shown, and a comparison with Chinese categories limited in the North carried out. This last approach is primarily concerned with approximating a country's changing integration into a GVC (see UNCTAD, 2007). I will use USOTEXA data because UNSD-COMTRADE data is not as disaggregated as USOTEXA data for this purpose. I believe it is safe to rely on data from USOTEXA and still make a strong case for the upgrading trend in the Kenyan industry because, as I have pointed out severally, as a corollary of AGOA's RoO exemption, Kenyan exports grew disproportionately in favour of the US.

4.3.2 Local Integration

4.3.2.1 RoO Implementation

To receive duty reduction, exports to the EU had to meet the RoO condition. Implementation of the RoO means that products have greater value added, which, according to the upgrading model, is upgrading seen as 'increasing unit value of products as a result of RoO implementation'. It is reasonable to believe that the rule was enforced. For instance, at one point Germany had warned Kenya that '[t]he EC is concerned to protect its textile and garment industry against excessive imports.... Repeated attempts have been made in the past to undermine the WTA by manipulating certificates of origin. Strong measures are used to combat such manipulations...' (Nacken, 1982: 48). This simply means that exports from SSA under the regime had higher local value added given that the material for the apparel was processed in Kenya to a 'sufficient extent', that is, spun, knit, dyed and sewed in the country (see section 3.2.1.3). When AGOA introduced such a 'preference' for US-destined exports, LDCs were exempted from the RoO. Most countries, including Kenya, chose to import all the fabric, and hence their exports had less value compared to EU-destined exports.

It is clear that during Phase B of the above analysis three distinct groups of countries emerged: those gaining from only the less lucrative US-destined exports (Lesotho, Kenya, Swaziland and South

Africa), those gaining from both the more lucrative EU-destined and the less lucrative US-destined exports (Madagascar), and those gaining mainly from the more lucrative EU-destined exports (Mauritius). The overall conclusion therefore is that, since Kenya was gaining from only the US regime, the country's exports were generally lower-added value products, since it was importing the fabric (from Asia). This leads us to the complementary assessment of the source of the fabric.

4.3.2.2 Local Fabric and Accessories Supply

We saw in section 3.3.2.1 that during the ISI era in the 1960s and early 1970s, there was minimal link between apparel making and fabric making, although both existed. Government intervention in 1977, however, integrated the textile-apparel sector, an integration that peaked in the early 1980s when the integrated sector accounted for 30 percent manufacturing labour force and employed 200 000 farming households. In section 3.3.2.2 we saw that as a result of liberalising the economy, ISI firms began crumbling, beginning in the mid 1980s, so that by 1997, the production index for apparel firms was barely higher than its level before the 1977 protection, and by 2001 the textile-apparel sector had only six integrated mills and two spinners.

What this means for this section is that by the time exportism arrived, the link initiated in 1977 had atrophied. According to KAM, all the cotton fabric used in manufacturing export apparel today is imported. All other raw materials for fabric, such as wool, viscose, polyester, nylon and acrylic are also imported, except for some quantity of wool (KAM, 2006).

This is corroborated by USOTEXA data by calculating the reliance of exports on foreign fabric (measured as the ratio of apparel exports from foreign fabric to total apparel exports). The reliance has been increasing over time. It was 80 percent in 2001, 96 percent in 2002, 94 percent in 2003 and 98 percent in 2004. According to Table 12 below, it was 98 percent in July 2005, and had reached 99 percent by November 2005. When apparel exports under AGOA are considered (ratio of row six against row four), all such apparel has invariably relied on foreign fabric. This fabric is Asian, and this reliance undermined possible initiatives for local integration.

Table 12: Apparel exports, Kenya to US, 2005-7, selected aspects

	YE*	YE	YE	YE	YE
	Dec 2006	Jan 2006	Dec 2005	Nov 2005	Jul 2005
Total imports of apparel	262.905	261.446	270.557	275.344	275.098
9802.00.8065 Articles assembled from any fabric cut in the US (807)	#	0.000	0.000	0.000	0.000
(AGOA) imports under the Trade and Development Act of 2000... (total of items below)	##	258.113	266.599	271.263	270.219
9819.II.09 Apparel from regional fabric from US or African yarn	#	0.000	0.000	0.000	0.000
9819.II.I2 Apparel from foreign fabric made in a lesser developed country	##	258.113	266.599	271.263	270.219

* Year Ending #Data missing at the time of writing but most possibly 0.000 ##Data missing at the time of writing
Source: Author's based on USOTEXA

Because EPZs do not use local fabric, investigating what happens upstream in the chain is not very useful. This is because our focus is the export segment, and EPZs dominate the segment. For example, EPZs accounted for at least 83 percent of AGOA and 80 percent of total exports in 2002. However, we will endeavour to assess what public policy-related initiatives on the issue have achieved. Although this will touch on the role of local institutions, particularly the state, in upgrading, that will not be the focus. The focus will be to ascertain progress in developing local supply of fabric. I will also assess domestic input expenditure focussing on accessories (labels, ravel, thread, dyes, buttons, zips *et cetera*). My research unearthed that over the period under study (1992-2007) there have been three main studies to investigate the extent of integrated apparel production in Kenya with a view of informing policy.

In 1991-2 MoTI commissioned Foreign Investment Advisory Service (FIAS)- an arm of World Bank's International Finance Corporation- to conduct a diagnostic study of the backward linkage environment in Kenya. FIAS looked at four sectors, textile-apparel among them. In the textile-apparel sector, it observed broken linkages in three areas relevant to this study. The provision of cotton to manufacturers was uncertain. Cotton crop yields had declined because farmers had been unable to access improved seeds, sprayers and insecticides. Then there was a split between inward oriented manufacturers who engaged in substantial backward linkages and those who were export oriented, engaged in little backward linkages. A key reason for the split was that Kenya produces medium staple, medium strength cotton of lower quality, resulting in the production of lower quality fabrics and linen. Consequently, MuB firms imported higher quality fabrics for their exports. The third broken linkage was the tendency to export yarn because it fetched higher profits through a 20 percent export compensation scheme²⁷ rather than sell it to the domestic market as input to the production of fabrics and increase the local value added (FIAS, 1992).

In the second study, the EU programme for Kenya (EU, 2003) carried out an assessment of the international competitiveness and value adding opportunities in the Kenyan cotton industry. It also identified the first two broken linkages above and added lack of cost advantage. On cost advantage, regarding the textile chain segment from spinning to production of fabrics, the report noted that labour is of minor importance and contributes less than 10 percent to total costs. More important factors were given as raw materials and other inputs like dyes and electricity. Electricity is more expensive in Kenya than in competing countries, such as China or India. In addition the productivity in such countries is higher than in Kenya; hence a further lower unit costs there. The report concluded that Kenya has no comparative cost advantage to produce yarn or dyed fabrics, audaciously recommending that 'it makes no sense for the Government to intervene in this sector or for example to subsidise the electricity'. Concerning apparel production, AGOA benefits were seen to be able to, for the time being, offset the low labour productivity, which was 10 to 30 percent lower in Kenya than in India and Sri Lanka. It recommended also that there was no need to intervene in

²⁷ Between 1974 and 1980, the compensation was 10 percent, and before 1974, refunds were made in certain circumstances (where the final product was exported, total duty remission was possible) (Ryan, 1974).

apparel manufacturing. Instead, the Government should have been concentrating on lobbying for the prolongation of AGOA.

The third and final study was conducted by researchers from the state public policy think tank- Kenya Institute for Public Policy and Analysis- and it has been reproduced in Ikiara and Ndirangu (2004). Most of the findings are similar to those of FIAS and the EU, the additional issue being Northern cotton subsidies. The authors carried out a survey among 133 cotton farmers and their input suppliers in different parts of the country. The results showed that, since the collapse of the textile-apparel integrated sector following liberalisation of the economy in 1986, cotton production is still very low, and ginneries have very low utilisation rates. The bottlenecks were found to be low yields (compared to those of West and Central Africa, Africa generally, Pakistan, Mexico, Israel and the world average), high cost of production, and low and declining prices (mainly due to subsidies to cotton farmers in the North). The same was found with lint production. 11 ginneries were surveyed. Although they meet the minimum technology requirements, some lack drying and moisture restoration devices, and hence the lint they produce is of poor quality, with imperfections and lack of smooth appearance. Obstacles faced included high cost and the unreliability of electricity. Regarding yarn spinning and fabric manufacture, there is inadequate investment in spinning, weaving, and fabric finishing operations. Technology is also poor, and the locally produced fabric is of low quality with a high price. 2 spinning firms, 7 integrated mills and 13 apparel firms were interviewed in Nairobi, Mombasa, Nakuru, Nanyuki, and Athi River. Among the most important constraints included high cost of electricity, contamination of local lint and lack of qualified labour. Lastly, they looked at apparel manufacturing. 13 firms were interviewed in Nairobi, Mombasa, Nakuru, Nanyuki and Athi River. This part of the chain was the only one found to be thriving, thanks to AGOA and its 'generosity' in the RoO exemption. Obstacles cited were high cost of electricity, poor infrastructure, interruption of electricity and water supply, poor quality and inadequate supply of skilled labour, transport costs, uncertainties concerning AGOA, and political and economic uncertainties. Buyer control of the chain was also cited, as Kenyan firms lack the power to decide on price and design.

The study concluded that in theory, the alternative to local production of fabric would be sourcing it from the US or SSA, as the RoO will demand, once implemented. The authors argued that in

practice, sourcing it from US would double its current cost. Sourcing it from the rest of SSA wouldn't be possible either. This is because SSA countries with more developed textile industries, such as South Africa, Mauritius and Botswana, are not able to meet even their own demand, along with the fact that their fabric lacks the variety and quality required for international markets. The study proposed regional division of labour within EAC and/or the Common Market for Eastern and Southern Africa (COMESA), where Uganda, Tanzania and Malawi could concentrate on seed cotton production, which they are efficient in, and leave the textile-apparel sector to Kenya. However, they precipitately added that Uganda may offer a challenge to take manufacture of textile-apparel, given its relatively lower electricity cost. In summary, their recommendations were two: capacity building in the lower parts of the local chain, and exploitation of the different comparative advantages in the region. The former would involve the establishment of a representative apex institution to coordinate the chain, strengthening institutional support and cost reducing interventions, including research and development, and addressing the key cost drivers at each part of the chain, among others. The latter include strategic alliances with regional partners, regional frameworks to facilitate sharing of expertise, information and infrastructure, and general commitment to regionalism.

These studies are not encouraging because UNIDO's position is that the nature and extent of linkages between industrial activities in the zones and those in the domestic economy is probably the key issue concerning EPZs. In theory, the linkage with the local fabric supply chain is the most important. However, the studies seem to ignore that UNIDO had long ago, in 1980, identified that the nature of production processes in EPZs will always be expected to limit backward linkages, noting that the only 'major linkages with the host country economy concern...service-oriented activities... [and] multiplier effects through the expanded incomes of the labour force, primarily through the purchase of host country consumption goods' (UNIDO, 1980: 25). UNIDO explained that EPZ backward linkages with domestic production activities are limited partly due to the special concessions for importing inputs, the close affiliation with foreign capital, the type of manufacturing activity and the undeveloped character of most host economies. However, UNIDO adds that this situation can be improved.

However, it seems GoK has failed to improve it. As said before, the quality of Kenyan cotton does not meet international standards. That is why it is processed in local ginneries and sold to local textile industries for use as fibre. Even if it did meet the standards, while in the 1980s cotton lint production stood at 70 000 bales per annum, currently the country produces only about 20 000 bales of lint per annum (2002 figure), yet the 24 local ginneries in existence have an installed capacity of 140 000 bales (KAM, 2006). Since local requirements stand at 120 000 bales, the shortfall is met by imports from Uganda and Tanzania (KAM, 2006; see also Mugambi, 2006).

The only tangible initiative is that from 2005, GoK has been allocating KShs 250 million (about US\$ 3.3 million, October 2008 exchange rates) annually for the revival of cotton farming. It was expected to improve cotton production in 2006 to 40 000 bales per annum (MoTI, Department of Industries, 2006). The rest of the efforts, according to the Industrial Officer in charge of AGOA at MoTI, have remained as mere proposals, including a vital one of setting aside a credit scheme for indigenous capitalists to invest in upgrading the entire local supply chain (Rono, 2007).

Finally, my interview with the case study firm General Manager revealed that most accessories are imported from Asia, mainly from China (Isinga, 2007). I corroborated this finding from EPZA data. From among the 25 firms operating in 2005, 8 had literally no local input expenditure. Of the 17 that had this component, none sourced fabric (and capital goods) locally. All that was sourced were accessories, amounting to KShs 559 million (approximately US\$ 8.1 million, November 2007 exchange rates), which is four percent of total exports for that year (see Kindiki, 2009; appendix I).

4.3.3 Fabric Value Addition

4.3.3.1 Comparison of Prices at Destination Market

Whether or not the fabric is imported, we can still evaluate the extent to which it has been added value by carrying out a price comparison in the destination market. For all products, I will investigate

wholesale prices (volume earnings) in the period 2004-6, concentrating on 2005-6. In 2005, the average value per M² ranked Kenya fifth. Mauritius had the highest (US\$ 5.7 million), followed by Madagascar (US\$ 4.4 million), then Lesotho (US\$ 4.1 million) and South Africa (US\$ 4.0 million) in that order. From the leading 6 suppliers, Kenya's value (at US\$ 3.7 million) was only higher than Swaziland's (at US\$ 2.9 million). In 2006, Kenya's value moved from 3.7 to 4.0, but still remained at position five, with a value only higher than Swaziland's (see also Kindiki, 2006; 2009).

The above findings corroborate Rolfe and Woodward's (2005) argument that Kenya's leading products are definitely of low value. The authors compared US retail prices per one dozen of the leading category in Kenya, Mauritius and Swaziland- Women's Trousers (Other Cotton, Not Knit) (see appendix J for the categories with at least 1 000 M² between 2003 and 2005). A dozen from Kenya was US\$ 68.30, which, although higher than Swaziland's US\$ 60.57, was lower than Mauritius' US\$ 80.69. They also show that the unit prices for Kenya's leading 152 subcategories were 74.6 and 91.6 percent of China's and India's respectively.

This may seem to suggest that Kenya was producing apparel at lower costs than Mauritius, China and India. However, the authors refute this possibility. Their view is supported by my fieldwork data in the views expressed by EPZA officials (Chesang, 2007; Bii, 2007), entrepreneurs (Isinga, 2007), business association (Kariuki, 2007) and MoTI (Rono, 2007). They confessed that the cost of production in Kenya is higher than in most Asian countries, and that the main reason why most firms were operating in the EPZ was to take advantage of AGOA provisions. If that is so, it is unlikely that the country would be more competitive than Asia in this respect, keeping all other factors (including duty concessions) constant. The plausible explanation is that, as established by Rolfe and Woodward, Kenyan apparel exports involve simpler design, with less embroidery and minimal ornamentation. This is corroborated further by the next section on the state of production process technology.

4.3.3.2 State of Process Technology

UNIDO (1980) advises that only a limited transfer of technology can be expected through EPZs. This is because the zones are involved in assembly activities using general machinery, leaving behind

both the pre-assembly stages requiring advanced technology and related research, and development activities, in the centre. And even if complex modern techniques are used in EPZs, UNIDO submits that the host country does not automatically have access to them.

According to my research (Kindiki, 2006), firms have only the basic technology for assembly, with minimal flexibility. The research suggested that whenever there has been a major investment in new technology, it has been as a way of catching up with the basic technology at the start up stage for any apparel firm to effectively participate in lower-end assembly of inputs. The only apparent evidence of superior technology is EPZA's statement that a 12 percent decrease in EPZ exports to US in 2005, accompanied by a 22 percent increase in investment, was 'as a result of [apparel] enterprises investing in value adding machinery such as fashion, washing capacity, sandblasting embroidery and others' (EPZA, 2005b: 17) (see also MoTI, External Trade Department, ca. 2006b). This technology still falls within the confines of assembly operations. To this end, therefore, Kenyan firms constantly update their assembly process technology, and are competitive in this respect. Indeed according to my survey, some firms had bought new assembly machines as recently as January 2006. Hence their assembly role seems not to have been affected by the MFA phase out.

Considering labour as part of production process, my survey (Kindiki, 2006) revealed that its flexibility is mixed. Labour flexibility in capitalism is double faced. One face is the maximisation of skills of the labourer to increase productivity; without necessarily increasing wages. The survey unearthed that lack of flexibility has contributed to low productivity. This is to say that Kenya apparel EPZs have not maximised the exploitation of a multi-skilled labour force. While there is regular training of production workers and supervisory staff, there exists no specialised training for technological skills transfer. Even for the existing product lines, training takes place immediately after recruitment as an induction, to familiarise the workers with the operations in the factory.

EPZA reports cite training in such areas as production management, financial management, in house training in stitching, sewing, cutting, screen printing, formulation of apparel washing chemicals, fire fighting and Acquired Immune Deficiency Syndrome (AIDS) (EPZA, 2003b; 2004a). Appendix K has these details. These skills range from some relatively technical ones (such as production management) to basic ones (such as sewing) to those obliquely related to production (such as fire

fighting). From EPZA's list, it can be argued that the main training is in basic skills. There was a promise by the US to fund an AGOA manufacturing centre for East Africa, whereby among other things, workers would be trained (see Kathuri, 2005). My survey underscored the fact that it is still unclear what the centre would be training in, but there is great likelihood that it might not go any further beyond such basic skills. This is because low apparel assembly may not require any special skill levels. Also, the survey showed that, related to this face of flexibility, unlike in Asia and perhaps elsewhere, Kenyan firms do not employ the piece rate system. Instead, they argued that they would rather increase production efficiency among the labour force by administering attendance bonuses, strict supervision and correct reward system.

However, Protex attempts to motivate labour by setting wages just above the statutory minimum.

...it is better even to pay well and give good quality... a place whereby you find that the workers are not well paid, or are paid below the minimum wage, it will be very difficult for you to sustain the buyer... Because the moment the buyer receives the finished garments in the USA, and they are of poor quality, that is the end of it... Cheap labour can be very expensive...if you are not being paid well there is no motivation... for you to succeed...pay above the minimum... Number two, if you are not paying well it lowers the productivity. Because somebody is working assuming that even if I work very hard these people are still underpaying me... we pay above that because we have what we call grading allowance... (Isinga, 2007).

The other face of flexibility is the hiring and retrenching of labour. According to KHRC, GoK collaborated with IFIs by formulating flexible labour laws in response to the institutions' labour-related conditionalities and recommendations, such as those contained in the SAPs. Among other things, GoK embraced 'suppression of trade unions...[as the recommendations] circumvented the requirement of union involvement in the redundancy of workers...[for they] introduced the concept of retrenchment and gave employers exclusive, unequivocal and unbridled power to hire and fire workers' (KHRC, 2005: 4-5, 18). This was effected through the amendments in the Finance Act No. 4 of 1994, which effectively led to amendments of provisions of the Employment Act and the Regulation of Wages and Conditions of Employment Act. Hence my 2006 survey showed that Kenyan EPZ labour is flexible in this respect; workers are hired and fired regularly, and when they lose their jobs, in most cases, it is on flimsy grounds.

With such a state of process technology, it is clear that value addition is minimal. Still, if folklore/ hand loomed/handmade products could be exported, materials for such products would generate substantial value addition, especially if the products are marketed as niche. Has this happened?

4.3.4 Export of Folklore/ Hand loomed/ Handmade Products

MoTI and KAM are right in asserting that liberalisation increases opportunities for such folklore/ hand loomed/handmade products as Maasai *Shuka* and *Kikoi*. The market does not have to be exclusively Northern (Manyara, 2007; Kariuki, 2007).

Despite these rather positive ideas about Kenya developing niche folklore/ hand loomed/handmade products, a close examination of USOTEXA data reveals a totally different picture. The US Harmonised Tariff Schedule (HTS) has 35 folklore/ hand loomed/handmade categories. Out of these, Kenya has exported under only three. Furthermore, the last one, which is the most dominant, does not fall under Textile and Textile Articles (Chapter 52 to Chapter 63) (see Table I3 below). It falls under Chapter 65 (headgear and parts thereof), which is under Footwear, Headgear, Umbrellas, Walking sticks, Seat sticks, Whips, Riding-crops and Parts thereof; Prepared Feathers and Articles made therewith; Artificial Flowers; Articles of Human Hair. However that is beside the point. The point is that Kenya has so far exported insignificant amounts of its niche folklore/ hand loomed/handmade products under AGOA.

However, there has been some effort: 'The Ministry of Trade and Industry is encouraging players in the textile sector to work in associations; through such effort the Handloom Weavers Association was registered...' (MoTI, Department of Industries, 2006: 1). Whilst this is not enough, what is encouraging is that at least some of the constraints in developing this category seem as though they can be overcome- if there is enough mettle. In a workshop organised by the Kenyan Export Promotion Council (EPC) and Japanese International Cooperation Agency in Nairobi in 2002, five constraints were given. Firstly, there is lack of enough information that an opportunity to enter the American market exists. Secondly, the market for handmade items is rather sophisticated with regard to consumer tastes and fashion, market entry strategies, specifications on fabric content, standard

Table 13: Folklore/hand loomed/handmade exports, Kenya to US, 1992-2007

Category	Phase exported	Year(s) exported	Value (US\$)	Quantity (SME)
6205201000 (certified hand-loomed and folklore men's/boys' shirts)	A	1993	5194	193
5209513000 (woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing more than 200g/m ² , printed, plain weave, certified hand-loomed)	A	2000	476	3
6505902060 (certified hand-loomed and folklore products; and headwear of cotton except for babies, not knitted)	A, B and C	1993	342	8
		1994	3744	405
		1995	3300	371
		1996	4488	711
		1997	26772	2603
		1998	37 575	3163
		1999	62122	8841
		2000	21854	6329
		2001	2608	75
		2002	2212	25
		2003	4785	90
		2004	-	-
2005	9025	355		
2006	31092	2269		

Source: Author's adaptation of US International Trade Commission (2008a; 2008b)

garment sizes and others. Thirdly, their strong ethnic characteristic is unlikely to appeal to the contemporary American consumer. Fourthly, there is a challenge to meet large orders (Namu, 2003). In addition to the possibility of overcoming these challenges, Washington's position is itself encouraging. In the words of none other than Anna Flaaten, the International Trade Specialist overseeing the implementation of this category at USOTEXA, 'there are many niche markets in the United States. ... With a focused effort, such African articles could be very successful. ... this aspect of AGOA remains underutilised' (Flaaten, 2005: 27).

What about the country's integration into the GVC?

4.3.5 Integration into the Apparel GVC

In this section, I will present the results for product upgrading by US market share percentage. According to USOTEXA (various years), during this period, the US imported 5 661 product categories from the world apparel market. Kenya participated in only 879 of these. However, I will analyse only the 304 categories that were exported into the US in at least two of phases A, B and C. This is because it is not possible to analyse categories that appear only in one phase. In each phase, the products are ranked in value and then divided into two equal halves.

4.3.5.1 Possible Scenarios for Share Upgrading

There are three possible scenarios for upgrading. One of them is that the share of the top half goes up, while the bottom half is losing its share (scenario I). Alternatively, the share of the top half goes up, while that of the bottom half remains constant (scenario II). There would also be upgrading if the share of the top half goes up strongly, while that of the bottom half rises weakly (scenario III).

Downgrading has four scenarios. One of them is that the share of the bottom half goes up, while the top half is losing its share (scenario I). Alternatively, the share of the bottom half goes up, while that of the top half remains constant (scenario II). There would also be downgrading if the share of the

bottom half goes up strongly, while that of the top half rises weakly (scenario III). Finally, there is a downgrading scenario where the shares of both halves either falls, or remains constant (scenario IV).

4.3.5.2 Share Upgrading, Products Responsible and Future Prospects

Tables 14 and 15 below tell us four things. First, when we consider the change between phases A and B (Table 14) (band A being products ranked 1-101, product 1 valued US\$ 271 and product 101 valued US\$ 2.9, and band B being products ranked 102-202, product 102 valued US\$ 2.9 and product 202 valued US\$ 0.2), integration into the GVC is poor. It needs to be noted that I am making the assumption that the country at a point, that is earlier than 1992, began with zero exports. The dynamics for period A are therefore germane to me only as far as I use them as the basis on which to evaluate phase B. Between phases A and B, therefore, while the average upgrading for all products was 0.2 percent, the average for band A was higher (0.4 percent) than for band B (0.1 percent). Hence the dynamics here are denoted by upgrading scenario III. For Table 15, the upgrading analysed is that between phases B and C, and the reference point of upgrading is products exported in phase B (band A¹ being products ranked 1-152, product 1 valued US\$ 326 and product 152 valued US\$ 2.3, and band B¹ being products ranked 153-304, product 153 valued US\$ 2.2 and product 260 valued US\$ 0.2)²⁸. While the average for all products was 0.5 percent, band A¹ upgraded weakly (0.1 percent), and band B¹ upgraded strongly (0.9 percent); hence the dynamics here are denoted by downgrading scenario III. The combination of these two scenarios is poor integration into the GVC.

Second, and dovetailed into the above point, a comparison between product value ranking and that of its margin of rise shows that the margin for the more valuable products was smaller than that for the less valuable ones, buttressing the poor integration into the GVC argument. In Table 14, while the value for the leading product in value ranking in phase A was US\$ 271 per SME, the leading product in share upgrading between phase A and B, at 8 percent, had a phase A value of US\$ 9.2 per SME. Similarly in Table 15, while the value for the leading product in value ranking in phase B was

²⁸ Products 261-304 were not exported in the reference period for ranking (2002-4). For convenience, they are assumed to fall within the lower band.

Table 14: Products experiencing < 1 % share upgrading, 1992-2001 & 2002-4

1992-2001 value ranking	Cumulative % rise/fall between 1992-2001 & 2002-4	% rise/fall per category	Products with at least 0.01 upgrading	% margin of rise	% margin of rise ranking	1992-2001 value ranking	1992-2001 value (\$/SME)	Chinese categories limited by US & EU which affect leading Kenyan products
I-202	43.6	0.2						
I-I01 (band A)	36.4	0.4	6208110000 (women/girls slips and petticoats, of manmade fibres)	4.5	2	13	20.5	652
			6104120030 under heading 6104 (women/girls suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted)	8.1	1	26	9.2	Not easily identifiable because the HTS no longer exists
			6204624005 under subheading 620462 (women/girls trousers, bib and brace overalls, breeches and shorts, of cotton)	3.7	3	48	5.9	348 (subheading)
			6203424005 under subheading 62034240 (men/boys trousers, bib and brace overalls, breeches and shorts, of cotton, other)	1	16	60	5.0	347 (subheading)

			6204624020 under subheading 62046240 above	1.8	8	72	4.3	348 (subheading)
			6203424045 under subheading 62034240 described above	1.2	15	79	3.8	347 (subheading)
			6204624050 under subheading 62046240 above	3.3	4	89	3.4	348 (subheading)
			6204624065 under subheading 62046240 above	1.45	13	96	3.1	348 (subheading)
I02-202 (band B)	7.2	0.1	6204624030 under subheading 62046240 above	1.48	12	102	2.9	348 (subheading)
			6204624055 under subheading 62046240 above	1.9	7	103	2.9	348 (subheading)
			6203432010 (men's trousers, bib and brace overalls, breeches and shorts, of synthetic fibres, other)	1.7	9	136	2.0	659
			6207220000 (men's/boys' nightshirts and pyjamas, of manmade fibres)	2.9	5	169	1.4	None
			6204423030 (women's dresses, of cotton, with two or more colours in the warp and/or the filling)	1.3	14	167	1.4	None
			6104622030 (women's shorts, of cotton)	1.617	10	171	1.3	348

			6203191020 (men's/boys' trousers, breeches and shorts imported as parts of suits, of cotton)	2.4	6	172	1.3	347 (subheading)
			6204633532 (women's shorts, of synthetic fibres)	1.614	11	173	1.3	648

Source: Author's calculation based on USOTEXA

Table 15: Products experiencing < 1 % share upgrading, 2002-4 & 2005-7

2002-4 value ranking	Cumulative % rise/fall between 2002-4 & 2005-7	% rise/fall per category	Products with at least 0.01 upgrading	% margin of rise	% margin of rise ranking	2002-4 value ranking	2002-4 value (\$/SME)	Chinese categories limited by US & EU which affect leading Kenyan products
I-304	160.0	0.5						
I-152 (band A ¹)			6204624005 under subheading 620462	1.469	18	40	5	348 (subheading)
			6203434010 (men's trousers and breeches, of synthetic fibre)	1.1	22	61	4.1	647
			6203424055 under subheading 62034240 described in the previous period (2002-4)	3.1	6	68	3.9	347 (subheading)

		6203424030 whose subheading is still 62034240 as above	2.3	7	74	3.8	347 (subheading)
		6204624030 under subheading 620462	5.1	3	94	3.5	348 (subheading)
		6204624055 whose subheading is still 62034240 as above	1.456	19	107	3.2	347? /348? (subheading)
		6111205000 (babies' trousers, breeches and shorts as knitted or crocheted garment and clothing accessories except those imported as parts of sets, of cotton)	2.032	9	116	3	None
		6104532020 (girls' skirts and divided skirts, of synthetic fibre, other)	1.47	17	121	2.9	None
		6204624065 under subheading 620462 already described	1.98	10	125	2.8	348 (subheading)
		6110303045 (women/ girls sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of manmade fibre, other)	1.033	24	131	2.6	639
		6203424020 under subheading 62034240 also described already	1.518	16	137	2.5	347 (subheading)
		was 6103431540 (boys' trousers and breeches, of synthetic	1.0	23	152	2.3	647

			fibre, other)					
153-304 (band B ¹)			6104632028 (girls' trousers and breeches, of synthetic fibres, other)	1.887	12	156	2.2	648
			6105202030 (men/boy's shirts, knitted or crocheted, of manmade fibres, other)	1.707	14	164	2.1	638
			6106202030 (women/ girls' blouses and shirts, knitted or crocheted, of manmade fibres, other)	1.626	15	165	2.1	639
			6107920040 under the heading 6107 (men's/boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted)	1.924	11	166	2.1	None
			6209203000 already described in the previous period	1.795	13	180	2.0	None
			6104622026 (girls' trousers and breeches, of synthetic fibres, containing 5 percent or more by weight of elastomeric yarn or rubber thread)	8.645	2	182	1.9	348 (subheading)
			6104632030 (women's shorts (other than swimwear), knitted or crocheted, of synthetic fibre, other)	1.443	20	183	1.9	648
			6112120050 (men's/boys' track suits trousers, knitted or crocheted, of synthetic fibres)	3.712	5	186	1.9	647

			6109901025 (boys' tank tops and singlets, of manmade fibre)	2.28	8	214	1.4	638
			6104622060 (girls' shorts, of cotton, other)	1.179	21	217	1.3	348 (subheading)
			6104631030 (girls' bib and brace overalls, of synthetic fibres, other)	12.959	1	241	0.9	659
			6109901049 (men's/boys' garments similar to T-shirts, singlets and tank tops, knitted or crocheted, of manmade fibres)	3.851	4	251	0.6	638

Source: Author's calculation based on USOTEXA

US\$ 326 per SME, the leading product in share upgrading between phase B and C, at 13 percent, had a phase B dismal value of US\$ 0.9 per SME.

Third, AGOA 'preferences' are not sufficient to guarantee a continued existence of the industry in Kenya outside manmade fibre and woollen apparel exports that have high import duties in the US. When AGOA expires in 2015, the high import duties will grossly undermine Kenya's integration into the GVC. In Table 15, for example, out of 24 products, 13 were from manmade fibre. Morris (2006) had made a similar observation for SSA (Table 16 below). Chinese competition in the same categories exacerbates the situation. In the recent past, China has been complementing its growth in manmade fibre production with imports. It imported US\$ 14.2 billion worth of yarns and fabrics in 2003 alone, some of which were certainly manmade (Africa and Middle East Textiles Editor, 2005a).

Table 16: US customs duty rates for selected product categories

<i>Item</i>	<i>General duty rate (%)</i>
Cotton garments	
Knit men's shirts	19.7
Knit T-shirts	16.5
Woven men's trousers	10.3
Woven women's dresses	8.4
Synthetic knit/ woven garments	
Knit women's skirts	16.0
Knit sweaters	32.0
Woven men's suits	27.3
Woven women's dresses	16.0
<i>Source: Adapted from Morris (2006)</i>	

Finally, most of the products where Kenya had a share upgrading of at least 1 percent were among Chinese categories which the North limited in 2005 (at least 82 percent); hence beginning in 2009 this upgrading is likely to have been undermined. At least 13 of the 16 products in Table 14 (81 percent) were covered by the 2005 Beijing-Washington MoU (Office of USTR, 2005) (see appendix L). In Table 15, only 4 of the 24 were not in the MoU (83 percent were). I submit that the MoU mitigated the Chinese effect only temporarily; up to 2009. At any event, the move was seeking to help the US's own textile manufacturers, and not AGOA beneficiaries (Kelly, 2005).

Table 17: Incidence of quotas and Kenyan apparel exports to US

Description	Exports with...			Total exports
	Quotas for China alone	No Quotas for China or India	Quotas for China & India	
Value (US\$)	294 368	212 380	187 380 696	187 887 444
% of Total	0.16	0.11	99.73	100.00
<i>Source: Adapted from Rolfe and Woodward (2005)</i>				

Rolfe and Woodward (2005) had also shown that Kenya's dominant lower-end products were to be one of the most vulnerable to shifting trade in the liberalisation period; they were to be crowded out (Table 17 above). 99.89 percent were covered by quotas placed on China and India in 2004. At any rate, the current 17 percent AGOA tariff 'preferences' is considered to be non-prohibitive. It has been estimated that it will require an average tariff of 40 and 20 percent in the US and the EU markets respectively to have the same restrictive effect on China as quotas had (Appelbaum, 2004).

As the conceptual model showed, our conceptualisation of upgrading goes beyond industrial upgrading to meeting minimum working conditions for labour. In this regard, we propound that, while you can develop by either emancipating labour or suppressing it, the old model of suppressing labour should now be considered anachronistic- this is the concern of the second part of this chapter.

4.4 LABOUR UPGRADING

4.4.I Introduction

World EPZ labour force rose from 22.5 million in 1997 to reach 66 million in 2006. Of the 66 million, 40 million were in China, 6 million in Indonesia, 5 million in Central America (mainly in Mexico) and 3 million in Bangladesh (Palpacuer, 2008). While there may be variations, the conditions of these workers are deplorable.

To recapitulate on the conceptual model, conventional upgrading recognises only industrial upgrading. Labour upgrading is only implicitly considered in process upgrading as a means to improve efficiency. While analysing labour upgrading is out of step with the conventional GVC industrial upgrading model, it is in tune with the overall conceptual model incorporating the other two concepts of regimes and systemic governance. At systemic level, labour upgrading is useful to industrial capitalist production through improved working conditions, to boost its reproduction, limit Southern accumulation and attain low-level international social order. The regime on labour was shown to be in operation throughout the period under study. However, the real labour upgrading

opportunity in Kenyan EPZs came in 2003 as a result of a more democratic government winning elections and the enactment of AGOA.

This thesis acknowledges that even this form of upgrading covers only a sliver of ideal labour upgrading. UNIDO warns that EPZ strategy ignores indirect social costs. The unstable and temporary employment can lead to substantial social disruption and costs. For example, the labour force is uprooted from its traditional setting into the industrial sector, and then dismissed after a few years without significant upgrading of skills (UNIDO, 1980).

Even without going into such social calculations, we need to begin by assessing the extent to which the so-called ILO standards flouted by the regime on labour (see section 3.2.1.5) have been achieved. For the purpose of this research, we will take minimum labour standards enshrined in AGOA (see section 3.2.1.4). Each of these is considered in turn.

4.4.2 Minimum Age for the Employment of Children

There is no child exploitation among apparel EPZs firms in Kenya. Initially, social auditors used to include workers' age in their social audit questionnaires, but with time they dropped the question after they established that child labour does not exist in the Kenyan apparel industry. My fieldwork showed that the age for most workers was between 24-26 years, and almost all fell between 21 and 29 years (Protex EPZ Ltd Workers, 2007).

4.4.3 Acceptable Conditions of Work: Wages

On 20 January 2003, all EPZ firms in Kenya were engulfed in strikes. This was triggered, in one respect, by one apparel firm that had forced workers to work on a public holiday (Protex EPZ Ltd Workers, 2007), but more so, as said before, by the Government transition of 2002. Other sectors also experienced strikes. The Minister of Labour visited striking workers in EPZs. Later, 28 worker representatives held meetings with the Ministers of Labour and Trade and Industry, and the EPZA Chief Executive. For the first time, all EPZ firms adjusted wages to reflect the statutory minimum

wage, and an annual percentage increase was put at eight percent in 2003, to rise by one percent thereafter until a 'living wage' is attained. Also, normal overtime was to be paid at 1.5 times the normal rate, and holiday and Sunday work was to be paid at double the normal rate (KHRC, ca. 2003; Protex EPZ Ltd Workers, 2007).

In 2007, wages for permanent contract machinists were a basic monthly pay of KShs 5 479, KShs 822 house allowance and approximately KShs 500 grading allowance (for example 550 Grade B allowance, which is the use of a slightly heavier machine from the ordinary sewing machine), making a total of KShs 6 851 (Protex EPZ Ltd Workers, 2007). This, according to July 2009 exchange rates (which will be used for the other figures in this section as well), amounts to US\$ 89. This is slightly above the current statutory minimum wage, which was raised to KShs 5 195 (US\$ 67) in May 2006, and further up to KShs 6 130 (US\$ 80) in May 2009 (Saulo and Rajab, 2009). However, firms keep an additional counterfeit payslip which shows that workers earn more salary- KShs 8 000 (US\$ 104). This counterfeit slip is what firms sometimes present to the auditors who are not keen to interview workers in detail. Workers further confessed that other categories such as helpers earn less. Helpers earn KShs 180 daily, which ranges from KShs 4 796 to KShs 5 200 depending on tasks allocated, and an additional KShs 750 as house allowance. This brings the total to between KShs 5 546 and KShs 5 950 (US\$ 72-7).

The social audits that intensified in 2003 have not improved wages fundamentally. Firms increase wages only if the statutory minimum wage rises, and not necessarily immediately. The higher pay for overtime and holiday work is rarely implemented, and only about eight hours in a week of such work are paid, yet workers often work for longer hours (see below) (Protex EPZ Ltd Workers, 2007). Furthermore, while what would constitute a 'living wage' in Kenya is a moot question, trade unions in Kenya are emphatic that the figures above are nowhere near such a wage (Saulo and Rajab, 2009).

4.4.4 Acceptable Conditions of Work: Hours of Work

Making all allowances, an EPZ worker's week is, at the very least, 52 hours. This is a violation of Kenyan law where the working week is 45 hours. It is even a violation of their contract with the firms. According to the contracts, workers are supposed to work 48 hours per week, 8 hours per day,

Monday to Saturday. Before 2003 some firms had 120 hours in some weeks (KHRC, ca. 2006), but on average overtime was five hours per day. Also, most of the extra hours were never paid. Firms would pay only eight hours for weekdays, about five hours for Saturday and no pay for Sunday. Rather than punch their cards on Sunday, management would put down the hours worked on a piece of paper, and that was it. When auditors enquired about it, they would be shown the cards punched Monday to Saturday. A worker claimed he worked for Global EPZ Ltd on a public holiday and on a Sunday, each eight hours, and when he asked to be paid he was threatened with the sack. Another claimed that the firm only ever pays about half of overtime hours. Yet another worker argued that, while working for Rolex EPZ Ltd, management would record all overtime hours, but at the end of the month workers were able to trace only a fraction of it, as little as a fifth of the total. Some firms also put into account the minutes a worker has spent in answering calls of nature (Protex EPZ Ltd Workers, 2007).

The audits since 2003 could be credited with some improvement. After 2003, firms were forced to record all overtime on a separate card, although not all is paid. Management also present overtime as a request, rather than as a demand, as was the case before (Protex EPZ Ltd Workers, 2007).

However, some issues remain. The extra hours have only reduced from an average of five per day to three. At any rate, this improvement is only in some firms such as Protex, because some such as Global and Rolex are still overworking workers. It was claimed by one of the workers that Rolex workers still work from 07:00 hours to even 23:00 hours (Protex EPZ Ltd Workers, 2007). Another case in point is when a firm wants to relocate, often after the initial 10-year tax holiday. It contrives a crisis to justify failure to pay workers the last month worked. The crisis is soon followed by news that the firm is under receivership, and before workers are aware of it, a new investor has taken over.

From what I see, it is like these Indians come to use Africans to enrich themselves, so that after a short period of time, say two or three years, they close shop and leave. I think they carry billions of Kenyan shillings with them, and leave people behind suffering...They pretend that something has happened to the company, and then leave. Then comes this story that another investor has taken over...it happened recently at Rising Sun. I heard that the workers were later given some [KShs] 1 000, although I am not sure about the source of the money. We wonder whether this is happening with every company because there is a time even Mirage had

such a story- I don't know it is under receivership, it is under new management- that kind of language (Protex EPZ Ltd Worker code 6M, 2007) (translated from Kiswahili by the Author).

Another worker described the Mirage case as follows (although she was not working for the firm).

They found a notice: 'come on the 15th'. Two days to 15th they found another one 'come on the 22nd'. Two days to the 22nd another notice read 'the company is closed until further notice'. The following day, yet another one read 'the company is under a receiver'...When they asked...how come, if the Indians have taken off and left workers empty handed, who is putting up these notices? They were told that it is EPZA. It seems that these EPZA people are being bribed to leave us dying...God help us! (Protex EPZ Ltd Worker code 7F, 2007) (translated from Kiswahili by the Author).

In a similar case (MRC EPZ Ltd), workers found the firm closed when they returned from December 2006 holidays. It was soon under receivership and was guarded by police officers. Workers went on strike for nearly a week. The Receiver Manager paid them each KShs 1 000 (US\$ 13), awaiting further developments (Protex EPZ Ltd Workers, 2007). The firm was yet to open by the time of the fieldwork.

4.4.5 Acceptable Conditions of Work: Occupational Safety and Health

According to my own observation of the case study firm, most of the issues on occupational safety and health have been addressed. It is ventilated, well lit, fire extinguishers and basic First Aid kits are installed, and drinking water is supplied. However, some critical issues remain unaddressed. There is overcrowding, and sanitary conveniences are lacking. Also blatantly ignored is protective apparel and appliances. For example, workers claimed that protective masks are issued only shortly before auditors conduct an audit. These are made of paper and therefore, although they are not withdrawn after the audit, they wear off after a few days and are not replaced until there is another round of audits. Also, it is up to the individual worker to choose to put them on or not after the audit.

From interviewing workers, the firms also put workers at other high health risks. A case in point is where a worker went into labour while working (Protex EPZ Ltd Workers, 2007). This is in spite

the fact that one of the agreements in the post-2003 strike truce was for workers to henceforth get two months consecutive paid maternity leave, and an extra one month unpaid leave, in consultation with management (KHRC, ca. 2003).

However, the audits could also be credited with improving the situation. EPZ firms were forced to provide the First Aid boxes and fire extinguishers. This was not the case before, particularly before 2003. Also, workers injured on duty are taken to hospital, and the bill is usually paid by the firm concerned. Sometimes management improves sanitation, particularly after an audit has pointed it out (Protex EPZ Ltd Workers, 2007).

4.4.6 Forced Labour

Before 2003, most of the overtime, as well as Sunday working, was forced. This has not improved much since then. The production target is so high that workers cannot meet it. On average, they are given a target of at least 850 pieces per day, or 100-200 pieces per hour, which means handling at least 2 pieces every minute. Workers explained that, since this is practically impossible, management forces them to work more than eight hours per day, whereby the extra hours are not paid (as already said). They are told that they are completing the target set for them. A study by KHRC (2005) shows that at Protex, once a worker completes his/her assigned target he/she is not allowed to leave at will. The story changes and he/she is informed that that constituted only 80 percent of the target. He/she is asked to do the remaining 20 percent for an incentive of KShs 1 (US\$ 0.01) per piece! One worker lamented that she attended the interview late because she was only allowed to leave Rolex at 19:00, and she would still not have met the target even if she worked until midnight (Protex EPZ Ltd Workers, 2007). It is noteworthy that one of the outcomes of the 2003 after-strike bargaining was that workers were to be given at least two days notice for overtime (KHRC, ca. 2003), which, it seems, has been ignored.

Another example: workers were given a one day notice that the following day, despite being a public holiday, everybody was to report to work as a normal working day. They went on a go slow. At lunchtime management reversed the decision. However, after workers went back to work in the

afternoon, managers intimidated workers by threatening to sack them if they failed to report for work that particular holiday. Workers succumbed to the intimidation, and those who did not report for work were indeed relieved of their duties (Protex EPZ Ltd Workers, 2007).

4.4.7 Right of Association and Right to Organise and Bargain Collectively

Before 20 January 2003, workers were not allowed to join a union, associate with 'suspicious people', such as NGOs and unions, or organise and bargain collectively. But after the strikes they were allowed to join KTTWU for the first time (KHRC, ca. 2003; Protex EPZ Ltd Workers, 2007).

Table 18 below has Government data on strikes for the period 1992-2005. It requires explanation. First the huge figures for the number of workers involved in 1997, 1998 and 2002 are accounted for by the Kenya National Union of Teacher's strikes. The union has about 200 000 members. It is for the same reason that, also, although 1997 and 2002 had respectively 271 000 and 259 000 workers participate, the man days lost vary greatly: 317 000 for the former and 4 567 for the latter. This is because there can be a huge difference in man days lost between such a giant union's one day strike, and a one week strike. Having clarified that, I am justified to argue that 2003 was the year that the country experienced the highest number of strikes-108- despite the number of workers involved being 40 000 and the man days being 79 000, which is far less than the figures for the years above. My sector of concern is manufacturing, which was the third highest hit by the strikes.

Following the 2003 strikes, examples of improvements on right of association and right to organise and bargain collectively include the fact that at Protex, most of the workers are now unionised. Also, before 2003, a firm called Tristar which closed shop later, sacked all workers who were interviewed by a Ministry of Labour official during a strike, an extreme that would be difficult to envision today (Protex EPZ Ltd Workers, 2007).

Apart from such minor improvements, these rights are still brazenly violated. For example, the graduation from a casual labour contract to a permanent contract is still a mirage. The 2003 bargaining following the strikes fixed the maximum duration for a continuous casual labour contract at three months, from which time a worker is qualified for a permanent contract with its benefits,

Table I8: Stoppages of work caused by industrial disputes in Kenya, 1992-2005

<i>Industrial group</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Man-days lost														
<i>Private sector</i>														
Agriculture & forestry	5,131	10,650	..	9,978	44,589	104,681	71,930	9,111	11,598	5,821	2,880	36,098	28,549	13,509
Mining & quarrying	695	1,384	..	163	592	592			272	..	306	122	1,329	..
Manufacturing	32,506	29,507	..	21,838	19,752	32,650	77,441	5,041	17,211	14,701	9,471	22,684	5,371	1,219
Electricity & water	-	143	..	169	..	..	..		9	..	..	..	..	..
Construction	8,674	9,250	..	..	9	..	44,977	966	1,615	40	83	5,080	152	126
Commerce	326	324	..	1,319	..	..	15,852	210	157	150	836	1,549	6,146	237
Transport (other than docks)	222	1,530	..	1,781	..	2,478	1,075	112	51	..		912	2,010	228
Miscellaneous	1,882	3,693	..	286	..	1,214	2,042	19	1,024	197	1,489	5,040	1,715	1,439
Total	<i>49,436</i>	<i>68,039*</i>	<i>40,351</i>	<i>35,534</i>	<i>64,942</i>	<i>141,615</i>	<i>213,317</i>	<i>15,459</i>	<i>31,937</i>	<i>20,909</i>	<i>15,065</i>	<i>71,485</i>	<i>45,272</i>	<i>16,758</i>
<i>Public sector</i>					7	175,711	2,780,463	12,385	19,230	..	4,567,375	7,184	94,798	..
Total	<i>49,436</i>	<i>68,039*</i>	<i>40,351</i>	<i>35,534</i>	<i>64,942</i>	<i>317,326</i>	<i>2,993,780</i>	<i>27,844</i>	<i>51,167</i>	<i>20,909</i>	<i>4,582,440</i>	<i>78,669</i>	<i>140,070</i>	<i>16,758</i>
No. of strikes	97	69	53	42	44	97	105	38	41	22	47	108	41	17
No. of workers involved	9,684	20,349	18,549	9,407	16,084	270,660	214,867	9,094	17,194	4,632	258,788	39,598	31,699	9,393
	<p>*Includes 11,560 for docks</p> <p>..Figures not available</p> <p>-Nil or negligible (less than half the final digit shown)</p> <p>Source: Adapted from GoK (2001: 312) (data for 1993-2000); GoK (2006: 290) (data for 2000-2005)</p>													

such as union representation (KHRC, ca. 2003). A worker who was once working for Rolex, claimed that the firm makes this graduation impossible by continuously changing the payroll number every time a three-months contract approaches its end (Protex EPZ Ltd Workers, 2007). Also, while the extremism of management has been minimised, striking is still fraught with much witch hunting from management, and the state and the union has not helped in any way.

A case in point was in 2006 with Rising Sun EPZ Ltd workers. The firm had, for a couple of years, refused to implement the annual statutory increments for minimum wages, would delay payments, forced workers to work on Sundays without pay, and would threaten workers when they complained. A delay in salaries sometime in mid 2006 triggered workers to grab the opportunity and stage a strike. On the 5th of the month (official deadline for pay) a memo was circulated to the effect that they would be paid. Furthermore, the Sales Manager explained that the delay was occasioned by non-sale of a delivery which had delayed, and reiterated that workers would be paid on the 7th. On the 7th they were not paid and went on a go slow. A Line Manager of Indian descent hit one of the female workers with a fabric, while hurling racist insults. When she reported the case at the EPZ Police Station, no action was taken. On the 8th of the month her comrades went on a full blown strike for three days. Other EPZ firms joined them in solidarity. On the third day of the strike anti-riot police were called in to flush them out of the factory premises (Protex EPZ Ltd Workers, 2007).

Workers were astonished by the gagging by the state. The Minister for Labour came and spoke to them. Although he was playing ball, he was less virile with workers, unlike his strident Trade and Industry counterpart who joined him.

He asked the employers, 'why did you spare these people when they were striking?... they are...class 8 [primary school] drop outs and form 4 [O level] failures ... There are many people in Kenya who need jobs...'. People got very angry with him. They surged forward to confront him, but he left through that backdoor on the Athi River town side- because he spoke nonsense... (Protex EPZ Ltd Worker code 7M, 2007).

The striking workers went to the union, but did not get any help. Later the firm re-opened and promised to re-absorb them on condition that they terminate their contracts, receive some terminal benefits for their service, and apply on a new contract. About 500 workers succumbed to the threats.

The rest, about 1 500, were never employed there again. Over the December 2006 holidays, the firm closed shop without having paid workers their December salary (Protex EPZ Ltd Workers, 2007).

The majority of workers believe strikes can be effective only if they addressed one issue at a time. For example, on improving working conditions, nearly half felt strikes pressurise buyers to improve working conditions. What is more, more females than males hold this view. An even greater majority- slightly more than half- felt that strikes play a central role in minimising forced labour. Again, it is mainly females who hold this dominant view. However, overall, workers largely feel that strikes achieve little. This is derived from responses to two questions: one on the overall usefulness of strikes and the other on their overall sufficiency. Regarding the former, nearly half argued that strikes are not useful in addressing overall labour upgrading. Here it is largely males who hold sway. Regarding the latter, slightly more than half believe that strikes are not sufficient, and it is males who mainly hold this dominant view.

4.4.8 Lead Firm Auditing

I have already given nuances that lead firm monitoring of conditions of work is flippant. I now give specific details. First, auditors concentrate on safety and health conditions, and not wages and hours of work. At the forefront is protection against dust by wearing masks, gloves and aprons, and drinking milk. Also at this level there are safety measures, such as emergency exit doors. It is at a secondary level that wages and hours of work are considered, alongside health care, sanitary conditions, maternity leave conditions and sexual harassment. But most importantly, process standards, such as the right to organise and bargain collectively, and the right to join a union, are usually not prioritised by lead firms' auditors (Protex EPZ Ltd Workers, 2007). Yet these so-called process standards are the most crucial because they lead to outcome standards, such as better wages.

Next, workers are never sensitised on labour codes of practice by management, and lead firms do not seem to question this. It is only a few NGOs that have sensitised workers through seminars. Posters displaying labour codes of practice from lead firms have been displayed, but not strategically. For example, in 2005, the Russell Corporation insisted on displaying a poster of its codes of conduct. However, this was displayed at the reception of some firms such as Global (and the Human

Resources Manager's office at MRC). This was preferred by management because workers do not get into the factory through the main reception, but through a rear entrance. Furthermore, the posters are only put up when auditors are about to carry out an audit (Protex EPZ Ltd Workers, 2007).

A third point is that auditors are not bothered to find out who actually works in the firms. Those on casual labour contract are locked up in their section until the audit is over. Should auditors ask about the locked building, management usually explains that it is a different firm dealing with different products. Auditors are usually satisfied with such an explanation (Protex EPZ Ltd Workers, 2007).

A fourth point is that those to be interviewed are sometimes picked by management in advance, and coached on what to say. Management avoids those likely to resist the coercion and spill the beans. However, to deal with auditors who randomly pick interviewees, all workers are coached in advance. They are instructed to deny all the injustices regarding the condition of workers as shown in this study. The language varies from entreating them to toe the line, since the firm might lose orders, to threats of being sacked. And when occasionally ambushed, workers claimed that management is still able to alert workers in the few minutes between the time auditors report to the office, and the actual commencement of the audit. If orders are not stopped, management normally reports to workers that they can celebrate because 'we have passed the test' (Protex EPZ Ltd Workers, 2007).

A final point related to the above is that most of the time management is present during the interviews. Other times, it is only workers' representatives who are allowed, or, on occasion, nobody is allowed. However, the exclusion of management makes no difference because of the coaching argument above (Protex EPZ Ltd Workers, 2007).

4.5 SUMMARY

This chapter on upgrading has shown that, firstly, there has been export expansion as a form of product upgrading. Between 1992 and the peak of the growth in 2004, the expansion was 1040.8 percent, while between 1992 and 2005, when all conditions of liberalisation had set in, the growth was 1004.6 percent. Indeed, from among the leading six countries in SSA, Kenya experienced the highest growth (329 percent) at the acme of the AGOA boom (2002-4), and was the most resilient

in the post-boom hold up (2005-7), experiencing the least slump (6 percent). Moreover, a casual projection of its dynamics indicates that, had the country not been slapped with quota restrictions in 1994, it would have emerged as the second leading exporter to the US much earlier, in 1999, and would have gone on to take the lead as soon as AGOA set in, in 2001. Also, Kenya would have picked up with better speed following the slowdown occasioned by these quotas, had it been connected to a more advanced apparel manufacturing country in Asia. This came in handy for Mauritius, the other SSA country that was slapped with quotas.

Secondly, the industry has not seized the opportunity of expanded markets during the AGOA period to get locally integrated. Throughout this period the country has relied entirely on Asian fabric. Also, one third of firms have no local input expenditure, and the remaining about two thirds source local accessories amounting to less than 10 percent of total apparel exports. Thirdly, fabric value addition is minimal. Unit price comparison with Chinese, Indian, Swazi and Mauritian products in the US market reveals that Kenyan products have minimal ornamentation. Also, technology is suitable for assembly-only production, and there has been a failure to maximise the exploitation of a multi-skilled labour force. Fourthly, Kenya has exported only 9 percent of eligible folklore/hand loomed/handmade products that are 100 percent local value. Fifthly, integration into the GVC is poor. Overall, the top half of products arranged in order of value had a lesser share upgrading than the bottom half. In addition, there is no evidence that AGOA 'preferences' are sufficient to guarantee a continued existence of the industry in Kenya in the near future outside manmade fibre and woollen apparel exports that have high import duties in the US. This means that when AGOA expires in 2015, the high import duties will grossly undermine Kenya's integration into the GVC. Moreover, most of the products where Kenya had a share upgrading of at least 1 percent were among those Chinese categories that the North limited in 2005 (at least 82 percent); hence beginning 2009 this upgrading is very likely to have been undermined. Sixth and finally, while there is no child exploitation among apparel EPZs in Kenya, none of the other AGOA labour conditionalities on wages, occupational safety and health standards, compulsory labour, and rights of association/right to organise and bargain collectively, have been met fully.

5 INTERNATIONAL REGIMES, CHAIN GOVERNANCE AND UPGRADING

5.1 INTRODUCTION

This chapter seeks to explain the lack of upgrading seen in Chapter Four. Chapter Two showed that the GVC analysis fails to articulate the role of control-emergent regime governance on which the control lead firm governance the analysis is engaged in is nested within. We saw the evolution and impact on trade of regimes in Chapter Three. In this chapter, we want to first find out the extent to which actors demonstrate this regime governance. Second, we want to link it with the hypothesis that, while the governance of regimes on production and trade in apparel was not a necessary condition, it was a sufficient condition to undermine upgrading in Kenya. By demonstrating regime governance and linking it to the hypothesis, we will be linking this chapter with the findings of Chapter Four.

In short, the chapter entwines analysis and discussion. The general pattern will be to first analyse regime governance, then link it with upgrading. The parameters of governance in view are the quantity of products, the geographical spread of the chain and labour standards. The regime actors selected are the US/EU Governments, NGOs, and Kenyan actors of state bureaucrats, entrepreneurs, Cabinet, KTTWU and workers.

In this entwinement, I shall be advancing the regime-dependency argument. We saw in Chapter Two that, at the level of agency in global capitalism as a whole facilitating capitalist structures, such as regimes, the post-1970s Northern state created four forms of selectivity- neo-liberalism, neo-statism, neo-corporatism and neo-communitarianism- under which contemporary regimes flourish. This selectivity was aimed at Northern accumulation and attainment of milieu goals. Hence, I shall show that the regimes flourishing under it were perpetuating dependency. This is the link between these forms and both the hypothesis and the findings of Chapter Four. Again, on the basis of our

theoretical model in Chapter Two, at the level of regimes as emergent structures, my analysis shall show that regimes on apparel operate as internal commons of the core Northern countries and are instruments of control from the periphery's perspective, although regime emergence makes Asia a sub-core. My discussion of this shall show how the operation of Northern agency, combining with Chinese emergence, means inhibition of product upgrading in Kenya. In addition, my analysis shall show how the labour regime is an internal common of the North that is ironically beneficial to the South, and my discussion of this shall show how the North's lack of verve in pursuing the commons that is the labour regime- since it contradicts the race to the bottom that drives the regimes on apparel- means inhibition of labour upgrading in Kenya. The inhibition of product and labour upgrading is, however, not pre-determined. For NGOs and Kenyan actors, particularly bureaucrats, entrepreneurs, and Cabinet will reveal, in both the analysis and discussion, that there is potential for Southern manoeuvres to embed development. At any event, analysing Kenyan actors' intuitive understanding of structure will leave us more informed. Since the hypothesis is not that the governance of regimes on production and trade in apparel was a necessary condition, but rather that it was a sufficient condition, to undermine upgrading in Kenya, this analysis and discussion is the direct link between this chapter, the hypothesis and the findings presented in Chapter Four.

5.2 INTERNATIONAL REGIMES ON PRODUCTION AND TRADE IN APPAREL

5.2.1 The Structural Regime: The Case of Post-ATC

Here we consider perceptions, actions and strategies of the Cabinet, entrepreneurs and bureaucrats in the light of structural international regime governance influenced by neo-liberal form of Northern state strategic selectivity. The point is, a systemic structure of international regime determines the maximum quantity a particular country or region can export, and this has implication on the geographical spread of the chain. Consequently, it leads to selected countries becoming dominant producers at a given time. Within it the US-based and the EU-based neo-statist regimes operate. Initially, 'voluntary' Japanese restraints between the 1930s and 60s, and MFA-related NIC quotas in the 1970s, were the main instruments used to limit quantities into the North. However, the liberal

project continued after the NICs began hitting their quota ceiling; they transferred their production to other cheaper sites around the world, particularly SSA, the rest of Asia and Latin America, and metropolitan capitalism enjoyed even cheaper imports from the global South. The quotas, now given an impetus by neo-liberalism, facilitated a further expansion of the chain, particularly in China in the 1980s, in India and Turkey in the 1990s, and further in China since 2000 (see section 3.2.3). The argument this thesis is making is that the system which calls itself free trade is not really free trade. Rather, it is a hierarchical system where quotas placed mainly on NICs stimulate growth of value chains. This is the reason why regimes, rather than lead firms, are the more important governors.

Entrepreneurs' perception is mixed. On the one hand, KAM showed knowledge of regime emergence. KAM conceded that the structural evolution of the global apparel industry is partly dependent on some sort of neo-liberal influenced dynamics, which have, however, been manipulated to Kenya's disadvantage. KAM renders Kenya as a regional capitalist hub for East and the Horn of Africa, and as one of the SSA countries where industrialisation through the apparel subsector has been toyed with for some time now (Kariuki, 2007). This 'toying' backs up section 3.3.2.2. It was noted that full adoption of EOI strategy in 1986 took place about 20 years behind Asia. This is in spite of KAM's willingness in 1973 to make Kenya a hub of capitalist expansion, after wages in the apparel subsector rose in places such as Hong Kong and Japan. It was argued that these attempts never materialised because Van Arkadie, the Government expatriate advisor on industrial policy, argued that such a development would conflict with the role ISI were playing in serving British ISI interests in East Africa.

On the other hand, KAM admitted that in spite of this knowledge, it was caught on the hop when the sector was liberalised. The association also conceded that the situation was to exacerbate with expiration of safeguards against Chinese apparel, beginning in 2009. But rather than see the structure and agency constraints above as the more important factors, KAM asserted that the problem was a failure of the state to tame the escalating cost of doing business (Kariuki, 2007). Partly this is true. We saw GoK's measures of trying to revive the local supply chain in Chapter Four, which were at best mediocre. Also, when the sixth Development Plan (1989-93) envisaged the introduction of EPZs alongside MuB, without further research, GoK went ahead despite the fact that MuB was not

being embraced enthusiastically by entrepreneurs (GoK, 1989). While this dimension of local institution failure has a role, it cannot be blamed wholly; there is a substantial lack of appreciation by KAM of not only the role of agency manipulation of the evolution of the regime, but also the unpredictable side of regime emergence, which is clearly seen here.

Cabinet's perceptions reveal an attempt at circumventing constraints imposed by the emergent nature of the regime, but a poor one. In 2005, when many investors were threatening to relocate out of the EPZs following a slowdown in the sector in the wake of liberalisation, President Kibaki gave a directive to the Ministers of Cooperatives, Agriculture, Planning, Finance, and Trade and Industry, under the chairmanship of the Minister of Finance to hold talks with the disgruntled investors (Presidential Press Service, 2005). That went only as far as that! Manufacturers rightly argued that it was already too late (Mugambi, 2005). When an inter-ministerial taskforce was set up as a follow up, rather than mounting a strategic response to the sudden international dynamics shaping the industry, the MoTI Industrial Officer in charge of the AGOA Desk revealed that he 'fully participated in it, at least at the initial level... [and] Most of [the deliberations were] touching on the cost of doing business; especially the cost of power' (Rono, 2007).

Consultation with entrepreneurs on positioning the economy in general, and the industry in particular, is lacking. Protex General Manager says that meeting ministers is difficult. In Swaziland, his Taiwanese boss- who also owns firms in that country- has unlimited access to King Mswati. The manager is convinced that the state is not interested in the apparel subsector after all, arguing that the Kibaki Government could afford to revive Uchumi (a state supermarket) when it went under, yet it has failed to revive KICOMI (a textile-apparel flagship of ISI) (Isinga, 2007). It is also recognised that the current Government relationship with the entrepreneurial class is an improvement of the Moi Government. For instance, the latter entered into trading commitments under the WTO without consulting KAM, while the former involved KAM in formulating Kenya's position papers for EAC and COMESA, and made the association part of the delegation to Cancun WTO (Mugwe, 2003).

What I question here is whether concentrating on the cost of production and building a strategic alliance between state and capital can, on its own, anchor the industry unshakably within regime intentionality-emergence dynamics. Certainly these two are necessary conditions to secure lasting benefits of the 'spreading' of capitalism. But deciphering the global dynamics of the regime cannot be eschewed.

Another indicator of circumvention of international regime governance, and one that is more strategic at regime level, is that of initiating a common SSA strategy. It is reflected in the AGOA deliberations organised by MoTI bureaucrats. This was in a meeting in Nairobi on 27 and 28 April 2005, the first of its kind. The agenda was how to deal with the Chinese threat. The huddle resolved to form a regional textile-apparel federation to push for SSA's agenda against that of China at the WTO (Mulama, 2005). This proposal resembles that given by Protex EPZ Ltd General Manager who suggested lobbying the US to restrict China on behalf of SSA (Isinga, 2007).

Mulama does not detail the nature of the precise action to be taken. However, it can be guessed sanguinely that the only viable avenue through the WTO is for industrial countries to push for a clause that would restrict Chinese exports even more than the one that lasted till January 2009. But this would be to forget that, since the wider WTO trade regime's main interest is to guarantee continued global accumulation, the regime is more inclined to protect the interests of Chinese firms if that is what would guarantee such accumulation, given that China is today's global workshop (see Assistant USTR Liser's statement in section 5.2.4 below). China is the world's single biggest apparel exporter, projected to ultimately account for 50 and 29 percent of the US and the EU markets respectively (Nordas, 2004).

Buttressing this argument, former World Bank Chief Economist Joseph Stiglitz asserts that the WTO's intellectual property is anti-development because the Uruguay Round's main agenda was to please pharmaceutical and entertainment industries rather than ensuring an intellectual property that is good for science, let alone for the South. That is why the Round went on to adopt it despite glaring evidence that such a move would condemn thousands of AIDS sufferers to death as they might no longer be able to afford generic drugs (World Bank, 2005b). Given that the option of the

South working within the system, including the latest attempt to reinvigorate the Bandung spirit in 2005 (Anjani and Norton, 2005), has so far been feeble, the suggested SSA strategy needs careful coordination.

Other survival tactics that might perhaps cushion Kenya's exportism include one suggested by EPZA. The Authority suggested that a possibility of the cost of production rising in China could turn Chinese threat into an opportunity- attracting Chinese FDI to Kenya to take advantage of AGOA (Chesang, 2007). Echoing this, the MoTI Trade Officer added that the Chinese Prime Minister had already visited Kenya, and part of the huddle centred on that proposal. The two countries are now exchanging trade and economic information, and the two ministries of trade and industry have hosted a joint website. The officer claimed that Mauritius, Madagascar and Lesotho used the same ingenuity with some measure of success (Nyakundi, 2007).

There are two other alternatives related to this. One is simply persuading the US to continue sourcing from Kenya despite lack of competitiveness (Rono, 2007). An alternative is to make further concessions to attract investment and compete with China head on. The General Manager of Protex EPZ Ltd indicated that SSA countries, such as Malawi and Ghana, seeking to attract a second round of investment beyond the initial AGOA boom (whose primary beneficiaries included Kenya), had to broaden their incentives, especially after 2005 when Chinese competition became stiffer (Isinga, 2007). The KAM Executive Officer claimed that his association should be credited for scouting around to widen its market access web (Kariuki, 2007). EPZA had the same view (Chesang, 2007). However, by 2005, there were only three firms who had succeeded in exporting outside traditional markets. EPZA reported that 'some garment enterprises have diversified to other markets like Canada, Europe and the Middle East... a cumulative export value of KShs 221 million' (EPZA, 2005b: 17) (see also MoTI, External Trade Department, ca. 2006b).

Therefore, the Kenyan apparel industry is precariously tied to the apron-strings of the structural international regime on apparel. As the Senior Deputy Director of Industries at MoTI admitted, the

AGOA boom should be understood within the confines of this structural configuration. He argued that the objective of AGOA was to reduce poverty and perhaps add some value to Kenyan products (Kimuri, 2007). But we have also seen (and will continue to see) the struggle of actors in Kenya seeking to self-determine their destiny. That is the heroic bit.

5.2.2 EU-based and US-based Regimes: the Case of EU PTA and AGOA

We now turn to perceptions, actions and strategies of bureaucrats and entrepreneurs within the context of the EU-based and the US-based regimes. We will focus more on the latter. These regimes are influenced by neo-liberal and individual neo-statist forms of Northern state strategic selectivity. There is both a similarity and a difference between structural international regime governance and EU/US regime governance. Both govern the quantity of apparel and chain geographical spread. However, if the scope of the former is global, that of the latter is regional. Suffice to say that the GVC analysis has almost entirely failed to theoretically take cognisance of the interplay between these two governance modes, if Gibbon's (2003) response to Mattoo *et al* (2003) considered in Chapter Two is the best to go by. It is within this interplay that the six leading SSA apparel exporters, among them Kenya, came to occupy their 'privileged' position.

Thus the latest expansion of apparel exportism in Kenya was determined, not so much by local policy and the MFA, but by AGOA. Rolfe *et al* (2004) suggest the former. Also, the MoTI Trade Officer suggested so when he argued that the boom was occasioned by, *inter alia*, the pre-existence of the industry under the MFA and the general business climate in Kenya (Nyakundi, 2007). Somewhat, yes, but existing state policy and the MFA were not sufficient conditions. When other bureaucrats were asked to state the main incentives for investment in the EPZs since 2000, they gave state policy on EPZ tax exemptions as one and AGOA as the other (Rono, 2007; Chesang, 2007). Although another EPZA official added the low cost of labour (Bii, 2007) and Mr Rono added the logistical help that entrepreneurs get from EPZA, when asked to commit to two, they indicated the former two (tax holidays and AGOA). Above all, Mr Rono insisted that AGOA's terms were too attractive even for some Indian firms that enjoy access to an investment fund in that country, which is lacking in

Kenya. Overall, therefore, AGOA accounted for the expansion. At any rate, tax holidays are essential in establishing EPZs worldwide, and are not special to Kenya.

Within the US-based regime governance, we see Kenyan struggles to anchor the 'spreading' of capitalism. This was revealed by the interview with KAM when it shifted to the behind the scenes of the extension of AGOA's RoO exemption to 2012.

We have been in close contact with some Congress people who advocated [for RoO exemption extension] - you think they are talking from there but they have all the background from here; sort of we as KAM paying for some of the action...we call [on] the Minister, give him the background, and the Minister goes [to represent our interests] when forums are called for Africa to speak in one voice... Then there is the Coalition for African Trade... [who] lobby for Africa... The extensions are not [entirely] because of the US. It is [partly] because of the lobbying from Africa, and from Kenya, and from KAM (Kariuki, 2007).

However, he was exaggerating the role of regime 'takers'; Kenya is very obsequious:

When we are lobbying for extension, one of the arguments is that Kenya Government needs time to develop the supply chain... We come back and tell the Government, 'this is what we have used to lobby... now, go to the US and *beg on your knees* for an extension; and we are coming with you'. And that is how it [the extension] came. Not that it came from the US. No. Campaigns have gone all the way to [Kenyan] State House, and to the [US] Congress... *they said, 'okay, final time, we are not telling you 2015'*. We wanted 2015, but *they said, 'No. You go up to 2012'*. May be they are saying up to then *we will see* whether you need another three years to adjust... (Kariuki, 2007) (my emphasis).

The sentiments of the MoTI Industrial Officer in charge of AGOA revealed similar struggles within EU PTA, but he similarly assigned Kenya and SSA an undeservedly role. He claimed that there has been a suggestion driven by KAM of initiating discussion with the EU to accept a single transformation RoO, as it is in AGOA, or at least allow percentage value addition (Rono, 2007).

The Senior Deputy Director of Industries suggested that Kenya even had some role in negotiating for AGOA I, not just the AGOA extension (Kimuri, 2007). He disclosed that before AGOA I was enacted, there were intensive negotiations between the US and many Government departments in Kenya, including MoTI, the office of the Attorney General, Customs, EPZA and EPC. Representatives of EPZ firms also participated. First were consultations between the Kenya Government and the US Embassy, before officials from the US visited Kenya twice. The US was particularly keen on political governance and child labour. The issue of labour was however adjusted informally. Nairobi explained that in principle children will not be employed in the EPZs, but should this happen, the US should understand that they are driven there by egregious poverty. Another issue of particular focus was that of Category 9 products. The MoTI External Trade Officer added that the idea of sensitising EPZ firms to have shop stewards came from Kenya and not from the US. He further revealed that Kenya was the first country to qualify because, having reached this labour agreement with the US, eradication of corruption in the Government barrier was an easy sail because earlier on in 1999 Kenya had established an anti-corruption authority independent of the AGOA qualification interest (Nyakundi, 2007).

What confirms that the role of regime 'takers' is at best modest is the sentiments of the Industrial Officer in charge of the AGOA Desk who refuses to be cagey. He openly disagrees with any notion that sees these negotiations as making Kenya an important actor in formulating AGOA. He insists that the US merely wanted to say 'Hey, we are trying to come up with this programme- what do you think?' But like others he also argues that the country did play some role in negotiating post-AGOA I adjustments during AGOA Forums. In particular, he avers, Kenya (and presumably other SSA countries) negotiated after AGOA I (during the First AGOA Forum) for a broader range of products (such as bed sheets and towels- the home furnishings), as well as the hand-loomed category. On Category 9, the official avers that the ministry prepared a list of about 42 articles, discussed them with the US, and out of these, 15 were accepted (Rono, 2007). He was corroborated by the MoTI External Trade Officer (Nyakundi, 2007).

The AGOA-in-charge official goes on to demonstrate the subordinate role of Kenya by insisting that the US-based state-centric international regime is subordinate to the interests of the structural international regime on apparel under the WTO. According to him- and this is confirmed by Assistant USTR Liser's statement in section 5.2.4 below- Americas' interest in AGOA might not be so much an upgraded industry in SSA, but currying favour with the region with WTO support in mind, presumably for wider issues beyond apparel. He was also cagey that given that the two regimes are in conflict with each other, AGOA-like agreements may not go far.

Perhaps those are also the reasons [the conflicting interests of the two regimes] why there has not been any agreement in WTO; and it is not likely to be there. I have participated in WTO negotiations and I know the bigger countries- US, Europe or European Community- feel harmed by these other negotiations within other arrangements, and perhaps it [aligning AGOA with WTO requirements] may not even reach that level of negotiations (Rono, 2007).

However, capitalism is relatively adaptive to its contradictions and his worries have been disconfirmed. WTO's Council for Trade in Goods approved the long-standing waiver request from the US on AGOA, on 24 March 2009. The US promised the council to get the waiver through WTO. The council agreed to forward its decision to the General Council, recommending its adoption (WTO, 2009).

Thus although some bureaucrats and entrepreneurs propound an exalted place for Kenya as a regime 'taker', their overall perceptions, actions and strategies take into account regime governance reflected by AGOA, which is influenced by neo-liberalism and individual neo-statism. We had seen- in the preceding section- that the Kenyan apparel industry is also tied precariously to the apron-strings of the structural international regime on apparel, which is influenced by neo-liberalism. The relation between neo-liberalism and individual neo-statism is that the 'preferences' are supposed to be merely temporary, giving industry in LICs, such as Kenya, time to become competitive. Paul Ryberg, President of the African Coalition for Trade, captures this well by saying that African apparel export

growth 'is vulnerable to changes in the underlying regulatory framework unless and until African apparel manufacturers can become internationally competitive' (Ryberg, 2002: 27). Neo-liberalism is as much dialectically related to individual neo-statism/regionalism as it is to collective neo-statism, and hence we now seek to emphasise, in a single discourse, how regime actors illustrate these two relationships within the interplay of the structural regime, the US-based regime and the EU-based regime.

5.2.3 The Interplay within Structuralism and between Structuralism and State-centric Regimes

We will look at two dialectical interplays. One of them is between regimes, on the one hand the structural regime, and on the other hand the US-based and the EU-based regimes. The other interplay is between neo-liberal and collective neo-statist forms influences within the structural regime. We will also show the vulnerability of the Kenyan industry in these two interplays.

Let us first consider the US-based and the EU-based regimes versus the structural regime. The manner in which AGOA III was enacted shows this relationship. AGOA III was meant to be introduced to the House of Representatives and the Senate either just before or after WTO's Cancun Ministerial, with the possibility of Congress enacting it before the end of 2003. However, there was a complete *volte face* when Cancun collapsed. America was angry: Africa was to blame for its collapse.

Especially prejudicial was the perception that African countries view trade preferences as a right, entitling them to compensation when such preferences are eventually phased out as the world moves toward global free trade. The US delegation witnessed ACP demands for compensation from the EU for the erosion of their Lomé-Cotonou preferences. Senior US officials came away from Cancun muttering "Why should we extend AGOA if it is only going to generate demands for compensation when it eventually expires?"... Instead of returning to Washington after the Cancun Ministerial to gear up for an active campaign to move AGOA III forward quickly to enactment, AGOA III was suddenly moved far down on the list of priorities in both the Bush Administration and Congress (African Coalition for Trade, 2003: 3-4).

But in another sense the about face was a façade because at another level, AGOA is more of an American and capitalism's opportunity than an African one. Hence AGOA could not be left to peter

out. AGOA III, though slightly delayed, was enacted in 2004, and so was AGOA IV in 2006. Another AGOA could be on the way, if it remains beneficial to the US and capitalism as a whole.

What is exciting is that Kenya was not naïve of this dialectical relationship. We see the country balancing the 'preferences' with opportunities within regime emergence under multilateralism. To start with, Richard Lugar, the principal Senate sponsor of the AGOA Bill- alongside ten other co-sponsors- laconically told Congress that AGOA would ultimately bring negligible benefits to SSA and presumably more benefits to the US, and hence America need not worry:

Some have argued that granting quota-free and duty-free access to American markets will weaken our domestic textile industries. If that were true, I would not be advocating this provision. African imports of textile and apparel now account for less than one percent of our total textile imports. The International Trade Commission looked at this issue and concluded that enactment of our bill would increase US imports of textiles and apparel from Africa to between one and two percent of our total textile and apparel imports. In short, a negligible impact (Lugar, 1998: 2).

Kenya was aware of these congenital limitations of AGOA. For a Cabinet Paper on AGOA expressed concern over the political limitations of AGOA; that there would be negative impact because of undue American influence. It interpreted the regular summits and SSA heads of states meetings as inordinate US influence. The Paper was patently sceptical of Washington's intentions.

What would happen should the sub-Saharan African countries' exports to the United States exceed the stipulated quota levels for any commodity in any given year? Since the United States has bound her tariffs to as much as 500% would these high tariffs schedules be implemented? The Act is silent on this issue... The African Growth and Opportunity Act has come in the wake of the implementation of the World Trade Organisation Agreement, whose negotiations started in 1945, with the United States of America as a key founder member. How do these two documents compare and contrast? (GoK, ca. 2000: 3).

To underscore the inveterate economic limitations of AGOA, the Cabinet Paper cited two key areas where the Act could possibly negatively impact on Kenya in the area of loss of business opportunity. One was disinvestment from the subsector, since the Kenyan subsector is dominated by Asian capitalists, who would relocate back to Asia once the sector was to be liberalised in 2005 and AGOA

expires in 2015. The Paper concluded that Kenya can only survive if: AGOA type of legislation is extended to Asia (presumably placing a cap on its apparel similar to that in AGOA); Kenya targets other international markets; or Kenya lowers production costs as much as possible.

The country argued that with enough mettle, it can do better under multilateralism; because the other business loss the Paper cited was to be through quotas, yet Kenya has a huge potential.

By some estimates, the annual demand for fabric by the United States in the form of garments, bed sheets and pillow cases amounts to about 30.0 billion square meters. Under the African Growth and Opportunity Act 1.5% limit, the listed 48 sub-Saharan countries may export up to 270.0 million square meters of fabric equivalent annually. If each member were to be given an equal share of this allowance per country, over the next eight years, starting on 1st October 2000, these levels would rise to 630.0 million and 13, 124, 000 square meters of fabric equivalent annually. For comparison purposes Kenya's weaving capacity is approximately 120 million square meters annually. In 1993, Kenya exported 226, 491 dozen men/boys shirts to the United States. The fabric equivalent of these items is about 4.1 million square meters. Had the import quota restrictions on Kenyan made products not been put in place, this amount would have about doubled in 1994 for another 35 companies were awaiting commissioning. The weaving capacity for RIVATEX is approximately 13.0 million meters per annum.

... over a million hectares of land in Kenya [are] suitable for cotton cultivation... Under irrigation, this land can produce about 600,000 tonnes of cotton lint a season. This lint would be enough to weave about 210.0 million square meters of fabric. Since it is possible to harvest two crops a year, this amount can be increased to 420.0 million square meters of fabric. With about 6.0 million sheep, Kenya can produce about 2,700 tonnes of wool annually; this would be adequate to weave about 1.2 million square meters of wool fabric annually. Thus in total, under an aggressive campaign, Kenya could easily produce garments whose fabric equivalent is within reach of what the African Growth and Opportunity Act allows the entire sub-Saharan African region (GoK, ca. 2000: 14-5).

Kenya might have embraced AGOA partly because systemic limitations are incorrigible, but we should not presuppose that such knowledge of regime dynamics seen here cannot be unleashed in whatever direction in future struggles to embed industry.

We now turn to neo-liberal form influence versus collective neo-statist form influence within the structural regime. We will first consider outright protectionism. Long before the 2005 restrictions imposed on Chinese exports to the EU and US, the EU Trade Commissioner Pascal Lamy had said in 2004 that, while the EU was ready to scrupulously respect the WTO agreement to eliminate the 210 quotas on 11 countries²⁹, it was still to monitor imports closely and impose the restrictions once again under WTO provisions (Trade Watch, 2004). Eventually, the EU [and US] went ahead to impose the quotas. In the US, there was supposedly a conflict of interests among American domestic actors. Textile-apparel manufacturers were asking the government to stem Chinese surge in 2005, while retailers were simultaneously lobbying the same administration to allow more shipments from China (Associated Press Reporter, 2005d; Wahome, 2005). This seeming conflict is explained by the fact that American manufacturers benefit from the neo-statist regime reflected by AGOA because manufacturers sub-contract out only the assembly stage, while retailers benefit from the neo-liberalism of the structural regime. The state must therefore delicately balance these two interests. On this particular occasion, therefore, it is manufacturers who won.

In addition to outright protectionism, there is the promotion of liberalisation, while limiting accumulation in the South through categorising countries and 'graduating' them. In view here is the International Textiles and Clothing Bureau (ITCB), a 25-nation Southern caucus of textile-apparel exporters set up in 1987, and controlled by middle income countries led by India. The two substantive issues I want to highlight here are how capitalism limits the South and Kenya's knowledge of IPE in the apparel industry.

After ITCB's 39th Session in Delhi in 2004, the Kenyan delegate reported that the session

lamented the fact that in contravention of its obligations under the ATC, the European Union had announced introduction of new quota restrictions in the markets of 10 more countries acceding to the Union from 1st May 2004, and had determined the levels of these quota limits unilaterally...The Council, therefore, resolved to exercise the necessary vigilance during the remainder of the remaining ATC period... (Muraya, 2004:4-5).

²⁹ Argentina, China, Hong Kong, India, Indonesia, Malaysia, Peru, the Philippines, Taiwan, South Korea and Thailand.

Such resolves as the one above are undermined by lack of unanimity. This is not surprising as capitalism's categorisation makes common interests from the South unfeasible; because central capitalism's manoeuvres are beneficial to some of the caucus members that enjoy 'preferential' treatment. According to Muraya, Mauritius and Kenya refused to support India's push for elimination of quotas. India enticed them by suggesting strengthening South-South trade through PTAs and Regional Trade Agreements, and announced that it had begun providing much greater access to its own markets to other Southern countries.

While it is not made clear whether or not the complainants were satisfied, confidential MoTI documents show that, instead, Kenya seemed to support another caucus within the WTO, led by Turkey (Nzusi, 2006)³⁰. The latter caucus was calling for the industry to be governed post-2005 under a Special Textile Sectoral under the WTO that is not subject to Non-Agriculture Market Access (NAMA) negotiations, incorporating the so-called Swiss Formula. The formula proposes harmonisation of tariffs across the board. But special governance outside NAMA could mean different things. In a communication circulated among Members in June 2005, the Delegation of Turkey at the WTO was asking that, in view of the lifting of quotas in the industry, there was need to protect smaller exporters from Chinese competition in the EU and the US. It proposed that the Council on Trade on Goods should periodically review the situation; the WTO Secretariat make recommendations on adjustments for countries affected, especially LDCs, and in particular the issue of price stabilisation; and the WTO collaborate with the World Bank and the IMF in stabilising prices, and also directing resources to diversification of economies heavily reliant on the industry (WTO, 2005). Kenya- through MoTI- supported these proposals (Manyara, 2005).

But that was not all. The Kenya Association of Manufacturers and Exporters of Apparel (KAMEA) and KAM further suggested to MoTI that, while the Swiss Formula is to be exempted in the industry, there should be no further reduction in import duties in the EU and US markets where

³⁰ Turkey was wooing into the caucus Kenya, Argentina, Bolivia, Dominican Republic, El Salvador, Nicaragua, Guatemala, Honduras, Mexico, Madagascar, Japan, Egypt, Benin, Bangladesh, Nigeria, Korea, US, Jordan, Sri Lanka, Mauritius, Morocco, Tunisia and Uganda.

LICs have 'preferential' treatment (Bedi, 2006a). In short, chapters affecting 'preferences' should be left untouched by both NAMA and this special arrangement. Turkey clarified that, while it advocated for exemption from NAMA negotiations, there should be harmonisation of tariffs within textile-apparel chapters (Bolukbasi, 2006)- although this is not stated explicitly in Turkey's communiqué. In riposte, KAM reiterated its above view (Bedi, 2006b), and MoTI stood by it.

Kenya would support an approach that will allow member countries to seek a harmonization of tariff structures in a manner that protects important export market created for developing and LDCs through preferential trade programs while promoting market access for all Members. The approach should advocate no further reduction of import duties for the textile and clothing groupings in our export markets i.e. the US and the EU whereby we have competitive advantage on duty free entry basis (MoTI, External Trade Department, ca. 2006a)

Kenya started dragging its feet and started seeking Turkey's interpretation. In one instance Kenya stated that 'we are still consulting' (Makuu, 2006), and in another 'our only concern is whether this harmonization will apply to all WTO members including paragraph 6 countries as indicated in Annex B of the July Framework' (Manyara, 2006). To date, this caucus has not succeeded. Turkey has gone only as far as submitting a paper to the Council for Trade in Goods in March 2009, urging the WTO to take a coordinated role in managing apparel liberalisation. Although the paper was adopted for future deliberation, China and India had inveighed against it (WTO, 2009).

What is clear is that such disagreements as those depicted here lead to the South losing. The only proposal that possibly saw the light of day was the price stabilisation one, which was entirely an IMF idea; only that Turkey's proposal was in concurrence with the IMF. This is because long before, in 2004, the IMF had introduced the Trade Integration Mechanism intended to assist countries to meet their balance of payments shortfalls resulting from such trade liberalisation. By November 2005 the IMF Resident Representative for Kenya confirmed that Bangladesh and the Dominican Republic had secured the facility with regard to their textile-apparel industry, and that the Fund was in consultation with more countries, some in SSA (Reitmaier, 2005).

Beginning in section 5.2.I, and up to this point, we have summoned substantial evidence that the structural regime and the US-based and the EU-based neo-statist regimes, and not lead firms *per se*,

govern the quantity of apparel and chain geographical spread. Further, the former regime has a dialectical interplay with the latter two regimes, and within it, it has a dialectical interplay between neo-liberal and collective neo-statist forms of Northern state strategic selectivity. These interplays have given a glimpse of the regime-dependency relationship promised in the introduction to the Chapter. To show this relationship more clearly, we assess now the scope for the Southern Developmental State/ enabling state to upgrade industry within the governance of these regimes.

5.2.4 Regime Governance and Product Upgrading

5.2.4.1 Introduction

There are two implications in LICs of apparel industry regime governance. One of them is that the industry in LICs is only constrained to pick up, particularly as a result of the instrumentality of the regimes. The other effect is that LICs are crowded out of destination markets by major players. This is mainly a result of the emergent facet of the regime: the overall effect is that a Southern country, or a selected few of them, emerge(s) as the global workshop for apparel. In the contemporary period, China serves this role. These two implications mean that product upgrading is inhibited.

5.2.4.2 Regime Instrumentality and Product Upgrading

5.2.4.2.1 The Special Circumstances Surrounding Mauritius' Partial Upgrading

When we look at the first implication, that of the industry in LICs being constrained to pick up as a result of the instrumentality of regimes, the most obvious objection to our argument might be that EU PTA offers upgrading opportunities as it demands a double transformation of the fabric. However, the only SSA country that partly upgraded was Mauritius, as we saw in Chapter Four. But Mauritius secured an entry to the EOI race a little bit earlier than the rest of SSA, and was able to employ some elements of the Developmental State theorisation that combined with RoO implementation. It is essential to understand that the Developmental State ideology was being

preached at the time by central capitalism, not because the system believed in it, but as Cold War ingenuity. Baissac disputes the World Bank's perspective that the root of Mauritius' partial success lay in the adoption and effective implementation of IMF-backed stabilisation plans, and World Bank supported SAPs. He is categorical that the Mauritian experience reproduces important developmental characteristics. Apart from strategies targeting domestic institutions, such as convincing the sugar barons and the communist party who were opposed to the EPZ, one single most important measure was to limit capital flight by authorising investment by domestic firms in the EPZ. These firms were encouraged, directly through joint venture partnerships and subcontracting, and indirectly by external demonstration, to enter the export market. There was thus technology transfer and transmission of skills and expertise, at both the intra-firm and inter-firm levels. By the 1990s, there was a core group of domestic firms, leading to further demonstration and spin offs. They were therefore able to insert themselves in [more lucrative nodes in] the GVC (Baissac, 2004).

All of these could be tolerated at the time in some countries- mainly what came to be NICs- as capitalism was creating capitalist growth poles of varying sizes with the aim of bringing communism to its knees. By the time the EPZ had an appointment with the rest of the SSA exporters, however, capitalism would not allow a replication of the NIC experience, which Mauritius had partially achieved. For Kenya, the structural regime emergence dynamics reached the country in 1993. Furthermore, by this time, the Kenyan local supply chain had atrophied.

Even in the absence of a Developmental State strategy, one might expect that the state policy of an enabling state, such as Kenya, would at least seek less ambitious forms of embedding the investment or its benefits. This might include industrial incubation to create some kind of beneficial networks which the investors can assess, which might result in trust, reciprocity, knowledge of chain functioning *et cetera*. In practice, however, even such a modest quest is often deflated by regime instrumentality, and often leads to LICs pursuing a contradictory strategy; one that reflects a fantasy influenced by NIC sanguinity (banking on structural regime emergence), on the one hand, and one that is constrained by neo-statist regimes (banking on 'preferences'), on the other hand.

5.2.4.2.2 Replicating the NICs: Industrial Incubation

The eighth Development Plan (1997-2001) was the first to reflect EOI strategy in full. Previous Plans had been geared to the ISI strategy before 1980, and a mix of ISI and EOI after 1980. Coming hot on the heels of *Sessional Paper No. 2 of 1996*, and, indeed, designed to cover the first phase of the Paper, it departed from previous Plans by focussing on industrialisation as the engine to drive Kenya to NIC status by 2020. The aim was to raise Kenya's annual saving capacity from 17 percent of GDP to 30 percent. In this regard, product upgrading in the manufacturing sector was to be part of the strategy (GoK, 1997). The relationship between increased saving and upgrading was only implied, but could take many forms. For example, it could take the form of more private savings going into private value adding investments rather than going to finance Government deficit occasioned by its low savings. Suffice to say that even the country's current and third 'post-independence' economic blueprint (Vision 2030), although not part of the analysis of this thesis, sets similar targets by 2012. While apparel is not explicitly mentioned as a key target (the Vision focuses on agro-processing), upgrading in manufacturing sector is still envisaged (GoK, 2007).

In line with the above strategy, when the NARC Government took power, it initiated a policy on developing an export business incubator with 30-40 SMEs. In a report prepared on its behalf by the Commonwealth Secretariat, the Secretariat advised that the Government should focus on horticulture/food processing, information technology, textile-apparel manufacture, handicrafts and jewellery and leather products. These were to be selected on the basis of Kenya's competitive advantage, as well as the ability to maintain it, specifically the subsectors' competitiveness and value chain functioning (Commonwealth Secretariat, 2003). The value chain functioning in the textile-apparel sector is further emphasised in the EPZA strategic plan for the years 2004-9. The plan aimed to achieve 40 percent value in domestic expenditure in the EPZ within five years through enhanced backward linkages to the domestic market. The Authority was envisaging adding at least one cotton-based textile mill and at least one synthetic-based one by 2007 (EPZA, 2004b).

The Secretariat based its proposal on studies of success stories of subcontracting SMEs in Hong Kong, Malaysia and Singapore. According to the report, Kenya was among the first in SSA to explore

the incubator idea. Only South Africa had by 2002 some limited programme, and Nigeria had established a Technology Business Incubation Centre in 2003. Uganda was seeking to establish one, Mauritius had an Information Communications Technology one, and Mozambique has recently embarked on Mozambique Information and Communication Technology Initiative as part of the Maputo Development Corridor (Commonwealth Secretariat, 2003).

The idea to replicate NICs is riveted on a sanguine and undeniably reasonable hypothesis that realisation of long term benefits from EPZs can be achieved if the benefits from its initial enclave stage over any other industrial estate in an export oriented economy can be progressively reduced to zero. This is done by integrating the EPZ with the rest of the economy by encouraging participation of domestic companies in and around the zone. It is preferred to the alternative of specifying minimum levels of local content which might impair the viability of the zone rather than integrate it with the rest of the economy (UNIDO, 1980). At any event, I have just shown in this section the difficulty involved in pursuing such a Developmental State strategy as specifying minimum local content in contemporary capitalism. This is the reasoning behind the consideration of local integration as superior to value addition at assembly stage, as explained in the previous chapter section 4.3.I, a fact I had also clarified in Chapter Two section 2.4.2.4, showing that Kenya is an enabling state and not developmental. Of course, local integration and value addition at production stage are closely related, since there is nothing indigenous firms will learn if they are partnered with basic-assembly firms in EPZs. Chapter Four showed us that neither of these is happening. However, even if value addition was taking place in Kenya, AGOA's RoO restrictions mean that Kenyan firms cannot be relied upon to link SMEs with the global market. The firms rely entirely on Asian fabric, whose permission to import is granted up to 2012.

That is why it was right for the Kenyan Government to see that, at least for now, the most viable way to follow in the footsteps of NICs is the enabling state route of promoting business incubation anchored in developing the local supply chain. The problem is that the possibility of developing the supply chain in Kenya is constrained not only by the failure of Kenya as an enabling state but also by regime governance. Let us first consider the former, although our interest is the latter.

5.2.4.2.3 State Failures

First, we have seen already in Chapter Four the impediments to developing this supply chain in FIAS (1992), and in Ikiara and Ndirangu (2004). The minor steps to rejuvenate yarn and fabric production quoted in that section cannot be relied upon.

The General Manager of Protex claimed that the Government had actually resisted their overture to partner with Taiwan in reviving the moribund textile mills. He claimed that the Taiwanese Minister for Trade had visited his firm in 2005, where he (the Minister) mooted the idea of government-to-government project where Taiwanese investors would be supported to invest in textile mills in Kenya, which he claimed they had already done in Swaziland (see UN Integrated Regional Information Networks, 2004). The end result would have been to set up a Taiwanese trading centre in Kenya to oversee such Taiwanese investment. Unfortunately, the Kenyan Minister was not available. Instead, the issue was discussed with the Permanent Secretary, and it never went beyond that. This demoralised him (the manager). When uncertainty over the RoO exemption extension was looming in 2005, Protex EPZ Ltd was planning to relocate to Egypt with the possibility of switching to another product. The manager had gone as far as acquiring a visa to prospect the country, which he never actually used, when the extension was granted up to 2012. At the moment the firm is considering remaining in the EPZ but switching to another product come 2012 (Isinga, 2007).

Second, suggestions for the future could fail. Let us dilate on EPZA's strategic plan 2004-9. EPZA has three suggestions. The first is pressurising the exchequer to set aside funds for the revival of the cotton industry. MoTI has already done this, albeit late, past the initial 2004 deadline for the RoO exemption. At any event, as we saw in section 4.3.2.2, the US\$ 3.3 million is by all standards a very small figure for a serious resuscitation of the cotton industry, given its dilapidated state.

The other suggestion is to rely on cotton and/ or yarn from wherever, but especially from the rest of East Africa, and to encourage investors to invest in mills that would transform such raw materials into fabric. The Authority has come up with a promotional brochure (Chesang, 2007). However, it is doubtful that this will work out in practice. According to an EPZA internal report prepared for the Authority and availed to me, even before AGOA came, EPZA had similarly thought of importing textile fabrics from Mauritius, which would have made EPZ exports qualify for EU duty free access (Njage *et al*, 1996). There is no evidence this ever materialised. It is not understood why, despite such failure, this idea has been gaining currency among local actors, as the MoTI Industrial Officer in charge of AGOA Desk also embraced it.

We are looking at being a regional centre for garment making, perhaps textiles to some certain extent. They can have the cotton that is in Tanzania brought here, make yarn here, then make garments exports... in fact, that is what the Minister for Regional Cooperation has been pushing for. We are at the moment slightly more developed in terms of manufacturing for the other countries (Rono, 2007).

The idea was equivocally echoed by Protex EPZ General Manager; never mind that this contradicts his firm's plan to switch to another product come 2012 (Isinga, 2007).

Then we came up with an idea in a meeting; that we have East African Community...Kenya are very good in manufacturing, ...Tanzania... can venture into planting the cotton, Uganda do what you call ginning and all whatever- ginning, spinning and everything- and Kenya stitches because we are somehow advanced, I mean manufacturing... if we can do it, then I am telling you we can save this industry... we have been having several meetings with the Ministry [of Trade and Industry] trying to sell that kind of idea... (Isinga, 2007).

A regional project with such a goal- PANTEXPRO-AGOA Enterprise Project- was unveiled in Nairobi in 2005. It involves producers of such products as textile, apparel, arts and crafts, gemstones, coffee, cotton and soya beans. In the case of textile-apparel, it proposed cotton to be grown in the Democratic Republic of Congo, Kenya, Tanzania and Southern Sudan. It could then be ginned

locally, and then transported to the African Textile Mills in Uganda for further processing (Africa and Middle East Textiles Editor, 2005b). Uganda was said to be setting up a US\$ 20 million textile mill envisaged to be operational from 2006 (MoTI, External Trade Department, ca. 2006b).

The third EPZA suggestion is the sheer persuasion of the US to extend AGOA, alongside attempting to incorporate more or less AGOA type concessions into the ACP-EU deliberations to phase out the Cotonou Agreement (that were ongoing in 2007) (Chesang, 2007). The success of the ACP-EU deliberations is in doubt, and it is not even fresh ingenuity. As early as 1996, EPZA was proposing that Kenya should lobby for a renegotiation or waiver of the EU RoO (Njage *et al*, 1996).

Third, there is a contradiction in the strategy itself. For example, the Commonwealth report cautions on the volatility of relying on EPZ firms, and saw the idea of developing a local supply chain as unworkable. But in giving the policy recommendation to increase access to quality and internationally competitive input materials, especially yarn and fabric, by removing duties on them, as well as any tariff-based restrictions on exports of the outputs, especially finished apparel, it is contradicting the caution not to rely on EPZs.

Let us now turn to regime constraints.

5.2.4.2.4 Regime Constraints

To start with, we had occasion to see in Chapter Three section 3.3.2.2 that the US slapped quotas on Kenya in 1994 under the MFA on accusations that some Asian countries were using the country as a transshipment point for exports destined to the US. As a result, most MuB firms, which were mainly owned by indigenous Kenyan capitalists, closed down. According to the Cabinet Paper assessing the potential perils of AGOA,

[i]t was alleged that one way in which Kenya could have achieved the growth in garment exports that it did could have been by means of transshipment of these goods using Kenyan documents. For this reason, between August 1996 and January 1997, customs officials from the Department of Treasury of the United States visited Kenya on three different occasions. *To date, no evidence of wrongdoing by these companies has been presented to the Government of Kenya* (GoK, ca. 2000) (my emphasis).

This constraint is expected until a mechanism to supervise such an industry is devised. In the apparel industry, this is usually neo-statist regimes, in this particular case, the regime represented by AGOA.

Thus the best way of understanding the constraints to the idea of replicating NICs through industrial incubation is to turn to regime governance as understood by regime 'framers'. I will take the US as a case study. Some might see some or all of such analysis, such as deliberations at the Congress, as mere political statements meant to solicit Congressional support, rather than statements of reality. This thesis argues that they serve both purposes.

On the one hand they are statements of reality in two senses. The first sense is to the extent that they are supported with accurate statistics on current and future trade dynamics. In 1998 the lead Senator behind the AGOA Bill, Richard Lugar, had projected SSA apparel imports into the US to account for at most 2 percent, if the bill passed. After AGOA was adopted, this came to be so at the peak of the AGOA boom in 2004. Also, AGOA might not have brought about the economic growth capable of achieving the social order he envisaged, as we will see in a moment, but certainly it created jobs and reduced poverty, which he had emphasised. It has also benefitted American businesses, a point that was emphasised during its formulation. Moreover, we will see that the AGOA targets that the Senator had envisaged were confirmed later in Congress Committee hearings. The testimonies received by the committees were not mere political statements, but factual statistics on the performance of AGOA. The second sense in which they are statements of reality is that they are in tandem with one of AGOA's three principal aims- the milieu goals of achieving both social reproduction of labour and attaining low-level international social order.

On the other hand, this thesis concedes that, in the US political context, any policy has to justify itself as being conducive to the national interest. The fact that the Senator said that AGOA is in American national interest does not mean that that was the primary reason for adopting it. That is an indispensable argument for selling any US bill. Thus we have to read between the lines. That is why we are emphasising the milieu goals argument because, spot on, one of the US's primary interest in AGOA is to try to promote them. In this regard, the Senator's speech is simply window dressing to neutralise those lobbyists within US politics who were worried about the many forms of competition to domestic manufacturers that AGOA might bring, including putting US workers out of work. Although direct benefits to the US economy are of secondary importance, this thesis will highlight them.

Beginning with what is only partly related to the US-based apparel regime, developing the local cotton supply chain is constrained by subsidised cotton in the North. The greatest culprit is the US. For example, in Mississippi it costs 82 cents to produce a pound of cotton, while in Mali it costs only 23 cents. Yet in 2002, the US subsidised its 25 000 cotton farmers to the tune of US\$ 3.4 billion. This depressed world prices. Reverend Leon Spencer, testifying before the Senate Committee on Foreign Relations on behalf of Advocacy Network for Africa, chided the US for this rapacious behaviour (see Spencer, 2003). In 2005, the EU Trade Commissioner Peter Mandelson argued that the EU had not only led the way in removing export subsidies for the crop but also, beginning 2006, 65 percent of EU support for cotton growers was decoupled from production (Africa and Middle East Textiles Editor, 2005a). The EU has been pushing for a similar policy to be adopted at the WTO, but this has been resisted by the US.

We now move on to a major AGOA architect- so prominent to be christened the 'Mother of AGOA'- Rosa Whitaker. Whitaker served as the Assistant USTR for Africa in the Clinton and Bush Administrations and played a key role in lobbying for, developing and implementing AGOA- before, during and after her position as Assistant Representative. For instance, her role in AGOA III is seen

in the fact that she was the chair of AGOA III Action Committee which was behind it (African Coalition for Trade, 2003). Whitaker shows that AGOA was designed to meet mainly capitalism's milieu goals, and not intended for upgrading SSA apparel industry *per se*:

The legislation we crafted was intended to help *end Africa's dependence for export revenue on one or two commodities*, not to create a new dependence, in this instance on mass-produced shirts and trousers, themselves effectively another form of commodity.... The principal thrust of AGOA was, and is, to assist reforming African countries *diversify their economies*, become more competitive and *attract investment into a range of value-adding industries*. To be sure, based on successful models of development in the Far East, there was a consensus that garment manufacture was a tried and true entry point for *industrial diversification*. And few would seriously question that it still has an important role to play, even in the post quota age. Nonetheless, the time has come to recognise Africa cannot outdo China by trying to be China (Whitaker, 2005: 18) (my emphasis).

If we take- for the sake of argument- Whitaker's tendentious affirmation that diversification was the principal aim of AGOA, this thesis would not question diversification as a well meaning intention of AGOA. It would only argue that the apparel industry is one of the most low-technology in capitalism, and, if SSA has failed to upgrade it, the region might not, *a priori*, upgrade in more technology intensive ones. This diversification tune, matted with one of promoting apparel exports, is automatically reflected in Kenyan policy. The EPZA strategic plan for the year 2004-9 explicitly lays down as one of its objectives the 'gradual, diversification and expansion of other industrial sectors away from garments'. By 2009, the Authority hoped to have four call centre companies, 60 agro-processing projects and 10 leather projects. Other targets were pharmaceutical and electronic industries each with 20 projects. The Authority was also considering motor industry parts (EPZA, 2004b: 3, 24). The way the MoTI Industrial Officer in charge of AGOA Desk sums up everything portrays the international circumstances as being the source of confusion over a firm commitment by the state to considering apparel as the starter industry of industrialisation (Rono, 2007).

But diversification was not the principal aim of AGOA. One of the three major intentions of AGOA was to secure energy for the US. Oil exports constitute approximately 95 percent of total AGOA exports. However, that is beyond the scope of this thesis. The scope is an analysis of the apparel industry, which is the next sector of importance under AGOA after oil, constituting approximately three percent. Outside energy interests, AGOA's second and third principal aims were, respectively, to engender industrial emergence and to open up SSA for capitalism as a whole (as a milieu goal). There was also an American national economic interest, but this was of secondary importance. However, as we have noted, the latter was often exaggerated by the regime 'framers' in order to convince sceptical politicians and capitalists. In spite of its exaggeration, it also does exist for real.

We will concentrate on the milieu and the national-self interests, because they were more urgent with regard to AGOA. These are seen in Senator Lugar's speech on the Senate floor in 1998. The Bill had just passed the House of Representatives in March of that year and was now before the Finance and Foreign Relations committees.

I introduced the Africa bill because I believe that... as important as our child survival, health, agriculture, educational and humanitarian programs have been, they have not promoted much [*African economic development, political stability or self-reliance*] [milieu goal to ensure social reproduction of labour and for grassroots stability]. Nor have they *benefitted the American economy*... [US self-interest] That is the purpose of the African bill (Lugar, 1998) (my emphasis).

He went on to say that the real motive is eventually to sign a FTA with SSA with the twin aim of reducing African poverty (milieu interest), while exploiting its cheap labour (US self-interest).

...it [AGOA bill] urges the President to negotiate free trade agreements with African countries with the ultimate goal of a US- Sub-Saharan Africa Free Trade Area... enactment of our bill would increase US imports of textiles and apparel from Africa to between one and two percent of our total textile and apparel imports. In short, a negligible impact... While this amount is small in terms of our overall textile and apparel imports, it

can have sizeable benefits for Africa. It can help *create jobs and export earnings in Africa* [mainly a milieu goal to ensure social reproduction of labour and for grassroots stability, but can be US self-interest of market for her TNCs as well]. *The lower costs of African textiles will also benefit American retailers and American consumers* [US self-interest of cheap imports] (Lugar, 1998: 2) (my emphasis).

Assistant USTR Liser's testimony is similar:

Implementation of AGOA is a central component of the Bush Administration's effort to promote free markets, free trade, and free societies. AGOA is supporting this effort by stimulating economic growth, helping *sub-Saharan Africa integrate into the global economy* [milieu goal of capitalist market expansion], *[and] increasing opportunities for US exports and businesses...* [US self-interest] AGOA is successfully promoting African efforts to...*reduce poverty and strengthen labour and human rights* [milieu goal to ensure social reproduction of labour and for grassroots stability]. Both the United States and sub-Saharan Africa are benefitting... (Liser, 2003: 1) (my emphasis).

Exploitation of cheap labour is further confirmed by the US Undersecretary for Economic Affairs: 'AGOA makes African countries more attractive, cost-effective sources for purchasing raw materials and finished products... [It] isn't just altruism on the part of the United States... There are benefits available for American businesses and consumers as well' (Larson, 2004: 2). On SSA as a market for US products, he said that 'in many instances, new apparel factories have bought American equipment'. He also reported that a US jeans manufacturer in South Africa is providing a market for US exports in the form of denim and thread from North Carolina, and that this is 'a vivid example of how AGOA can benefit not only African economies, but the US economy as well' (Larson, 2004: 2, 6).

On SSA as a market for US products, American direct benefits increase substantially beyond the apparel industry; AGOA was meant to raise the continent's consumption wherewithal of American products in general. As Stephen Hayes, President of the Corporate Council on Africa says 'until African countries are able to earn greater income, their ability to buy US products will be limited'

(Corporate Council on Africa, US Department of State, 2003: iii). American businesses have benefitted primarily by exporting aircraft, vehicles and wheat and other numerous industrial goods using American machinery, equipment and cotton and fabric inputs (Fisher-Thompson, 2003) (see also Liser, 2004). Even in the early days of AGOA 'US merchandise exports to sub-Saharan Africa were just over \$6 billion in 2002, greater than exports to the former Soviet republics, and nearly twice those to Central and Eastern Europe. US exports to South Africa alone were larger than our exports to Russia' (Liser, 2003: 2).

AGOA was also a channel to dispose of 'air traffic control equipment that is no longer in use' (US Congress, 2000: 22).

There is also the intention of whittling down to size African opposition to the neo-liberal agenda in the WTO. This is both a US self-interest (because African states would support the superpower's economic interests in the WTO) and a milieu goal (because neo-liberalism is expected to bring about economic growth in Africa, which is expected to reduce poverty). There was the view that AGOA was developed at a time when there was no active WTO round, and that it needed to be amended now that the Doha Round had picked up.

In that AGOA was developed, debated and enacted prior to the launch of the WTO's Doha Development Agenda in 2001, there is no reference in the Act to the importance for sub-Saharan African and other developing countries of multilateral trade liberalisation. In fact, some African countries have opposed tariff reduction efforts in the WTO because of concerns about "erosion of preferences" and potential revenue losses. (The World Bank and the IMF are working with African and other developing countries to address these concerns.) Congress should consider including language in AGOA legislation calling on sub-Saharan African countries to support the larger objective of reducing trade barriers worldwide, even as they continue to benefit from preferential programs such as AGOA (Liser, 2004: 5).

To achieve this milieu goal more effectively, the US must have more direct control over Africa's industrial future. With the NICs project having fulfilled its twin goal of revitalising capitalism and defeating communism, the idea was seen as though it might spin out of control; hence the US must take European hegemony from Africa. In denouncing the French economic monopoly in francophone Africa, US Assistant Secretary of State for African Affairs, Herman Cohen, stated in Libreville, Gabon, in 1995, that 'the African market is open to everyone...we must accept free and fair competition, equality between all actors' (Sek 2001 cited in Gerstenfeld and Njoroge, n.d.). Larson told Foreign Relations Committee that AGOA 'has changed the attitude of many African firms and governments... [who now] begin to realize that the United States can be a partner for them- they don't have to rely solely on their traditional, usually former colonial, trading partners such as France and Portugal' (Larson, 2004: 2).

Towards the end of his speech, Senator Lugar was somewhat overt.

Africa is one of the last frontiers of untapped markets in the world (for milieu and US self-interests). There are nearly 700 million people in sub-Saharan Africa. Yet, 33 of the world's forty-eight least developed countries are in Africa. Despite this, prospects for enhanced trade and investment are bright. Our exports to Africa are now twenty percent greater than our exports to all the states of the former Soviet Union combined. *Economic growth in Africa will create new markets and new opportunities for US goods* (US self-interest), but that won't happen if we don't act to make it happen (Lugar, 1998: 2) (my emphasis).

He likens the US role in opening up Africa with a similar role it played in Taiwan and South Korea.

If we had ignored Taiwan and Korea in the 1960s when they were at stages of economic development comparable to many African societies today, we would have missed out on enormous [US and milieu] *opportunities in East Asia*. ... If the United States is a major player, a pro-active player in Africa's economic and political development, we will also be a *major beneficiary* [US self-interest] (Lugar, 1998: 3) (my emphasis).

Let us get our bearings. We are arguing that the Kenyan strategy to upgrade is fraught with internal limitations of lack of value addition at the assembly stage, lack of a serious effort to rejuvenate the cotton supply chain and inconsistencies in the policy. This contradicts the strategy's vision of emulating NICs. But apart from that, Northern subsidies to its cotton farmers aggravate the contradiction of rejuvenating the cotton supply chain. Since the Kenyan industry is mainly based on the regime represented by AGOA, we used AGOA as a case analysis, where this contradiction is seen to get worse because regime 'framers' seem to be in a hurry to diversify industry before upgrading apparel manufacturing even to the very basic levels. Continuing with this case analysis, the greatest contradiction yet, however, is that the whole idea to replicate NICs is unlikely to be compatible with US economic self-interests and its milieu interests in the continent. This constraint issuing from regime instrumentality as showcased by the US-based regime was therefore a sufficient condition to undermine product upgrading in Kenya. Hence this analysis and discussion is the direct link between this chapter and both the hypothesis and the findings presented in Chapter Four.

Let us now consider the implication of LICs being crowded out of destination markets by major exporters. It is based on the argument that a dominant country (ies) always emerge(s) in every regime of accumulation as a source of cheap apparel imports into the North, squeezing out the rest in the South. I clearly showed this in section 3.2.3. This is the effect of the emergence of the structural regime on apparel. Although not all countries can eventually industrialise, logically speaking, this route of admission into the industrial club can go on for a while. The role of the dominant exporter is currently played by China, and what is crucial for us at this juncture is that, at least in theory, Chinese rise precludes Kenyan product upgrading in the foreseeable future.

5.2.4.2 Regime Emergence and Product Upgrading: the Chinese Factor

There have been arguments in support of apparel industrial upgrading in SSA, partly based on a hazarded guess of a possible fall in textile price. This, it is argued, might allow countries in the South

that have no fabric industry, such as Kenya, to compete in the apparel subsector because of affordable raw materials (Stevens and Kennan, 2006) (for similar argument see Schmitz, 2006; Fleury and Fleury, 2006). This suggestion seems to be based on short term dynamics. However, there is another suggestion seemingly grounded in the Product Cycle theory. For example, Otiso (2004) contends that the entry of Asian NICs to OEM is a suggestion of the onset of declining Asian competitiveness in mass market apparel production due to rising labour costs and maturation of their industry. This, he argues, could create room for SSA on the basis of such arrangements as AGOA. This is echoed by Appelbaum (2004). Indeed, there could be a hypothesis according to the Product Cycle theory that China would launch its industrial drive on the basis of lower-tech products, and then it would move to higher-end products. This is buttressed by the fact that, according to the NIDL thesis, the apparel industry is very prone to separation between high-tech and low-tech processes. Technology at the level of manufacturing the fabric is extremely high in some cases, almost kind of space age technology. This is combined with quite primitive technology at the level of assembling apparel.

This thesis argues that China is a competitive threat both in the short-term and in the long-term. There could be a possibility for LICs to upgrade within the long-term projection, but there could be changes in IPE which might alter the scenario before this happens. This is because, given its huge size, which is unlike other countries that have in the past occupied this enviable position in the system, China's effect is likely to be much more profound and long lasting.

Undeniably little research has been done in this regard (IDS Asian Drivers Team, 2006). Therefore, it is still not very clear the extent of the threat posed by Chinese and other Asian producers in general. However, some useful observations have been made.

On the short-term, a major area of effect is that China has considerably reduced prices in the North. This warps the prospects of small players further. In a word, the crowding out is not only in share upgrading, as we saw in Chapter Four, but also in price. There is evidence that the so-called Asian

Drivers have squeezed product prices in many sectors, notably in the global apparel sector (IDS Asian Drivers Team, 2006; Jenkins and Edwards, 2006; Stevens and Keenan, 2006). Kaplinsky (2006) argues that this challenges the early Prebisch-Singer thesis, questioned in Singer's revisiting of the terms of trade debate in the early 1970s and early 1990s (Singer, 1971; Sarkar and Singer, 1991); that manufactures' prices would continue to rise. Kaplinsky is, however, quick to add that the causal link between the rising of Asian Drivers in general, and China in particular, and the fall in prices, is weak. For other factors such as higher energy prices, changing exchange rates, and the determination of global demand and supply, come into play. But concretely, recent research in Kenya showed that the average unit price in the EPZs dropped from US\$ 4.26 in 2004 to US\$ 3.66 in 2005 (McCormick *et al*, 2006).

On the long-term, Kaplinsky (2006) has shown that China (and India) has a large reserve army of labour in its interior. 'If we run out of people we just go deeper into China', remarked the Managing Director of a Chinese subsidiary (quoted in Roberts and Kynge and cited in Kaplinsky, 2006: 50). There are 100-150 million people in China currently working at very low levels of productivity. These are waiting to be absorbed into the global economy and are not reflected in Chinese labour statistics. Further, India sits on a labour force of 470 million (compared with 770 million in China), not to mention Indonesia and other populated Asian economies (Kaplinsky, 2006). Jenkins and Edwards (2006) are right; it is unlikely that Chinese industrial upgrading in general will lead to a withdrawal from exports of un-skilled labour intensive products, which forecloses development of labour intensive industries in SSA in the foreseeable future.

Although the Chinese threat is real, EPZA was at some point putting on a brave face. In 2005, it defended the closing down of six apparel firms in late 2004. It argued that their closing down was due to internal problems, and had nothing to do with the then impending elimination of quotas that unleashed Chinese competition (East African Reporters, 2005). The argument seems to be corroborated by data gathered by the World Bank in July 2005. According to the Bank, contrary to the widely held expectation for China to overrun other major Asian producers, while Chinese apparel exports to the US in dollar terms jumped 85.9 percent in the first 5 months of 2005, other low-cost

Asian producers were also enjoying unexpected double digit growth: Bangladesh's inched up by 25 percent, Sri Lanka's rose by 20 percent and Cambodia's increased by 16.8 percent (World Bank, 2005c).

However, in a deeper sense, the argument is spurious. Firstly, other domestic actors contradict EPZA. KAM conceded that the relocation of some firms from Kenya to China was driven by Chinese competition, and that 'those who remained... remained because the directors were Kenyans' (Kariuki, 2007). Such firms might have reckoned that the US state-centric regime's decision to open up SSA for apparel production, though limited in time and extent, served Asian investors' interests before 2005, but not anymore. With the liberalisation of the sector and the elimination of safeguards against China in 2009, it made more sense to start investing in China (or wherever in Asia the cost of production is lower) at the earliest opportunity.

EPZ entrepreneurs themselves admitted the inexorableness of China crowding minor players out of the export markets. They cited the reason for reduction in the robustness of Kenyan exports after 2005 as China's low production costs as opposed to Kenya's high production costs. Within the first four months after the liberalisation, one of the largest firms in Kenya, Upan Wasana, retrenched all but 275 of its 2 160 workers. When the Managing Director was asked the reasons for the move, he cited a reduction from US orders amounting to US\$ 0.8 million within that period. He argued that US buyers preferred Chinese low production costs. The General Manager of United Aryan, another firm which was by then on the verge of closing down, and which had wound up by the time I carried out my fieldwork in 2007, argued that, with the reduction of orders from 300 000 pieces per month to between 130 000 and 150 000 per month in the first four months of 2005, coupled with the high water and electricity costs in Kenya, he was foreseeing them laying off workers (Mulama, 2005).

The Industrial Officer in charge of the AGOA Desk also confuted EPZA's claims. He argued that it is liberalisation, coupled with the uncertainty over extension of the RoO exemption, which indeed drove out the firms to China. He argued that by May 2005, out of about 37 firms that were exporting under AGOA, there were only about 28 left. These firms then reduced to about 25 by the

end of 2005. He added that remainees were either Kenyan Asians or Asians who had been doing business in Kenya long before AGOA (Rono, 2007). This corroborates KAM.

Furthermore, according to the Protex EPZ Ltd General Manager, the relocation was more profound; and it continued after 2005. He stated that from a high of 46 firms, only 20 were in operation in 2007. I confirmed the latter figure during my fieldwork (see appendix M). However, he also said that, while some firms went to China, others were scouting around Africa for better conditions, where the industry had not picked up even with the advent of AGOA (Isinga, 2007).

Secondly, the tension between Washington and Beijing in the wake of liberalisation, even leading to the temporary imposition of safeguard measures against Chinese apparel exports by the US and Europe in November 2005, restrained Chinese onslaught on the US and European markets; otherwise the effect would have been more intense.

Thirdly, whilst the safeguards succeeded, they did not go unchallenged. China remonstrated when the EU took the dispute to the formal WTO regime rather than commodity specific informal route of trade and industry ministers between the affected countries (Associated Press Reporter, 2005a). The following day, China scrapped plans to increase export tariffs on its textile-apparel, a concession initially made the previous week, and meant to avert the trade war. China had announced it would quintuple export tariffs on 74 types of product categories in exchange for the EU and the US not imposing quotas. China argued that Chinese producers cannot face 'double pressure'. Scrapping of the plans was a flex of muscle in readiness for a visit by US Commerce Secretary Carlos Gutierrez the following week. It also came amid pressure by the North for China to raise the Yuan exchange rate, as well as stamp out piracy of music, software and other products (Associated Press Reporter, 2005b). Relations thawed significantly in the following months, but Gutierrez's visit did not yield any fruits as the two ministers engaged in counter accusations; and he himself had a major one with the Chinese Vice-Premier Wu Yi (Associated Press Reporter, 2005c).

Fourthly, even other Asian producers' competitiveness seems temporary. Major Asian garment exporters to the US, such as Sri Lanka, Cambodia and Bangladesh, have survived Chinese competition because giant retailers in the US still want to diversify their sources of supply. US retailers argued that the US [and European] safeguards against China posed a major risk to them if China remained their only supplier, a move that made some of these retailers diminish some of their sourcing from China that they might have been planning (World Bank, 2005c).

Fifthly, Kenya is very weak in wooing investors. In 2001, an EPZA-led business delegation visited Colombo, Sri Lanka, to woo investors. It was indeed successful. It is from this visit that Protex EPZ Ltd, the case study firm, was set up. But a keener analysis reveals otherwise: the visit was prompted by a widespread strike in Pakistan (Isinga, 2007). EPZA was therefore merely taking advantage of a particular situation, rather than proactively wooing investors. In 2005, Kenya faced a lot of competition from Asian countries in convincing investors to stay behind in the wake of the liberalisation of the sector. Pakistan, for instance, through its commercial counsellor in Nairobi, was courting disgruntled investors in Kenya, promising them raw materials, infrastructure and a market. EPZA shrugged off the innuendo, arguing that they had done the same in Sri Lanka the previous month. The investors had cited the delay in the acquisition of export visas and the 100 percent verification of EPZ containers destined for export at Mombasa port (rather than on site), among other issues (Sunday Standard Correspondent, 2005). Earlier, a Pak-Kenya Ministerial Commission had been established in the third quarter of 2004 to promote joint textile ventures, where Pakistani gray fabric exports could be value-added in Kenya, and exported to the EU (Anonymous, 2004). It is possible this war began after the commission failed to bear fruit, but there is no evidence that Kenya is any better than Pakistan in wooing investors.

The World Bank (2008) reported that the Chinese apparel exports surge that began in 2005 has begun to lose steam. A major feature of the surge was supposedly low-end production, which was reported to have shifted to other Asian countries, such as Bangladesh, Vietnam and India. Attributing the information to Leo Yung, Director of Central Textiles (HK) Ltd- a leading Chinese textile mill-, the report said that an expansion in textile investment in these countries around 2007 and 2008 had

caused an oversupply in the North. As a result, many Chinese mills had been forced to switch from exports to domestic sales, which then accounted for 79 percent of production. Quoting a report by Robin Anson, Editorial Director for Textile Outlook International, the Bank attributed the loss in Chinese competitiveness to several factors, including the downturn of the US market, regulations on Chinese producers, labour costs and the strengthening of the Chinese currency versus the US dollar.

Certainly this evidence raises a crucial point with regard to the risk of Kenya of relying on one market (the US). In a sense, this risk, denoted in this report by 'the downturn of the US market', and certainly a result of the fatigue of the current regime of accumulation represented by the current global economic recession, is more real for a country like Kenya that relies over 95 percent on this market.

But the withdrawal could have been caused by safeguards against Chinese products contained in its protocol on accession to the WTO, which were lifted in 2009. In addition, there are product specific safeguards in Section Two of the WTO Agreement on Safeguards whose criteria is lower than the Agreement's, and which will be in place only until 2013 (Appelbaum, 2004).

At any event, China is yet to give up. The Bank's report quoted Xinhua saying that China recently increased the tax rebate to 13 percent for textile-apparel exports to bail out its more than 60 000 struggling smaller textile enterprises. It went on to quote one analyst saying that the effects of the new tax rebate policy were likely to take hold in October 2008. It was expected to help reduce costs and increase the profit margins of textile-apparel exporters. Also, Lande *et al* (2005 cited in Westhuizen, 2006) say that China has undervalued its currency, provided non-performing loans to manufacturers at 1.5 percent interest, and has provided possible input subsidisation. Furthermore, Appelbaum (2004: 32) reminds us that '50% of textile-apparel imports from China come from state-owned enterprises, which often operate at a loss (and hence provide a subsidy)'.

We are led to the irresistible conclusion that, while the local initiative to upgrade was weak, there is overwhelming evidence that, the instrumentality of the US-based regime on production and trade in

apparel, and the emergent effect of the structural regime on production and trade in apparel in the form of Chinese competition, were sufficient conditions to make Kenya's product upgrading efforts in the 1992-2007 period a mirage. Thus this regime governance is the overall context within which the poor upgrading outcomes of Chapter Four should be interpreted. The counter argument has been that the apparent systemic limitations might seem insurmountable, but there is still scope for success in future struggles, given the knowledge demonstrated by Southern actors.

5.3 INTERNATIONAL REGIME ON LABOUR STANDARDS

5.3.1 The Interplay within the Regime

International regime governance of labour standards is premised on the contention that behind the setting of these standards by lead firms is a regime in the issue area. This regime is influenced by interplay of neo-statism, neo-corporatism and neo-communitarianism.

Beginning with neo-statism, AGOA, as an individual country neo-statist instrument, supports 'the development of civil society and political freedom in sub-Saharan Africa', and gives one of the eligibility criteria for a SSA beneficiary country as one that has established or is making progress to establish 'protection of internationally recognised worker rights' (US Congress, 2000: 3, 4). WTO's failed social clause, as an instrument of collective neo-statism, seeks to enforce the four ILO core standards (see ILO, 2009). This thesis does not draw a line between AGOA conditionalities and the WTO's social clause because they represent the same aspect. Thus, while in Chapter Four AGOA conditionalities were used, I found the combination of AGOA labour conditionalities and the social clause in this chapter appropriate.

The KAM Executive Officer, Mr Kariuki, supports the social clause, while the MoTI Industrial Officer in charge of the AGOA Desk, opposes it.

He [the investor] wants to pay cheaper... than the agreed minimum wage by arguing that your labour is cheap. So, we are telling them, look here, this is our standard price for our labour. We know our labour; if you are not ready to pay this don't complain- you take your factory back. But we know they need us here. So, we have refused the argument that Kenyan labour is cheap... No. You pay the price. And it is very commensurate to the standards of labour we have in the country (Kariuki, 2007).

KAM's Executive Officer reinforces this by stating that KAM's preference for labour standards is the international standards. But the reinforcement is also perhaps one of the most lucid indications of the instrumentality face of the regime.

When you are promoting competitiveness you can't have your cake and eat it. You cannot dictate. Liberalised market is not Kenyan market. We are looking at international markets- understand their standards... So, we are moving from factory, local country standards to the acceptable market standards ... And, we are liking the internationally proven ones. We are asking for European standards so that we can tell the factories to comply. We can tell that the factories in EPZs are now complying with US standards. Because, what do you do? ... That is why we are members of the WTO. We are ascribing to the WTO and all other internationally acclaimed standards so that we are at the right step for the competitiveness (Kariuki, 2007).

The KAM official not only fails to see this as a neo-statist instrument of protectionism for industrial powers, but also that such an idea is supported by central capitalism only when useful. For example, although AGOA calls for improved labour conditions, it also seeks to exploit the cheapest form of labour that can ever be available, through Category 9. The officer therefore contradicts himself almost immediately by glorifying American ingenuity in fighting African poverty through this category.

The US market has tended to go beyond that and said that the money we are paying is not reaching the people themselves. And it's right because some of the poor people are not employed in the factories. Old people are not employed. We are employing young graduates from school, and some are trained, so they are very adaptive. But the bulk of the people are in the villages. So, AGOA was supposed to help even those. So they have come out [sic] with... hand loom, hand stitched- things made by hand, not machine. If you touch it with a machine it will not enter the US. It is supposed to be hand finished, handmade from hand woven materials. So, who

makes those? Those are being made by women in the villages; you will find them stitching sitting under a tree. That is another big market and we are trying to promote that so that money can go directly to the poor people... we are happy about that... (Kariuki, 2007).

His perception is, however, incongruent to that of the Officer in charge of the AGOA Desk.

To a certain extent [I would support the social clause]... if it was offered towards development of manpower, in a manner that also takes into cognisance the developmental level of each of the countries.... You see, when you are negotiating at the WTO, for example, there will be LDCs. You cannot use the same measure for LDCs as you use for the other countries (Rono, 2007).

The MoTI External Trade Officer expressed a contradiction similar to that of the KAM official. He argued that a minimum wage should be fixed, and that ILO standards are apposite. At the same time, he rooted for the recognition of different levels of industrialisation of countries when dealing with the issue area of labour (Nyakundi, 2007).

Turning to the influence of neo-corporatism, regime 'takers' consider the ILO as the central actor. We have seen above- in the interview with the KAM Executive Officer- that KAM is guided by the ILO or 'international standards' in determining what labour conditions to allow in EPZs. Also, according to KTTWU, the ILO is the most important neo-corporate actor in setting labour standards, as it influences much of the legislation of national labour laws. Sometimes the ILO protests if the Government is too slow to enact such laws (Muga, 2007). Protex General Manager is in agreement (Isinga, 2007). However, the manager sees ILO standards as capitalism's double standards. He argues that he is always at a loss as to how American buyers still source from Chinese suppliers despite the fact that China employs the piece rate system, presumably without the ILO complaining. This is not allowed by Kenyan law, he argues, presumably through ILO interference, yet

this home workers system is more exploitative than exploiting workers at the factory. With this happening, he concludes, China will crowd out SSA in the American market.

The manager says that the surveillance of the regime in Kenya through social audits particularly increased after the widespread strikes of 2003, which were preceded by the activities of NGOs. He reveals that today, apart from having its own internal social audits, his firm deals (sometimes simultaneously) with about five other groups of social auditors from buyers. He claims that the standards inside EPZs are better than some of the factories within the Industrial Area, and the audits presumably make them even better (Isinga, 2007).

While his assertion over the piece rate system is not entirely true- because Kenyan law does not prohibit it- other actors, for example the MoTI Industrial Officer in Charge of AGOA Desk, concur that the standards represent the two-facedness of capitalism.

If the conditionalities... were towards developing human rights... I think it would be good... in China the conditions are so bad but the US is currently moving most of its manufacturing to China... I see it sometimes as punitive...it discourages the investment...even in their countries...perhaps they have segregated their workers ... The problem is that they are looking at it in the manner of where they [North] are, which is totally different from where we are (Rono, 2007).

However, regime 'takers' are aware that neo-corporate form influence does not come only from the ILO (through the state) as firms and unions are also active regime actors. Protex General Manager conceded that his firm regularly attempts to fold the threat to leadership arising from unions in setting labour standards. This is seen as being in the firm's interest in dealing with KTTWU, rather than the umbrella COTU; the former is a small underfunded organisation, and hence easier to influence (Isinga, 2007).

The mention of KTTWU and COTU completes tripartism. Initially the interview with KTTWU seemed to contradict tripartism. When responding to the challenge of unionism in Kenya, the KTTWU leader suggested that the union is at logger heads with the state.

The major challenge is with the Ministry of Labour. To me let me say they are corrupt. Any dispute reported to them will take years. They don't process them in time, and as a result, some EPZ firms finally close down before the dispute is settled or processed... there are disputes we processed for workers in 2003 which are still lying at the Ministry of Labour... Time [deadline] is not there but once it is reported there is no reason why a document should stay for those years on one's desk (Muga, 2007).

This apparent internecine conflict is deceptive because the interview also revealed that the union collaborates with the state, the ILO and the International Textile, Garment and Leather Workers Union (ITGLWU). For example, through COTU, it collaborates with the state to exploit workers through COTU's check-off system where workers' dues are deducted directly as soon as a union is set up (Protex EPZ Ltd Workers, 2007). This is an appallingly exploitative system, given that unionism has been more or less dead in 'post-independent' Kenya. The direct collection of union dues before the formation of COTU could be controlled by workers because if the union stopped performing they would easily withdraw. But the workers have found it difficult to dismantle the check-off system despite the fact that they get no real service from the unions, at least before 2003. A KHRC report corroborates this. It quoted striking workers accusing the union of colluding with factory operators to make salary deductions from workers pay as contribution for union membership even before the union was operational in the EPZs in 2003 (KHRC, 2005). A novel state-union partnership is that the union has begun getting involved in Kenya (and ACP countries)-EU EPA talks.

In this tripartism, KTTWU occupies the weakest position among the actors. This was divulged by its secretary; that the union follows very bureaucratic procedures to channel issues: whether through COTU to the state and then to the ILO, or through the African office of ITGLWU in South Africa to its headquarters in Geneva (Muga, 2007).

Finally on neo-communitarian form influence, one of the players is lead firms, as well as the specific firms doing the actual production, whatever their tier in the chain. Lead firms' role was shown in section 4.4.8. We will here show Kenyan firms, which are ordinarily at third tier supplier level. While the Protex General Manager had earlier on suggested that ILO standards are too high for his firm, and that ILO's insistence on them is double standards, as it does not do the same to China (at least not with the same verve), he now welcomes better conditions on neo-communitarian grounds. His firm's increase of wages, presumably above other EPZ firms (section 4.3.3.2), is not only meant to motivate labour and thereby increase production efficiency, but also enhance labour's commitment to capitalism. Even beyond that, it serves the neo-communitarian interests of social reproduction of labour and low-level international social order.

But NGOs- both local and international- are perhaps the most active regime 'intermediaries' on neo-communitarian grounds. Their activities, according to the MoTI Industrial Officer in charge of AGOA, heightened during the AGOA period.

Early 2005 [2003]... some of these US-based NGOs... were talking to first of all the Textile Workers Union officials... kind of incitement- you are being misused...you are supposed to negotiate, you should be paid this much- that kind of thing; indoctrination. Then thereafter of course the Textile Workers officials then go [sic] to their members. So a number of companies had just to close because what happened was that there was a strike...there were so many strikes... (Rono, 2007).

The union leader exaggerates the role of the union in emancipating workers in 2003, which eyeshades that of NGOs.

[Before 2003] even a Government minister could not enter into the EPZs. But when I took over- that is 2003- I managed to mobilise workers- we had a national strike. And as a result of that I managed to get recognition in Athi River [EPZ]. ... It was I who went to them and told them what their rights were. And one of the things which I was actually emphasising was ILO Conventions 87 and 97[98]...one is for them to be allowed to form a union or join a union of their choice, 97 [98] gives them right to negotiate collectively... (Muga, 2007).

The reality, however, is as I have stated before: that the union's relative life and worker's relative freedom came after NARC won elections. To be sure, Mireri (2000) shows that there was an 18 percent union membership for a survey he had conducted among all EPZs in 1998. Given my fieldwork's finding, including that of this interview with the union- that unionism among apparel EPZs was introduced in 2003- it is safe to conclude that apparel workers never constituted the 18 percent.

The union leader's revelation that the union has links with international NGOs lifts the veil behind his exaggerated role. He reported that the union uses various types of codes of conduct to guide it on the standards of labour expected in EPZs. He argued that this increases global contact with international NGOs, which comes in handy in case an entrepreneur closes shop and leaves the country without paying workers their dues; international NGOs are more likely to catch up with the investor in another country, which local NGOs are not capable of. He also revealed that the union cannot campaign for better wages unless it has first consulted widely, and has been assured of international NGO support; otherwise it would achieve little on its own (Muga, 2007).

While the union collaborates with international NGOs, there is relative antagonism between it and the local NGOs. Two reasons were given. On the one hand, and as I have shown in the preceding paragraph, the union does not find local/national NGOs useful enough; it is international NGOs that can exert pressure on buyers (lead firms) because both international NGOs and lead firms are located in the North. Local NGOs have as little influence as the local unions. On the other hand, local NGOs discredit union leadership (Muga, 2007). The discrediting can be partly understood when it is considered that unionism in Kenya has been very docile since its 'bourgeoisification' in 1966 by the creation of the umbrella COTU to the extent that even NGOs find it toothless. But it is also because of the fact that NGOs have greater liberty in dealing with investors and the state. For instance, unions sit with the state and entrepreneurs (represented by FKE) in tripartite committees, something NGOs are not involved in. This compromises unionism.

This antagonism is confirmed by KHRC. KHRC impugns unions for refusing to embrace 'other associations of civil society' beyond 'the traditional social partners in the world of work'

notwithstanding that 'the Kenya civil society movement ...are appalled by the almost total collapse of [the tripartite] system' (KHRC, n.d.: 3, 4). On the one hand, by late 2003, unions were yet to join MSI on sweatshop labour in Kenya (Ouma, 2003). On the other hand, KHRC indicted unions for their 'protectionist approach to the inclusion of other stakeholders' in protecting 'industrial democracy' (KHRC, n.d. 4).

The antagonism aside, there is also a chasm in terms of what each has achieved. This should be explained by the fact that NGOs are more aggressive in demanding full compliance of minimum standards; something difficult for unions as key members of neo-corporatism. Thus NGOs have shifted gear from pressing for poor working conditions (under which workers work, such as occupational safety, low wages and repressed unions- many of which are illegal but happen because the law is not enforced) to precarious employment (the way workers are employed- contractual status, basis of pay, benefits they can claim- many of which are legal, or in the process of being legalised) (see Kidder *et al*, 2003; Kidder and Raworth, 2004).

Take the union first. KTTWU has pursued only 15 cases (Table 19 below). Although details given are scanty, it is clear the achievement of KTTWU in pursuing the cases is at best unimpressive. The table shows that the union began pursuing the cases in the AGOA period, only 5 out of the 15 cases have been taken to court, and none has been resolved yet.

Now take the local NGO KHRC. It collaborates mainly with international NGOs CCC and the International Labour Rights Forum. Its Deputy Executive Director claimed that a major achievement has been that it has trained workers to do self-monitoring continuously (Ouma, 2007), which is confirmed by KHRC (n.d.). The latter adds that KHRC also collaborates with local NGOs Kenya Women Workers Organisation, *Kituo Cha Sheria* and Workers Right Watch. However, unlike the union, KHRC's anti-sweatshop campaign is more massive, sustained and better orchestrated. We will here consider in detail one of the major unpublished reports from KHRC. The report does not concern the apparel industry, but it is an excellent demonstration of not only the difference between contemporary unionism and NGOs in terms of what each can achieve but also how the regime works within the realm of NGOs, local and international. The NGO asserts that the report is prepared

because ‘the world must know about the miraculous results that can be achieved when the consumers of the North and the workers of the South become allies in the fight against the abuses of power perpetrated by multinational corporations’ (Mutunga *et al*, 2002: 2). Although it is far short of miraculous as asserted, it is nevertheless commendable as compared to the union’s campaign. The campaign was against Del Monte Kenya Limited, a pineapple production and preservation farm with about 5 000 hectares under its cultivation in Thika, Kenya. It has canning facilities on site and a labour force of over 5 000 permanent contract workers. 98 percent of pineapples are canned and-together with the additional juice concentrate- exported to Europe, the US and Japan.

Table 19: Status of EPZ industrial relations cases, 2007

<i>Firm/organisation involved</i>	<i>Issues/reference no.</i>	<i>Status</i>
Blue Bird	ML/IR/7/81/2003	Taken to court by Chief Industrial Labour Relations Officer
Senior Best	ML/IR/7/76/2003	Taken to court by Chief Industrial Labour Relations Officer
Shin Ace	ML/IR/7/80/2003	Under investigations
Ashton Apparels	ML/IR/7/38/2003	Taken to court by Chief Industrial Labour Relations Officer
Sin Lane	ML/IR/7/77/2003	Under investigations
Mega Garment	ML/IR/7/79/2003	Under investigations
California Link	ML/IR/7/80/2003	Under investigations
Emke Garments (non-EPZ)	ML/IR/7/140/2003	Under investigations
Kapric Birch Apparels	ML/IR/7/37/2003	Under investigations
United Aryan	ML/IR/7/57/2005	Taken to court by Deputy Chief Industrial Labour Relations Officer
Upan Wasana	ML/IR/7/15/2002	Received report
Apex Apparels	ML/IR/7/-/2003	Under investigations
Rising Sun	Unpaid terminal dues, unlawfully locked out employees	Case in court
MRC	Unpaid benefits and salaries to employees after the company was placed after receivership	Case at Provincial Labour Office
KAMEA	Stalled CBA negotiations	Case in court

Source: KTTWU (2007)

In 1998, KHRC prepared a report on violations of human rights by Del Monte, among them 'starvation' wages, egregious poor working conditions and controlled unionism. Then, it led a coalition of 10 local NGOs to partner with *Centro Nuovo Modello di Sviluppo* (CNMS) (Centre for New Development), a small but influential Italian NGO for ethically minded consumers. The aim was to implement CNMS's proposition to carry out a boycott campaign of Del Monte's products in Italy and the rest of Europe to force Del Monte to improve conditions for its workers. This growing coalition enlisted the Chief Shop Steward at Del Monte at Thika. He was first invited to Italy in 1999 to present the case of Del Monte to an international meeting. Importantly, CNMS had discovered that one of Del Monte's customers was one of the biggest supermarket chains in Italy, COOP Italia, and the Shop Steward confirmed this to the meeting. CNMS mapped a two pronged campaign: targeting Del Monte because it was directly responsible for working conditions, and COOP Italia because the supermarket had been SA 8000 certified in 1998.

CNMS went ahead to prepare two postcards each for Del Monte and COOP Italia, printed 100 000 copies, and with the help of other sympathetic groups and the media distributed them all over Italy to be sent by consumers. The letter to Del Monte demanded immediate improvement of wages, freedom of trade union activity, housing, training and provision of protective devices for plantation workers. The one to COOP Italia was mainly asking the supermarket to exert pressure on Del Monte in line with its SA 8000 certification.

COOP Italia promised to investigate the allegations. It asked BVQI [today's Bureau Veritas Certification], the certification firm that issued it the SA 8000 certificate, to investigate the Kenyan case. Since BVQI lacked experience in Kenya, CNMS was asked to nominate another certification firm familiar with Kenyan capitalism to do a parallel inspection. SGS Italia in collaboration with SGS Kenya was agreed upon. CNMS accused BVQI of collaborating with Del Monte to some extent to hide the facts, while SGS's audit was seen as conforming to some basic standard of inspection. Del Monte denied the accusations through its parent company, Del Monte Royal Foods Ltd, by issuing a terse press statement in Milan and London. COOP Italia formally requested Del Monte to rectify

any violations that were not in conformity with SA 8000. Finally at the end of December 1999, Del Monte agreed that the allegations were true, but the commitment was vague. It also refused to cooperate with local trade unions and NGOs because it reckoned that, although it had been cornered, all it needed to do was to satisfy its Italian consumers. Del Monte seemed to be emboldened by support from the Kenyan Government.

CNMS mobilisation abroad continued. It sent exposé letters to the European Commission on Human Rights and various Members of the European Parliament. The President of Del Monte International visited Nairobi in October 2000. Initially he was adamant and in support of Del Monte Kenya, but under pressure he opened up for talks with workers' representatives and other NGOs that were supporting their cause. However, the Kenyan Government resisted the inclusion of NGOs, citing its tripartite tradition. The first signs of the fruits of the campaign beckoned when a second audit, commissioned by Del Monte Italia and carried out by BVQI, resulted in the firing of Del Monte Kenya's Managing Director, who was a major road block. The New Chief Executive Officer (a post that replaced that of Managing Director) was more amicable; he began negotiations with the union and the NGOs in December 2000, which resulted in the campaign being suspended.

Key concessions made by Del Monte were: assessment of all employees' performance and job evaluations, transformation of 1 500 casual labour contract workers into seasonal contract ones, the building of new houses to ease congestion, training on the working environment, the right of workers to organise was recognised (a union was born, and union leadership and shop stewards were provided with offices), workers who were being underpaid were compensated, and a monitoring structure was put in place to monitor the implementation of all of the above by the workers, the NGOs caucus, and the neighbouring communities. Del Monte also showed interest in re-examining the working conditions of casual labour contract workers. The neighbouring Ndula community was supplied with water, Kenya Police booths were donated to Thika municipality, medical policy was reviewed to fully cover all seasonal contract workers, and a primary school inside Del Monte was extended!

Beyond these differences, KTTWU and local NGOs were also shown to be working together in some aspects of regime governance. KHRC began monitoring EPZs in the AGOA period (Ouma, 2007), the same time the activity of NGOs among EPZs intensified. KTTWU General Secretary also admitted that the union worked with local NGOs at least at the beginning of the partial unionisation of the EPZ in 2003. He also acknowledged that they were merely taking advantage of the change in Government, never mind that this contradicts his earlier assertion that it was all the work of unions, a point I have raised already.

Before they went on strike they had to know their rights. So we worked in collaboration with some NGOs. So what we did was that we sensitised them on their rights. And when the NARC Government took over, there was euphoria that everybody would now take [the reins of power]... So we took advantage of that. So we mobilised workers in Nairobi, Athi River, Mombasa- there was a countrywide strike (Muga, 2007).

Turning to workers' opinions, the view that NGOs are the main regime 'intermediaries', would simply not go away. Most workers believe that NGOs are better at fighting for workers than the union. This is despite the fact that only a few workers had direct experience with NGO activities, and none had heard about the organisations before 2003. The few who had come into contact with the organisations named KHRC and Africa Now as the most active (Protex EPZ Ltd Workers, 2007).

If other perceptions have shown NGOs to be the most potentially effective neo-communitarian form standard setters in the regime, those of workers show how the union has totally failed, or has been made to totally fail, giving NGOs the much leeway as regime 'intermediaries'. The tales of workers are replete with union failure in the most mundane of matters.

In 2006 a Factory Manager in one of the firms discovered that six female workers had been transferred by the Line Manager from one section to a different one. The Factory Manager reduced their salary on the spot from that of a machine operator to that of a helper, their explanation notwithstanding. He later sacked them and paid their terminal dues as helpers and not as machine operators as per their contract. They informed the union. Union officials called a meeting of the

entire firm and explained that the workers involved would be paid their terminal dues as per the original contract. Management agreed. But the following day, the workers in question were dismissed again. When they went to the union, the union explained that they had done their best, and that there was nothing more they could do (Protex EPZ Ltd Worker coded 2F, 2007). This is in spite of the fact that the 2003 post-strike truce had stated that there shall be no summary dismissal, suspension can only be for gross misconduct and can only be for four days, pending investigations of the alleged misconduct, and should the employee be proved innocent she/he should be paid for the days she/he was under suspension, and reinstated without loss of privileges (KHRC, ca. 2003).

At Rolex EPZ Ltd, those who had worked for at least five years on a permanent contract and were either sacked or resigned were entitled to end-of-service dues. However, this firm would deduct any days that workers were on sick leave. When the union would be told about it, it would advise workers to take whatever was being offered (Protex EPZ Ltd Worker 7M, 2007).

In another example, workers were waiting for the line to be fed with fabric. The style was new, hence the process was slow, and some workers were furloughed for a while. A manager accused them of idleness and sacked them. When they went to the union, the union asked them to apologise so as to get their jobs back! They all refused, except for the worker who provided these details; she apologised because she was new- and she got her job back! (Protex EPZ Ltd Worker coded 6F, 2007).

Yet another worker argued that she had been on a casual labour contract since 2000, and that the union has never helped her secure a permanent contract. Another worker narrated how the union never came to her rescue when she was demoted in April 2006.

I entered that company as an operator. It reached a time the company had a plan to reduce permanent contract workers... [in order] to increase casual labour contract workers... There were three go downs for casual labour contract workers... They said they would close one... we were distributed here and there... I was demoted to be a helper. ...The Factory Manager came abruptly: 'What is your job description?'. [I answered] 'I am an operator'. 'Right now, are you doing helping work?' [He went on]. 'Yes' [I answered]. 'You are a helper' [He said]... Those who reacted were dismissed from service. When I went to the union person, he said that the company had a plan to reduce people and he could do nothing about it. When I went to the supervisors they

told me that I would rather keep quite than be out of work because I will suffer more...my salary was reduced to that of a helper...our union representative sides with management! (Protex EPZ Ltd Worker 7F, 2007) (translated from Kiswahili by the Author).

More interesting is a female worker who, while working for MRC, proceeded for four months unpaid leave in 2004 because she had undergone a caesarean operation. On returning to work she was sacked. She reported the matter to the union. After visiting the Human Resource Manager several times during her absence, the union official and this manager told her that her contract with the firm did not cover unpaid leave. They advised her to keep on checking for a future vacancy. After eight months of failed attempts to get her job back, she went to the union again. The union told her that there was nothing they could do about it (Protex EPZ Ltd Worker coded 21F, 2007).

The union has succeeded only a few times in asking workers to strike, although even then, it was taking advantage of a situation where a strike was inevitable. In most of such cases, the union later colludes with management and persuades workers to return to work. The only known case is for a cotton lint production EPZ called Rupa where they bargained for the wages to be raised from KShs 4 800 (US\$ 62) to KShs 5 600 (US\$ 73). The union also played a part in taking to the Industrial Court the Rising Sun strike case already highlighted, but this had not been resolved at the time of my fieldwork in 2007. A few workers believe that, while the union is not very helpful, its existence makes investors scale down their exploitation (Protex EPZ Ltd Workers, 2007).

Contra to these perceptions of the union, workers have a high regard for NGOs.

There is a certain lady... [who] was told to continue working after the fifth of the month. She refused... Her manager hit her phone against the ground. She went to the human rights people... The seniors told that manager to reinstate her immediately or else he would be sacked. He was also asked to plead with her not to bring those human rights people into the factory because it seemed they took up the case very fast. So those people are right...in fact they [NGOs] can [help] but these people [investors] don't want them (Protex EPZ Ltd Worker 7F, 2007) (translated from Kiswahili by the Author).

In conclusion, the regime is perhaps the most diffuse, but nonetheless, governance of labour standards in the apparel GVC takes place within this diffuse terrain. I argue that, in the periphery, neo-statist form influence of the Northern state, neo-corporate form influence of the ILO and neo-communitarian form influence of NGOs are the major influences on regime-formation. Thus the Northern state, ILO and NGOs, and not lead firms, play the central governance role in this regime.

5.3.2 Regime Governance and Labour Upgrading

In theory, the demand to implement AGOA labour conditionalities and the attempt to introduce the social clause in the WTO implies labour upgrading in LICs, but there is a mismatch between this implication and the upgrading outcomes in Kenya in Chapter Four. This is in spite the fact that local political developments gave a fillip to this labour upgrading face of capitalism. In other words, regime governance provides for a Kenyan strategy to upgrade labour, yet the actual practice is that it is impossible to actualise it. Not even regime 'framers' are able to resolve this mismatch. As we saw in Chapter Four section 4.4.8, as well as the case of Del Monte in this chapter, lead firms enforce the standards through choreographed social audits mainly to be seen to be doing so by consumers, and not to change the work conditions. This corroborates the empirical literature review on labour governance in Chapter Two. The contradiction is apparent even in GVC research. For instance, in analysing future trends in chain governance, Humphrey and Schmitz suggest that in LICs, industrial upgrading is elusive, and the accompanying improved labour standards elusive as well, since they admit that capitalism must continuously play a balance between implementing the labour standards to the full and scouting 'continuously for new producers who offer lower labour costs' (Humphrey and Schmitz, 2001:11).

What explains this mismatch is the fact that capitalism juggles the risk of Southern countries' industrial take-off on the basis of cheap labour, and hence it would support labour upgrading, with the benefits to Northern accumulation of maintaining a global dynamic of economic growth based on cheap labour, and hence it would undermine labour upgrading. Its demand for labour upgrading also ensures labour reproduction and attainment of international social order. However, the system is

more petrified by undermining the dynamic of growth than a failure to either counter the risk of Southern accumulation or achieve its milieu goals. That is why in practice labour conditions rarely improve. The US, for instance, forcefully linked intellectual property protection to the GATT using bilateral sanctions, but it has been reluctant to use similar militancy in forcing the WTO to enforce labour standards. Braithwaite and Drahos (2000) cite an example in Indonesia in the mid 1990s where trade union officials were arrested for agitating for implementation of minimum labour standards. A US trade official told the authors that they (the US) told the Indonesian government that 'we'll tilt the mirror if you'll just give an appearance of allowing a free trade union... You invite an ILO team in to audit what you're doing. Make it appear like that is their idea rather than yours'.

The natural vanguard for labour upgrading would be unions. However, post-War unionism has been rendered moribund, largely remaining a part of neo-corporatism. This was a major deviation from the original movement, as I showed in section 3.2.1.5. We also saw in section 3.3.2.1 that this took place in Kenya in 1966. What I want to do here is examine the exact scope of labour upgrading in the apparel industry within contemporary Kenya as a case study. I will do so partly by engaging with perhaps one of the best studies on Kenya on the subject.

Chege (1988) has shown that the growth of formal wage labour in 'independent' Kenya has been characterised by little structural change, falling real wages and an increase in inequality between wage earners. Despite this- and this is the crux of the matter- strikes had been a rare weapon of industrial action, and their effect had been confined to a few sectors. When they occurred, they merely dealt with welfare in a narrow sense without a serious questioning of the structural issues in production. These findings are in tandem with the views expressed by workers in the preceding section. It was expressed that strikes are neither a useful nor sufficient means of improving working conditions.

Chege attributes his findings to the policy introduced in 1965 for such a compliant, if disaffected, labour force. This is despite the fact that unlike the rest of SSA, trade union leaders in Kenya (and Guinea) were also party leaders. Chege takes cognisance of the importance of this fact; that ordinarily

it is only in unions without militant intellectuals to bring on board the union's political articulations that such a labour force can be found. And this he bases on Lenin's (1972 cited in Chege, 1988) assertion that left on their own, workers are only capable of acquiring a 'trade union consciousness' that articulates only their economic disadvantage, as opposed to a 'revolutionary consciousness' in tandem with their assigned role as both the vanguards and beneficiaries of socialism.

As shown in Chapter Three, there were three elements in this 'bourgeoisification': formation of COTU, tripartite agreements and a crafty mechanism for resolving industrial disputes. Thus it is not to be wondered that Chege's (1988) study came across no evidence that workers in Kenya saw industrial relations as a means of restructuring society or bringing in a new social order. According to him, this contradicted Sandbrook's (1981) view of unionised workers as constituting one of the few social forces championing the ideal of social equality. In my view, Chege fails to directly link this evidence with the 'bourgeoisification', which is surprising, since this 'bourgeoisification' is the core of his study. In the preceding section, we have seen that the apparent contradiction between the unions and the state (and NGOs) is not invariable; often there is relative harmony. But overall Chege is right in criticising Sandbrook. Sandbrook fails to take cognisance of the fact that since unionism was co-opted into the ILO, it had to serve capitalism's rather than society's interests.

However, Chege does not leave it at that. He goes on to repudiate Amin's (1974) Dependency theoretical proposition of auto-centric and self-reliant economies in the South with strong inter-industry linkages, as the way to advance and minimise, if not avoid, exploitation by central capitalism. Instead, Chege argues, the South should ignore this and accelerate industrialisation and technological innovation, for such yields more aggressive, better organised and better paid labour. The position of this thesis is that Chege's proposition can only be a short term strategy at best. The long term strategy is what Amin proposes. Either way, to what extent can the regime on labour be seen to facilitate labour upgrading in Kenya today?

I have made a protestation throughout this text that the regime of accumulation launched in 1980 saw the Northern state and its allied actors, such as NGOs, being influenced increasingly by neo-communitarianism. In the case of Del Monte, analysed in this chapter, for example, 'Bertolli [the

Chief Executive who replaced the MD] decided to be the new human face of Del Monte. He agreed to engage in a series of discussions... He knew that the key issue was to have Del Monte comply with the demands of the campaigners' (Mutunga *et al*, 2002: 48). Why? Because:

Bertolli was part of that new crop of business leaders who understand social issues as well as social responsibility in business. The company's reputation becomes an important part of the goal of profit maximisation. Listening and learning from all stakeholders is also important to these business leaders. These are members of Human Capitalism Campaign. They accept a new business paradigm of maximising profits while being lauded as sensitive and ethical corporate citizens (Mutunga *et al*, 2002: 47- footnote 20).

This, in my view, provides the best opportunity so far to upgrade labour. Although NGOs cannot demand a complete realignment of social relations in capitalism, they have, together with unions under the anti-sweatshop movement, made substantial progress in improving labour conditions in the South. This is still protectionism as argued severally in this thesis. Bonacich (2002) vehemently denies this; that Frank's (1999) interpretation of the activities of American unions to mean protection for the American industry is not convincing. Such tendentious denials notwithstanding, the argument of this thesis is that it is protectionism, which nevertheless leads to labour upgrading.

A watershed for the regime on labour within the apparel industry was in 1995 when the Clinton Administration formed a task force- the Apparel Industry Partnership (AIP)- with representatives from manufacturers, unions, NGOs and the US Labour Department. It designed a code of conduct for apparel firms on age, hours of work and minimum wage. In 1998, AIP created the FLA as its monitoring arm (Gereffi and Mayer, 2004). It is mainly within this framework that the regime intensified demands for labour standards, reflecting some limited gains (labour intensive employment creation with minimal wages and minimum conditions of work as seen in AGOA, for example).

This thesis asserts that the labour upgrading failures of Chapter Four should be seen in this light. In effect, we here encounter KAM's position that it supports implementation of ILO standards being cast in doubt for two reasons. First, given that in the South it is the state that has the necessary leverage to implement them, as a key member in the tripartite arrangement, in practice the state rarely implements them. We saw it gagging workers for demanding improved conditions- in Chapter Four

section 4.4.7. KHRC shows that Kenya has had several reviews under the GSP system, and, as late as 2001, had a US delegation under AGOA. In all these, the country 'passed' the test, but the reality is, as KHRC contends, the far below standards in the EPZs (KHRC, 2005). However, there is no need for KHRC to criticise the EPZ Act for being silent on workers. This would be to forget that the state is not neutral, and its prime interest is not labour upgrading but to facilitate the capitalist class to accumulate. Second, evidence from elsewhere suggests something different from that which was expressed by KAM during fieldwork; that manufacturers constantly nag the state to be allowed to pay as low as they can possibly pay to maximise their profits. They argue that apart from the Chinese threat, labour costs are also high and have not inconstantly made requests to the Government to be allowed to peg their wages on employee's performance/productivity rather than minimum wages (Mugambi, 2005). At some point in 2005, the Minister for Trade and Industry had even bowed to pressure and promised to work with his Labour counterpart so that in future minimum wages are arrived at by the Government only after consulting the private sector (Nyamache, 2005).

We conclude that, while in theory the regime on labour, and to some extent neo-statist regimes, promotes labour upgrading in LICs, in practice the regimes on production and trade in apparel limit it. Overall, the balance invariably tilts in favour of the race to the bottom that drives the regimes in apparel, at the expense of the Southern labour upgrading interest of the regime on labour.

Can the knowledge of Southern actors in the regime on labour be unleashed in future for the South's benefit? I suppose no one can tell clearly. However, their struggles as seen in this chapter give, at the very least, hope for success in the future.

5.4 SUMMARY

In this chapter, we have firstly examined the extent to which actors demonstrate the governance of regimes on production and trade in apparel, and the regime on labour, and secondly sought to link this governance with the hypothesis that the governance of regimes on production and trade in

apparel, while not a necessary condition, was a sufficient condition to undermine upgrading in Kenya. First, concerning structural international regime on apparel, entrepreneurs, the Cabinet and bureaucrats have shown regime governance and the influence of neo-liberalism. Second, bureaucrats and entrepreneurs have shown the US-based regime governance and the neo-liberal and individual neo-statist forms of Northern state strategic selectivity as influences. Third, the Cabinet and US government actors showed the US-based/ EU-based regimes versus the structural regime interplay, and the EU Trade Commissioner and entrepreneurs and bureaucrats showed neo-liberal form influence versus collective neo-statist form influence interplay within the structural regime. The implication of such governance on product upgrading in LICs is that, in pursuit of Northern accumulation, instrumental barriers in the three regimes on production and trade in apparel constrain LICs to pick up. Policy documents in Kenya, statements of US- and to a little extent EU- policy makers, and interviews with bureaucrats and entrepreneurs demonstrated this. It also implies that, in pursuit of global accumulation, emergence within the structural regime leads to the emergence of major players (currently China) who crowd LICs out of destination markets. Bureaucrats, entrepreneurs and secondary sources demonstrated this. These two implications mean that product upgrading in LICs is a Herculean task. Nevertheless, because of the urgency to promote systemic milieu goals, the US-based regime has relaxed the RoO for SSA, until 2012, and hence Kenya has achieved limited volume upgrading.

On the labour regime, neo-statist form influence was shown by entrepreneurs and bureaucrats. Entrepreneurs, the union, bureaucrats and workers showed the influence of neo-corporatism. Neo-communitarian form influence was shown by bureaucrats, the union, NGO and workers. The interplay of this selectivity theoretically provides for a Kenyan strategy to upgrade labour. However, the above two implications on product upgrading also mean that regime governance on apparel leads to the race to the bottom in LICs. In juggling labour upgrading in the South (which restricts Southern accumulation, and ensures labour reproduction and attainment of international social order) with the race to the bottom-driven Northern accumulation, capitalism is more petrified by undermining the latter than a failure to achieve the former, and hence labour conditions rarely improve in practice. This is what unites the inhibition of product upgrading with the inhibition of

labour upgrading. It also shows regime governance as a determinant of both product and labour upgrading. Nevertheless neo-communitarian form influence provides some limited opportunity, and embryonic labour upgrading experimentation is ongoing in Kenya.

Thus, although this chapter is limited by the number of selected actors, the perceptions, actions and strategies of those selected demonstrate regime governance that, as far as issue areas are concerned, overrides lead firm governance, and that is aimed at Northern accumulation, perpetuation of dependency and attainment of milieu goals. At the same time, this chapter has shown the potential for Southern manoeuvres to embed development. Above all, the knowledge possessed by Southern actors about the functioning of these regimes gives hope for success in future struggles to upgrade industry.

6 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This thesis was focused on the role of international regimes in the governance of apparel GVC, and the implication of such governance on product and labour upgrading in Kenya in the period 1992-2007. It has approached the issue from an inter-disciplinary perspective, primarily the GVC analysis and a Dependency reading of Regimes theory.

In this final chapter, we will summarise the argument advanced, before drawing conclusions. We will first revisit our two principal research questions on international regime governance and upgrading, and summarise the main findings regarding them, as found in Chapters Four and Five. Before that, we will summarise Chapters One, Two and Three to familiarise ourselves with these questions. The second part will draw conclusions, based on the findings, on chain governance and upgrading in general, as well as giving specific recommendations on the shape that future upgrading strategy in Kenya might take.

6.2 SUMMARY

Chapter One raised two key research questions. The first question was practical: we wanted to know the upgrading trend portrayed by selected aspects in the Kenyan apparel export industry between 1992 and 2007. These were volume of exports, local integration, fabric value addition, volume of folklore/ hand loomed/handmade exports, integration into the GVC and implementation of AGOA labour conditionalities. The second question was theoretical: why has the trend arisen? In the methodology section, we explained our research design as a longitudinal case study that has deductive reasoning as the overall strategy. We also defined a regime as partly a designed institutional structure and partly an emergent social institution of transnational scale that creates order at that level. Moreover, we broadened the GVC governance concept to include overall international structure of the specific issue areas affecting the chain. We went on to develop an integrated model to analyse

national product and labour upgrading. The final part explained how data was collected, selected, analysed and reduced.

In Chapter Two, we reviewed theoretical approaches to industrial diffusion, detailed the GVC approach and theorised regime governance. As far as issue areas are concerned, it was clear that lead firms are not the primary governors in the chain. Rather, they are only one of the actors in a governance that is mainly based on regimes. Taking a Dependency reading of Regimes theory, we contended that elements of both structure and agency on both sides of the regime-dependency divide result in control-emergent regime governance that, as far as issue areas are concerned, overrides control lead firm governance in the service of Northern accumulation and perpetuation of dependency. These regimes are overlaid with the control dimension issuing from existing forms of Northern state strategic selectivity. We identified the relevance of a Dependency framework for the upgrading debate as follows. On the one hand, firstly, it helps us to see international regimes as institutions that embody, and act as instruments of, the will of the core to dominate the system, and hence product upgrading in the South, especially in LICs and LDCs, is a Herculean task. Secondly, it shows us that the parameters of contemporary IPE are more complex than those described in classic Dependency literature of the 1970s. However, far from necessarily facilitating upgrading, this factor may undermine it: in particular, the dependency of the apparel industry of a number of LICs, especially those of SSA, which include Kenya, on a new Asian sub-core, may further limit such LICs in their pursuit of product upgrading. On the other hand, a Dependency framework helps us to see possibilities inherent in this objective situation, and hence it inspires Southern agency in its struggle to embed industry, especially in its struggle to upgrade labour. We then hypothesised that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine product and labour upgrading in Kenya between 1992 and 2007.

In Chapter Three, we first saw how regimes on apparel have evolved. The GATT was born in 1947 and transformed into the WTO in 1995. Under the GATT, the consensus norm was oppressive to the South, while under the WTO, consensus, the single undertaking and the benefits extracted by the North are similarly oppressive to the South. The structural apparel regime began in the 1930s under

Japanese 'voluntary' exports, reincarnated under the GATT as STA (1961), LTA (1962) and MFA (1974), and further reincarnated under the WTO as the ATC (1995) and post-ATC (2005). The EU neo-statist apparel regime, nested within the GATT, began in 1957 and was reincarnated as the GSP (1975). It was nested within the WTO as the Cotonou Agreement (2000) and post-Cotonou EPAs (2008). The US neo-statist apparel regime, still nested within the GATT, was instituted in 1976. Its African version was given a fillip by AGOA in 2000. The regime on labour revolves around two forms: a 'public' one revolving around the ILO, formed in 1919, and a 'private' form involving, firstly unions, since the 1960s and TNCs since 1970s, and secondly, the loose social movements in the last few decades.

Second, we argued that under the regime instrumentality facet of these regimes, central capitalism's interest is keeping the periphery constantly in the same role, though in changing forms. Third, major trends in global production and trade in apparel in the last 50 years were shown to issue directly from the regimes in production and trade in apparel, and indirectly from the labour regime. The place of Kenya, though insignificant by global standards, was shown. The trends were in five phases: up to the 1960s under Japanese 'voluntary' export restraints, in the 1970s under the MFA, in the 1980s under the MFA, in the 1990s under the MFA and EU's outward processing arrangements (where under the MFA the first main wave of apparel exportism in Kenya was witnessed), and since 2000 under the MFA, liberalisation and US outward processing arrangements (where US AGOA was responsible for the second investment wave in Kenya). That completed part one.

In part two, we turned to the evolution of the industry in Kenya. From the 1960s to about 1985, the country was pursuing a successful ISI strategy. An attempt to foster exportism in early 1980s through MuB flopped. We also saw that unions were compromised beginning in the 1950s, culminating in their total demobilisation in 1966, which sustained the ISI model. However, beginning in the mid 1980s, apparel ISI firms began collapsing. In their place, a foundation of apparel exportism relying on foreign fabric under MuB and EPZs was built, beginning in 1989. A 1993 investment wave from India, Pakistan and Sri Lanka, escaping MFA quotas, and one following the 2000 RoO relaxation by

AGOA, marked the two export-oriented investment waves. Today, much of the apparel export segment is concentrated in the EPZs, nearly 100 percent of EPZ apparel exports go to the US and EPZ firms are the main players under AGOA. Whilst Kenya's exportism is small by global standards, it plays a significant role in SSA. Finally, apparel firms' insertion into the GVC is 'captive', they are controlled by South Asian capital and have no home workers.

In Chapter Four, we answered the first question of the thesis: the trend on selected aspects of upgrading in the Kenyan apparel export industry between 1992 and 2007. Firstly, there has been export expansion as a form of product upgrading. Between 1992 and the peak of the growth in 2004, the expansion was 1040.8 percent, while between 1992 and 2005, when all conditions of liberalisation had set in, the growth was 1004.6 percent. Indeed, from among the leading six countries in SSA, Kenya experienced the highest growth (329 percent) at the acme of the AGOA boom (2002-4), and was the most resilient in the post-boom hold up (2005-7), experiencing the least slump (6 percent). Moreover, a casual projection of its dynamics indicates that, had the country not been slapped with quota restrictions in 1994, it would have emerged the second leading exporter to the US much earlier in 1999, and gone on to take the lead as soon as AGOA set it. Also, Kenya would have picked up with better speed following the slowdown occasioned by these quotas had it been connected to a more advanced apparel manufacturing country in Asia; this came in handy for Mauritius, the other SSA country slapped with the quotas.

Secondly, the industry has not been locally integrated. Throughout this period the country has relied entirely on Asian fabric. Also, one third of firms have no local input expenditure, and the remaining about two thirds source local accessories amounting to less than 10 percent of total apparel exports. Thirdly, fabric value addition is minimal. Unit price comparison with Chinese, Indian, Swazi and Mauritian products in the US market reveals that Kenyan products have minimal ornamentation. Also, technology is suitable for assembly-only production, and there has been a failure to maximise on the exploitation of a multi-skilled labour force. Fourthly, Kenya has exported only 9 percent of eligible folklore/hand loomed/handmade products that are 100 percent local value. Fifthly, integration into the GVC is poor. Overall, the top half of products arranged in order of value had

less share upgrading than the bottom half. In addition, there is no evidence that AGOA 'preferences' are sufficient to guarantee a continued existence of the industry in Kenya in the near future outside manmade fibre and woollen apparel exports which have high import duties in the US. This means that when AGOA expires in 2015, the high import duties will grossly undermine Kenya's integration into the GVC. Moreover, most of the products where Kenya had a share upgrading of at least 1 percent were among Chinese categories the North limited in 2005 (at least 82 percent); hence, beginning in 2009, this upgrading is very likely to have been undermined. Sixth and finally, while there is no child exploitation among apparel EPZs in Kenya, none of the other AGOA labour conditionalities on wages, occupational safety and health standards, compulsory labour, and rights of association and right to organise and bargain collectively, have been met fully.

In seeking to explain the upgrading trends of Chapter Four, in Chapter Five, we firstly examined the extent to which actors demonstrate the governance of regimes on production and trade in apparel, and the regime on labour, and secondly sought to link this governance with the hypothesis that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to undermine upgrading in Kenya. First, concerning structural international regime on apparel, regime governance and the influence of neo-liberalism was shown. Second, the US-based regime governance was shown, and neo-liberal and individual neo-statist forms of Northern state strategic selectivity were shown to be influences. Third, the US-based/ EU-based regimes versus the structural regime interplay, and neo-liberal form influence versus collective neo-statist form influence interplay within the structural regime, were shown as well. The implication of such governance on product upgrading in LICs is that, in pursuit of Northern accumulation, instrumental barriers in the three regimes on production and trade in apparel constrain LICs to pick up. It also implies that, in pursuit of global accumulation, emergence within the structural regime leads to the emergence of major players (currently China) who crowd LICs out of destination markets. These two implications mean that product upgrading in LICs is a Herculean task. However, because of the urgency to promote systemic milieu goals, the US-based regime has relaxed the RoO for SSA, until 2012, and hence Kenya has achieved limited volume upgrading.

On the labour regime, neo-statist, neo-corporate and neo-communitarian forms influences were demonstrated. The interplay of this selectivity theoretically provides for a Kenyan strategy to upgrade labour. However, the above two implications on product upgrading also mean that regime governance on apparel leads to the race to the bottom in LICs. In juggling labour upgrading in the South (which restricts Southern accumulation, and ensures labour reproduction and attainment of international social order) with the race to the bottom-driven Northern accumulation, capitalism is more petrified by undermining the latter than a failure to achieve the former, and hence labour conditions rarely improve in practice. This is what unites the inhibition of product upgrading with the inhibition of labour upgrading. It also shows regime governance as a determinant of both product and labour upgrading. Nevertheless neo-communitarian form influence provides some opportunity, and embryonic labour upgrading experimentation was shown to be ongoing in Kenya.

Thus, the perceptions, actions and strategies of the actors selected demonstrated regime governance that, as far as issue areas are concerned, overrides lead firm governance, and that is aimed at Northern accumulation, perpetuation of dependency and attainment of milieu goals. At the same time, this chapter showed the potential for Southern manoeuvres to embed development. Above all, the knowledge possessed by Southern actors about the functioning of these regimes gives hope for success in future struggles to upgrade industry.

6.3 CONCLUSIONS

6.3.1 Limitations of the GVC Analysis

This thesis concludes that the GVC analysis is ill equipped to analyse systemic chain governance in so far as it privileges control lead firm chain governance, and when it infrequently engages with systemic governance, concentrates on control aspects of such governance. The thesis posits that, as far as issue areas are concerned, control-emergent regime governance of GVCs overrides control lead

firm governance. It argues that the GVC approach is aimed at enhancing the efficiency of Southern countries' supply of cheap commodities to the North. As Bernstein and Campling (2006) note, all variants of 'commodity studies' - whether *filières* (Raikes *et al*, 2000), commodity systems (Friedland, 1984), commodity chains (Hopkins and Wallerstein, 1986), supply chains (Porter, 1990), GCC (Gereffi and Korzeniewicz, 1994), value chains (Kaplinsky, 2000) or GVC (Gibbon and Ponte, 2005)- while not united on purpose, object of analysis, theoretical framework or methodological approach, are concerned with commodity routes from the South to the North, and not the reverse.

Some GVC theoreticians agree. Bair (2005) admits that the approach has neglected the structural theorisation, and cites Arrighi (1990; 1994), Arrighi and Drangel (1986), Arrighi *et al* (2003) and Arrighi and Silver (1999) to show World Systems literature's contribution in the matter. Gibbon *et al* (2008: 316) argue that the 'GVC analysis has moved away from its world-system origins, focusing on the elaboration of a firm centred conceptualisation of governance instead of delineating a general capitalist or systemic logic driving commodity' (see also Gibbon and Ponte, 2008).

6.3.2 Regime Governance and the GVC Analysis

We also conclude that chain governance should be differentiated into two kinds. Firstly, systemic issue area chain governance. This is international regime governance. It is a tapestry of systemic emergent processes and control strategies. Secondly, chain level control, whose main focus is the control and distribution of economic rents in the chain. There are emergent processes here as well, but the control mechanisms take pre-eminence. This thesis has brought a contribution by highlighting the former type of governance. Taking cognisance of the fact that chain level control governance provided fodder for much of GVCs' mantra which identified lead firms as the core actors determining upgrading outcomes, this thesis has used control-emergent nature of regimes to show that, as far as issue areas are concerned, regimes are actors whose chain governance overrides control lead firm governance, and that the governance of regimes on production and trade in apparel, while not a necessary condition, was a sufficient condition to hinder product and labour upgrading in the Kenyan apparel industry between 1992 and 2007.

My approach is likely to elicit novel interest in the subject given that even the latest research on the Kenyan apparel industry still leaves out such a perspective. For instance, Phelps *et al* (2009: 314), despite referring to the 'institutional structuring of countries' participation in the international economy which centres on the terms of international arrangements such as AGOA', the institutional mechanism in the form of the international regime represented by AGOA is not addressed at all.

For the GVC analysis as a whole, attempts are being made to systemise 'external' governance, but none has theorised it in the way I have done. A good example is Gibbon *et al* (2008). They aver that chain governance should be seen in three senses: governance as driving, governance as coordination and governance as normalisation. Governance as driving was the GVC approach's original conceptualisation of chain driving- as a function of lead firm type (manufacturers versus retailers/marketers, hence, producer-driven versus buyer-driven GVCs respectively). Governance as coordination was the product of the second and third stage in the development of the GVC analysis. It concerns itself with supply relationships- analysing governance types within particular segments of a chain. I discussed these two in Chapter Two under 'internal' governance. Governance as normalisation partly refers to what I called 'external' governance in that chapter; the governing role of conventions as denoted by Gibbon and Ponte (2005), for instance. Now Gibbon *et al* (2008: 324) define it as 'a project of re-aligning a given practice so that it mirrors or materialises a standard or norm'. Under this rubric, 'capitalism is said to be striving not only to commodify new product qualities that arise in opposition to it, but also to commodify information about those products through the creation of systems to certify particular qualities...' (Gibbon *et al*, 2008: 325). While this latest presentation touches on systemic governance, it does it partially. Most importantly, it does not explicitly refer to international regime governance. Moreover, this version, much of which was earlier espoused in Gibbon and Ponte (2005), still fails to overcome the primacy of control dynamics. Overall, therefore, it does not upend the thesis being made in this study in any way.

In my opinion, the GVC analysis should pay greater attention to the neglected issue of value creation and distribution, as suggested by Gibbon *et al* (2008). As they contend, its conceptualisation of the foundations of GVC governance recognises that economic globalisation is highly uneven, geographically and sectorally, is associated with increased levels of specialisation and differentiation,

and is associated with not only a disintegration of production, but also changing patterns of ownership. This is what Phelps *et al* (2009) have done by analysing firm ownership in Kenya.

Put differently, the GVC analysis should concentrate on 'internal' governance, and abandon the 'normalisation' strand- to use Gibbon *et al's* terminology- because it falls outside the approach's original understanding of governance. Indeed GVC analysts agree that 'acceptance of a restatement of the foundations of GVC governance in terms of normalisation has implications that can be even more disintegrative to the idea of a unified GVC approach' (Gibbon *et al*, 2008: 329-30). In theorising the role of regime governance, this thesis' contribution has been to situate 'normalisation' outside the terrain of the GVC analysis. Thus it has in a significant way responded to the question Gibbon *et al* (2008: 333) ask: 'if both lead firms and their suppliers are subject to normalisation, i.e. they act out value chain roles within the shifting boundaries set by normative systems circulating in and shared by society at large, then what is the status of [governance as] driving?' And their answer to this question seems to acknowledge the argument I am advancing: 'Specific lead firms do not choose this [normalisation] role, or at least most of its content. Rather, they simply give it a material form...' (Gibbon *et al*, 2008: 333-4). In a word, while some GVC analysts rightly impugn Gereffi *et al's* (2005) attempt, in the name of achieving parsimony, to 'scale down the concept of governance from a characterisation of the chain in its entirety to a description of the mode of coordination prevailing at a particular link in the chain', having admitted that the GVC analysis also scaled down 'from the holistic chain construct of world system theory' (Bair, 2008: 354), they could as well be criticised for going too far by considering 'normalisation' as part of their analysis.

6.3.3 Regime Governance and Upgrading

Our other conclusion is that international regime governance largely determines chain upgrading outcomes. The GVC analysis implies that there exists a possibility of industrial upgrading within lead firms governance (Gereffi, 1999a). The analysis has suggested that network 'internal' governance is the optimum industrial upgrading choice in the South. However, it has said literally nothing on

upgrading choice in the context of 'external' governance. This thesis is in agreement with the GVC analysis and related literature, that in certain circumstances, lead firms do promote upgrading, and that they do create growth poles within the South. Hence lead firm upgrading is not entirely incompatible with the demands of contemporary IPE. However, this thesis has shown that upgrading is not happening in Kenya and much of SSA. This is because capital has a 'lower grade' for the region- the reserve army of labour thesis. That is, given the system globally, capitalism allows certain areas to upgrade, but these do not end up being in SSA, perhaps because the region is reserved to be exploited in future regimes of accumulation. It is argued that this is best explained by analysing regime governance. More directly, lead firms could have hindered upgrading in SSA and Kenya as the GVC analysis has shown- by contracting out assembly-only operations. However, this theorisation should not be divorced from that advanced in this thesis where lead firm governance is clearly within a wider framework of regime governance that perpetuates dependency.

This thesis has shown that the instrumentality of interplay between the structural regime and neo-statist ones has enabled the North to hang onto the sunset apparel industry, while encouraging the contracting out to its periphery of assembly-only operations through 'preferences'. The latter is meant to draw industrial emergence into a subordinate role within GVCs, and to promote milieu goals. In addition, the instrumentality of interplay within the structural regime between neo-liberalism and collective neo-statism has led to the emergent spread of the chain within and beyond Asia. As a result, product upgrading in LICs is constrained because such countries often pursue a contradictory strategy that reflects a fantasy influenced by NIC sanguinity (banking on emergence), and one that is constrained by neo-statist regimes (banking on 'preferences'). A further impact of chain emergence on LICs is that the countries are crowded out of destination markets by major players. In particular, China has ubiquitously inserted itself into the chain. Regime analysis helps us to see that, as Biel (2000) has shown, not all countries can advance to the industrial level, on account of the contradiction inherent in capitalism between the national and the global dimensions of capital accumulation. He rejects the notion that Ricardian free trade was ever meant to be a blueprint for less advanced countries. He goes as far as to argue that even the actors envisioned in Ricardo's

international society in the 'civilised' world under free trade cannot be national states (by analogy with citizens of a national society), but rather firms and individuals.

Regime analysis also helps us to understand that, while all countries cannot advance to the industrial level, capitalism is likely to continue to promote low-value exports from SSA and from Kenya. In a word, value upgrading and export upgrading are two different things. This conclusion is important because some have doubted the viability of the industry in countries enjoying 'preferences', such those of the Caribbean Basin and SSA, beyond the MFA phase-out. Heron (2006b), for instance, argues that liberalisation is unlikely to benefit them because of the restrictive RoO; to benefit from competitively priced yarns and fabrics, they will have to forego the 'preferences'. He suggests that the RoO exemption up to 2012 might be a temporary reprieve for SSA. He goes on to argue that, even with this exemption, the impact of MFA phase-out on Africa will still be negative. This is because of the highly footloose nature of its FDI, the fact that the region does not have the natural advantage of geographical proximity to the US market, and the possible erosion of 'preferences' through tariff harmonisation under NAMA negotiations. Indeed, in section 5.2.4.2, I showed some Asian FDI relocating from Kenya in 2005, while in section 5.2.3 I showed Kenya's worry concerning possible erosion of 'preferences' by NAMA negotiations. Moreover, in section 4.3.5.2 I showed that AGOA 'preferences' are not sufficient to guarantee a continued existence of the industry in Kenya outside manmade fibre and woollen apparel exports that have high import duties in the US. When AGOA expires in 2015, the high import duties will grossly undermine Kenya's integration into the GVC.

However, my argument here is that, to achieve the milieu goals discussed in this thesis, the US-based regime is likely to consider geographical distance between SSA and the US, as well as SSA's lack of industrial embedding, as irrelevant, and continue promoting low-value exports from the region beyond 2015. And, since 'preferences' were offered in the first place because SSA and Caribbean industry was not competitive, there would be nothing unusual if NAMA negotiations harmonised tariffs, while maintaining tariff 'preferences'. However, even if 'preferences' are scrapped, whatever replaces them will in a sense contradict 'free' trade, harmonisation *et cetera*. This is because

metropolitan capitalism must protect itself by categorising the South into LICs, LDCs and so on, in order to thwart any unified Southern strategy. This need combines with the one of continuously offering some form of 'preference' to the remotest parts of the periphery, without which, the milieu goals would not be met. This mechanism is the global equivalent of the disorganisation of the masses at the national level by the capitalist state. The capitalist state prevents them from forming a unified front against it. 'In particular it mobilises the petty bourgeoisie and the rural classes in support for the power bloc (either directly or through their support for the state itself) so that they are not available for alliances with the proletariat' (Jessop, 1999: 48).

In other words, imperialism, and capitalism, have no economic model to balance the dialectical relationship between the 'spreading' and the 'backwash' facets of dependency, both of which drive capitalism. They must, therefore, continue to rely on these rudimentary and contradictory mechanisms. It is clear that in SSA, left on its own, this balance will tilt towards excessive 'backwash'. It is improbable that, in today's conditions of international terrorism, with a disturbing Al-Qaeda cell in Somalia, imperialism and capitalism will permit this. Some mechanism, whether that be aid for trade or not, will somehow be found, to enable some minimum 'spreading', as 'preferences' do. However, such a mechanism will inevitably contradict free trade, fair competition *et cetera*.

Moreover, this thesis has shown that the regimes on production and trade in apparel are dialectically related to the regime on labour. The latter limits the South's maximisation of its cheap labour by demanding labour upgrading (as seen for example in AGOA labour conditionalities, the WTO social clause, ILO core conventions and anti-sweatshop campaigns through NGOs). It is also aimed at achieving milieu goals. From a Southern perspective, this is partly positive. The problem is that limiting Southern accumulation simultaneously entails undermining Northern accumulation because it slows down the race to the bottom that drives the regimes on production and trade in apparel. Hence, in practice labour upgrading in the periphery is minimal. Thus it is at regime level, rather than chain level, that we are able to contextualise the lack of labour upgrading in LICs such as Kenya.

6.3.4 Kenyan Actors' Knowledge and Upgrading

Dependent development does not mean that Kenyan, and SSA, actors should cease to seek to embed industry; quite the opposite. I need to stress that what underpins this thesis is the Dependency perspective that opposes determinism, and takes objective circumstances as an invitation to struggle. It rejects the notion that structure should define the outcome in any determinist sense.

In this regard, what comes across to us in reading Chapter Five is that actors in Kenya- in particular entrepreneurs, the trade association, bureaucrats, and the Cabinet- occasionally display relative intelligent adaptability in terms of readiness to seize whatever opportunities that are available in the global economy. In those instances where this adaptability is seen, it shows that human resources are capable of predicting thought into the future, analysing different futures and deciding what is the most favourable course for them. These Kenyan actors showcase a relatively sophisticated analytical capacity, and a certain level of knowledge, for example about the GVC, about the relationship between Kenyan and Asian industry, and about US legislation. Where you have diffuse capacity in human initiative there would be some kind of alternative which cannot be ignored. Whether the core of the global economy is expanding or coming into crisis, there is opportunity in either case. For example, the crisis of the 1930s provided a great stimulus for some Latin American countries, such as Brazil and Argentina, who seized the opportunity of a dysfunctional global economy and accumulated to some extent. The Kenyan actors have probably developed their mentality in such a way that they can seize the available opportunities. Even if we cannot predict exactly what the outcome would be, we should not be too determinist about the industrial future of SSA and of Kenya. We are absolutely justified to analyse the case of Kenya the way we have done in Chapter Four and Chapter Five, but ultimately we can rely, to some extent, on this parallel initiative to find a solution.

Notably, we have seen that the room for manoeuvre within the regime on labour is greater than that which is within the three regimes on production and trade in apparel. This is because the regime of

accumulation launched in 1980 saw the Northern state and its allied actors, such as NGOs, being influenced increasingly by neo-communitarianism. We therefore finally make recommendations on future upgrading strategy within these limitations and opportunities.

6.4 RECOMMENDATIONS

6.4.I Product and Labour Upgrading in General

Failure of domestic strategies is not privileged in this thesis, but we cannot defend the indolence of Kenya at times. True, we have just shown Kenyan actors' adaptability under EOI. However, this has not always been the case. For example, in the 1970s and 80s, when the North was offloading its old machines to the South, Kenya failed to read the system and maximise on its weakness. Countries such as Tunisia and Morocco understood that, although potentially retrograde, welcoming old industrial machinery could be strategic in inserting firms into the GVC. They have now made relative industrial upgrading in the industry. Nacker showed us that Kenya blocked importation of used machinery in 1981. As a result, the leading source of FDI in the industry at the time, Germany, withdrew its investment interests. While this protection was done in good faith, it had been overtaken by systemic evolution, which was now promoting export enclaves as the new arena of accumulation.

Another example is where, although it is a degradation of labour, the country has failed to exploit its cheap labour to at least achieve industrial upgrading, and presumably achieve national accumulation, which might upgrade labour later. It is instructive from Chapter Five that Kenya was not able to give preference to labour disputes in EPZs. In the 1960s and 70s, Korea used such strategies to accumulate where, for example, the Minister of Health and Social Services would sometimes intervene and order an emergency mediation during strikes (Korean Industrial Estates Administration, 1974). This lack of strategic reading of the ever changing IPE needs to be overcome as a first step, given the prodigious systemic limitations imposed.

Future strategies to industrialise Kenya and SSA through the apparel industry should therefore not rely entirely on GVC research and conventional economic analysis. The GVC analysis has been gaining popularity on discussions over SSA industrialisation in the last decade or so (see for instance McCormick and Rogerson, 2004; McCormick *et al*, 2009). Outside the GVC analysis, research on industrialisation in Kenya and SSA has come from mainstream economic researchers who have never singled out the industry for analysis, and largely ignore international social institutions; at least they have not linked international regimes with their industrial upgrading analyses (see for instance Ikiara *et al*, 2004). In the case of AGOA, for example, the US-based regime's interest was granting SSA access to US market up to 2015. The aim was to generate an assembly-only apparel industry in SSA whose level of exports to the US must not exceed two percent of total US imports. This is limited time and a small quota. It was shown that the quota, for instance, could easily be filled up even by Kenya alone if only a sustained strategy to rejuvenate the local fabric supply chain to its earlier ISI status is pursued. Nevertheless AGOA is an opportunity that public policy can take advantage of by, for example, redirecting public resources to capitalise on the opportunity in less than five years rather than making a longer term strategy. This is a purely political decision.

Moreover, covertly and overtly, I have emphasised that the apparel industry, as capitalism's historical low technology 'starter' industry, is key to both industrial development and overall development. It should therefore be considered as a priority subsector in future public policy and research.

6.4.2 Product Upgrading

This thesis has argued that imperialism, and capitalism, are likely to continue to offer some form of SDT to LICs. Kenya and SSA can exploit this systemic weakness by lobbying for further modifications of the provisions of state-centric regimes. On AGOA, there is an option beyond the 2012 expiration of the RoO exemption, first proposed at the fifth AGOA Forum, which can be pursued: AGOA to be re-modelled after the Egyptian FTA to accommodate a simple value addition of fabric, rather than a double transformation RoO (see MoTI, External Trade Department, ca.

2006b). The Egyptian FTA with the US created three Qualified Industrial Zones in Greater Cairo, Alexandria and Port Said to process products which include at least 11 percent Israeli components, and to export them duty free to the US. Alternatively, Kenya and SSA can lobby for a special double transformation RoO involving fabric coating. Either of these could be useful if America chooses to pursue its interests further through AGOA beyond 2015. They can potentially be used as a transition platform to reinvigorate the local supply chain to conform to a double transformation RoO. The point is that it should not be 'either develop textile production capacity...or concentrate on clothing and import textiles' (Westhuizen, 2006: 260) but both. Development of the textile subsector can either be done nationally or it can be part of a regional SSA strategy as suggested in this thesis. According to Hoekman and Kostecki (2009), in the context of the 2007 EPAs, the EU has allowed a single transformation rule (as in AGOA up to 2012) to partners that have signed EPAs, not countries with GSP or EBA status. In my view, this can be useful to Kenya only if the country can firstly re-orient its US looking industry towards the EU, and secondly use it as a platform to link apparel exportism with the local supply chain.

A regular product upgrading strategy should be coupled with a strategy to promote niche products. In Chapter Four we saw that out of US HTS's 35 potential niche categories, Kenya has exported only 3. However, this opportunity can be exploited before AGOA expires in 2015; the constraints in developing this category, as seen in Chapter Four, seem as though they can be overcome.

But how can we cogently recommend such upgrading strategies in the light of the marginalisation that is the evidence of this thesis? Should countries like Kenya not trade down as proposed by Gibbon and Ponte (2005)?

Since 2000, UNCTAD LDCs reports have been analysing the twin possibilities of LDCs either being marginalised further by capitalism, or the countries' slight integration into the system. Having substantially discussed the former in earlier reports, recent reports have focused on exploring the latter. The theme has been that LDCs must develop national productive capacities through policies

that promote the inter-related process of capital accumulation and technological process so as to experience a positive structural change. The 2007 report³¹ focused on promotion of transfer of technology to LDCs through international market linkages as the other alternative to the building of an endogenous knowledge base. While it discusses the four main channels such transfer may take- import of capital goods, exports and participation in GVCs, FDI and licensing- its emphasis is in the first three.

How GVC linkages can influence transfer of technological capabilities relates to my investigation on product upgrading, since process upgrading is ordinarily the route to product upgrading (see my argument in section 1.2.3.4 and Chart 3 where I argue that in practice it is insuperable to achieve product upgrading without process upgrading). However, reminiscent of Gereffi (1999a), and the GVC analysis in general, the report argues that despite lead firms playing an important role in setting parameters to be implemented by all firms in the chain, they do not necessarily provide support or transfer knowledge and capabilities to firms far upstream the chain; because they outsource coordination primarily to first tiers. This results in what Gibbon and Ponte (2005) have labelled as the risk of such firms upstream getting either marginalised (relegated to less remunerative and more vulnerable segments of activity in the chain) or excluded completely from GVCs.

Assuming exclusion does not occur, the report notes that, while it is not easy for LDC firms to escape marginalisation, strategic public policy can help such firms secure some form of 'reward'- to use Gibbon and Ponte's terminology- that guarantees their survival by taking some specific roles. In the apparel sector, these rewards are security of contracts and ability to compensate for secularly falling prices through larger volumes. LDC apparel firms are to order in advance of sales by trading houses and direct sales to retailers, become a recognised producers of a product type and meet special delivery conditions, such as delivery on call off. The example given is Mauritian firms' process and

³¹ Although UNCTAD removed Kenya from the LDCs list in its 2006 review, its 2007 LDCs report was written in the context of Kenya as an LDC. The country was in the three year transition period which is granted to LDCs before being formally confirmed as non-LDC.

product upgrading by expanding their operational scale by investing in Madagascar in order to occupy a more advantageous position downstream the chain, although it remains third tier at best. This is what Gibbon and Ponte mean by ‘trading down’³². In their opinion, LICs and LDCs should aim at it rather than some other ambitious forms of upgrading. This is because outside these survival tactics, they argue, lead firms may only occasionally offer some very limited opportunities to upgrade; although none in the apparel GVC is cited. It is basically for firms in such countries to consolidate their supplier role, focusing on economies of scale, high specialisation and simple and labour intensive technologies, and aiming at mass market through large scale retailers.

Since Gibbon and Ponte do not come out clear about what they mean by ‘trading down’, UNCTAD argues that if technological upgrading will be accompanied by such ‘trading down’ as defined above- a focus on high specialisation, economies of scale and firm size expansion- this may be accepted on the basis of an ongoing assessment. However, if it implies a withdrawal from technological upgrading altogether, UNCTAD urges LDCs and LICs to ignore it. Instead, a continuous search for niche markets that offer potential technological upgrading opportunities should never be eschewed. UNCTAD dismisses the contention implicit in Gibbon and Ponte’s work; that LDCs specialising at the lower end of the value chain is in tandem with the theory of Comparative Advantage.

This thesis is therefore in agreement with UNCTAD’s position. Gibbon and Ponte’s view resembles a similar one espoused by Chege (1988) that I rebuffed in Chapter Five. Their view is also in tandem with McCormick and Rogerson (2004) who assert that, while the Developmental State approach has benefits in the long run, Africa needs export promotion more than anything else. But aimless export promotion that lacks inventiveness should be rejected. The overarching theme of my thesis has been that owing to regime governance, industrial upgrading in Kenya is intractable, and hence nothing short of a master stroke strategy will do.

³² Indeed this is where the title of Gibbon and Ponte’s book comes from.

This thesis is also in congruence with UNCTAD's dismissal of comparative advantages. It emphasises, in agreement with Baissac, that natural comparative advantages, such as labour costs, even if exploited successfully, cannot bridge the North-South gap in productivity; the North benefits from increasingly rapid productivity gains. Baissac argues that in effect, productivity gains are a dependent variable of a technological progress in production-related activities. And technology is self-reinforcing, so that the South will never catch up with the North if they leave it to the work of free trade and the neo-classical allocative efficiency of unfettered markets (Baissac, 2004).

6.4.3 Labour Upgrading

This thesis has shown neo-communitarian form influence on the labour regime as an attempt to seal a systemic weakness, and social movements can take advantage of it by pressing for the full implementation of minimum labour conditions. The relationship between the issue areas of the spread of the GVC on the one hand, and labour standards on the other hand, was shown to be crucial. The neo-liberalism influencing trade regimes under the WTO leads them to push for the race to the bottom as the chain spreads in the South. To some extent, they also push for the race to the bottom in the North, by threatening Northern labour with de-industrialisation. Conversely, labour standards in the periphery are so low that regime governance influenced by neo-statist and neo-communitarian forms creep into the picture, through neo-statist regimes and the regime on labour respectively, with calls for its upgrading. Since we want labour standards to improve, especially in the South, these contradictions of capitalism can somehow be exploited. All we do not want is hypocrisy. The short term solution, therefore, could perhaps be that we need to press for the full implementation of minimum labour conditions, while strategising on the long term solution of linking production with consumption in the South.

The point is that a new definition of labour standards is needed, and the argument that labour upgrading will undermine Southern competitiveness needs to be rejected. In the case study firm of Protex, most workers are unionised. On the one hand, this shows that there is a certain degree of

militancy. Perhaps this might not be what one would expect in an EPZ. It is therefore very significant that having quite an organised and militant workforce did not inhibit Kenya from taking advantage of AGOA to achieve export volume upgrading. This overturns the classic argument that in order to benefit from the global economy you need to have a very docile and unorganised workforce. Indeed the two might be positively, rather than negatively, correlated. It is hoped that this finding will encourage labour activity in other EPZs across the world. On the other hand, the unionisation has not improved the conditions of workers. This is mainly because of neo-corporate form influence. This is disconcerting, but the high rate of unionisation, coupled with NGOs' anti-sweatshop campaigns, keeps hope alive in future struggles to implement minimum labour conditions.

This might be seen as a 'humanising' of supply chains. However, since labour can advance its interests to the full only outside capitalism- in a system that is more egalitarian, socially sustainable, and environmentally sustainable- there is no reason why this 'humanising' of supply chains should not be pursued in the mean time. Such a system to replace capitalism has not been analysed in this thesis, but one of the ingredients could be linking production with consumption in the South, such as apparel ISI was in Kenya between 1960s and 1980s. This is based on the Dependency conviction (in particular Samir Amin's) that, since capitalism has unified the world by imposing a centre-periphery hierarchy, progress towards some form of socialism (or whatever form beyond capitalism) cannot be based on national socialism as is presently the case with capitalism. It must go beyond capitalism and organise the world into a unified whole. But for this to happen, peripheral countries must first self-assert themselves in capitalism as complete nations (Amin, 1974). Thus the insertion is a means to an end, rather than an end in itself. And in Cox's words 'some conjunction of radical forces in core and periphery would be the condition necessary for an effective challenge to or reversal of existing world social power relations.... [However], just to spell out this possibility is to realise how remote it is. Yet the prospect may survive to fire the imagination of those crying out against the continuing hegemony' (Cox, 1977: 424).

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APPENDICES

APPENDIX A: List of Interviews

Interview with Mr Benjamin Chesang and Dr Joseph Bii, Policy Research and Planning Manager and Research Officer respectively, EPZA, 14 March 2007, Athi River.

Interview with Mr Elijah Manyara, Deputy Director of External Trade, MoTI, 5 April 2007, Nairobi.

Interview with Mr Rudolf Isinga, General Manager, Protex EPZ Ltd, 18 April 2007, Athi River.

Interview with Mr Erastus Kimuri, Senior Deputy Director of Industries, MoTI, 20 April 2007, Nairobi.

Interview with Mr David Rono, Industrial Officer in charge of AGOA Desk, MoTI, 23 April 2007, Nairobi.

Interview with Mr Fred Kariuki, Executive Officer, KAM Textiles and Garments Sector Division, 30 April 2007, Nairobi.

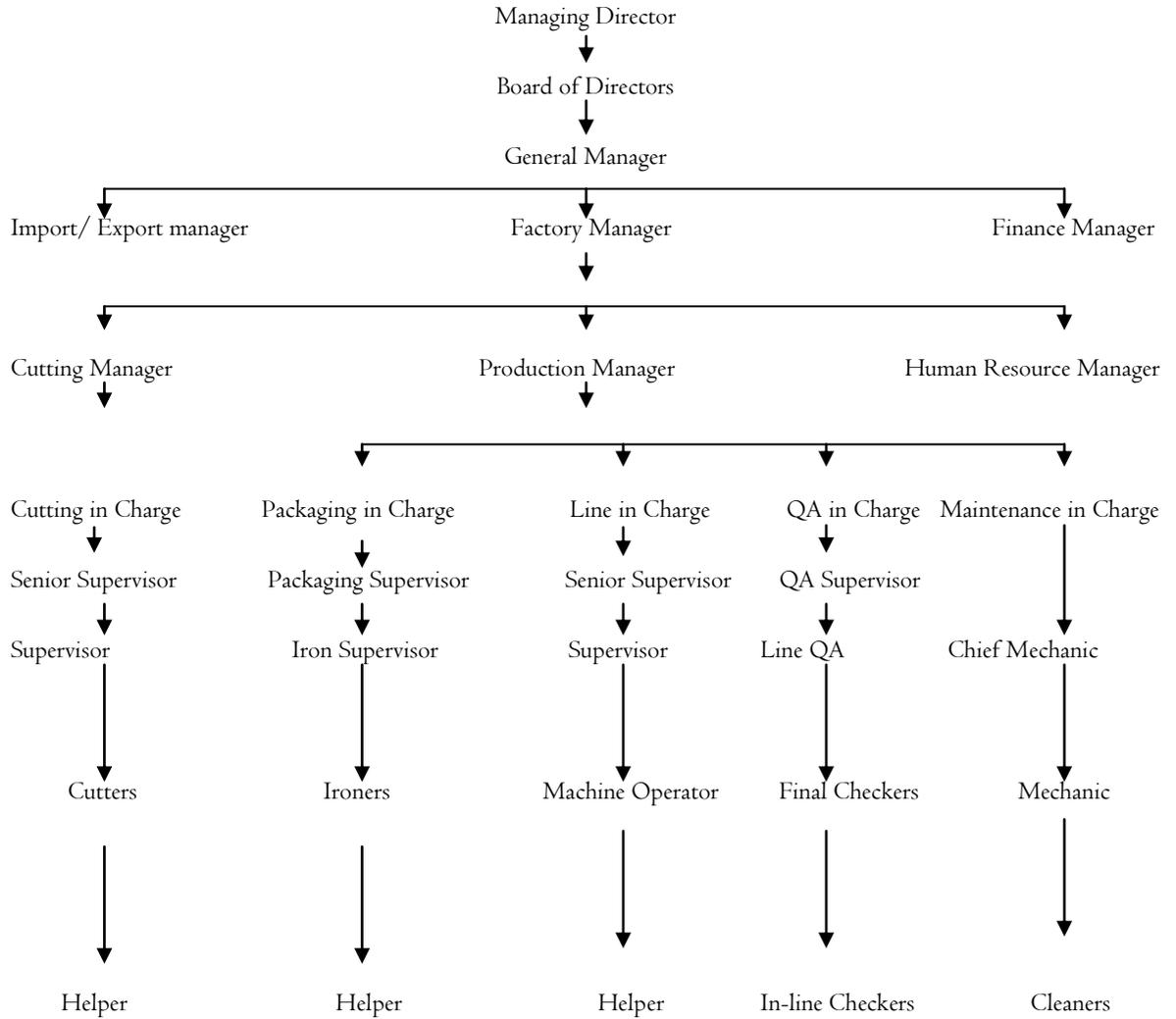
Interview with Mr Ongubo Nyakundi, External Trade Officer, MoTI, 5 May 2007, Nairobi.

Interview with Mr William Muga, Secretary General, KTTWU, 8 May 2007, Nairobi.

Personal Conversation with Steve Ouma, Deputy Executive Director, KHRC, 9 May 2007, Nairobi.

71 Interviews with Protex EPZ Ltd Workers, April 2007, Athi River.

APPENDIX B: Protex EPZ Ltd Structure³³



Source: Isinga (2007)

³³ Support staff such as security ignored

APPENDIX C: Apparel Manufacturing Firms: Summary of Main Indicators, 1973-80

<i>Indicator</i>	<i>Unit</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>
Persons engaged	Number	10 509	11 781	12 381	12 878	12 663	14 900	15 412	ca. 14 700
Labour costs	KE '000	1 512	1 881	1 951	2 406	2 327	2 755	2 910	ca. 2 700
Operating surplus	KE '000	1 100	1 247	1 570	2 076	2 211	2 712	3 241	ca. 3 400
Gross product	KE '000	2 612	3 078	3 521	4 483	4 538	5 467	6 151	ca. 5 800
Output	KE '000	9 966	11 389	13 950	15 767	17 167	20 287	25 944	ca. 20 300
Gross output	KE '000	12 578	14 467	17 471	20 250	21 705	25 183	32 095	ca. 25 600
Labour costs/ Gross product ratio	%	58	59.5	55.4	53.7	51.3	50.4	47.3	ca. 51.0
Gross product/ Gross output ratio	%	20.8	21.3	20.15	22.1	20.9	21.7	19.2	ca. 20.0

Source: Adapted from GoK (1983: 12) (original data from statistical abstracts)

APPENDIX D: World Textile and Apparel Imports, ca. 1980

<i>Country</i>	<i>Total imports (US billion \$)</i>	<i>Imports per capita (US\$)</i>	<i>Exports (US billion \$)</i>
Germany	15.3	225	9.2
France	6.8	114	5.9
Great Britain	6.5	110	4.8
Italy	Missing	54	Missing
USA	7.8	39	8.8 (1979 figure)
Japan	Missing	34	Missing
Netherlands	5.2	Missing	4.7
<i>Source: Nacken (1982: 31)</i>			

APPENDIX E: EPZ Contribution to Kenyan Economy, Selected Indicators, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
National economy							
GDP (KShs million)	536 264	593 456	639 056	686 159	772 893	849 987	968 424
Exports (KShs million)	120 445	121 181	122 559	134 527	147 590	169 283	193 153
Employment	Missing	5 096 000	5 492 000	5 911 000	6 366 000	6 851 600	7 338 500
Manufacturing sector							
Non-food manufactured exports (KShs million)	25 644	20 914	20 511	22 921	27 541	32 548	34 743
Employment	177 000	180 000	183 000	182 000	183 000	196 400	208 700
EPZ							
Exports (KShs million)	1 263	1 805	3 020	3 635	5 962	9 741	13 812
Employment	2 824	3 645	5 077	6 487	13 444	26 447	38 199
EPZ % contribution							
National GDP	0.24	0.3	0.47	0.53	0.84	1.30	1.53
National exports ³⁴	1.05	1.49	2.46	2.7	4.04	5.75	7.15

³⁴ These figures are a huge improvement since they had remained at slightly more than 1 percent from 1993 to 1998 (Glenday and Ndi, 2000).

National employment	Missing	0.07	0.09	0.11	0.21	0.39	0.52
Non-food manufactured exports	4.93	8.63	14.72	15.86	21.65	29.93	39.75
Manufacturing employment	1.60	2.03	2.77	3.56	7.35	13.47	18.30

Source: Adapted from EPZA (2002) (data for 1997); EPZA (2004b) (data for 1998-2003)

APPENDIX F³⁵: % of Total Kenyan GDP (Constant 1982 Prices), 1992-1995

	<i>1992</i>	<i>1993</i>	<i>1994*</i>	<i>1995**</i>
Non-Monetary economy	5.5	5.7	5.8	5.8
Monetary economy				
<i>Enterprises & non-profit institutions</i>				
Agriculture	26.2	25.1	25.0	25.0
Manufacturing	13.6	13.8	13.7	13.8
Trade, restaurants & hotels	11.1	11.0	11.3	11.7
Finance, insurance, real estate & business services	8.7	9.3	9.6	9.8
Transport, storage & communications	6.1	6.1	6.1	6.1
Ownership of dwellings	5.5	5.5	5.4	5.5
All other enterprises & non-profit institutions	8.8	8.8	8.8	8.4
Less imputed bank services	-3.3	-3.6	-3.8	-3.8
Total enterprises & non-profit institutions	<i>76.7</i>	<i>76.0</i>	<i>76.1</i>	<i>76.5</i>
<i>Private households (domestic services)</i>	<i>2.0</i>	<i>2.2</i>	<i>2.3</i>	<i>2.4</i>
<i>Producers of government services</i>	<i>15.8</i>	<i>16.1</i>	<i>15.8</i>	<i>15.4</i>
<i>Total monetary economy</i>	<i>94.5</i>	<i>94.6</i>	<i>94.2</i>	<i>94.2</i>
Total monetary & non-monetary economy	100.0	100.0	100.0	100.0
*Revised				
**Provisional				
<i>Source: Adapted from GoK (1996)</i>				

³⁵ I have separated Appendices F- H because the Statistical Abstracts do not indicate the approach used in arriving at the percentage representation in GDP (whether expenditure, value added or income approach). However, it seems that the first two tables were arrived at using the same approach.

APPENDIX G: Sectoral Percentage Shares to Kenyan GDP (Constant 1992 Prices), 1996-2000

	<i>1996</i>	<i>1997*</i>	<i>1998*</i>	<i>1999**</i>	<i>2000**</i>
Non-Monetary economy	5.5	5.5	5.6	5.6	5.6
Monetary economy					
<i>Enterprises & non-profit institutions</i>					
Agriculture	25.0	24.6	24.6	24.5	24.0
Manufacturing	13.4	13.3	13.3	13.2	13.1
Trade, restaurants & hotels	12.2	12.3	12.4	12.5	12.7
Finance, insurance, real estate & business services	10.0	10.3	10.5	10.5	10.6
Transport, storage & communications	6.0	6.0	6.0	6.0	6.1
Ownership of dwellings	5.5	5.6	5.6	5.6	5.7
All other enterprises & non-profit institutions	8.8	8.9	8.6	8.7	8.9
Less imputed bank services	-3.9	-4.0	-4.0	-4.0	-4.1
Total enterprises & non-profit institutions	<i>77.0</i>	<i>77.0</i>	<i>77.1</i>	<i>77.1</i>	<i>76.8</i>
<i>Private households (domestic services)</i>	<i>2.5</i>	<i>2.6</i>	<i>2.7</i>	<i>2.8</i>	<i>2.9</i>
<i>Producers of government services</i>	<i>15.0</i>	<i>14.8</i>	<i>14.9</i>	<i>14.5</i>	<i>14.7</i>
Total monetary economy	<i>94.5</i>	<i>94.5</i>	<i>94.4</i>	<i>94.4</i>	<i>94.4</i>
Total monetary & non-monetary economy	100.0	100.0	100.0	100.0	100.0
*Revised					
**Provisional					
<i>Source: Adapted from GoK (2001)</i>					

APPENDIX H: Kenyan GDP by Activity (%)

<i>Industry</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Agriculture & Forestry	27.2	25.2	25.2	24.3	24.2		
Manufacturing	9.8	9.8	9.7	9.9	10.5		
Transport & communication	9.1	9.6	9.2	9.9	10.9		
Wholesale & retail trade, repairs	9.2	9.0	9.1	9.9	10.8		
Education	6.2	7.3	7.9	7.8	7.4		
Real estate, renting & business services	5.8	6.0	5.9	5.7	5.6		
All other industries	21.6	21.9	22	21.6	21.8		
All industries at basic prices	88.9	88.8	89.0	89.1	91.2		
Taxes less subsidies on products	11.1	11.2	11.0	10.9	8.8		
GDP at market prices	100.0	100.0	100.0	100.0	100.0		
<i>Source: Adapted from GoK (2006)</i>							

APPENDIX I: EPZ Local Input Purchases, 2005

	<i>Company</i>	<i>Local input purchases (KShs millions)</i>	<i>Products sourced locally</i>	<i>Ownership</i>
1	JAR (Kenya)	48.1	Paper products, threads, chemicals, packaging	USA
2	Upan Wasana	39.4	Packaging material, stationery, spare parts	Sri Lanka
3	Kapric Apparels	33.1	Not specified	Hong Kong
4	Ashton Apparels	125.5	Cartons and polybags	India
5	California Link	9.9	Packaging material and garment accessories	Sri Lanka
6	MRC Nairobi	22.7	Cartons, polybags, chemicals, furnace oil, steel, block boards	Sri Lanka
7	Sino Link	0	N/A	China
8	Protex K	0	Packaging materials	Kenya/Taiwan
9	Sahara Stitch	2.4	Not specified	Kenya/ UAE
10	Sin Lane K	0	N/A	Kenya/ Taiwan/

				China
11	Mirage Fashion Wear	39.7	Cartons, polybags and tapes	India
12	Kenya Knit Garments	90.5	Not specified	Taiwan/China
13	Wild Life Works	0.7	Not specified	USA
14	Global Apparels (Kenya)	2.2	Cartons, polybags and tapes	India
15	Rolex Garments	23.9	Unspecified	India
16	Baraka Apparels	3.2	Unspecified	Bahrain
17	Mega Garments	0	N/A	India
18	Blue Bird Garments (K)	0	Polybags and cartons	India
19	Alltex	20	Polybags, cartons, industrials, furnace oil	Kenya/Qatar
20	Rising Sun	16.8	Packaging materials	Sri Lanka
21	Senior Best Garments K	0	N/A	China
22	United Aryan	42.2	Trims and accessories (threads, tapes), packaging material (corrugated boxes), consumables	India

			(washing chemicals) and furnace oil	
23	Shin Ace Garments K	0	N/A	Taiwan
24	Apex Apparels	38.6	Sewing thread, empty cartons, boiler fuel	India/Bangladesh
25	Maximus	0	Cut panels for embroidery as per requirement of subcontractors	Kenya
Total		558.9		
<i>Source: EPZA (2005b)</i>				

APPENDIX J: Leading Product Categories in Kenya under AGOA, 2003-5

Data in Million M2 (Metric Equivalent- A notional, common unit of quantity, constant across categories and time. Conversion Factors are used to convert units of quantity into M2). Quantities below 1 000 M2 are ignored.

Product	2003	2004	2005
Women/Girls Slacks, etc	21.005	34.420	35.743
Cotton Men/Boys Trousers	9.190	11.767	8.276
Trousers, etc Men/ Boys	1.634	3.530	5.462
Women/Girls Knit Blouse	3.436	4.641	3.016
Knit Shirts, Men/Boys	1.615	1.347	2.967
Baby Garments/Accessories	0.239	.427	2.805
Slacks, etc. Women/Girls	2.028	2.003	2.460
Knit Blouses, Women/Girls	1.859	2.474	2.354
Women/Girls Cotton Coats	0.421	2.254	1.605
Coats, Women/Girls	1.353	1.293	1.427
Knit Shirts, Men/Boys	1.201	1.209	1.154
Non-Knit Shirts, Men/Boys	1.594	0.555	1.026
Cotton Nightwear/ Pyjamas	0.263	0.855	0.866
Non-Knit Shirts, Men/Boys	0.019	0.476	0.843
Other Coats, Men/Boys	0.015	0.049	0.610
Cotton Skirts	0.273	0.435	0.497

Other Coats, Men/Boys	0.924	2.093	0.363
Dress Gown, Robe	0.000	0.088	0.355
Cotton Underwear	0.323	0.329	0.284
Other Man Made Fibre Apparel	1.451	0.556	0.190
Playsuit, Sun suit	0.093	0.142	0.146
Skirts	0.119	0.278	0.139
Non-Knit Blouses omen/Girls	0.496	0.113	0.133
Other Cotton Apparel	0.151	0.165	0.119
Cotton Dresses	0.546	0.135	0.092
Women/Girls Non-Knit louse	0.198	0.123	0.088
Dresses	0.544	0.001	0.046
Hosiery	0.003	0.006	0.039
Dress Gown etc	0.001	0.160	0.037
Man Made Fibre W./Gs Suits	0.011	0.000	0.022
S/V Coats Women/Girls	0.000	0.000	0.009
S/V Trousers Men/Boys	0.076	0.006	0.006
S/V Underwear	0.000	0.000	0.005
Other Wool Apparel	0.000	0.000	0.001
Non- Knit Shirts, Blouse	0.011	0.002	0.000

Source: Author's calculations based on USOTEXA database

APPENDIX K: EPZ Skills Training and Technology Transfer, 2005

	<i>Company</i>	<i>Training type</i>	<i>Period of training</i>	<i>No. of employees local trained</i>	<i>Total No. of local employees</i>
I	JAR (Kenya)	Production management, fire fighting, team building and HIV/AIDS coordination workshops	2 days to 1 week	2030	2 154
2	Upan Wasana	None	N/A	N/A	2 150
3	Kappric Apparels	Production machinist, computer, office work and receptionist	Full time	unspecified	1 937
4	Ashton Apparels	unspecified	unspecified	N/A	4 780
5	California Link	None	N/A	N/A	1 235
6	MRC Nairobi	In house training	3 months	250	1 340
7	Sino Link	None	N/A	N/A	1 336
8	Protex K	In house training	3 months	31	951
9	Sahara Stitch	Stitching	2 months	500	781

I0	Sin Lane K	In house training	Continuous	300	769
I1	Mirage Fashion Wear	None	N/A	N/A	I 109
I2	Kenya Knit Garments	Custom trade system, HIV/AIDS seminar, machine operation course, mechanics (sewing) training	Between 2 and 30 days	I3	I 299
I3	Wild Life Works	None	N/A	N/A	55
I4	Global Apparels (Kenya)	Machine operations	As when need arises	unspecified	I 013
I5	Rolex Garments	None	N/A	N/A	I 028
I6	Baraka Apparels	None	N/A	N/A	I 345
I7	Mega Garments	None	N/A	N/A	I 513
I8	Blue Bird Garments (K)	Fire fighting, first aid and fire extinguishing	2 days	57	430
I9	Alltex	HIV Aids awareness	Continuous	I 247	I 247

20	Rising Sun	Human resource management	1 week	1	1 220
21	Senior Best Garments K	In house	1 month	250	790
22	United Aryan	None	N/A	N/A	2 450
23	Shin Ace Garments K	Machinist, cutting, printing, embroidery	2 years	127	783
24	Apex Apparels	None	N/A	N/A	2 497
25	Maximus	Machine operations (computer panels)	6 months	2	22
Total				4 808 (14 %)	34 234 (100%)
<i>Source: EPZA (2003b; 2004a)</i>					

APPENDIX L: Annex to Memorandum of Understanding between the Government of the United States and the People's Republic of China concerning Trade in Textile and Apparel Products

Category	Unit	2006 Level	2007 Level	2008 Level
200/301 - sewing thread/combed cot yarn	kg	7,529,582	8,659,019	10,131,052
222 - knit fabric	kg	15,966,487	18,361,460	21,482,908
229 - special purpose fabric	kg	33,162,019	38,467,942	45,007,492
332/432/632 pt (plus baby socks) - T	dp	64,386,841	73,963,859	85,058,437
sublimit 332/432/632 pt (plus baby socks) - B ⁵	dp	61,146,461	70,318,431	80,866,195
338/339 pt- cotton knit shirts	dz	20,822,111	23,424,875	26,938,606
340/640 - MB woven shirts	dz	6,743,644	7,586,600	8,724,590
345/645/646 - sweaters	dz	8,179,211	9,201,612	10,673,870
347/348 - cotton trousers	dz	19,666,049	22,124,305	25,442,951
349/649 - bras	dz	22,785,906	25,634,144	29,479,266
352/652 - underwear	dz	18,948,937	21,317,554	24,515,187
359S/659S - swimwear	kg	4,590,626	5,164,454	5,990,767
363 - pile towels	no	103,316,873	116,231,482	134,828,519
666 pt - window blinds/window shades	kg	964,014	1,084,516	1,268,884
443 - wool suits, MB	no	1,346,082	1,514,342	1,756,637
447 - wool trousers, MB	dz	215,004	241,880	280,581
619 - polyester filament	m2	55,308,506	62,222,069	72,177,600
620 - other syn. filaments	m2	80,197,248	90,221,904	103,755,190
622 - glass fabric	m2	32,265,013	37,104,765	43,412,575
638/639 pt - mmf knit shirts	dz	8,060,063	9,067,571	10,427,707
647/648 pt - mmf trousers	dz	7,960,355	8,955,399	10,298,709
847 - sbvf trousers	dz	17,647,255	19,853,162	23,029,668

Source: USOTEXA

APPENDIX M: EPZ Garments Enterprises, March 2007

	Company	Address	Phone/Fax/Email	Location
1	JAR Kenya EPZ Ltd	P.O. Box 78788 – 00507, Nairobi	Tel. +254 –20 -532040/50, 532090, 540058, 828000-3 Fax. +254 –20 – 540057 info@jarkenya.com	Sameer, Nairobi
2	Upan Wasana EPZ Ltd	P.O. Box 16730 - 00600, Nairobi	Tel. +254 -20 – 8560962/3 Fax.+254 – 20 - 8562749 Email: info@upanwasana.com	Upan Wasana, Ruaraka, Nairobi
3	Kapric Apparels EPZ Ltd	P.O. Box 81579, Mombasa	Tel. +254 – 4I - 3432609/432626 Fax. +254 –4I- 3434438 Email: sysop@kapric.com	Kapric, Mombasa
4	Ashton Apparel EPZ Ltd	P.O. Box 43371	Tel. +254 – 4I - 3434251 Fax. +254 –4I- 3435436 Email: Admin@Ashton-Apparel.com	Ashton, Mombasa
5	Sino Link EPZ Ltd	P.O. Box 83218, Mombasa	Tel: +254 - 4I – 3434231 Fax: +254 - 4I- 3434238/79/31 Email: sinolink@africaonline.co.ke	King'orani, Mombasa

6	Protex EPZ Ltd	P.O. Box 504, Athi River	Tel:+254 - 45 – 223445 Fax. +254 - 45 - 22344 E- mail: protex@skyweb.co.ke	Athi River
7	Sinlane EPZ Ltd	P.O. Box 87337 Mombasa	Tel. +254 - 41- 3433840 Fax. +254 - 41-3433833 Email: sinlane@swiftmombasa.com	Emirates , Changamwe, Mombasa
8	Mirage Fashion Wear EPZ Ltd	P.O. Box 538 Athi River	Tel.: +254 - 45- 22080/3 Fax: +254 –45 – 22081 Email: mirage- kenya@wananchi.com	Athi River
9	Kenya Knit Garments EPZ Ltd	P.O. Box 87789, Mombasa	Tel.+254 - 41- 2221230/2223008/2222849 Fax: +254 - 41- 2221188 Email: Kenya@honjen.com	Mazeras, Mombasa
10	Global Apparels Kenya EPZ Ltd	P.O. Box 322, Athi River	Tel.+254 - 45 –22575 Fax: +254 - 45 –22452 Email:info@global.co.ke	Athi River
11	Rolex EPZ Ltd	P.O. Box 10 Athi River	Tel: +254 - 45 –22031/ 22039 Fax: +254 –45 - 22139 Email: rolex@clubinternetk.com	Athi River
12	Mega Garments Industries (K)	P.O. Box 41673, Mombasa	Tel: +254 – 41- 3432586/980	M.J.P

	EPZ Ltd		Fax: +254 – 41 - 3433057 Email: info@megagarments.com	Mombasa
13	Alltex EPZ Ltd	P.O. Box 30500, Nairobi	Tel: +254 – 45 – 22953 Fax: +254 – 45 - 20098 Email: general@alltexepz.com	Athi River
14	Rising Sun (K) EPZ Ltd	P.O. Box 428 Athi River 00204	Tel: +254 – 45 – 20047/49, 22642 Fax: +254 – 45 – 20101 Email: risingsun@risingsunkenya.net	Athi River
15	Wild Life Works Ltd	P.O. Box 310, Voi	Tel. +254 - 43- 30062/2530 Fax. +254 - 43- 30062 E-mail. wildlife@africaonline.co.ke	Voi
16	Blue Bird Garments EPZ	P.O. Box 81034, Mombasa	Tel: +254 –41 – 432917 Fax: +254 – 41 - 432917 Email: bluebird@ikenya.com	Kingorani, Msa
17	Senior Best Garments (K) EPZ Ltd	P.O. Box 93351 Mombasa	Tel. +254 -41- 433882/8/9 Fax. +254 -41- 433883 Email: senior.best@wananchi.com	Zois, Mombasa
18	United Aryan EPZ Ltd	P.O. Box 126 Village Market Nairobi	Tel.+254 – 20– 8561950/1/2	Indigo, Ruaraka,

			Fax: +254 – 20 – 8561953 Email: amit@unitedaryan.net	Nairobi
19	Shin Ace Garments (K) EPZ Ltd	P.O. Box 87337 Mombasa	Tel. +254 -41- 3432832 Fax. +254 - 41- 3433174 Email: shin.ace@swiftmombasa.com	Kwa Jomvu, Mombasa
20	Apex Apparels EPZ Ltd	P.O 199 Village Market, Nairobi	Tel.+254 – 20 – 8560505/8560214 Fax: +254 – 20 – 8560767 Email: info@apexapparelskenya.com	Indigo, Nairobi

Source: Author's fieldwork