11. End of the Line? Globalisation and Fiji's Garment Industry

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Introduction

The Fijian garment industry has had a short and often turbulent history. A product of the post-1987 coup strategy of export-led economic development coupled with key preferential trading arrangements, it experienced a dramatic early growth. The industry rapidly became a critical part of the economic structure of Fiji, often surpassing sugar as the number-one export sector. Immediately before the 2000 coup, about 105 factories were employing 18,000 to 20,000 workers and were exporting more than $F300 million in garments to Australia, the USA, Europe and New Zealand. This accounted for an estimated 28 per cent of local weekly waged employment (Keith-Reid 2001). Not only was the industry important in terms of providing employment to some of the estimated 17,000 annual new entrants into the labour market (new formal sector jobs typically average 2,000 annually), it was recognised as the largest employer of urban low-income earners in the country. From 1997 to 2001, garments replaced sugar as the country's leading export sector, accounting for an average 26 per cent of total exports (MoF and National Planning 2002: 15). It was even hoped that the Textiles, Clothing and Footwear (TCF) sector would reach $F1 billion in exports in 2005, that employment would reach 30,000, and that the industry would be in a position to move beyond its reliance on preferential trade agreements and its dependence on Australasia and the USA (FTIB 1999).

Despite the industry's rapid and impressive growth there has always been disquiet over the sustainability of the industry and the benefits of garment factory employment for employees, especially women. While the garment sector has proved to be a critical source of livelihood for low-income earners it has come in for sustained criticism over the years regarding poor labour conditions, low wages and exploitation of female labour (Harrington 2004: 496). Arguably these conditions have been accentuated by regional and global trade agreements, which essentially consign the garment sector in Fiji to a low-wage and low-skill role, thus perpetuating industry dependence and its workforce to 'working poverty'. The industry's economic bases have remained fragile and dependent on markets and buyers over which it has little control. Consequently the sector has struggled to mature in terms of becoming an efficient and sustainable industry. Reliance on preferential trade agreements, which gave rise to its rapid growth, has masked the garment sector's inability to add value to products and develop key markets outside the region. Some of these vulnerabilities have been exposed by the loss of quota access to the USA as a result of the expiry of the Multi-Fibre Arrangement (MFA) on January 1, 2005. Even government and some owners appear to be going cold on the sustainability of the industry, considering garments to be a 'stagnating' or even a 'dying' sector.

The garment industry's rise, particularly in the 1990s, was in many ways a case of 'dependent development' evolving on the back of preferential trading agreements, notably the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA, 1980), the Import Credit Scheme (ICS) and the MFA. As a result, manufacturers have relied on a few key markets (notably Australia) for continued purchasing support and as a source of raw materials. Today this initially dominant role as a cut, make and trim industry has been all but eliminated by cheaper production sources in China and South-East Asia. As a result of the failure to move beyond this dependence on expiring trade agreements a number of factories closed during 2004–05. Recent estimates are that employment has dropped below 12,000, with an estimated 6,000–8,000 jobs lost in 2005 alone. In terms of economic impact, in the first few months of 2005 garments earnings were $A80.9 million below the 2004 figure, leading the ADB to forecast diminishing growth rates for the country as a whole (Radio New Zealand International, April 28, 2005). Production in the Fiji garment and footwear industry, measured in physical output, fell 55% between 2004 and 2005 (*Fiji Times* 2006).

Notwithstanding these challenges and criticisms, the garment industry has survived and continues to be critical for Fiji in economic growth, employment creation, foreign investment and skill development. While critics of the industry remain, particularly of its record on labour issues, no one would wish to see the sector disappear altogether. There are fewer than 12,000 people, mostly women, still employed in the garment industry and their incomes are critical for many urban poor households for which few fall-back positions exist (see Harrington 2004).

Regionalism and globalisation have played a significant role in shaping the Fijian garment industry. This chapter begins by examining the origins of the industry in terms of regional trade agreements, which have had a profound impact on the evolution of the sector and have, arguably, created an industry in Fiji without the skills and linkages that it needs to survive outside of those agreements. This chapter further depicts regional and global trade agreements as a response to global capitalism and a rapidly changing political economy of trade, which is neither predictable nor fixed. Nor is it always logical, often reflecting complex local responses to the flow of trade and its impact on domestic markets and labour, which are mediated and negotiated by states. Ironically, the challenge facing countries such as Fiji is not necessarily the inability to compete globally or regionally but their lack of power in renegotiating the trade agreements made by larger powers which seek to curtail and regulate the competitive impact of less-developed countries and their labour in the global marketplace. A problem which is then faced by states such as Fiji is how to have a greater impact on the governance of global capitalism and globalisation, which will lead to more opportunities for industries such as the garment industry (WCSDG 2005). However, the ability of Fiji to influence decisions made at a regional/global level is constrained by its small-state status as well as the small size and role of its factories in textile and garment production.

Nevertheless, players in the garment industry in Fiji are neither passive nor static in the face of these shifts and the debates that surround them. In the past five difficult years a number of factories have demonstrated an awareness of the changing nature of the trade and a degree of autonomy and agency in terms of repositioning themselves. Consequently an important aim of this paper is to trace these responses in order to demonstrate the range of strategies and decisions being made, the opportunities (or otherwise) for adaptation or regeneration, and what this tells us about globalisation (and more specifically global capitalism) in the region. Such an actor-network approach has been utilised to great effect in analysing the garment industry and globalisation in Turkey (Tokatli 2003) and Asia (Yeung 2000).

The local/regional/global origins of the Fijian garment industry

The garment industry in Fiji has had a number of local, global and regional spurs. In particular, it evolved within a unique political economy of growth and structural adjustment in Fiji and the region. The industry experienced rapid expansion after the coups of 1987 and the shift to foreign exchange earning policies. Its growth (in terms of income and employment) was also attributed to the gradual repositioning of the garment industries of Australia and New Zealand. The Fijian garment industry, then, was established to fill an important role following import-substitution policies and preceding the experience of wider globalisation (for example, through SPARTECA and the ICS).

The Tax-Free Factory/Tax-Free Zone scheme

The Tax-Free Factory (TFF) scheme of 1987 included incentives of a 13-year tax holiday, duty exemptions on capital goods and raw materials, and freedom to repatriate capital and profits (FTIB 1999: 85). Under the Tax-Free Factory/Tax-Free Zone (TFF/TFZ) scheme, companies exporting more than 70 per cent of their annual production were granted a corporate tax holiday for 13 years. Initially this was 95 per cent but was reduced. It also included a total waiver of licensing for import of capital goods and other production materials and exemption from customs duty on imported capital goods. In addition, there was no withholding of tax on interest, dividends and/or royalty payments paid abroad if they were not subjected to tax in the shareholders' country.

Furthermore, final dividends were taxed at a rate of 15 per cent when paid to resident shareholders compared with the then normal rate of 35 per cent. A further benefit for TFFs, together with the investment permits granted by the Fiji Trade and Investment Board and tax-free status, was the entitlement to import 'specialist labour' without passing the stringent tests of importing labour from other countries as provided for under the immigration laws (Narayan and Prasad 2003: 13).

Early growth was spectacular, with garment factories accounting for 78 of the 114 implemented TFF projects and 83.4 per cent of TFF employment between 1987 and 1990. Garment employment more than tripled from 3,000 to 10,000 in just four years (between 1988 and 1992) (Reserve Bank of Fiji 1993: 28). New Zealand (16 factories) was the leading source of early foreign ownership, followed by Australia (13) and Singapore (three) (TFF Sector Report n.d.: 2). The scheme came to be dominated by the burgeoning garment sector. In the period 1988–98, 57 per cent of all TFF investment was in the garment sector (Narayan 2001: 37) and garment employment became the dominant source of manufacturing jobs.

Table 1: Fiji's garment exports, 1986–2005 ($F million).

Year	Garment exports	As % of total exports	As % of GDP
1986	4.8	1.6	0.36
1987	8.8	2.2	0.66
1988	30.1	5.7	2.1
1989	97.3	14.8	6.24
1990	113.7	15.5	7.73
1991	131.1	19.7	7.14
1992	116.7	16.8	5.78
1993	128.7	17.5	5.92
1994	140.9	18.4	6.2
1995	185	21.4	6.62
1996	189.9	21.3	7.41
1997	200.1	22.9	7.7
1998	302.8	29.8	10.8
1999	322.1	31.6	11.4
2000	332.9	32.7	11.8
2001	313.9	30.8	11.1
2002	245.4	25.9	–
2003	252.7	26.8	–
2004	256.4	26.7	–
2005*	120	–	–

* provisional

Source: Data from Fiji Bureau of Statistics (various issues).

It was Australia, however, that came to dominate the industry. Export growth to Australia was spectacular through the 1990s as it moved from a quota to a tariff system and in 1991 Australia implemented the ICS, which gave incentives for Australian companies to source raw materials from Asia, add value in Australia and then export to Fiji for offshore processing where a finished product could re-enter Australia under SPARTECA. Under the scheme, Australian companies could claim a 'duty drawback' on imported Asian fabrics. Coupled with SPARTECA, the ICS offered further opportunity for the Australian garment industry to strengthen ties with the Fijian garment sector. Consequently, by the late 1990s, Fiji became a key supplier for major Australian brands such as Rip Curl, Country Road, Lee Jeans, Just Jeans, Hot Tuna, Voodoo Dolls and Wet Wet Wet. Indeed, the Fijian garment industry continues to be quite embedded in the production of recognisable global and regional brands. For example, brands identified through research in 2003 in Suva included Nike, Yakka, Target, Country Road, Adidas, David Jones, Lee Jeans, SirNormies and Ada.

Foreign ownership, particularly Australasian, has remained pronounced. In the late 1990s Cawthorne (2000) estimated that two-thirds of factories were foreign-owned, including 37 under Australian and New Zealand ownership. Nevertheless, one of the lesser-appreciated aspects of this growth was the number of Fijian-owned factories that were established (Gaunder 1990: 19). Certainly, local entrepreneurs saw great opportunity in the garment industry. They also played a key role in the early growth years of the 1990s and continue to be important today.

The Fijian garment industry: Dependent development

The preferential trade agreements that provided an important impetus to early growth proved a double-edged sword. SPARTECA and the ICS benefited manufacturing plants in Fiji, but also Australian businesses. Raw materials were more likely to be sourced from Australia, processed, then resold in Australia. Fiji's garment sector therefore developed a low-skill and low-technology cut, make and trim focus based essentially on a regional comparative advantage of low wages. Grynberg's (1997) study of 40 firms showed that 80 per cent were involved in cut, make and trim operations. There was little real reason then to invest in staff development or technology or to enter competitively into other markets. Throughout the SPARTECA regime, trade imbalances *increased* between Fiji and Australia/New Zealand. SPARTECA could be seen as having several weaknesses which held back the maturity of the industry, notably the rules-of-origin clauses; a lack of size which hampered competitiveness; a dearth of marketing and management skills; uncompetitive exchange rates; and supply constraints, especially the tied nature of raw material supply, which impeded flexibility and competitiveness (Rao 2002: 4). In a study critical of SPARTECA, Rao (2002: 23) concluded: 'There is a strong relationship between Fiji exports of garments to Australia and New Zealand and her imports of textile yarn from the same destinations. This finding implies that SPARTECA agreement [sic] may not be, as claimed, a non-reciprocal trade arrangement.'

As is the case with a number of smaller players in the global garment industry, Fijian factories became 'trapped in the role of manufacturing for others who collect[ed] the real rents' (Tokatli 2003: 1885). The 'real rents' are to be found in design, marketing, retailing and commercial and financial capital, not in industrial capital (Tokatli 2003: 1878). As such, and as is evidenced with a number of Fijian producers, the global garment industry is one of asymmetrical power dominated by commercial capital, leaving little room for autonomy or influence from small producers and manufacturers whose development and sustainability are therefore stunted for the benefit of powerful firms and states (Tokatli 2003: 1884).

While demand was strong and policies stable, the garment industry was able to flourish, albeit on an unequal footing. However, an underlying lack of competitiveness and autonomy was demonstrated, even during the boom times in the late 1980s and early 1990s, by Fiji's falling export trade to New Zealand. New Zealand had moved quickly into a trade liberalisation pattern in the late 1980s. Significant early New Zealand investment in the Fijian industry quickly declined. The reason was that Fiji, without preferential agreements (such as the ICS), remained unattractive to New Zealand investors even after the disestablishment of many of its own garment manufacturers. While New Zealand holds in place the derogation period for garment imports from Fiji until 2006, subject to the 25 per cent local content rule, investment has lagged. Of late, this has been mirrored in Australian patterns of investment.

Dependence on the Australian market became more pronounced as the industry grew. This included decisions on design, fabric sourcing and even marketing. At its peak, the Australian market absorbed more than 70 per cent of total Fijian exports in 1999 (Radio Australia, September 30, 2000). The ICS relationship proved very good for Australian fabric makers. In 1996, Fiji exported $F93 million in garments to Australia, but it *imported* textiles from Australia valued at $F65 million (Grynberg 1997: iii-iv). The main cost to Fiji was and is that it subsequently 'has had little propensity, or opportunity, for product development or growth into other export markets' (TCF Council and MoC 2003: 7). A further weakness is that it did not develop backward and forward supply and integration (for example, its own fabric making and dyeing capacity) (Gaunder 1990: 65). This is not, however, to deny the undoubted positive legacies: 'Over 13 years the industry developed rapidly and helped reduce the number of unemployed people. It served as a catalyst for the building, transport and food sectors. More families were able to afford education and better living conditions' (*Fiji Times*, March 13, 2001).

New initiatives: Breathing life or buying time?

Consequently, rather than a single cause, a combination of factors explains why the Fijian garment industry went into stagnation then steady decline: the political crisis of 2000; the end of a significant number of 13-year tax concessions; increasing competition from China and South-East Asia; the loss of the ICS (a clear consequence of single-market dependence) and the MFA; and reaction to impending trading agreement changes. Today the industry is being hollowed out, hampered by uncertainty, the loss to Asia of former customers and a cost structure that is uncompetitive by international garment sector standards. Given the lack of a single factor, this poses a range of potential challenges for policy-makers and those interested in the continued viability and health of the industry.

In response to this 'crisis', and the lobbying of Fiji's Prime Minister, Laisenia Qarase, there have been recent moves to breathe life back into SPARTECA, but little that is likely to create a more profitable and sustainable Fijian garment industry. In August 2003, Australian Prime Minister, John Howard, offered to conduct research on the garment industry in order to help its restructuring and he instructed his officials to 'prepare a package of substantial technical support to ease the industry's transition into the global market' (Fiji Government Online, August 16, 2003). This resulted in a 'scoping study' of the industry by the Australian Department of Foreign Affairs and Trade (DFAT) in which it stated that 'Australia feels some sense of responsibility for the industry's future' (DFAT 2003: 2). The same report also noted that 'a declining garment industry brings the prospect of adverse socio-economic impacts, including increased unemployment and growing poverty in the Suva area' (DFAT 2003: 6). The somewhat hurried passing of the Textile, Clothing and Footwear Investment Program Amendment Bill in late 2004 guaranteed Fiji's export agreement under SPARTECA for an additional seven years while Australia sought a 'structural adjustment' of Fiji's garment industry (*Pacific Magazine*, December 21, 2004). However, increasing the earnings through niche marketing of higher quality garments is hampered under SPARTECA, which allows access only to cheaper textiles for production. More recently, Prime Minister Qarase has also sought to diminish the rules-of-origin quota level, thus endorsing Fijian factories to re-export garments with even less local input.

Finally, some factories see hope in more 'local' markets. This includes tapping into Fiji's substantial tourism sector but also in the Pacific through PICTA, which came into force in April 2003. Through PICTA, 14 Pacific Island states have agreed to mutually remove tariffs and other barriers in order to free up trade in the region. The eventual aim is to move towards a regional free-trade area with the larger states (Fiji, PNG, Tonga and the FSM) eliminating trade barriers by 2010, with small island states and least developed countries having until 2012

(Oxfam 2003). Already several factories are placing more emphasis on building markets in Tahiti, Hawai'i and New Caledonia, though this trade remains small in scale.

The impact of shifting from regionalism to globalisation: three chronicles

In this section I outline the strategies being employed by various factories operating in different fields of regionalisation and globalisation. These range from 'local' companies, which engaged in exporting with the advent of tax-free zones and SPARTECA and which are now seeking to lessen offshore exposure, and those which have placed their success in the hands of regional, especially Australian, policies and which were established in response to SPARTECA and have developed strong links with Australasia, to factories that could be described as truly 'global' and have faced tremendous, perhaps insurmountable, challenges with the demise of the MFA and the rise of China in particular.

'Local companies'

Company C is based in Lautoka, on the western side of the main island of Viti Levu. Towards the end of the 1990s, Lautoka and nearby Nadi were very significant in terms of foreign-owned factories, but a number of these closed hurriedly during and after the political turmoil of 2000. Company C is going through difficult times. At its peak it employed 275 workers and manufactured for Rip Curl and Hot Tuna. Factory income averaged between $F30,000 and $40,000 a week. Some of these contracts continue, but most have been lost to factories in China. In particular, an earlier relationship with Rip Curl has been lost. Two of its factories closed in 2000, and today it occupies a second-storey location employing 30–40 workers for four or five days a week, depending on demand.

Finding new contacts is increasingly difficult. To offset this, the factory has opened its own outlet shops, to help tap into the local (tourist) market. The owner is currently putting faith in PICTA offering alternative markets and has already established markets for 'Hawaiian' or 'Bula' shirts in Tahiti (2,000-3,000 shirts a month) and the Cook Islands. The most consistent and high-value market is in surfwear. The company sees its comparative advantage remaining in terms of quick turnover (two weeks for most orders) and proximity for Australian and New Zealand buyers. As a small manufacturer, however, Company C feels that the cards are stacked against it in favour of the larger, mass-export factories to which policy and financial assistance are principally directed despite their low levels of value-adding. For example, 'export tours', which the Government had touted as helping create new markets, were seen as merely promoting 'the big politically connected Suva operations'. The new credit scheme with Australia (which replaced the ICS) was seen as 'worthless' and government assistance was 'nil' for local companies.

Company A has always been a family-owned enterprise. In the 1970s it was a shop, involved mainly in cutting and outwork, and employed seven or eight workers. In 1983, it evolved into a manufacturing factory. By 1986, the company was exporting to the USA and Europe. From 1989 to 1993, when it was a TFF, it shifted its focus to New Zealand. With greater competition into the New Zealand market making sales difficult, it then focused on Australia. Finally, with the demise of the ICS in 2000, the Australian market also dried up. At its peak, the company consisted of two factories, one for export production and the other for the local market. The export-only factory recently closed and operations were consolidated into the one factory. This effectively finished their knitwear trade: 'The coups were irrelevant compared with the loss of ICS.' The company owners essentially followed opportunities as they arose and to a great extent trade agreements dictated their markets and strategic planning.

Today 75 per cent of its output goes to the local market and the remainder is exported. Of the export markets that remain most are other Pacific Island countries, while two connections remain in New Zealand and just one in Australia. The factory is now moving into sports clothing and the owners estimate that the local market is now more lucrative than exports, particularly in terms of price per garment. Carlton Breweries, Mobil, schools, government departments and resorts are established buyers. They have the occasional 500- or 1,000-garment order from Australia and still have four years remaining on their TFF status. At its peak, the company employed more than 215 workers, but in 2003 the figure was only about 100. The owners estimated that their focus on the local market had saved at least 50 jobs, especially those of experienced staff, as cut, make and trim operations 'destroyed skilled people'.

In terms of Company A's relationship with overseas purchasers, price is everything. They have never been asked about working conditions, wages or been affected by compliance issues. On the question 'Do your buyers want value-added, more expensive garments, or cheaper ones?', the response was 'They want it all!' 'They basically quote the price in China to us, but we can't make that price. They want good stuff, for as cheap as possible.'

Company B originated from a tailoring business but in 1992 this long-time clothing store in central Suva was closed in favour of a tax-free-status company being formed with six employees. Though operations are controlled by an Indo-Fijian family, the company is 100 per cent Australian owned. High-quality materials are imported from the USA, Korea, and Taiwan and made into niche export products destined primarily for New Zealand and Australia. The factory has manufactured products for the Australian police and Australian Army and its labels include Mount, Traverse, Astral and Sienna and other outdoor brands.

It manufactures Polar Tec and Gore-Tex products and is moving towards small quantities of value-added garments. The factory employs about 140 workers and typically has enough business to operate 40-hour weeks. Labour is seen as the company's biggest expense and a key to profitability is to keep labour costs as close to the minimum wage as possible. However, to offset the loss of skilled staff, good workers are offered between 5 and 10 per cent more than the going rate. This is especially the case for skilled machinists. The future of the industry is seen as 'poor', especially in woven garments. The company has looked at relocating to China but does well enough through its own outlet shops in New Zealand and Australia, which are run from Fiji.

While engaging with the local and global market from very different starting points, these 'local' firms have struggled to find markets, are laying off staff and portray cut, make and trim operation days as numbered. Many of these operations have evolved from Indo-Fijian tailoring backgrounds and entered the export market through TFF status. They are now facing painful readjustments in trying to move towards more value-added markets — a move they feel is generally unsupported by trade policies. Some have gained success through selling locally and are emerging as exporters to other Pacific Island states. They see opportunities in PICTA, but are sceptical of ties to Australasia. By far, these factories are the greater number, and they span those that are experiencing modest growth to those who feel they are in terminal decline.

'Regional companies'

Company E is a large and well-established operation in Suva. It makes men's work shirts, business shirts and up-market ladies' wear. Some notable brands include King G and Yakka although most of its products are sold to wholesalers, which are also shareholders. Its biggest business at the moment is Australian demand for OH&S-compliant protective workwear. About 70–80 per cent of exports are bound for Australia, where the company also has its own distribution arm. This allows it some control over distribution. It also, through a partner, owns its own fabric mill, which avoids difficulties with raw material supply. The company currently employs 580 workers. Seventy per cent are women and 70 per cent are described as long-term employees, while a further 15 per cent have been with the factory for two to three years. The remainder are typically 'transient young people straight from their villages' who tend to move on regularly.

Company E strongly believes that to survive companies will have to find niche markets and add value to their products, but this will not be an easy transition and 'plenty of factories will be lost along the way'. It was remarked that anyone competing with China, or 'in their way … should just give up'. The comparative advantage that the Fijian garment industry retains after the expiry of the MFA is based on specialist and well-trained staff; short runs; the ability to adapt to specified styles; having English as the main language of communication; being close to Southern hemisphere markets; and having a fast turnaround time.

Consequently, Company E has invested significantly in technology. Even so, the industry was described as a 'bums on seats' one and labour costs were the key factor for profit margins and the reason for being in Fiji. It was argued that there was a 'ceiling on wages' and if you went over this you would be out of business: margins were described as 'generally tight … we sell and operate on minutes'. The company claimed to adhere strictly to the minimum wage. Still, there was an appreciation that the industry, at the bottom of the wage scale, had a responsibility to its workers. Company E had claimed some effort in improving its workers' lives apart from direct wage increases. Examples include the funding of a (sporadically open) nearby creche, health assessments for workers, an on-site health centre and a micro-finance and savings scheme, from which workers can draw money against their wages for emergencies. They feel that this policy has created a much better working environment, a more responsive workforce, and less potential for conflict with unions and buyers, which is 'good for business, after all'.

'Global companies'

Finally, there are those factories that have been integrated into the global economy in a quite different way. Many of these are Asian-owned and are exporting to the USA. The most spectacular (in terms of size) of these was Ghim Li. Ghim Li, which was Fiji's major exporter to the USA under the MFA, shut down factories in Ba, Lautoka, Nadi and Suva in April and May 2005 with the loss of 3,000 jobs, devastating communities in Lautoka and Nadi (*Pacific Magazine*, April 25, 2005). There were eight Ghim Li factories located in the west of Viti Levu employing about 4,000 workers at its peak. Ghim Li, a Singaporean-Malaysian company, is a truly global operation with 13 factories in Singapore, Malaysia, Indonesia, Brunei, China, Guatemala and formerly in Fiji. It produced for Wal-Mart, Sears, Warner Brothers and K-Mart. Its Fiji operations produced mainly for Wal-Mart in the USA.

Ghim Li Fiji owed its existence to the fact that it could utilise Fijian quota access to the US market as a 'quota-hopping' operation under the MFA. Its production was based on a high quantity of cheap products, which set it apart from other Fijian manufacturers as a truly 'globally competitive and focused' operation. It also operated a number of outsourcing factories in Fiji. Ghim Li was always a controversial enterprise, with its high use of female labour recruited from China, a protracted strike in 2003 over labour conditions and wages, and accusations of 'slavery' in terms of migrant labour housing and of being 'a sweatshop' in terms of the way it operated.

While the company gave regular assurances that its Fijian operation was profitable, it existed largely at a break-even level in terms of fulfilling quotas as part of much larger orders. Ghim Li Fiji certainly expanded significantly throughout the 1990s, including the purchasing in 2000 of at least two factories from manufacturers who were closing their operations down. However, there were always concerns about the ultimate sustainability of what many insiders saw as an 'opportunist' operation. In a matter of months after the end of the MFA, the company closed all its Fijian operations, perhaps giving the greatest indication of the limitations (some would say folly) of pursuing 'globally competitive' (i.e., low-wage) industrial operations in the Pacific.

The industry today and tomorrow: multiple futures

What do these factory examples indicate in terms of the industry, its present and its future? There are a number of common challenges but also a number of different futures. The 'heyday' of the cut, make and trim sector has passed, and today the more successful factories are seeking to add value, find niche markets (including within Pacific Island markets) and diversify products. While commenting on the Fijian garment industry at the 16th Australia Fiji Business Forum, Australian Minister for Foreign Affairs, Alexander Downer, stated, 'We must be realistic — increased competition means that reform is not a choice, it's a necessity. … The choice is between having a textile [industry] that is competitive, or watching it disappear altogether' (*Pacific Islands Report*, September 1, 2003). But what should the nature of this comparative advantage be?

Despite noting the need for reform in order to add value, many industry representatives still 'sell' their role as a 'low-cost, flexible, short-run clothing and footwear manufacture' (TCF Council and MoC 2003: 3). Indeed, the industry promotes itself as playing the same 'strategic role' for the Australian TCF sector 'as Mexico and the Caribbean Basin do for the USA and Eastern Europe and Northern Africa do for Europe' (TCF Council and MoC 2003: 8). Dependence on Australia continues. There remain an estimated 50 garment factories exporting garments to Australia (*Daily Post*, September 8, 2003).

Today there is huge variation in the experiences of factories: some are on the brink of collapse while others are looking to the future with cautious confidence. With the loss of preferential trade agreements, and as a result of the shakedown of the past five years, it is a misnomer to talk of a single garment industry today. The garment sector is divisible by size, export orientation, target markets and comparative advantage, as well as positions in value chains. A number of factories had anticipated the effects of increased competition and upgraded their factories with equipment and staff training in order to be able to produce higher quality value-added products for niche markets. It is widely held that Asian exporters are either not interested in, or not geared for, providing higher quality garments in short time frames, especially for orders that are distinct from high-volume/standard-cut production lines. This was reiterated to me by industry representatives and factory managers who saw this as an opportunity (Interviews 2003). In addition, several larger operations (with consequences for the industry as a whole) have attempted to improve their relations with workers and even trade unions, seeing this again as a point of differentiation.

It is fair to surmise that these companies are the better-placed ones with regard to future prosperity. They are currently undergoing stress but surviving as they are embedded locally and globally. However, they are not necessarily typical of the industry as a whole. That they have found niche markets has a great deal to do with their unique and long-term links with wholesalers and their ability to develop markets purchasing high-quality, high-cost products. One such company even has subsidiaries in New Zealand and Australia. The exports of successful businesses such as this include suits, safety wear, business shirts and specialist clothing (such as Gore-Tex).

Who benefits from a competitive garment industry?

Labour issues, along with trade agreements, are a key factor in the sustainability and health of the garment industry in Fiji as well as its contribution to social and economic development. Garment manufacturing remains a highly labour-dependent process and labour costs are the most significant production factor (Dicken 2004: 331). Labour, working conditions, and particularly wages, are often contentious political issues worldwide in the garment sector. The 'sensitivity' of the industry is further compounded by the predominance of female labour in production. Dicken (2004: 332) estimates that 80 per cent of the global garment labour force is female. Often these workers have limited income and few other employment choices. Given the competitive price nature of the garment industry, this means that most employment is characterised by low wages and insecure employment.

The issue of wages and worker conditions is inseparable from that of where Fiji's garment factories want to position themselves in terms of the global garment value chain. Wages and labour issues have been perennial problems throughout the Fijian garment industry's short history and have really been seriously addressed only by a select few factories. Father Kevin Barr — a critic of Fijian development policy for a number of years — has lamented that, even during the growth years of the late 1990s, wages lagged behind the minimum wage for those living in urban areas, which was \$A75 in 1999. At that time, garment workers' wages were as low as \$A31 for 45 hours' work. Wages in the garment sector remain comparatively low by formal sector standards in Fiji. The experienced daily 'minimum' wage of \$12.24 in 2002 fell significantly below the mean manufacturing wage of \$14.93 in 2000, while mean wages across all sectors were \$17.08 (RBF 2003: A42). As the Government wants wages to be related to productivity and profit, there remains a clear resistance to shifting to a higher-wage industry.

These issues are more pressing in terms of the garment industry because of the prevailing gender inequalities of income. Manufacturing had a worse gender/wage differential in 1997 than any other sector, with women's pay 63 per cent that of men's. Given that the garment sector employs about 12,000 women today, 'there is no doubt that the Fiji garment industry, with its rapid expansion of employment for women but very low wages, presents a substantial conundrum for people concerned with the economic position of women' (ILO/UNDP 1996: 16).

Table 2: The minimum wage: a liveable wage?

Year	Learner	Other
1991	$0.65	$0.85
1999	$1.05	$1.26
2002	$1.15	$1.36
2004	$1.21	$1.43

Note: A 'learner' is described as someone with less than six months' experience though factories are not legally bound to this definition.

While some have argued that Fiji's comparative advantage lies in its skilled and comparatively well-educated workforce, others still see the future health of the industry as being based on low wages. They consider that wage increases will be the final blow to the sector:

The cost of garments is not going up, but the price of making them is. In 1983 labour was 40c, it is now $1.15 — for someone with no experience! After five months this has to be $1.35. For good ones you need $1.70. Otherwise they are leaving the industry for shopkeeping jobs, etc., which pay more than $2. But basically these are school dropouts! (Factory owner interview 2003)

This has created a situation where garment employees can be accurately described as 'the working poor'. Eradicating poverty in Fiji, as Father Barr has noted, is not only a matter of creating employment. Wages are also a critical issue. A recent study has shown, based on 1996 figures, 'that 46.8 per cent of those who were in full-time employment earned wages below the poverty line. … Of these 67.9 per cent were women.' Barr estimated that in 2002 the poverty line in urban areas was about $128–132 a week for a family with two or three children (Barr 2003: 200), while full-time garment wages averaged between $40–60 a week. Cawthorne (2000) has also estimated that approximately 80 per cent of employees are women earning wages that are below the poverty line. Even then, union organisers feel that the minimum wage is not met in many factories, a situation compounded by a lack of enforcement by the Ministry of Labour (Interviews 2003).

Responsibility for this 'working poverty' cannot be laid solely at the feet of the industry itself. Government policy and trade agreements have also played a role and perpetuated this situation. The Garment Industry Wages Council came into being in 1990 and set a wage level of between 65 cents and 85 cents an hour, well below other sectors, including manufacturing in general, and again, below the then poverty line. A critical factor in the profitability of the industry for owners has been in successive governments pursuing a 'competitive wage policy'. This has been done through regular devaluations of the dollar, baulking at the idea of a minimum wage, and restrictions on trade unions: 'Yet the policies may have done more to shape the structure of the industry than guarantee its expansion' (ILO/UNDP 1996: 17).

The losses to the industry resulting from a low-wage strategy might be higher than the immediate gains. Even in the early years of the push to exporting it was noted that the Fijian garment industry had no chance of competing with Asian countries and that it needed to move towards a quality, value-added, niche-marketing strategy (FWRM 1986). To break out of the dependence on preferential agreements and reliance on the Australian market, the TCF Council of Fiji has argued that the industry needs to create higher efficiency, productivity and quality: 'only by investing in human and managerial capital will the industry be able to create comparative advantage and keep pace with technological progress' (TCF Council and MoC 2003: 23).

However, the garment industry remains dependent on producing cheap, poor-quality garments that cannot possibly compete with garments made in Asian countries whose costs of labour and utilities are five to 10 times lower than Fiji's (TCF Council and MoC 2003: 23–4). Unfortunately, this vision, which is unrealistic and contrary to sustaining social development through employment, is how Australia and New Zealand see the garment sector, and these views are in many ways buttressed by the Fijian private sector and government.

The end of the line?

Globalisation, or more accurately global capitalism, poses a very difficult set of challenges to industry in small island states. The Fijian garment industry is essentially a creation of special access to the Australian, New Zealand and US markets under preferential trade arrangements. Now that these agreements have ended, or are coming to an end, the industry finds itself at a significant crossroads.

The challenge for the garment industry is in the erosion of preferences and a shift from a focus on production quantity to niche marketing and quality (MoF and National Planning 2002: 12). The way forward is to produce for niche markets, such as corporate suits and women's wear, and not in the volumes market occupied by China (MoF and National Planning 2002: 15). Perhaps the *greater* challenge is to establish trading agreements which allow this. As Nadvi (2003) has noted, 'Trade preferences such as the MFA quotas can be an important driver in promoting industrial development, but do not necessarily encourage moving up the value chain into functions with a higher value.'

Nadvi has further noted that the key to post-MFA survival will be in upgrading technology, enhancing linkages with the textile sector, reducing delivery times and improving product quality. One strategy for garment exporting countries which are being squeezed by the loss of preferential agreements and by low-cost competition, is to upgrade to higher value-added activities within the value chain. The downside of this is that a number of the least-skilled workers will lose their jobs, replaced by higher-skilled workers and more efficient technology. To date, the industry in Fiji has not developed along these lines. It has evolved essentially as a service industry to satisfy buyer and consumer preferences in countries seeking competitively priced garments. Key inputs, designs and even ownership were and are still external to Fiji's garment industry development. Change will not be easy and will depend on more than merely extending the relationships that have created a number of problems.

This challenge is taking place alongside rapidly shifting regional and global trading contexts. The Australasian markets continue to 'liberalise' and prefer to seek bilateral free trade arrangements with North American and Asian countries, not small island Pacific states. The emergence of Chinese production is also critical. It is simply not conceivable for Fiji to be competitive with what China, or any other low-cost Asian country, exports. Progressive government initiatives are critical to the survival of the garment sector. To date, government policies have effectively exacerbated the low-quality/low-wage cul-de-sac the industry finds itself in. A cheap-labour policy has not helped in the development of a quality-oriented, high-skilled, value-adding industry.

Though some within the Fijian industry have repositioned themselves, there remains doubt as to whether they can ever become truly competitive without preferences in the global economy. Likewise, other industry representatives see 'no way out except for government assistance', including efforts to secure greater trade access to the US market (*Daily Post*, June 18, 2001). Robert Read has argued that it is 'not surprising that many countries have sought or are seeking strategic refuge in regional trading agreements … with neighboring states' (Read 2004: 365) in response to globalisation. There are a number of innovations emerging, some more likely to be successful than others. In January 2002 the Fijian Government appointed US-based Sandler, Travis and Rosenberg (www.strtrade.com), a trade advisory service, to lobby on its behalf to negotiate preferential access for Fiji's garments into the US market. The firm had been contracted to pursue an African Growth and Opportunity Act (AGOA)-type agreement, which includes duty-free access to the USA for African garments.

The Fijian Government and the Fiji TCF Council hoped that such a deal would help exports to the USA reach $US400 million ($A539 million) (Fiji Government Online, February 1, 2002). However, the recourse to regionalism and regional agreements is, for large and small states, 'a political act advanced by social and political action, or corrective, towards a political goal' (Knutsen 2003: 227–8). AGOA, for example, which opens the doors for duty-free and quota-free access to the USA for garment manufacturers in Africa, stipulates conditions in the form of market-based economies, a development of political pluralism and the rule of law, the elimination of barriers to US trade and investment, the protection of intellectual property rights, combating corruption, poverty reduction, and policies against child labour and for health care and education, human rights and workers' rights. Clearly, AGOA is an example of political leverage through 'free' trade agreements.

This leverage can, however, work both ways. Throughout 2005, Prime Minister Qarase linked the future wellbeing of the garment industry to Fiji's commitment to good governance and to globalisation. Calling for Australia to be a 'good mate' and 'open the door' to more relaxed import rules, Qarase has publicly commented that the country will face increased danger of instability, social breakdown and higher crime rates if the industry were allowed to fail. Qarase further contended that globalisation was 'fatally flawed' if markets were closed off and Fiji might reassess its commitment to trade agreements if the end result was devastation of its economy (*Pacific Magazine*, May 14, 2005).

The garment industry in Fiji remains important. Any complete collapse would create a human and economic crisis. Though low even by local standards, garment wages are critical in supporting the urban poor. The garment industry still employs the majority of manufacturing labour, and a disproportionate number of workers are women of all racial groups. Government officials have inadequate policy responses on the question of alternative employment, seeing opportunities in the depressed rural sector. A further or full collapse of the industry would substantially increase poverty and would likely represent a threat to social and political stability. Substantial effort is needed to refocus the industry for a number of reasons.

The UN (UNDP 2003: 1) has argued that 'the expansion of trade guarantees neither immediate economic growth nor long term economic or human development'. Trade is a means to an end, not an end in itself. What are critical in transforming trade into development are the internal and external institutional and social conditions that allow companies and workers to reap the rewards of trade and give countries and industries a sense of security. It is essential that efforts be made in multiple areas which seek to develop progressive industry initiatives as well as more directly enhancing the lives of female factory workers. The potential of Fiji's garment industry in shifting into higher value chains and as a tool for poverty alleviation is dependent on the evolution of the industry *as well as* the enhancement of labour rights and rewards.

In conclusion, the future for Fijian garment manufacturers will most likely come from the following two directions: first, the ability of certain businesses to scale up into value-added products which allow greater control over quality and prices above that of the cost of labour; and secondly, trade agreements which allow and encourage the shift away from dependent low-waged industries in the Pacific. The challenge is for Pacific Island countries to develop high-quality niche products and for the region's more developed countries to develop trading policies which facilitate this shift. In contrast, an argument based solely on global comparative advantage is facile and offers little hope for any form of economic or human development through trade among Pacific Island countries. Somewhat inevitably, these experiences might lead to a growing reluctance to commit to further 'free' trade arrangements in the future.

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