THE IMPACT OF FOREIGN DIRECT INVESTMENT ON THE LIVELIHOODS OF WORKERS IN THE MANUFACTURING SECTOR OF LESOTHO

by

Ishmail Bassie Kamara

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Declaration

I declare that this dissertation submitted for the fulfilment of the qualification Master's Degree in Development Studies at the University of the Free State is my own, independent work and that I have not previously submitted the same work for a qualification at another university / faculty.

I further cede copyright of this dissertation in favour of the University of the Free State.

Ishmail Bassie Kamara
November 2008

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Above all, glory be to God.

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AGOA	African Growth & Opportunity Act
ATM	Automated Teller Machine
ATC	Agreement on Textile & Clothing
ACP	African Caribbean Pacific
BEDCO	Basotho Enterprise Development Corporation
CMA	Common Monetary Area
DCC	Duty Credit Certificate
EC	European Union
EBA	Everything But Arms
EU – SADC	European Union - Southern African Development Community
FDI	Foreign Direct Investment
FoB	Free on Board
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	General System Preference
ISI	Import Substitution Industrialisation
IVCA	Integrated Value Chain Analysis of Selected Strategic Sectors
LDCs	Least Developed Countries
LECAWU	Lesotho Congress Aliens Workers Union
LMPS	Lesotho Mounted Police Service
LNDC	Lesotho National Development Corporation
MNCs	Multinational Corporations
MVA	Manufacturing Value Added
M&A	Merger & Acquisition
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Corporation and Development

R&D	Research and Development
SACU	Southern African Customs Union
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Research Software
SSA	Sub-Saharan Africa
T&C	Textile and Clothing
TTQ	Total Tariff Quota
TRQ	Total Rate Quota
TNCs	Transnational Corporations
UNCTAD	United Nation Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation
USA	United States of America
VAT	Value Added Tax
WTO	World Trade Organisation

CHAPTER ONE: SETTING THE SCENE

1.1 Orientation and significance of the study

The book on the Wealth of Nations, written by Adam Smith in 1776 indicated that 'globalisation' would be a potent force for global economic development (Sachs, 2000). Adam Smith said…

> "the discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind," since those events would allow the most distant part of the world" to relieve one another's wants" "and encourage one another's industry" (Sachs, 2000: 579).

In light of the above quotation, Adam Smith further explained that the introduction of division of labour would expand global markets through productivity improvements, which would be limited by the extent of the market and would stimulate economic development. The two stages of globalisation, the first dating approximately from 1870 to 1914, followed by the second stage around 1950, recorded rapid economic growth globally (Sachs, 2000). However, it is worthy to state that not all countries in the world experienced the same benefits from the expansion of the global markets. According to Sachs (2000), while many developing countries are constantly experiencing progress in their economies, especially the Asian tigers, others, like many of developing Africa's economies, are stagnating with absolute declines in living conditions.

This unequal benefit derived from global markets expansion facilitated by globalisation has indeed triggered the question: Why does globalisation seem to benefit some countries more than others?' Since the 1960s the ability of countries to develop an appropriate manufacturing industry has been one of the key factors.

The growth and development of a thriving manufacturing sector in Africa has been limited. Between the 1960s and early 1980s, import substitution industrialization (ISI), and trade liberalisation were approaches that African countries took with a view to speeding up economic development without considering industrial policy (Soludo, Ogbu and Chang, 2004: 6). Income per capita for an average African country was far lower in

1999 than in 1979, and recorded a share of 2.0% of world trade. Instead of diversifying its production base, the continent focused on a few primary products associated with high volatile terms of trade, and income loss grew to an average of $68 billion per annum between 1972 and 1997 (Soludo *et al*., 2004: 6). In addition, Africa's global share of manufactured exports was almost zero. This development happened in the midst of abundant development assistance and trade preferences to Africa. Although the continent has lagged behind in terms of manufacturing expansion, South Africa is an exception in this respect. In recent times, the manufacturing production in Lesotho, a landlocked less developed country (LDC), has also risen strongly. This development has raised many interesting debates as to why this small country has a more advanced manufacturing production base than many countries in Africa with higher skills, bigger domestic markets, endowed natural resources, to mention but a few advantages.

Lesotho, a small, mountainous and landlocked country with a unique geographical location (located inside South Africa), has a population of less than two million (Bureau of Statistics, 2007). In 2001, the per capita Gross Domestic Product (GDP) of Lesotho was $379, as against $289 for the rest of the LDCs and $473 for Sub- Saharan Africa (see Chapter Three for a detailed description of the Lesotho economy). In recent years, Lesotho has become the largest and fastest growing exporter of apparel from Africa to the United States (US) markets (Lall, 2003: 2). In the process, employment in the manufacturing industry increased from about 20 000 in 1998 to more than 40 000 in 2005. According to Lall, (2003: 2) the increased strength of Lesotho's manufacturing industry can be attributed to the increased inflows of export-oriented foreign direct investment (FDI) in the country in addition to the investment incentives introduced by the government of Lesotho and more so trade preferences like the African Growth and Opportunity Act (AGOA), the Cotonou Accord, the Everything but Arms (EBA) and the Southern African Custom Union (SACU). The development of the manufacturing industry in Lesotho, against the odds in the history of manufacturing in Africa, makes it the only country in the region, (besides Mauritius) to follow the industrial steps of the "new Tigers of Southeast Asia" (Lall, 2003: 2).

Despite this development in the manufacturing sector, tension remains eminent between factory workers and their employers. There are serious complaints from workers regarding low salaries and the way workers are treated – this despite the fact that nearly 50 000 people have found employment. It is this tension between employment creation, on the one hand, and the negative perceptions of local factory workers, on the other, are the central problems being investigated in this study. This tension is also echoed by an article titled "Protesting Textile Workers Killed By Lesotho Police", 14 November 2003, (retrieved online: http//www.wsws.org).

1.2 Aim and objectives

Against the above background the aim of the study is to analyse the tension between employment growth and workers' satisfaction emanating from FDI in the manufacturing sector of Lesotho's economy. In this regard the following specific objectives are set:

- To provide an overview of the manufacturing industry in Africa since the pre-colonial period.
- To analyse the extraordinary growth in Lesotho's manufacturing sector.
- To describe the socio-economic status and current working conditions of factory workers in Lesotho.
- To evaluate factory workers' changes in living conditions in order to determine the economic benefits and social costs as experienced by factory workers in the Lesotho manufacturing industry.
- To provide recommendations, derived from this study, for the future expansion of the manufacturing industry in Lesotho.

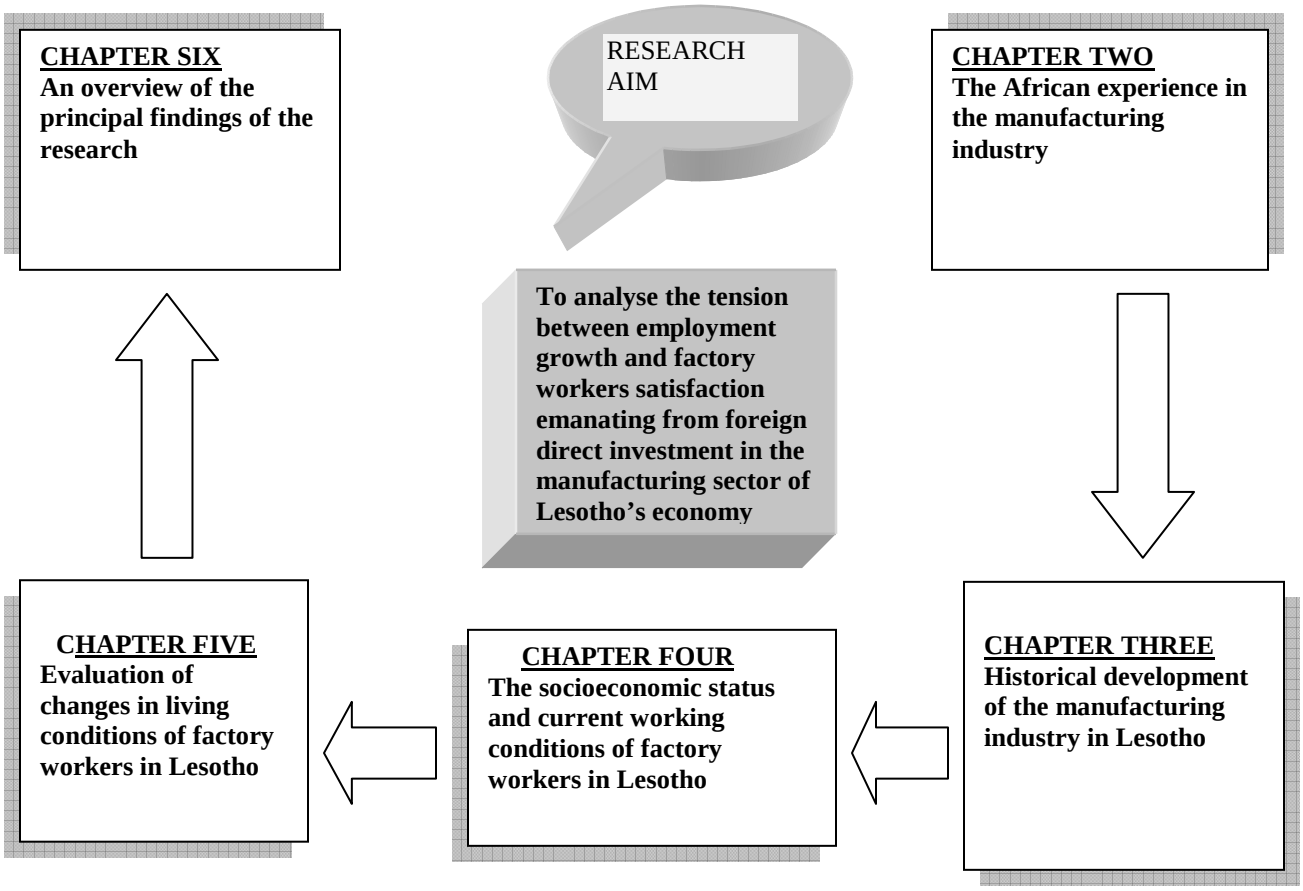

Figure 1.1: Graphic representation of the study

1.3 Research design and methods

Four main methodological procedures will be followed to complete this study. Firstly, I have been working in Lesotho for the past seven years and I have followed the public debate about the topic in the media. In addition, I have already studied the policy documents of the Lesotho government in this regard.

Secondly, an extensive literature review will be conducted on the manufacturing industry in Africa. The focus is on how the industry has grown and what the stumbling blocks to be found therein are. Furthermore, the literature review will also reflect on the experiences of factory workers in industries owned by 'foreign industrialists'. The literature review will also be applicable to the overview of the development of the manufacturing industry in Lesotho. The basic policy proposals of the Lesotho government will also be assessed. Newspaper clippings will be analysed in order to

facilitate understanding of the public debate about FDI in the Lesotho manufacturing industry.

Thirdly, individual interviews have been conducted with role players in the industry. These interviews included interviews with the Lesotho Industrial Corporation, the Lesotho Department of Trade and Industry, and the Maseru Local Authority.

Finally, a questionnaire survey of 400 interviews has been conducted with factory workers. A total of 400 questionnaires are sufficient to make generalised conclusion about the factory workers in Lesotho. This survey has been conducted among workers in the textile industry in Maseru and completed by trained fieldworkers at the factory gates. The focus of these questionnaires has been to determine the monetary benefits that factory workers receive as against their experiences of the working conditions.

In the data analysis of this research, the researcher coded the questionnaires which were computerized by the Computer Centre of the University of the Free State. All the data has been transformed into a quantitative form and analysis were done by using the Statistical Package for the Social Research Software (SPSS) and Microsoft programme.

1.4 Conceptualisation

For purpose of clarity, it is important to define key concepts that are being used in this research with a view to avoiding misinterpretations. In this context, globalisation, industrialisation, manufacturing, FDI, perceptions, factory workers, benefits are the pertinent concepts that need to be defined.

Globalisation is the interaction and integration that is taking place among people, enterprises and governments of different regions driven by international trade and investment that is facilitated by information technology (retrieved online: http//www.globalisation101.org/what is globalization.html).

Manufacturing is the transformation through which raw materials are processed into finished goods for sale. In the context of this research, the definition of manufacturing focuses on

factories in the textile industry that are dealing with the production of apparel for export to global markets.

Industrialisation is the process of social and economic change in which the transformation of people from pre-industrial to an industrial society takes place. The change in social and economic development forms part of a broader modernization process through which technological innovation can accelerate manufacturing production (Industrialisation, 2008).

Foreign direct investment in this regard refers to the transfer of capital (funds, machinery and expertise) to an overseas outlet for purposes of manufacturing production, as in the case of textile manufacturing in Lesotho (World Investment Report, 2002; Grunberg, 2001).

Perceptions according to Lindsay and Norman (1977) refer to the process by which organisms interpret and organize sensation to produce a meaningful experience of the world. In the context of this research perceptions mean public views and the views of factory workers regarding FDI and the conduct of the industrialists towards the factory workers in textile manufacturing in Lesotho. These views are prominent throughout this research (See Chapters Two and Three, Four and Five), more so in Chapter Five in which factory workers expressed different opinions about job satisfaction. A significant number of factory workers indicated that the jobs at the factories saved them from starvation and satisfy their needs and those of their families. However, other workers indicated that low salaries were a problem.

Factory workers in this research are the employees working in the textile manufacturing industry in Lesotho.

Benefits in this regard refer to the contributions that the textile manufacturing has brought to the economy and factory workers in Lesotho (See Chapter Three, Four and Five).

1.5 Brief chapter outline

In order to address the research problem in this study, the following structure will be adopted and utilised:

In Chapter Two (the Africa experience in the manufacturing industry since pre-colonial period) the historical background of manufacturing production and its effects on the economic and development transformation in Africa will be highlighted, The chapter will firstly give an account of manufacturing trends in the world, followed by an analysis of the evolution of the manufacturing industry in Africa from pre-colonial to post-colonial times. An analysis of the textile manufacturing sub-sector and its contribution to export and economic growth in Africa will be presented, with trade agreements and their impacts on manufacturing exports in Africa also being examined. The chapter will further identify the role of FDI in the manufacturing industry and its impact on the economies of Africa, and concludes by highlighting the perceptions of people regarding FDI and manufacturing.

In Chapter Three (historical development of the manufacturing industry in Lesotho), in order to conceptualise the manufacturing industry in Lesotho, the chapter gives an overview of the economy in Lesotho in which specific economic indicators that contribute to the economic growth of the country are analysed. The chapter highlights the evolution of the manufacturing industry in Lesotho and discusses the origin and contribution of investment incentives to the textile manufacturing. The chapter will also assess manufacturing trends and their contribution to the economic growth and development in Lesotho, together with an analysis of the locational aspects of manufacturing firms in Lesotho. The current investment incentives and external trade relations and their impacts on the advancement of Lesotho's manufacturing industry will be highlighted. The current problems encountered by the textile and clothing industry and efforts made by the government of Lesotho to reverse the situation, will be discussed. The chapter will then highlight the perceptions and reactions of the Basotho (citizens of Lesotho) towards FDI in Lesotho.

In Chapter Four (Socio-economic status and current working conditions of factory workers in Lesotho), an understanding of the real working situation is important before assessing factory workers' perceptions. The chapter presents an analysis of a survey on factory workers' current working conditions at factories in Lesotho. The chapter specifically analyses the socioeconomic characteristics of respondents (refers to factory

workers), namely: their educational profiles, informal training received, average age, household size, other financial dependants and marital status. The chapter depicts the employment history and mobility of factory workers in Lesotho and further describes factory workers' second incomes and highlights their sources and categories. The chapter closes by highlighting the average monthly expenditure of factory workers and an in-depth analysis of their current conditions in Lesotho.

In Chapter 5 (Evaluation of changing living conditions of factory workers in Lesotho), an assessment of the degree to which factory workers' living conditions have changed since commencing work at the factories in the textile industry in Lesotho, will be presented by firstly analysing the socioeconomic changes in the lives of the factory workers, and then assessing the changes in living conditions of factory workers in Lesotho. The chapter closes with an analysis of factory workers' positive and negative perceptions of working at the factories in Lesotho.

Chapter Six (Principal findings of the research and policy recommendations), gives an overview of the main findings in this research and makes specific recommendations that could be utilised by policy makers both in the public and private sectors in order to grow the manufacturing sector in Africa and Lesotho in particular.

CHAPTER TWO: THE AFRICAN EXPERIENCE IN THE MANUFACTURING INDUSTRY

2.0 Introduction

The aim of this chapter is to give a historical background of the manufacturing sector and its role in the African economy. Africa has an extremely small manufacturing economy hampered by a range of contributing factors. This chapter provides a platform for the rest of this study, against which the manufacturing economy in Lesotho should also be understood.

Against the above background the paper is structured as follows: Firstly, the chapter highlights world manufacturing trends. Secondly, it embarks on analysing the evolution of the manufacturing industry in Africa from a pre-colonial to a post-colonial era. Thirdly, this chapter presents an analysis of manufacturing trends in the textile sub-sector and highlights its contribution to export and economic growth in Africa. Next, it also highlights trade agreements and their impacts on manufacturing exports in Africa. The role of the FDI in the manufacturing industry and its impact on the economies of Africa are identified herein. Finally, it presents global experience of FDI and manufacturing.

2.1 Manufacturing trends in the world

With the challenges of global industrialisation, manufacturing activities have progressed from their inflexible nature of the pre-1970s to a more adaptive approach. This larger degree of flexibility in respect of the location of manufacturing industries can be attributed to a number of factors, of which the most prominent was the New International Division of Labour.[1] This New International Division of Labour not only impacted on the location of enterprises, but also on corporate control, across-border linkages and activities and economic cooperation (Nel, Rogerson and Marais, 2006). It is within this context that Dicken (2003) argues:

> … "that we are seeing the rise of a 'new economy' in which inter-linkage, flow and dynamism are hallmarks. Failure to integrate within this new system can lead to marginalisation". Within this

[1] International Division of Labour in this context means that, for instance, a Chinese company in China could locate one or more of its production operations in another country or several such countries.

> context, places and regions more specifically have acquired new albeit vulnerable significance as 'the versatile hyperspace of flexible accumulation redefines the place of the locality' (Swyngedouw, 1989: 3; Lovering, 1999 in Nel *et al.*, 2006).

As a result of this increasing degree of flexibility, trade patterns have changed, leading to structural shifts in the manufacturing processes. The main contributing reasons for these structural shifts were the advent of new technologies, fresh demands, modern logistics, different ways of organising and locating production, innovative policies and recent international trade rules and preferences (Nel *et a*l., 2006; UNCTAD, 2002: 143). Regarding these changes in the global economy, a number of comments should be made about world trade and manufacturing. Firstly, there have been changes in those countries leading in international trade and international manufacturing. Secondly, these changes, especially those that have been influenced by the practice of International Division of Labour as explained in the above quotation, have brought a shift in the nature of the global manufacturing production with high technology manufacturing occupying a leading position.

Table 2.1 presents a picture of global production trends. According to the UNIDO (1995: 9), developing countries have gained renewed strength in the share of global manufacturing; conversely, the manufacturing share of the developed world is in decline (see Table 2.1).

Table 2.1: The state of manufacturing value added (MVA) in world manufacturing production, 1970 – 1994 (%)

Region	1970	1980	1990	1994
Developed market economies	85.6	79.7	78.1	76.6
Developing countries	10.3	14.8	17.1	20.8
Latin America & Caribbean	5.0	6.5	4.8	5.1
Sub-Saharan Africa	0.4	0.3	0.3	0.3
North Africa and Asia	1.5	2.4	3.0	3.4
Indian subcontinent	0.8	0.9	1.3	1.4
East and South-East Asia incl. China	2.1	4.2	7.3	10.3

Source: Global Forum on Industry, 1995.

Table 2.1 indicates that the manufacturing value added (MVA) process in developing countries is growing proportionally while there is a proportionate decline in developed countries. When compared to developed countries, developing countries increased there

share of world manufacturing from 10.3% in 1970 to 20.8% in 1994. The share of the developed economies dwindled from 85.6% in 1970 to 79.7% in 1980, and, by 1994, it had decreased to 76.6% (UNIDO, 1995 9; UNIDO, 2002/2003: 28). Noteworthy is the fact that manufacturing in Africa amounts to about 0.3% of world manufacturing and this figure has not increased over the past four decades.

Amongst the developing countries, the highest growth rates were recorded by South and East Asian countries. In 1970, the manufacturing production per capita of South and East Asian countries was $40. By 1994, this Asian block attained a manufacturing production per capita of $200 (UNIDO, 1995). In that same year (1994), both Latin America and West Asia recorded $550 and $710 respective (UNIDO, 1995). Comparatively, Africa's performance rated the lowest, with only $60 per capita by 1994 (UNIDO, 1995: 9). Sub-Saharan Africa's (excluding South Africa) share in the world's manufacturing added value was recorded as 1.0% (UNIDO, 2002/2003: 28). By 1998, developing countries increased their share of global manufactured exports by 8.0% (UNIDO, 2002/2003: 28).

It is now apparent that high-technology exports are the largest source of foreign exchange for the developing world. In 2000, developing countries exported products of high technology to an amount of $450 billion. In comparison, high technology exports from developing countries has a value of $64 billion more than primary exports and $45 million more than low-technology exports (UNCTAD, 2002: 145). This improvement in the export production of the developing countries can mainly be attributed to the rise of the manufacturing industry in China. In terms of manufacturing production and exports, East Asia has the highest growth rate among developing countries. East Asia has a formidable technological base, and from time to time focuses on rapidly improving all the key drivers of industrial performance, which put them in a commanding lead in skill creation, technological effort, inward FDI, royalty and technical payments abroad and modern infrastructure research and development, when compared with the rest of the developing countries (UNIDO, 2002/2003: 27). Countries such as Singapore, the Republic of Korea and the Taiwan Province of China have moved from their slow pace of production to more technologically intensive manufacturing and design. Local content

of production is growing in many countries in which high-technology exports are prominent (UNCTAD, 2002).

However, in addition to the high levels of technology, a fair amount of exports by developing countries are still based on simple labour-intensive operations focusing on assembling mainly imported components as opposed to complex manufacturing or research and development (R&D) (UNCTAD, 2002).

While it is evident, on the one hand, that developing countries have succeeded in recording an increased share in world manufacturing value, the export of primary products and resource-based manufactured products is, at the same time, decreasing progressively (UNCTAD, 2002: 145). Although the structure of MVA within developing countries has remained the same in the last ten years in terms of production contents (UNCTAD, 2002), there have been exceptions. The share of electrical machinery and transport equipment has increased but the share of textiles and clothing has largely dwindled (UNCTAD, 2002). To take this analysis further it is worthwhile highlighting MVA and exports from 1995 to 2005. The table in the exposition below reflects the percentage growth versus manufacturing exports for the period indicated above.

World performance of manufacturing trends since 1995 to 2005 has grown significantly with China in the lead position, as illustrated in Table 2.2 below.

Table 2.2: Manufacturing value added (MVA) and export growth in the world, 1995 - 2005

Region	Manufacturing value added			Manufacturing exports		
	Percentage growth			Percentage growth		
	1990-95	1995-2000	2000-2005	1990-95	1995-2000	2000-2005
World	1.7	3.1	3.5	4.5	4.5	4.9
Developed countries	1.2	2.2	2.0	3.4	3.1	3.0
Eastern Europe	12.6	0.1	1.2	3.1	3.7	1.0
Developing countries	6.6	6.5	7.4	8.5	8.7	9.3
Latin America	2.8	2.2	2.6	2.0	3.3	4.1
Tropical Africa	1.3	3.4	3.7	2.6	4.6	5.3
North Africa & West Asia	4.6	6.1	6.2	3.9	6.2	6.6
Indian subcontinent	4.1	5.5	6.0	6.3	7.4	7.9
East & Southeast Asia incl. China	10.5	8.9	9.6	10.8	9.7	10.2

Source: UNIDO, 1995.

As presented in Table 2.2, world MVA grew from 1.7% in the 1990s to 3.5% between 2000 and 2005. Comparatively, world manufacturing exports grew from 4.5% in the 1990s to 4.9% between 2000 and 2005. In regional comparisons the percentages of MVA and manufacturing export growth for the developed economies between the 1990s and 2005 far less than the growth of developing economies. Between 2000 and 2005, developing economies recorded 7.4% of MVA growth, whereas the manufacturing export growth for developing economies progressively reached a peak of 9.3% during the same period. Within the developing economies, East and Southeast Asia's manufacturing growth record for both MVA and manufacturing exports between 1990 and 1995 were 10.5% and 10.8% respectively, as indicated by Table 2.2. Between 2000 and 2005, manufacturing exports of the Asian block dropped to 10.2%. In this analysis, the performance of tropical Africa was better than that of Eastern Europe and Latin America. The deduction that can be made in this analysis is that the progressive development of manufacturing trends of Asia was due to the extensive growth of manufacturing in China, which placed it in a recognisable position in world manufacturing. China's economic and export growth impact on the global production markets and trade flow is already being felt. A recent survey by the Organisation for Economic Corporation and Development (OECD) revealed that China (6.9%) is set to lead world exports by 2010 against the current largest shareholders of world industrial output, namely: United States (23.3%), Japan (18.2%) and Germany (7.4%) (Bendien, 2006).

Having attempted to highlight global manufacturing trends, the discussions now turn to a presentation of the evolution of manufacturing in Africa which has a small size of manufacturing sector.

2.2 The evolution of manufacturing in Africa

While the preceding section deals with a broad overview of trends in global manufacturing, this section aims at analysing the various stages of Africa's experience in the manufacturing industry from the pre-colonial to post-colonial period. The current economic, social, political, and cultural affairs of Africa can hardly be understood without a thorough and adequate understanding of its historical background. Modern-day successes and failures of the continent are extensively rooted in the historical evolution of its countries. This section distinguishes between three phases in the development of manufacturing in Africa, namely, manufacturing in pre-colonial, colonial and post-colonial Africa.

2.2.1 Manufacturing in pre-colonial Africa

An understanding of manufacturing in pre-colonial Africa is pivotal in order to reflect on the current reality. The fourteenth and fifteenth centuries marked historical events in Africa's civilisation. During these periods, manufacturing production was in its embryonic stage around Benin in Western Africa (Dumont, 1969). African blacksmiths were skilled in producing gold, copper, bronze, and even iron goods (Dumont, 1969). In addition, handicrafts and other primary goods in the form of cotton, vegetable oil, coffee and timber were the sum of production in pre-colonial Africa (Fieldhouse, 1983). According to Rakodi (1997), the content of manufacturing production in pre-colonial Africa was limited largely to clan and family tie arrangements. In this way a range of woven products, metal products, such as knives and metal farm tools, jewellery and chains, leather goods and complex pottery were among the numerous items that Africans produced (Rakodi, 1997). However African manufacturing production was mostly for domestic use.

During this period, Europe was far behind a country like Egypt in terms of manufacturing production, moved from feudalism to capitalism (Chandra, 1992). This concept gave

birth to an industrial revolution in Europe based on technological advancement and knowledge in Europe dating back to the early eighteenth century. Britain was the cradle of this revolution. Other countries like France, Germany and the United States joined the industrial revolution and competed for the needed overseas outlets for investment, supplies of raw materials, and markets for manufactured goods (Chandra, 1992). It was during this period that overseas expansionism flourished and eventually led to colonialism (Chandra, 1992). The next section highlights an analysis of manufacturing in colonial Africa.

2.2.2 Manufacturing in colonial Africa

The aim of this section is to provide information concerning the manufacturing status of Africa under colonial rule. It will be expanded further to give an account of the impact of colonialism on industrialisation in Africa by citing case studies.

During the advent of colonialism, Africa could only boast a minute presence of manufacturing activities. According to Fieldhouse (1983: 53), proprietorship and management of manufacturing activities in Africa were in the hands of foreign managers. During this period Africans were admired for their craftsmanship by Europeans who sometimes hired them as well (Chandra, 1992: 25). In an effort to sustain their control over manufacturing activities in Africa, the colonial masters put mechanisms and controls in place, such as external regulation on tariffs and monetary policies, in tandem with internal controls, which installed bureaucratic governance and a sense of exclusionism (Fieldhouse, 1983: 53). Tariffs in tandem with physical control on trade were common and to the benefit of colonial entrepreneurs. Fieldhouse (1983: 54) viewed this approach as a formidable means of promoting imperial economic policies that boosted colonial masters' share of trade with respect to trade directions and profit accumulation. One of the legal instruments, which augmented the British exploitation of colonial trade in Africa, was the English Navigation Acts. According to this Act, colonial trade goods could only be transported by British ships as all goods exported to Africa (where many countries were under the British rule) had either to be products of Britain or be transhipped to Britain with a view to pay duties in Britain. This situation in turn enabled the colonial masters to levy taxes on colonial trade and made them constantly monitor

and stop goods that were not permitted, from reaching the British colonies (Fieldhouse, 1983: 54). Similarly, internal controls were designed to exclude local people from participating in the decision-making processes of colonies.

In the case of Kenya, when the British settled there, the main concern of the colonial masters was to make the colony financially self-sufficient through the development of commercial agriculture. This project experienced the problem of acquisition of land and labour. This was due to two significant reasons. The first was that, during this period, the government solved the problem of land by declaring crown ownership of land, thereby giving white settlers long leases with initial entitlements of 99 years, which were at a later period converted to 999 years (Chandra, 1992). The second was that the most fertile lands for commercial agricultural practices meant for the production of export produce, were specifically apportioned to the Europeans. This situation was similar to those in most colonies in Africa (Chandra, 1992).

In a similar effort to solve the labour problem, during this period the Kenyan government limited the amount of land left to the Africans with the hope of forcing them to work for the European colonists. The colonial Kenyan government imposed taxes on the local people and foisted custom duties on imported goods, in an attempt to raise the cost of living in Kenya (Chandra, 1992; Amin, 1977). This attempt to compel local people to work for the Europeans caused the local people to manifest reactionary attitudes towards the then government. This intransigence towards the colonial Kenyan government emanated from the fact that indigenous Kenyans viewed the colonial system that was put in place as being aimed at reducing the production of primary exports. It was during this period that the pattern of development in Kenya was very much colonially oriented with its economy closely tied to that of Britain, and its linkages in general were externally influenced by this.

As in the case of Kenya, and in some other places in Africa where indigenous men were refusing to work in foreign factories, they were subjected to various forms of pressure by the colonial masters to get them work for them (Chandra, 1992). For instance, the colonial masters imposed a head or hut tax in order to force people to go for paid jobs as

these taxes were paid in cash. In Sierra Leone the local leadership headed by Bia Bureah Kablai who was later arrested, taken to Ghana and imprisoned until his death, revolted against the hut tax.

In as much as colonialism contributed to the backwardness of industrialisation in the Third World and Africa in particular, in some ways it prepared the ground for a more advanced industrial economy in Africa, whether intentionally or not. For example, Britain promoted the development of railways in order to intensify the exploitation of raw materials. Thus, despite the negative impacts of colonialism, many of the infrastructural developments, for whatever intention they were created, provided the basis on which industrial development in the post-colonial Africa took place.

2.2.3 Manufacturing in post-colonial Africa

This section aims at explaining the background of Africa's post-colonial manufacturing economy and endeavours to highlight key factors that contributed to the slow development of its manufacturing sector and export performance, with South Africa cited as an exemption.

The period immediately after colonialism presented (post-colonial) governments in Africa with economies that were anaemic and had low levels of education. Few African entrepreneurs and a moderate technical change in agriculture were the attributes inherited by post-colonial African governments (Chandra, 1992). This period witnessed strings of economies that were undiversified with small manufacturing capability and a reliance on a few crops or minerals for export earnings, coupled with state structures and policies that were quite insidious (Stein, 2000). Stein (2000) points out that the rapid pace of independence, accompanied by little investment in the African colonial states and civil service were some of many reasons that contributed to the creation of a wider administrative and political abyss.

It was against these characteristics that many developing countries decided to adopt development planning as their launching pad to expedite economic development (Chandra, 1992). This approach saw developing countries embarking on a review of their

industrial policies against their dependence on import-substitution industrialisation (ISI)[2] in the late 1960s, and 1970s. Yet this approach had a number of disadvantages. For instance, the spirit of competition was lacking which resulted to a lack of innovation and deficiency (Chandra, 1992). Consequently, this deficiency in manufacturing contributed to a shortage of African entrepreneurs with knowledge of the ownership and management of industries (Chandra, 1992).

At independence, there was hardly an African owned and operated manufacturing company employing more than ten people, in countries like Kenya, Uganda, and North Rhodesia (Stein, 2000), and the exception of only five such firms in Nyasaland and Tanganyika. Accordingly, a similar pattern was also found in countries such as Sierra Leone, Niger, and Togo. Only Nigeria, Ghana, and Senegal had some form of African ownership in manufacturing (Stein, 2000). Although many countries were lagging in terms of manufacturing advancement, the case of South Africa in many aspects was an exception.

Unlike other countries in Africa, South Africa has a manufacturing industry with a strong base, which placed it in a leading position when compared to many developing countries (Nel *et al.*, 2006). The decades of isolation, a weighty reliance on primary products and global competition are attributed to be the reasons for the inhibiting of further growth, in spite of the shift in global circumstances. However, it is important to note that there are sub-sectors which have strengthened their competitiveness and uplifted their market shares. In the context of South Africa, Bell and Madula (2002), cited in Nel *et al.* (2006) point out that manufacturing is crucial in creating employment and promoting economic growth. However, there are marked impediments to this envisaged growth as a result of a shortage of skills, technology and market access, which are some of the drivers of industrial advancement, as mentioned in Section 2.1 of this chapter. The contribution of manufacturing since 1971 has remained reasonably stable at between 27.1% and 29.5% of GDP in South Africa for a relatively long period (Nel *et al.*, 2006: 50). Similarly,

[2] Import substitution industrialisation is a trade and economic policy which postulates that a country should work towards reducing its foreign dependency through promoting local production of industrial products (Import Substitution Industrialisation, 09/16/08, accessed online: http://en.wikipedia.org/wiki/import_substitution_industrialisation).

manufacturing has increased in terms of exports, and by the early 2000s stood at 53.3% of total exports. This is partly because of the declining role played by mineral exports (Nel *et al.*, 2006: 50). As observed by Nel *et al.* (2006: 50), the share of manufacturing output showed a marked increase from 13.0% to 21.0%, which illustrates that South Africa is progressively becoming an export-oriented economy.

From the highlights of manufacturing production in post-colonial Africa, it is observed that the continent has made very little progress in advancing its production base when compared to the Asian block. However, it is indicated in this section that South Africa has made significant progress in developing its manufacturing industry and is far more advanced than many developing countries. It is therefore, important that African countries embark on a policy revision effort to attune manufacturing production. Such revision should take into account the promotion of manufacturing production drivers as in the case of the Asian block. This will ensure a favourable position for Africa in a highly-competitive global export market (UNCTAD, 2002; UNIDO, 2004: 20).

2.3 Textile and Clothing Production

The aim of this section is to analyse the status of textile and clothing production in Africa and its position in the global market. The main reason for this assessment is that the Lesotho manufacturing economy is mainly based on textiles (see Chapter Three), which has a strong bearing on this study. At the same time it has already been mentioned that textiles and clothing have declined proportionally in comparison to overall world manufacturing outputs. Thus, in order to contextualise the extraordinary growth of the manufacturing industry in Lesotho, the international picture of manufacturing needs to be understood.

The textile and clothing (T&C) industry in Africa is at present meeting with stiff competition in sustaining its position in the global market (Traub-Merz, 2006). The increasing competition in the textile industry faced by Africa can be attributed to the proliferation of imports, especially from Asian countries. Consequently, the impressive T&C sector which kept up its production rates during the phase of import substitution is

declining on the African continent. Not only is this impacting on domestic production for domestic use, it is also threatening exports from Africa (Traub-Merz, 2006).

Despite the above-mentioned threat, serious global attempts have been made to try to revive the T&C sector in Africa. Yet the success of such attempts is dependent on two international processes. Firstly, there are the effects of the changes taking place on global T&C market after the expiry of the Agreement on Textiles and Clothing (ATC), which accorded preferential treatment to Africa's exports (Traub-Merz, 2006). Secondly, there is the restructuring of the multilateral trade system, being debated in the present World Trade Organisation (WTO) Doha round (Traub-Merz, 2006: 9), which has a strong bearing on the future outlook of Africa's textile and clothing industry. It is therefore worth noting that the devising of strategic actions for the survival of the T&C sector and the reviewing of domestic and global trade and industrial policies are of major relevance for the development prospects of many African countries. With the prevailing circumstance of the textile industry in Africa and for purposes of improving Africa's competitiveness in its export industry in general, perhaps the development patterns of successful countries in other regions in exporting textile and clothing are worth emulating in order to reposition and aggressively expand the export base in Africa.

According to Traub-Merz (2006), the shift from an agrarian to an industrial society saw practically all countries, with the exception of Russia and China, going through an initial period of expediting the development of the T&C sector (Traub-Merz, 2006). During this period Russia and China promoted an approach of heavy industries in their first development stages, which resulted in failure that eventually influenced them to introduce different dimensions into their growth pattern in later years (Traub-Merz, 2006). This initial emphasis on the T&C sector in developing countries is also reflected in the available statistics. For example, the exports of developing countries in the mid 1960s stood at around 15.0% of world exports. Comparatively, world textile exports at the same time were just below 25.0% (Traub-Merz, 2006). Asian countries such as Korea and Taiwan dominated the developing countries in the production of T&C and became the leading suppliers in the beginning of the 1980s, followed by China as leading economy in the second half of the 1980s. Since 1984, developing countries increased

their share in global production of textile and clothing by more than 8.0% (UNIDO, 1995: 24). In 2000, these Asian countries (Korea and Taiwan) as mentioned in these highlights, had shares in the T&C, which exceeded 50.0% and 70.0%, respectively.

In the light of the above increasing disparities within developing countries, there is a need to further qualify and distinguish between advanced developing countries and least developing countries (LDCs). Between 1995 and 2003, the LDCs' global exports output from T&C increased from 2.0% to 5.0%, complemented by an annualised average growth rate of 15.7% (Traub-Merz, 2006). As part of a labour-intensive manufacturing sector, the textile, and more so the clothing industry, may be well regarded as the first step towards industrialisation. In the light of this rhetoric, Traub-Merz (2006) mentioned three points that are worth noting. Firstly, historically, no industry could survive the test of open competition both on domestic and foreign markets before it reached a stage of maturity in which protectionism was the order of the day. Secondly, it is worth noting that the core aim of levying customs duties and other protective measures was to equalise productivity differentials. Thirdly, most countries applied a full import ban with the purpose of protecting their own industry, as in the case of a ban against Indian textiles to Britain and goods from Lesotho to South Africa (see Chandra, 1992; Wellings, 1984).

The core deduction from the lessons of successful countries in textile production is that using the T&C path may still be a promising venture for African countries that are interested in promoting export production. It allows comparatively easy entry; it is labour intensive and may provide African countries with a 'competitive advantage' owing to, amongst other factors, relatively low wage levels – factors which will be discussed in more detail in Chapter Three. Yet, the development of a T&C sector in Africa will be less dependent on domestic trade regulations but more related to international trade relations. The next section deals with the current situation regarding trade preferences and their implications for Africa's development.

2.4 Africa and its trade relations

In a period when budgetary restrictions have become tighter and the amount of foreign development aid to developing countries has declined, the importance of preferential

market access agreements is prominent. These agreements are established to help the poorest countries in Africa to develop. To appreciate the importance of the trade relations that have resulted from the preferential access agreements, an analysis of the effectiveness of these trade relations is necessary. To this end, this section aims at analysing the status of Africa's trade relations and their impact on Africa's global manufacturing exports by reviewing the evidence on the effectiveness of the four most significant trade regimes, namely: the General System of Preferences (GSP), the Cotonou Accord, the European Union's (EUs) EBA agreement and the US's AGOA.

2.4.1 The General System of Preference (GSP)

In 1968, a recommendation for the creation of the GSPs was made by UNCTAD, which specified that industrialised countries would award trade preferences to all developing countries (Shaffer and Apea, 2005:3). This in essence permits developed countries to establish individual GSP Schemes.

Since UNCTAD made this recommendation as indicated earlier in this section, a number of developed countries have put the GSPs into practice. In this regard, the European Community became the cradle of the GSP scheme in 1971 along side the US and Japan (European Commission, 2006:1). The EU's GSP scheme awards beneficiary countries to import their products on either duty – free access or on a tariff reduction (Shaffer and Apea, 2005).

According to Cooper (2006:1), the primary purpose of establishing the GSP is to promote economic growth in developing countries and countries in transition by rousing their exports in the industrialised markets.

Since the establishment of the GSP, more than 4, 600 products from over 140 beneficiary developing countries are eligible for duty-free treatment under GSP and another 1, 783 product categories eligible for duty-free treatment to least developed countries. In 2005, the United States imported $24.5 billion under the GSP scheme (Cooper, 2006: 2).

It is important to note that the relevance of the GSP system for Africa is limited to Sub-Saharan Africa, with South Africa being the principal beneficiary of the scheme, and in fact, that was at the end of apartheid. To be exact, only 3.2% of African exports enter under the European GSP (OECD, 2004:53).

Cline (2003:66) already noted that, despite the seeming appropriateness of the GSP, in practice it tended to be relatively restrictive. One of the major weaknesses of the GSP is that it has always been a purely concessionary scheme on the part of the industrial countries and is in no way contractual. This means that it is never based on mutual agreement. Cooper (2006:1); Curry, (1972:286) further observed that the nature of the GSP is a one-sided grant of tariff concessions in that developing countries are not obliged to extend equal tariff reductions.

The words of Harry G. Johnson cited in (Curry, 1972) also echoed this trade imbalance as he had this to say…

> "The effectiveness of the policy of initiating the tariff structure of the developed countries [was] … to produce a self-limiting type of growth, based on import-substitution in consumer goods for the home market, discriminating against the production of capital goods and exportable manufactures, and entailing increasingly severe dependence on imported capital equipment and materials and parts and consequently increasingly vulnerability of growth programme to balance of payment crises".

In light of this trade imbalance necessitated by the GSP, until the mid 1960s, developing countries reacted to this situation, which eventually led them to impose similar tariff structures (Curry, 1972: 285).

While on the one hand the effectiveness and success of the GSP from the perspective of the developing countries is mixed, on the other hand, most developed countries have complied with the responsibility to generalise their schemes by presenting benefits to a significant number of beneficiaries nearly every non-OECD countries (Wikipedia, 2008). However, by design most GSP schemes are not entirely generalised with regard to products, at least most products of export interest to developing countries. For instance,

the United States and a reasonable number of advanced industrialised countries, local manufacturers of "simple" goods, such as textiles, leather goods, ceramics, glass and steel, have long indicated that they entertain competition of large quantities of imports (Wikipedia, 2008). Thus such manufactures have been excluded from the GSP coverage under the U.S, so as many other GSP schemes.

The deduction to be made is that the GSP system only benefited South Africa, though it was introduced to many countries in Africa with the principal aim of helping poorest countries to achieve development objectives. It is perceived to be one-sided in favour of its pioneers. The EU's GSP is the most generous compared to the others, but to rouse up exports from developing countries further, there is a serious need to improve on the rule of origin as Kersjes and Yu1, (2008;1) observed. The next trade regime worth discussing is the Cotonou agreement.

2.4.2 The African Caribbean Pacific (ACP)/Cotonou agreement

Trade cooperation under the Lome convention, which was later renamed as the Cotonou agreement was fundamentally based on preferential tariffs. The Cotonou agreement came into being in 2000. It serves as a replacement to the Lome convention and focuses on promoting the progressive integration of the ACP countries into the world economy. The broad objective of the Cotonou agreement is to ensure the continuation of Euro-African economic cooperation, cultural and social development of the ACP states, with the intent of enhancing peace and security and accelerating stable democratic political governance. Overall 77 countries, of which 48 were from Africa, signed the agreement. This is a similarity that the agreement shares with the GSP. The aim of this agreement is achieved through enhancing production and the capacity to attract investment in conformity with the WTO rules. This approach emphasises five basic components according to the Africa Development Bank (2006): i) trade liberalisation; ii) the adoption of a transparent competitive policy; iii) the protection of intellectual property rights; iv) standardisation and certification, and v) financial cooperation based on the assessment of need and policy performance which will cover debt (and support for debt relief), together with structural adjustment support.

It is crucial to evaluate the impact of this trade preference on Africa's exports in order to appreciate the agreement as such. It seems as if the impacts of this agreement were minimal. According to (Kennan and Stevens, 1997) there is a wide variation between different countries in the usage of the Cotonou tariffs, with countries like Mozambique, Swaziland and Malawi benefiting significantly from the tariffs. On the other hand, countries like Angola and the Democratic Republic of Congo hardly benefited at all. Kennan and Stevens (1997) attempted to quantify the loss of preferences, if beneficiary countries had been transferred to the Standard GSP after the termination of Lome IV in 2000. They indicated that there would have been widespread effects from any preference loss. Every single non-LDC ACP country would have been affected by the loss of relative preference if it had been transferred from Lome to GSP. They explained that it would have resulted in countries like Côte d'Ivoire and Nigeria suffering the largest losses. However, other non-LDCs such as Mauritius, Ghana, Senegal, Cameroon and Kenya would also have been seriously affected. On a positive note, the Cotonou agreement is more relevant to the promotion of export trade in Africa than what would have happened if the Lome agreement, at the end of its life span, had been transferred to the standard GSP system. In a continuing effort to integrate developing countries into their markets, the EU created the EBA agreement. This agreement is discussed in the next section.

2.4.3 Africa and the Everything But Arms (EBA) Agreement

The EBA grants LDCs non-reciprocal, duty-free access to their markets and opens up the EU markets ostensibly to all products from participating countries including those in Africa. In the EBA arrangement, beneficiaries from the LDCs require formal recognition from the United Nations. Many Sub-Saharan countries have been advocating for duty-free access to the European markets, and many have already achieved this aim. However, as a result of its composition, EBA has serious repercussions for the seven Sub-Saharan Africa countries, which are not LDCs, and have thus been left outside the list of beneficiaries of EBA, namely: South Africa, Kenya, Botswana, Zimbabwe, Namibia, Nigeria and Côte d'Ivoire (Oxfam, 2002). Currently, approximately 2100 products already enter the EU market duty-free. Under these arrangements, practically all other products are covered by EBA and are granted duty-free access (zero duty rate) to the EU

markets on the condition that participating countries fulfil the rules of origin requirements (Oxfam, 2002: 101). With the introduction of the EBA, a number of examples of benefiting African countries began to emerge. Included in this number is Mozambique, which has access (though quota-limited) to the EU over an eight-year transition period running to 2009 (Oxfam, 2002: 102).

To date, Brenton (2003) has produced, as evidence, one of the most methodical reviews on the impact of EBA. He presents this review by analysing and comparing trade data for the years 2000 and 2001, and shows that the changes introduced by EBA in 2001 were relatively minor for the currently exported products, because over 90.0% of EU imports from the LDCs were in products which the EU had already liberalised and from which barriers had been removed. Brenton's opinion is also shared by Wusheng and Jensen (2004) who carried out a simulation exercise which indicated that total welfare of the EBA was less than $300 million for all the LDCs. As evident from these reviews, EBA alone is not expected to have a significant impact on the exports of African LDCs. Furthermore, there is a problem of capacity to exploit the benefits from these preferences; the UNCTAD Report (2004: 250) indicates that the low utilisation ratio is basically explained in the context of its challenges which include: "insignificant magnitude of the potential commercial benefits, the lack of technical knowledge, human resources and the institutional capacity to take advantage of preferential agreements. According to the report, in-depth knowledge of national tariff systems in various preference-giving countries, and conditions attached to the realisation of the potential benefits of the preferences is required. This requirement is pertinent because effective benefits of market access preference provided by Quad countries[3] are being significantly limited also by their unpredictability and by non-tariff barriers, notably rules of origin and product standards". EBA made the EU become the world's first major trading power to commit itself to opening its markets fully to the world's poorest countries, and thereby improved trading opportunities for LDCs. However, there are concerns regarding its immediate impact. In a similar effort to help improve on the accessibility of Africa's exports to global markets, the United States government established the AGOA, highlights of which are presented in the subsequent section.

[3] The Quad countries are Canada, EU, Japan and the United States

2.4.4 Africa and the African Growth and Opportunity Act (AGOA)

Established in 2000, AGOA, also known as the US-Africa Trade and investment initiative, has a slightly different aim from other agreements and conventions discussed previously. It is an Act promulgated in the US to enhance trade relations between the US and Africa. It offers a new opportunity to strengthen US-Africa trade and economic relations. This trade and investment initiative recognises the achievements of many countries in Africa in pursuing economic and political reforms (African Development Bank, 2004). AGOA has as its mandate, the promotion of exports from beneficiary African countries. To give effect to such a mandate, the Act provides duty-free access to US markets of products originating from beneficiary African countries (African Development Bank, 2004). However, the eligibility to duty-free access is conditional in that beneficiary countries must demonstrate a sense of establishing, or making progress towards the following: i) market-based economies; ii) the rule of law and political pluralism; iii) elimination of barriers to US trade and investment; iv) protection of intellectual property; v) efforts to combat corruption; vi) policies to reduce poverty; vii) increased availability of healthcare and educational opportunities; viii) protection of human rights and worker rights, and ix) elimination of certain child labour practices (African Development Bank, 2004).

Since the establishment of AGOA, evidence suggests that some African countries have benefited from the AGOA agreements. For example, South African exports under AGOA to the United States of America (USA) were 45.0% higher in 2002 than in the preceding year (UNCTAD, 2002). Nigeria accounted for more than 60.0% of all AGOA exports to the USA (the bulk of this trade is related to the oil industry). There is also evidence to show that beneficiary countries have seen an increase in export-oriented FDI linked to AGOA; companies from Taiwan Province of China are the main investors in Lesotho's garment industry (UNCTAD, 2002: 199).

It can therefore be deduced that trade agreements that are being utilised by the developing African countries are restrictive in the sense that their coverage is limited to particular sensitive products. The pertinent question at this point is: 'if trade preferences are meant

to help poorest economies, why will they be structured so one-sidedly and not be based on contractual premise?'

In summary, it is submitted that, although these trade agreements have facilitated the integration of Africa's exports into global markets, these arrangements limit Africa's export expansion to global markets. This is because these trade agreements are restrictive to the rules of origin and concessionary in nature and not on contractual basis. Because of the characteristics of these trade agreements, the process of attaining the envisaged development objectives for the continent for which these agreements are established is inhibited. Table 2.3 below presents a comparison of these trade preference agreements for African states.

Table 2.3: A comparison of Africa's trade agreements, 1971 – 2001

Regime	Year of inception	Significance	Limitation
GSP	1971	GSP was established to help poorest countries to achieve their development objectives through preferential concessions given to exports from Africa and other developing countries. South Africa was the principal beneficiary of the GSP.	The GPS was viewed by participating countries as one-sided – based on concessionary and not on contractual premise. Preferences were given to goods that were not favoured by the exporters. Modification to the GSP system was arbitrary, which undermined the achievement of development objectives of so-called beneficiaries. Many African countries did not benefit from the GSP system. Advocated for a strong observation of the rule of origins.
Cotonou	2000	The focus here was progressive integration of ACP countries into the global economy for improved economic, cultural and social development of the ACP states with the intent to enhance peace and security and accelerate stable political democratic governance. The Cotonou agreement offers duty-free concessions for Africa's exports. The Cotonou agreement promoted Africa's exports to the EU markets more than the GSP did. Amongst other things, the agreement promotes trade liberalisation, the adoption of transparent competitive policy, the protection of intellectual property rights, standardisation and certification.	There were variables in the utilisation of the Cotonou agreement, which saw countries like Mozambique, Swaziland, and Malawi benefited significantly. Countries like Angola, Democratic Republic of Congo hardly benefited. The agreement calls for adherence to the rules of origin in Africa.
EBA	2001	EBA gives non-reciprocal, duty-free access and opens up EU markets to all products from participating countries. The Agreement ensures a broader coverage of Africa's exports to the EU markets. EBA made the EU the first region to open its markets to poorest countries. EBA facilitated 2100 products to enter the EU markets.	Only covered products that are already liberalised by the EU. EBA posed serious repercussion for seven Sub-SSA countries, which are not LDCs namely: South Africa, Kenya, Botswana, Zimbabwe, Namibia, Nigeria and Cote d'Ivoire already left out of the list. EBA is also restrictive.
AGOA	2000	The focus is to promote exports from beneficiary African countries. AGOA provides duty-free access to the US markets to products from beneficiary countries observing the rules of origin. African countries have recorded some benefits from AGOA. Countries like South Africa, Nigeria, and Lesotho being the largest exporters of textile to the USA, have benefited under the AGOA agreement	AGOA, like any other trade agreements, is restrictive. African rules of origins regulations as a condition for market access into the USA, thus reducing scope for international sourcing of inputs.

It is a general notion that FDI has a major role to play in improving or expanding manufacturing exports. Against this notion, this analysis turns to a narrative review of the trends of FDI flows in the world.

2.5 Foreign direct investment (FDI) and manufacturing in Africa

It has already been mentioned that the new International Division of Labour played a crucial role in creating industrial flexibility (see Section 2.1). At the same time globalisation had also led to increasing FDI. The aim of this section is to review the general development regarding FDI flows worldwide with a view to determining the FDI role in investment promotion, especially in Africa, where FDI is seriously needed to promote development through export production. This section starts with a review of FDI trends in the developed economies and is followed by a review of FDI trends in Africa.

2.5.1 Overview of world's foreign direct investment (FDI)

The estimates of the United Nations (2004 - 2007) indicated that total FDI flows reached new record levels in nearly every year of the 1990s and increased investment flows were taken for granted in a number of countries. However, in 2001, FDI plunged, and a marked decline in the global flow of FDI occurred in subsequent years (see United Nations, 2004 - 2007). This decline in FDI resulted to a number of Transnational Corporations (TNCs) in many countries scaling down their investment plans or reducing their operations in their home countries (United Nations, 2004 - 2007). The consequent repercussions were that this situation forced many companies to sell their foreign assets to pay off debts they had accrued earlier when trying to speed up overseas expansion that was based on expensive mergers and acquisitions (M&A) deals (United Nations, 2004 - 2007: 1).

In the light of the above developments, a future increase in the global FDI flows depends on a number of macro and micro reviews and policy revitalisations, as well as an improvement of specific events in investors' plans. The next section provides an analysis of FDI flows in the developed world.

2.5.2 Foreign direct investment (FDI) trends in the developed world

In 2003, the developed countries experienced a 25.0% fall in FDI flows. A case in point is the North Americas where the main reason for the drop in the inflow was a decrease in FDI flowing into the US (-53.0%). This decline came about mainly as a result of the repayment of intra-company loans by foreign affiliates to their parent firms. FDI inflows declined by 19.0% in the EU. This decline was attributed to slow economic growth in tandem with a fall in equity investment (United Nations, 2004 - 2007). Despite the decline in FDI flows, macroeconomic and microeconomic indicators suggest an upturn in FDI. It is expected that GDP growth in the USA, Japan, and the EU should increase to some degree, and this is expected to have a wider coverage that incorporates some countries that experienced low or negative growth rates in the past (United Nations, 2004 - 2007: 20). This review now shifts to FDI trends in Africa.

2.5.3 Foreign direct investment (FDI) trends in Africa

While FDI flows remain a boon for poor countries, it has not always benefited countries despite extensive efforts to attract FDI. This section aims at reviewing the extent to which Africa attracted FDI inflows.

According to Asiedu (2002), from 1980 to 1998, SSA FDI increased by 59.0% compared to an increase of 5200.0% for Europe and Central Asia. East Asia and the Pacific accounted for 92.0%, and South Asia recorded 740.0%. Latin America and the Caribbean registered 455.0% and 672.0% respectively for the totality of all developing countries. In 1996/97, South Africa, Nigeria, Angola and Côte d'voire attracted close to 65.0% of total FDI flows in Africa (UNCTAD, 1999). These flows came to about two-thirds of the continent's GDP during the same period. Table 2.4 below shows FDI inflows and the GDP rating of some African countries.

Table 2.4: FDI inflows and GDP: Ranking of 29 African Countries, 1996 – 1997 (Million Dollars)

Country	Net FDI inflows	GDP
South Africa	2313.5	129 094
Nigeria	1566.0	36 540
Côte d'lvoire	305.1	10 251
Angola	265.5	7396
Tanzania	154.0	6707
Uganda	148.0	6555
Namibia	109.9	3453
Ghana	101.3	6762
Senegal	92.2	4542
Mozambique	68.3	1944
Zimbabwe	66.5	8512
Zambia	64.0	4051
Mali	61.6	2532
Mauritius	46.7	4151
Cameroon	40.0	9115
Benin	31.5	2137
Guinea	20.6	3998
Chad	16.5	1603
Kenya	16.2	9899
Madagascar	12.1	3552
Congo, Republic	8.5	2298
Central African Republic	5.5	954
Ethiopia	5.0	6330
Rwanda	2.4	1771
Congo, Democratic Republic	1.5	6904
Malawi	1.5	2424
Burundi	1.0	1137

Source: Morisset, 2001: 6

According to the World Bank (2001) FDI increased from $24 billion (24.0% of the total foreign investment) to $178 billion (61.0%) of total foreign investment respectively between 1990 and 2000. This increase was largely because of an increase in FDI into South Africa. This development emanated from cross-share holdings of London-listed Anglo American and De Beers of South Africa (UNCTAD, 2002: 49). Furthermore, this increase in FDI inflows can be attributed to the fact that Anglo American purchased the De Beers share by paying mainly South African-based owners with Anglo American shares. The other increase of FDI resulted from the sale of a 36.0% stake of Moroc-Telecom to foreign investors, which complemented inflows into Morocco to nearly $2.7 billion in 2001 (UNCTAD, 2002: 49). Most countries in Africa were unable to benefit from the FDI boom despite efforts made to attract FDI. In short, this is because Africa is far behind Asian countries, for instance, in establishing key drivers that will attract

foreign investors to relocate their operations to Africa - South Africa being an exception to this. Undoubtedly, FDI's role as a source of capital has become increasingly important to Sub-Saharan Africa (SSA). This stems from the fact that income levels and domestic savings in the region are very low. As Asiedu (2002) comments, "external capital as a result, is needed to supplement domestic savings in order to spur investment and growth". Reasons for the trends in FDI in Africa are discussed below.

2.5.4 Key reasons for foreign direct investment (FDI) trends in Africa

The aim of this section is to highlight factors that influence the inflows of FDI to recipient countries. International investment, notably FDI, is seen as crucial for the advancement of developing countries in view of their industrial expansion.

According to (Wheeler and Mody, 1992), FDI flows have been scrutinised by a range of analytical and empirical studies. Scholars have not all agreed on the factors that play a role (Wheeler and Mody, 1992). However, natural resources and market size are critical reasons in TNCs relocation decisions. This view was reiterated by Morisset (2001), who said that African countries that succeeded in attracting more FDI have been those with substantial assets such as natural and mineral resources as well as large domestic markets. This list of reasons is extended by (Blomstrom and Kokko, 2003: 4), who state that the fundamental interest, apart from market size and natural resources, lies in the level of real income, skills levels in the host economies, the availability of infrastructure and other resources that complement efficient specialisation of production, trade policies, and political and macroeconomic stability.

The UNCTAD (2005) brings to light the intensity of FDI in oil-producing states such as Nigeria, Equatorial Guinea and Angola (UNCTAD, 2005 [a]). According to UNCTAD (2002), between 1996 and 2000, 54.6% of accumulated FDI into SSA flowed into the primary sector with manufacturing accounting for 20.6% while 24.8% went into the service sector (UNIDO, 2005: 14). In the context of Africa in general, countries which can offer large domestic markets or natural resources, are efficiency driven by the search for cost-saving and maintenance, and have assets driven by the enlargement of existing assets through joint ventures in order to sustain a competitive position, have attracted

more FDI (UNIDO, 2005: 1). As earlier noted in this section, South Africa, Nigeria, Côte d'Ivoire and Angola have traditionally been the main recipients of FDI within the region. In 1997, it was found that Mozambique, Namibia, Senegal and Mali were perceived as the countries with the most attractive investment environments as compared to countries with bigger domestic markets (Kenya, Cameroon and Congo).

In summary, FDI for many developing countries is the most direct path along which to start industrialisation and enter international markets. However, foreign investors may only come to host countries if minimum requisite investment drivers that will inspire the interest and confidence of the business communities are provided (UNIDO, 2005: 1).

2.6 Global experience of foreign direct investment (FDI) and manufacturing

A number of objections raised by Third World countries regarding TNCs and their business conduct such as production of inappropriate products, use of their economic power to influence government policies as well as destruction of the economies of host nations, are all examined. This section gives a broad account of global experience in FDI and manufacturing.

There have been numerous concerns raised by many Third World countries, especially those in Africa, about how TNCs conduct their businesses within these countries (Todaro, 1987). According to Streeten (1973), the activities of TNCs fortify dualistic economic structures and widen income disparities. Because of this blurred business milieu, the impact of TNCs' operations on the host economies is uneven. The focus of the TNCs tends to promote and protect a small number of well-paid advanced sector workers as opposed to the interests of the rest, by widening the wage gap differentials. Another concern regarding TNCs is that they are perceived to be diverting resources away from much needed food production to the manufacturing of high-tech products that are primarily targeting the needs of the local elite. On the whole, they tend to increase the imbalance between the rural and urban economic opportunities. This is done by TNCs locating their firms in urban areas, thus contributing to the accelerated flows of rural-urban migration, which has shattering effects that cannot be overemphasised (Todaro, 1987). TNCs are capable of creating inappropriate consumption patterns through

advertising and their monopolistic market power. The local resources, as a result, tend to be allocated to society's undesirable projects (Todaro, 1987). It is worth noting that TNCs use their economic power to influence government policies in directions that are not propitious for development. TNCs have the capability of virtually extorting sizeable economic and political concessions from competing LDCs' governments. TNCs do this by lobbying for excessive protection, tax rebates, investment incentives and access cheap provision of factory sites/shells and essential social services. TNCs' private profits, therefore, in most cases may exceed social benefits.

In spite of TNCs' contributions to the developing countries, the fact remains that TNCs may use their superiority, global networks, advertising skills and a spectrum of support services to severely damage economies of host countries through restraining domestic entrepreneurs and local competitors. In many ways this inhibits the range of small-scale local enterprises. The problem, however, can be overcome if most governments in the LDCs are willing to accept the challenge of supporting small-scale local enterprises with a view to promoting the culture of national control over domestic economic activities (Todaro, 1987). Politically, TNCs can gain control over local assets and jobs, thereby considerably influencing the direction of political decisions at all levels within the host country. Todaro (1987) remarks that, in extreme cases, TNCs could even undermine the very political process of the host nation by directly offering kickbacks to corrupt public officials who are in positions of authority.

TNCs are also capable of paving their ways through making indirect generous contributions to political parties that are in control of state power, with the ultimate hope of getting lucrative concessions. According to Gichira (2003), FDI must thus be strategically directed to industries that will impact positively on the host country on both a short- and long-term basis. Some transnational companies are conducting activities that pollute the environment in developing countries, taking advantage of the low environmental policies/standards that exist in the host countries. The exploitative traits demonstrated by TNCs have also raised a lot of concerns about international companies devaluing the work of local labourers (Gichira, 2003). One of the countries in the world that can boast about FDI is Singapore. Long-term direct foreign investment has played a

significant role in promoting economic development and growth in Singapore (Donghyun, n.d.). The expansion of an export-oriented manufacturing sector, which contributed to building the foundation for the city-state's transformation, was facilitated by foreign multinational corporations (MNCs).[4]

While TNCs can contribute to public revenue through cooperate taxes, there is probably a possibility that such contributions are considerably less than what is expected because of a number of factors. For instance, in liberal tax concessions, excessive investment allowances, hidden public subventions and tariff protection provided by the host government all point to justifying this claim. In the light of the foregoing argument, it would seem pertinent to delve into the reason why developing countries, (including African countries) do not benefit much from the global trade facilitated by FDI. The answer might be related to the fact that TNCs tend to dominate the local markets and the resultant effect is stifling the growth of local or indigenous entrepreneurship. Gichira (2003) indicated that the management entrepreneurship skills, technology and overseas contacts provided by TNCs have little or no impact on developing sources of these scarce skills and resources. Gichira (2003) also observes that this compounds the negative impacts of TNCs on sustainable growth in developing countries leaving the host countries with many costs to face. Low wages in FDI manufacturing has featured prominently in economic and sociological literature. Vijaya and Kaltani, (2007: 83) observed that FDI-flows are associated with a negative impact on manufacturing wages for men and women. Vijaya and Kaltani, (2007: 86) also argue that as foreign investments stimulate a destructive focus on the global exporting industry, a close society of elite employment is manifested which simultaneously makes many workers redundant by adopting and utilising capital intensive technology. This in turn will promote inequalities. Furthermore, while work contracts can indicate the number of hours worked, they cannot adequately ensure the actual level of work effort during those hours. This tendency is a source of exploitation of manufacturing workers, as observed by (Vijaya and Kaltani, 2007: 86).

[4] The information on the positive contribution of FDI in Singapore was extracted from a report on foreign Direct Investment and Corporate Taxation: Overview of Singapore Experience by associate Professor Donghyun Park, Economic Division, School of Humanities and Social sciences, Nanyang Technological University, Singapore.

2.7 Conclusion

This chapter has given a historical background of industrialisation and its influence on the trends of world manufacturing, and highlighted its effects on the changing economic and development transformation of Africa. The chapter also endeavoured to set the platform for the rest of this study. It is evident that world manufacturing trends have generally changed in both method and volume, and its lines of operation have increased in the past decades when compared with the early period of industrialisation. This is attributed to the fact that World manufacturing is now structured to suit the demands of global economic intentions, which necessitates stiff competition to access global markets and high levels of technology. In this prevailing situation, most developing countries, with particular reference to Africa, have not been able to catch up with the rest of the world in manufacturing outputs. There is therefore a need for policy makers to pay much attention to strategising actions that ensure the promotion of key drivers if the continent is to catch up with Asian manufacturers. There are exceptions, as in the case of South Africa, which is far more advanced in manufacturing than many African countries. This chapter has illustrated that trade preferences given to Africa's exports have vital roles to play in integrating exports from Africa in global markets. Although these trade agreements have had positive impacts they have mostly been designed from the host country's perspective.

To summarise, it is pertinent to say that the prevailing circumstance in world manufacturing serves as a wake-up call for African countries to be more read to promote industrial activities to catch up with the rest of the world and to put structures in place to compete globally. Having discussed the evolution of global manufacturing, the next chapter will be devoted to highlighting the historical development of manufacturing in Lesotho which has benefited from many of the agreements, but also experienced extensive FDI flow.

CHAPTER THREE: HISTORICAL DEVELOPMENT OF THE MANUFACTURING INDUSTRY IN LESOTHO

3.0 Introduction

In Chapter Two of this study, international manufacturing trends were discussed. Reference was also made to the contribution of FDI in the manufacturing industry in Africa. In this chapter, the focus turns to the development of the manufacturing industry in Lesotho. Despite the problems encountered by the manufacturing sector in Africa, Lesotho has seen an extraordinary growth in its manufacturing sector. The question now arises as to how Lesotho has managed to grow its manufacturing sector.

The aim of this chapter is to give an account of manufacturing development in Lesotho and its decisive contribution to the economic growth and development of the country. Firstly, in order to conceptualise the manufacturing industry, the chapter considers an overview of Lesotho's economy in which specific economic sectors that contribute to the economic growth of the country are analysed. Secondly, it turns to the evolution of the manufacturing industry in Lesotho, including an analysis of the origin of investment incentives, which served as supporting pillars to expand manufacturing activities. Thirdly, the chapter focuses on assessing manufacturing trends and contributions to economic growth and development in Lesotho. This section also analyses locational aspects of manufacturing firms in Lesotho. Fourthly, the chapter presents an analysis of Lesotho's current investment incentives and trade relations, culminating in comparisons between them in order to highlight their specific contributions to the advancement of Lesotho's manufacturing industry. Next, the chapter discusses the current problems encountered by the textile and clothing industry and highlights efforts made by the Lesotho government to reverse the situation. Finally, it highlights the perceptions and reactions of the Basotho (citizens of Lesotho) towards foreign investment in Lesotho and identifies key points that are discussed in this chapter.

3.1 The Lesotho economy

This section aims at analysing the performance of the economy of Lesotho. It starts off with an overall picture of the economy, epitomising its core indicators. The section also highlights Lesotho's foreign trade and its contribution to economic growth.

3.1.1 Historical overview

Lesotho, a largely mountainous and landlocked country, has a population of less than two million people (Burea of Statistics, 2006). Historically, agriculture has played a significant role in the economic development of Lesotho. Since the 1950s, however, fixed-length contracts for employees working in the gold and diamond mines in South Africa have been the most important source of income for Lesotho citizens. These earnings support families back home (World Bank Independent Evaluation Group, 2007) but have decreased substantially over the past fifteen years.

According to Sandrey, Matlanyane, Maleka and Van Seventer (2005), the end of the 1980s saw a marked structural and economic policy transition in Lesotho, which was attributed to three factors. Firstly, one can attribute it to the commencement of the Lesotho Highlands Water Project in 1986, which resulted in the building of the Katse Dam (Horning, 2007:43). Through this project, water and electricity are supplied to South Africa's vital Vaal industrial area in return for about US $24 million a year. This further resulted in the creation of jobs and improving infrastructure in the form of upgrading roads, the construction of clinics, and the erection of electric power lines and substations (Horning, 2007: 43).

Secondly, the implementation of the structural adjustment programme in the 1988/89 fiscal year brought about considerable changes in the country. It triggered increased employment opportunities and there was vibrant economic growth, which was attributed to sound macroeconomic management. Thirdly, a further structural change stemmed from the speedy development of the textile and garment industry that attracted large foreign investments mainly from South Africa and Asia. This was made possible by intensive campaigns mounted by the government of Lesotho to attract foreign investment (Sandrey *et al.*, 2005).

3.1.2 Economic performance

Having contextualised Lesotho's economy in Section 3.1, the focus now turns to a more detailed assessment of current economic performance. Lesotho has recorded an improved growth rate since 1990 because of the contributions of key sub-sectors (Sandrey *et al.*, 2005). This improved performance is highlighted in Table 3.1, which sets out selected macroeconomic indicators.

Table 3.1: Core economic performance indicators in Lesotho, 2002 - 2008

	Actual		Estimate Projected				
	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9
	(Annual percentage change, unless otherwise specified)						
Gross domestic product	3.2	3.3	2.0	1.3	1.9	2.4	2.5
Gross national product	3.4	3.6	2.3	1.7	2.1	2.2	1.7
Exports, f.o.b	29.8	32.0	36.4	4.8	3.5	-2.3	1.0
Imports, f.o.b	22.6	27.2	24.9	1.0	1.5	0.6	2.7
Consumer price index (period average)	9.6	6.4	4.3	5.0	5.0	5.0	5.0
	(As percentage of GDP, unless otherwise specified)						
Investment and saving							
Gross domestic investment	42.9	40.5	34.9	35.4	35.8	36	36
Gross national savings (including remittances)	24.3	29.8	32.1	28.9	26.7	26.8	25.6
Government budget							
Revenue	40.1	41.7	44.6	47.8	53.5	52.3	45.3
Total grants	3.9	2.2	2.6	1.6	2.9	2.8	2.7
Total expenditure and net lending	48.4	43.1	43.5	45.2	53.6	51.8	50.4
Overall balance (excluding grants)	-8.3	-1.4	6.5	2.6	-0.1	0.5	-5.1
Overall balance (including grants)	-4.3	0.8	9.1	4.2	2.8	3.3	-2.4
Government debt	99.4	76	60.6	64.9	61.4	57.1	53.3
Domestic debt, net of deposits	0.8	-2.2	-3.7	-3.8	-2.3	-1.2	-0.2
External debt-service ratio (as percentage of exports of goods and services)	11.8	9.1	7.3	12.5	7.9	7.7	6.9
Current account balance							
Excluding official transfers	-35.1	-25.7	-22.2	-25	-26.1	-26.1	-26.3
Including official transfers	-18.6	-10.8	-2.8	-3.2	-6.1	-7.1	-10.4
Gross official reserves (end of period) (in millions of U.S. dollars)	408.4	436.9	507.7	474.4	442.6	418.7	384.3
(In months of imports of goods and services)	4.3	3.8	4.5	4.1	3.8	3.5	3.2
Memorandum items: GDP at current prices (millions of maloti)	7 541	8 249	8 935	9 388	10 008	10 763	11 587

Source: Sandrey *et al.*, 2005.

A number of key observations should be made in respect of the above table:

- The table indicates that the growth in GDP stood at 3.2% in 2002/03 and increased by 0.1% between 2003 and 2004. GDP growth was 2.0% between 2004 and 2005, but picked up to 2.4% between 2007 and 2008. It is predicted in the analysis that, during the course of 2008 and 2009, GDP growth will rise to 2.5%.
- According to Table 3.1, however the Gross National Product (GNP) grew by 3.4% and 3.6% between 2002 and 2004 respectively but dropped to 2.2% between 2007 and 2008. A further drop of 1.7% is predicted for 2008 and 2009.
- The investment and savings as a percentage of GDP performed significantly, with a recorded percentage of 42.9 between 2002 and 2003 and constant fluctuations experienced right through to 2007 and 2009. It is, however, predicted that it will reach 36.0% during the course of 2008 and 2009. Revenue in the government budget registered 40.1% and increased by 1.6% between 2003 and 2004, as reflected in Table 3.1. It is expected to reach a peak of 45.3% by 2008/09.
- Government debt as a percentage of GDP has also declined steadily over the past years and this can be attributed to effective macroeconomic management.

The broader picture of Lesotho's economy is that, when compared to the regional average, it has done well in uplifting the standards of living for its people, and it has strong potential to do even better. Its per capita income, as for 2004, stood at only $550, with 43.0% of its population living below the poverty line of one US dollar a day (Pawlowska, 2004: 3).

At an annualised growth rate of about 3.5%, the per capita GDP will grow slowly, reaching $712 in the 2022. Pawlowska (2004) observed that, if the growth rate could be augmented to an annualised 5.5%, the end result will be exponentially different as the per capita income will rise to $1053 by 2022. According to Pawlowska (2004), this trend will put Lesotho among middle income countries.

To summarise, the reality on the ground is that, although the economy improved in factual terms over the years, it continues to experience major challenges. It has a meagre

resource base and land terrain, as well as a climate that is not propitious for extensive agricultural production, with a surplus workforce of largely unskilled labour. In many ways, the performance of Lesotho remains largely reliant on the performance of the neighbouring South Africa's economic development in international markets (Sandrey *et al.*, 2005: 12). This dependence on South Africa is reinforced by the Southern Africa Customs Union (SACU) arrangement with Lesotho, as highlighted below.

3.1.3 Foreign trade

This section aims at analysing Lesotho's trade trends with its partners in the early 2000s. Lesotho has a structural imbalance in external trade, with its imports far exceeding its exports (Central Bank of Lesotho, 2007). However, in 2001, Lesotho's balance of payments position registered a surplus for the second consecutive year (Central Bank of Lesotho, 2007). The overall balance registered a surplus of Maloti (M) 1, 637.2 million. Without the effect of the depreciation of the loti against major currencies in 2001,[5] the position improved significantly from a deficit of M234.79 million to a surplus of M203.4 million. At end of 2001, the level of reserve stood at 11.4 months of import cover (Central Bank of Lesotho, 2007). In that same year, the value of export rose from 39.3% to 65.2%. Again, in 2001, export goods became the largest source of foreign exchange for the first time and continued so into the new millennium (Central Bank of Lesotho, 2007). The main reason for the above reality is the growth of the manufacturing economy.

Having discussed the broader economic background of Lesotho in this section, it is important now to focus on analysing the trends in the manufacturing industry in Lesotho in the next section, as manufacturing has been instrumental in the trends discussed in Section 3.1. The intention is to highlight how manufacturing evolved in Lesotho and articulate its role in the economy.

3.2 The evolution of the manufacturing industry in Lesotho

The preceding sections provided an overview of the economy of Lesotho in that selected sectors that contribute to its economic advancement were highlighted while the dominance of the manufacturing sector was noted. The aim of this section is to give a

[5] It should be noted that the loti is directly linked to the South African rand

historical exposition of the trend of manufacturing development in Lesotho and its contribution to the overall economy. The section will cover four stages of Lesotho's manufacturing industry, namely, pre-independence, post-independence, the political impasse period, and the development during a post-political impasse period. This is done to analyse major events that took place in the process of expanding manufacturing production in Lesotho.

3.2.1 Pre-independence

Historically, the majority of the Basotho were known to be hunters and gatherers. As indicated in Chapter Two of this research, like many other African nations, Lesotho had some form of manufacturing activities prior to independence (Dumont, 1969; Fieldhouse, 1983; Rakodi, 1997; Lebaka, 2006). A few cottage industries, traditional beer brewing establishments, and livestock farming served as means of generating money for survival and livelihoods. Not much emphasis was placed on efforts to promote manufacturing activities compared to the support given to subsistence agricultural farming, which was organised in tandem with kinship orientation. It was only during the post-independence period in Lesotho that significant progress was made in respect of developing a manufacturing industry in Lesotho (Lebaka, 2006).

3.2.2 Post-independence

During 1967, Lesotho only had two small printing workshops, which had been established by the missionaries at Morija and Mazenod respectively. These establishments employed about two hundred people (Dardagan, 1989).

Robertson (1986) claims that, during the advent of African independence, specifically during the 1950s and 1960s, industrialisation was believed to be the means to determine economic and political independence. Lesotho, a landlocked country, was one of the countries that favoured this ideology and promoted it. Since then, a new device and approach have been put into place to ameliorate and promote the manufacturing industry in Lesotho with a view to attracting FDI. It is against this background that the Lesotho National Development Corporation (LNDC) was established in 1967 by an act of parliament (Act no 20 of 1967) (Wellings, 1984). The

aim of the LNDC was to initiate, promote, and facilitate the development of manufacturing, processing, and mining industries and commerce in a manner intended to improve the level of income and employment in Lesotho (Wellings, 1984: 9; Dardagan, 1989).

In addition to the LNDC, the Basotho Enterprise Development Corporation (BEDCO) was launched as a subsidiary of LNDC in 1975. As a parastatal, the overall aim of BEDCO is to stimulate the growth of local businesses (Wellings, 1984: 10). This pronouncement led the LNDC to devote its effort and energy maximally to the task of attracting foreign investment in Lesotho (Wellings, 1984). In respect of this task, the LNDC saw the need to focus on South Africa hence its former Managing Director had this to say:

> "it is on our doorstep… and has many aggressive entrepreneurs who are already operating in this market. It makes sense to approach the parent companies through their subsidiaries in the region. The economic and financial arrangements existing between Lesotho and South Africa makes it worthwhile for South African companies to set up operations in Lesotho. LNDC has been very successful in this market – most companies which have responded positively to our call have come from this arena" (Wellings, 1984: 10).

The LNDC, through the Pioneer Industries Encouragements Act of 1967 and its subsequent amendments, brought about the introduction of a number of investment incentives to attract foreign investors to invest in Lesotho. The incentives ensured the following (Wellings, 1984):

- the extension of concessions vis-à-vis financial transfers;
- financial transactions and advantages in terms of accessibility to markets outside Lesotho;
- a tax holiday of up to six years (or tax allowances);
- training grants of up to 75.0% for approved programmes;
- loans (of up to fifteen years at 12.0-13.0% annual interest);
- loan guarantees (from international 'Line of Credit' sources such as the World Bank);
- custom-built factories for rent at three industrial sites (Maseru, Maputsoe, and Ha

Thetsane);

- equity participation if required;
- industrial estate layout and maintenance;
- administrative assistance as regards permits;
- labour recruitment and disputes, project appraisal, and;
- the assignment of a supervisory project officer.

Perhaps of most significance to investors is that Lesotho has aggressively earned the privilege to access a variety of global markets (Wellings, 1984). This statement was reiterated in 1982 by the then Minister of Planning, Employment and Economic Affairs in Lesotho when he said:

> "Our forte lies in the acceptability of our products internationally, in most cases on concessionary terms" (LNDC Annual Report, 1985: 5).

The investment incentives and subsequent campaigns resulted in a number of footloose companies in South Africa and Asia investing in Lesotho. In a bid to strengthen and expand manufacturing production in Lesotho, the government of Lesotho, through its ancillary (LNDC), revisited the then investment incentives package with a view to positioning its export production competitively in the global market.

In the period between 1976 and 1987, manufacturing output recorded about M78 million. The tertiary sector's contribution of value added to GDP in 1987 stood at M184.2 million. Again, in that same period, the secondary sector's contribution to real gross value added rose remarkably by 45.0% to a total of M64.1 million, with the primary sector's contribution dropping by 19.5% (LNDC Report, 2006a).

In 1980 and 1985, the number of jobs created by LNDC supported companies in the manufacturing sector increased by over 100.0% from 3 000 to 6 600. This was because fourteen new manufacturing industries had been established during the period. In addition, the LNDC also supported the establishment of thirty-seven new industries between 1986 and 1993. This development necessitated the creation of 11 000 new jobs (LNDC, 2006a).

According to Sechaba Consultants (2000), the activities of the manufacturing sector in Lesotho experienced significant growth between 1994 and 1997, and this development was credited to the expansion in number and size of manufacturing factories. The biggest amongst them were the textile and footwear industries. The sector recorded a significant increase of jobs of up to 17 700. However, these recorded developments in the manufacturing sector were put on hold in 1998 because of the political impasse during the period, as highlighted in the Section 3.2.3.

3.2.3 The 1998 political impasse

The 1998 political episode adversely affected the sustainability of growth of the manufacturing sector in Lesotho. This setback in respect of the growth and expansion of the manufacturing industry was caused by the outcome of the 1998 National Assembly elections, which resulted in discontents manifested by opposition parties. Consequently, the situation triggered riots, looting and burning down of buildings, especially foreign-owned ones (Sechaba Consultant, 2000: 39 as referenced in Lebaka, 2006). This political impasse led investors to shut down their businesses, and they became sceptical about possible further investment in Lesotho. The next section will be devoted to analysing manufacturing production after the political impasse in Lesotho had been resolved.

3.2.4 Post-political impasse period

During the period after the political unrest, the government of Lesotho, with its ancillary arm (LNDC), engaged in massive negotiations with foreign investors with the aim of reassuring investors about a stable business climate in the country. These negotiations led to various trade agreements, which eventually enabled Lesotho to gain membership of AGOA and the Cotonou systems. These arrangements contributed to the reversal of the deplorable condition of the manufacturing industry, because increased foreign investment flow, which led to increased export production was recorded. A detailed discussion of the rise and attributes of manufacturing in Lesotho after 1998 are provided in Section 3.3, while a discussion of the current incentives is explained in Section 3.4.

3.3 A profile of the manufacturing sector after 1998

In this section, the following aspects are addressed: employment trends, number of industries per sub-sector, the location of manufacturing industries, and, finally, a more detailed assessment of the garment industry.

3.3.1 Employment trends

This section analyses aspects relating to employment in the manufacturing sector in Lesotho. In this analysis, three aspects are considered, namely, wages, number of firms in the sub-sector, and the profile of employment in the manufacturing sub-sectors.

One of the attractive features of Lesotho's business environment is the competitiveness of its labour price. An average wage for a factory worker can range from M800 to M1000 per month, which translates to $4.90 to $6.13 per day. When comparing these workers with similar ones in Kenya, it is evident that workers in Kenya would receive approximately $9.39 per day (Global Development Solutions, 2004: 17). A closer look at the Integrated Value Chain Analysis of selected Strategic Sectors (IVCA) in Lesotho (2004) suggests that, in both sewing/assembly and finishing/washing, labour is a prominent factor as 72.3% of the value for sewing/assembly and 66.7% of the value for finishing/washing are derived from labour. Labour input per T-shirt in Lesotho is estimated at $0.12 while in Kenya it is estimated at $0.18 for the export market and $0.11 for the domestic market (Global Development Solutions, 2004: 17).

In 2003, a decrease in the number of people employed in manufacturing was recorded, from about 25,400 during the first quarter of 2002 to about 23,400 during the first quarter of 2003. This trend was followed by a strong increase of about 33,700 during the first quarter of 2004 (Bureau of Statistics, Statistical Report, 2004. No. 10).

According to Bennet (2006: 166), at its peak, the industry employed about 54 000 workers in July 2004. Out of that number, 51 000 were on a full time-basis and approximately 3000 on a part-time/casual basis. Table 3.2 illustrates the growth of employment in the sub-industry.

Table 3.2: Growth of employment in the textile industry in Lesotho, 1999-2005

Year	July 99	July 00	July 01	July 02	July 03	July 04	July 05
Employment	9847	16 417	23 518	33 140	44 345	53 087	40 364

Source: Bennet, 2006.

The statistics presented in Table 3.2 show that the employment rate in the sub-industry experienced a drop. This happened due to a fair number of firms shutting down their operations, which saw thousands of factory workers losing their jobs. In 2000, employment rose to 23 518 as depicted in Table 3.2 above. The increase in employment in the industry continued to rise, reaching a peak of 53 087. In 2005, it dropped to 40 364. The decline in employment numbers in the industry can be attributed to the end of the Multi-Fibre agreement, which protected Lesotho's exports against countries such as China.

Nevertheless, Lesotho's textile and garment industry as it stands today employs a significant proportion of the country's population (Bennet, 2006: 166). In spite of the knocks that the industry has experienced, there are more people employed by the garment and textile manufacturers than people employed by the Government of Lesotho (Bennet, 2006: 166).

Figure 3.3 below illustrates the trend of employment proportionally to the sub-sectors of the manufacturing sector in Lesotho.

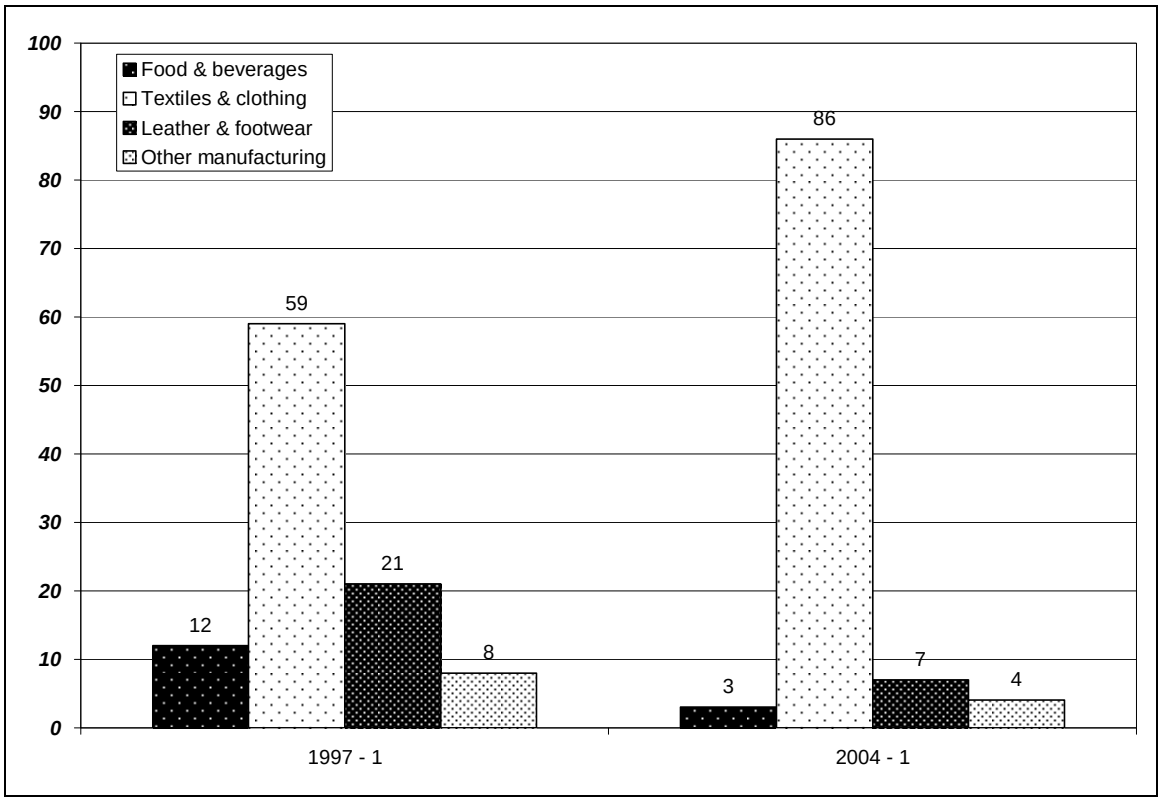

Figure 3.1: Distribution of employment in Lesotho manufacturing, 1997 and 2004 (%) (Source: Bureau of Statistics, Statistical Report, 2004).

It is recorded in Figure 3.3 that the share of manufacturing employment in textiles and clothing increased from 59.0% in 1997 to 86.0% during 2004, whereas the leather and footwear sub-sector fell from 21.0% in 1997 to 7.0% during 2004 (Bureau of Statistics, Lesotho Statistical Report No. 10, 2004).

3.3.2 The location of the manufacturing industries in Lesotho

Having provided an overview of the employment profile, the aim of this section is to highlight the spatial trend of manufacturing industries in Lesotho with a view to pointing out the location that hosts the majority of these industries. The manufacturing industries in Lesotho are mostly located in the industrial estates of Maseru and other urban towns. This trend is very common in many other African countries, as Kleinpenning and Reitsma (1989) observed.

In Lesotho, major industrial estates are found at Ha Thetsane and the Maseru Industrial Areas in the Maseru district. The other industrial sites are located at Ha Nyenye in Maputsoe, 80 km north of Maseru. Other smaller sites which are developing are located in Maputsoe, Mafeteng, and Mohale's Hoek districts.

Figure 3.4 shows a wider location distribution of manufacturing industries in Lesotho.

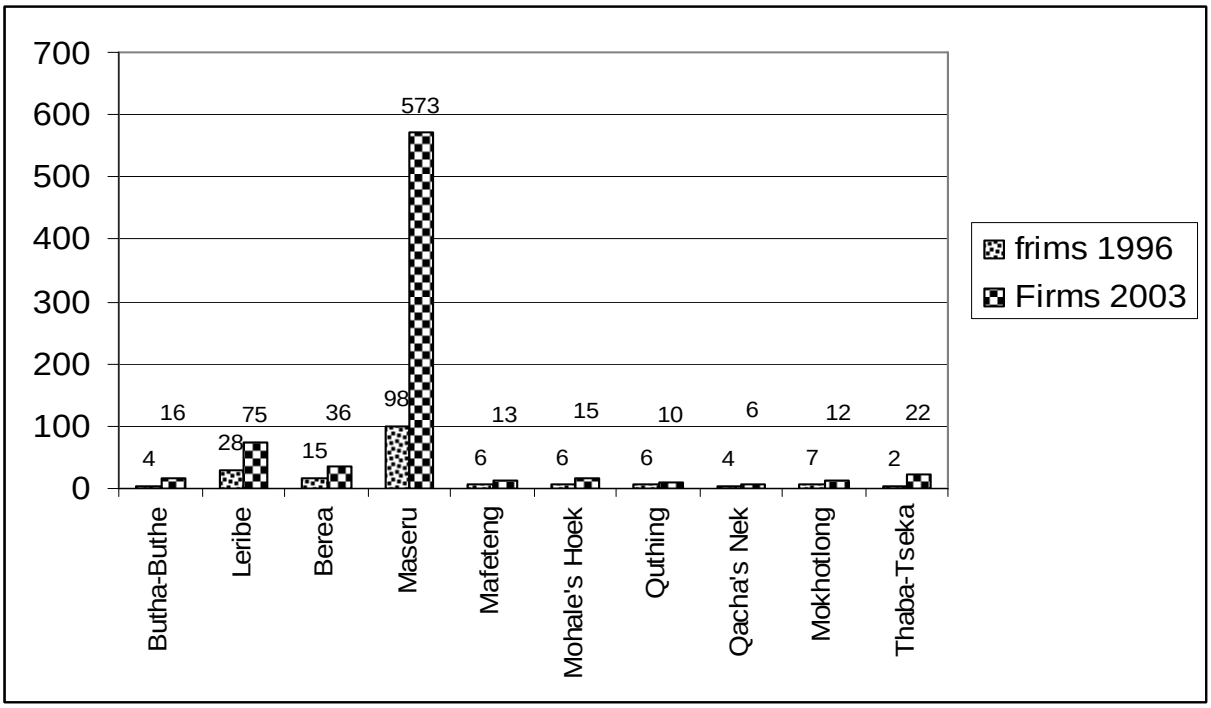

Figure 3.2: The spatial distribution of manufacturing firms in Lesotho, 2006 (n)
(Source: Lebaka, 2006).

As illustrated by Figure 3.4, these spatial distributions of manufacturing firms are based on the ten districts of Lesotho, with Maseru accounting for two industrial estates, which recorded the largest number of manufacturing firms in Lesotho between 1996 and 2003. At present, Maseru is still the home of the majority of firms in Lesotho, followed by Leribe and Maputsoe respectively. Manufacturing enterprises outside these two core areas are fairly restricted.

3.3.3 The origin, profile, and ownership of the garment sector in Lesotho

The reason for concentrating on analysing the garment sector is the dominance of this sector in manufacturing in Lesotho. In the early decades of industrialisation, most foreign

affiliates in Lesotho originated from South Africa and Taiwan, in part attempting to escape international sanctions against the apartheid regime in South Africa (Global Development Solutions (2004: 12). While South Africa is still a significant investor in Lesotho, East-Asian investors have played a more extensive role over the past decade in expanding the Garment industry (Investment Policy Review Lesotho, 2003/4: 11; The Official SADC Trade and Investment Review, 2002). This attraction of foreign investors was also attributed to favourable trade and other regional conditions, which benefited the industry. In addition, recent trade regimes like the EBA and US AGOA opened doors for Lesotho's exports to the EU and USA markets.

Table 3.3 below provides an overview of the nature of the textile and clothing industry in Lesotho.

Table 3.3: Lesotho garment sector profile, 2004

Market Size	US$296 million (78 million m^2 equivalent)	
Number of Factories in Operation		35
Ownership Structure	Taiwan: Hong Kong: Lesotho: South Africa: Israel: Singapore:	65.0% 13.0% 11.0% 5.0% 3.0% 3.0%
Principal Markets	U SA : Others:	93.0% 7.0%
Production Characteristics	100% Cut, Make & Trim (CMT)	
Principal Market Driver	AGOA: ❖ Total tariff quota (TRQ) available ❖ % of total AGOA allotment filled by Lesotho	 956 568 715 m^2 equivalent 7.6%
Principal Input Source	China, South Korea, Taiwan	
Employment Impact	Estimated local workers: ❖ Knitwear: ❖ Denim Jeans: ❖ Woven/Knit Mix: Expatriate: ❖ Senior Managers: ❖ Supervisors: ❖ Clerical:	32 233 (Year 2002) 57.0% 35.0% 8.0% 1 076 211 763 102

Source: Global Development Solution, 2004: 13.

Table 3.3 illustrates that the market size for the garment industry in 2004 stood at a value of US $296 million. It can also be deduced that exports to the USA made up 93.0% of

total Lesotho exports of textiles and clothing driven by AGOA (see Section 3.4) preferential treatment accorded to the country. This makes AGOA singularly responsible for the unprecedented growth the industry has enjoyed in the past several years. Against this background, Salm, Grant, Green, Haycock and Raimondo (2002) argued that the 35 large companies in the textile and garment industry are operating in Lesotho, producing some 78 million m^2 equivalent of goods for export, which created employment for over 32 000 local people in 2002.

In 2003, clothing manufacturers in Lesotho were able to export apparel worth US $393 million (the equivalent of 104 million square metres) to the US. Again according to Bennet (2006), in 2004, regardless the importunate weakness of the US dollar, these manufacturers exported goods to the value of US $456 million. At present, Lesotho produces about 26 million pairs of denim jeans per year in eight factories (Bennet, 2006). Lesotho has a vertically integrated denim manufacturing mill; the Formosa Mill produces its own yarn and more than 7000 tons of denim fabric annually. Almost 98.0% of all Lesotho-made jeans are sold in the USA; smaller volumes are sold into EU, Canadian, and SACU (Southern African Customs Union) market places. It is estimated that Lesotho's garment industry also produces approximately 70 million knitted garments annually and a wide range of (mainly cotton) knitted garments are produced from single/double jersey, pique, interlock, and rib fabrics. A number of factories are now beginning to make fleece knitwear from synthetics. According to the Lesotho Manufacturing Portfolio (2005), these garments are produced by 39 factories, only some of which are mentioned here (LNDC, 2005). Much of the above growth can be related to investment incentives and trade agreements.

3.4 Current investment incentives and trade agreements

The development of the manufacturing industry in Lesotho was triggered largely by the introduction of new investment incentives and trade agreements that attracted foreign investors to the manufacturing industry in Lesotho. It is therefore important to give an account of these incentives and highlight trade regimes and their contributions to Lesotho's economy. Investment incentives in Lesotho are meant to induce the minds and hearts of foreign investors to invest in Lesotho. The aim of this section is to give an

account of the investment incentive packages in Lesotho. Firstly, it highlights the current incentives package and its contribution to the development of the manufacturing industry. Secondly, it discusses trade agreements that Lesotho entered into and their contribution in attracting foreign investment, hence the expansion of manufacturing production in Lesotho.

3.4.1 Current investment incentives in Lesotho

The Government of Lesotho took the initiative to revisit the investment incentives package that it offers investors. Tax levies, if well managed, are crucial for the economic development of any country and this is more so in the case of Lesotho.

Taxation

The following tax incentives were provided:

- In Lesotho, there is a permanent maximum manufacturing tax rate of 15.0% on profits. There is no withholding of tax on dividends distributed by manufacturing firms to local or foreign shareholders.
- No advanced corporate taxes are paid by companies on the distribution of manufacturing profits.
- Training costs are permissible at 125.0% for tax purposes.
- Payments made in respect of external management, skills, and royalties related to manufacturing operations are subject to withholding tax of 15.0%.
- There is easy repatriation of manufacturing profits (SADC Review, 2002).
- The Value Added Tax (VAT) rate is 14.0% (ensuring harmonisation with South Africa). Furthermore, the Lesotho Revenue Authority has introduced flexible VAT payment systems to tax compliant firms in order to ease cash flow.

Tariff rebates and duty free access to global markets

In respect of tariff rebates, the following should be mentioned:

- As a member of the SACU, Lesotho's textiles and garment firms are able to access almost the entire range of SACU rebates. Currently, firms make extensive use of the R470.03 rebate in terms of which firms are able to import, free of duty, inputs that are used to make products for export outside of the SACU. A company that sells some of

its produce in the SACU will only pay duty on the imported raw materials used to make goods that are sold within the SACU.

- Lesotho manufacturers, by being located in a LDC, obtain duty and quota free access to the following trading blocks and states:
    - SACU (50 million consumers);
    - USA (295 million consumers); Lesotho firms can use fabrics made anywhere in the world in their garments destined for the US market; and
    - EU (400 million consumers); producers can benefit from the Cotonou trade agreement.
- Lesotho producers also have preferential access to the SADC, the Mercosur (South America) trade block, certain Scandinavian states, and Japan, Canada, Australia, and New Zealand.

Other Incentives

According to Bennet (2006: 177), Lesotho's textile and garment manufacturers can earn Duty Credit Certificates (DCC). DCC are tradable instruments which can be used to offset the duty on fabric and garment imports. DCC earned in Lesotho can be sold in South Africa. Firms earning DCC must spend 3.0% of their total payroll on training (Lesotho has no other training taxes/levies). The LNDC may loan funds to finance projects or take equity investments in projects. The Central Bank of Lesotho provides credit guarantee assistance for exports (Bennet, 2006; SADC Investment Review, 2002). Table 3.4 below draws a comparison between the early and current investment incentive packages in Lesotho

Table 3.4: A comparison between early and current investment incentives in Lesotho, 1980s – 2000s

Early Incentives	Current Incentives
Attracted a number of footloose companies in South Africa and Asia.	Attracted more foreign investors beyond South Africa and Asia.
Manufacturers were allowed to transfer any amount of money into Lesotho for manufacturing purposes.	No restriction of money transferred from any destination into Lesotho for manufacturing production and manufacturers can freely shift profits to their preferred destinations. There is a permanent maximum tax rate of 15% on profits and no withholding of tax on dividends distributed by manufacturing firms to local or foreign shareholders. No advanced corporate taxes are paid by companies on the distribution of manufacturing profits, etc.
Manufacturing activities created more employment for the Basotho than ever before in the private sector.	The manufacturing industry has created more job opportunities, close to 40 000 at present, for the Basotho.
Manufacturers had loan guarantees from international line credit.	The Bank of Lesotho offers credit guarantee assistance to manufacturers.
Only three factory shells were built at that time to house garment production.	Manufacturing production dominated by the textile and clothing sub-sector is housed in four districts in Lesotho (Maseru, Leribe, Mafeteng, and Maputsoe) with more than 30 established factory shells.
	Manufacturers are free to repatriate their profits which are non taxable.
	Manufacturers in Lesotho earn Duty Free Certificates, which enable them to offset duty on fabric and garment imports.

From the analysis in Table 3.4, it is observed that investment incentives in Lesotho have contributed significantly to the expansion of the textile and clothing industry, contributing meaningfully to the growth of Lesotho's economy. Since the evolution of industrial production in Lesotho, the country has entered into major trade agreements. Below are some of Lesotho's key trade agreements.

3.4.2 Lesotho and its trade relations

Over the years, trade relationships with Lesotho have contributed remarkably to the advancement of the manufacturing industry in Lesotho with clothing and textile exports to global markets on the increase. The aim of this section is to highlight the impact of trade agreements on the manufacturing industry and economic growth in Lesotho.

3.4.2.1 The Customs Union Agreement

A customs union has existed between South Africa and the three peripheral countries (Botswana, Lesotho, and Swaziland) since 1910. The agreement provided for free movement of goods between the four countries, the adoption of South African customs and excise duties throughout the area, and the division of revenue from customs and excise duties among parties. This agreement was reached on the basis of a formula, which was supposed to reflect the proportion of each country's imports from outside the area against the total of such imports (Selwyn, 1975).

Via the SACU arrangement, Lesotho loses sovereignty in fiscal control through the common tariff, where the latter renders very little monetary policy options. While the SACU indeed protects its member states against vulnerability to the vagaries of the world economy, the Common Monetary Area (CMA) has arguably undermined the value of the economies of its smaller members like Lesotho. Because South Africa represents the member states' economies, indigenous companies within the SACU member states are not able to compete independently in international markets without access through South Africa (Transformation Resource Centre, n.d.). Nevertheless, membership of SACU is essential to the economy of Lesotho as it obtains a substantial part of its revenue from this source (Sandrey *et al.*, 2005).

In 2002, a new SACU agreement on trade was signed in Gaborone, Botswana. The objective of the new agreement was free movement of goods within the SACU area. This is meant to enhance economic development, fair competition and substantial investment, diversification, industrialisation, and competitiveness of member states, all in the common custom area (Trans – Country notes – Kingdom of Lesotho, 2006).

Since the signing of the new SACU Agreement, the South African market has produced marketing possibilities for manufacturers in Lesotho. This is demonstrated by the fact that Lesotho's garment manufacturers exported a total of M127 million to South Africa in 2002. In addition, a significant number of the smaller garment factories produce exclusively for the South African market (Salm *et al.*, 2002: 19).

The EU trade regime, on the other hand, has facilitated the possibility of Lesotho gaining access to EU markets. Below are highlights of the EU trade regime.

3.4.2.2 The Lome/Cotonou agreement

In 1975, ACP nations, of which Lesotho is a member, signed a co-operation agreement in Lome (it became commonly known as the Lome Convention). By 1980, Lesotho had duty-free access to the EU market through the Lome Convention (Integrated Framework, 2003: 26; EU-SADC Economic Partnership agreement, 2005: 3). After four such Lome Conventions, a broader partnership agreement was designed in Cotonou, Benin, in June 2000. This is known as the Cotonou agreement, which eventually replaced the Lome Convention. This agreement offers price advantages that render Lesotho's exports competitive. This agreement encourages manufacturers in Lesotho to use South African fabric for garment manufacture and for duty-free access to EU markets (Salm *et al.*, 2002).

By 2000, Lesotho's exports of all goods to the European market were no more than one million euros (Salm *et al.,* 2002). In 2004, the value of total EU imports was about 4.5 million pounds Sterling. In that same year, total EU exports came to 2.8 billion Euros. This yields a positive trade balance not only for the sub-region but also for Lesotho (EU-SADC Economic Partnership, 2005: 4).

In these exports, Botswana has made significant inroads into the EU markets when compared to Lesotho and Swaziland respectively. This also suggests that Swaziland and Lesotho should move more aggressively to exploit the benefits of the EU trade regime and catch up with the pace of exports of other SADC countries. This leads to the analysis of the next trade agreement (AGOA), which stands as the most important influence in the expansion of export production in Lesotho (EU-SADC Economic Partnership, 2005: 4).

3.4.2.3 African Growth and Opportunity Act (AGOA)

The United States Government established AGOA in 2000. The aim of AGOA is to assist countries in SSA through offering quota free access to the US market. The intention is to contribute to developing the beneficiaries' economies. The elimination of trade fences

presents a propitious advantage to goods manufacturers in qualifying countries, thereby enhancing the growth of exports (Salm *et al.*, 2002).

The effect of AGOA has been to put downward pressure on the prices of garments. In this case, it is the buyers that benefit from the duty-free access in that they can achieve lower prices. The benefits for Lesotho as an exporter to the US are based on bigger orders resulting in the establishment of bigger factories, hence greater employment creation for the Basotho.

Therefore, the current boom in Lesotho's clothing industry can be attributed directly to the advantages it derives from AGOA (Salm *et al.,* 2002). Table 3.5 highlights the benefits derived from AGOA II.

Table 3.5: Benefits derived from AGOA II, 2002 - 2004

Benefits	2002–2003 (sme)	2003-2004 (sme)	% Change
Tariff Rate Quota (TRQ)	735 907 928	956 568 715	29.9%
Reserved for Third-Country Fabric	359 399 147	470 411 241	30.1%
Reserved for African Fabric	376 506 781	486 157 474	29.1%

Source: Bureau of Statistics (Lesotho), 2004.
*Sme: square metre equivalent

It is illustrated in Table 3.5 that, between 2003 and 2004, the tariff rate quota (TRQ) was set at 956 568 715m² equivalent. Of this amount, 49.0% (or the equivalent of 470 411 241 m²) goes to apparel made in the LDCs. The equivalent of 51.0% is reserved for apparel whose fabrics are from qualified African countries. In this arrangement, Lesotho became the biggest exporter of apparel to the US under AGOA. However, Lesotho fills a mere 7.6 % of the overall TRQ allotment (Global Development Solutions, LLCTM, 2004: 13).

In spite of these developments, it is perhaps possible that, by 2008, Lesotho will encounter stiff competition from competitors in the global markets, but firms will once more be able to source inputs freely. Lesotho's competitive position will then depend on the relative efficiency of the process performed within the country with regards to labour costs, skills and productivity, logistics, and organisational efficiency (Salm, *et*, *al*, 2002;

Investment Policy Review Lesotho, 2003/04: 55). Table 3.6 summarises the various trade regimes since 1910.

Table 3.6: A summary profile of the trade regimes in Lesotho articulating their significance, 1910 - 2000

Regime	Year of Entry	Significance
SACU	**1910 and Agreement in 2002**	Lesotho's exports have free access to South African markets and beyond.
		Lesotho receives significant revenue from SACU arrangement on customs and excise duties.
		Since 2002, Lesotho' exports have been to the value of M127 million.
EU: Lome/Cotonou	**1975 and 2000**	Lesotho won duty free access to EU markets
		EU trade regime offers price advantages, which places Lesotho's exports competitively.
		Lesotho's exports to the EU markets amounted to about one million Euros.
AGOA	**2000**	Because of AGOA, Lesotho's manufacturers of textiles are able to secure bigger orders from big companies in the US.
		Lesotho became the biggest single supplier of apparel in the US market.

In general, manufacturing in Lesotho has been dominated by garment production activities. It has attracted more FDI than the rest of the sub-sectors in manufacturing induced by other factors, such as AGOA trade preferential treatment. For purposes of this research, concentration on an analysis of the textile and clothing trend is of paramount importance.

3.5 Current problems and responses

The section is devoted to analyse the problems uncounted by the textile industry in Lesotho and the actions taken by the Lesotho government.

3.5.1 The problems encountered in the textile and garment industry during the last five years

Although there are other subsectors in the manufacturing industry, the garment industry is undoubtedly the dominant one in respect of earning foreign exchange and contributing significantly to the economy of Lesotho. Over the years, this subsector has experienced significant challenges in its survival. The aim of this section is to explain the problems

encountered by the garment subsector and moves taken by the government of Lesotho to restore its functional position. In this regard, two specific points should be made.

Firstly, Lesotho's textile and garment industry has experienced severe setbacks in the last three years. In January 2005, about 5800 workers were left unemployed when six factories closed their operations. The affected factories were: "Precious Six", which employed 300 workers; "Leisure Garments", which had 300 workers; "Modern Textiles", with 500 workers; "TW Garments", with 2205 staff members; "Lesotho Haps" with 1305, and "Vogue Landmark", which employed 1240 workers (Bennet, 2006: 171). A little later in 2005, Hong Kong International Knitters closed their factory doors resulting in about another 1000 workers losing their jobs. All these factories were involved in the production of knitted garments. In all, about 1100 jobs were lost in Maseru while 5750 jobs were lost in the Maputsoe and Ha Nyenye industrial estates. The closure of these factories can be largely attributed to the strength of the Loti vis-à-vis the US dollar (Bennet, 2006). In addition, it is quite possible that the decision by some owners to shut their factory gates was also in some way influenced by the expiry of the WTOs ATC (Bennet, 2006).

Secondly, factories that have continued manufacturing operations have not been unaffected. Most firms, especially those that are engaged in the manufacture of knitted garments, have been forced to retrench staff; short-time work is now a widespread phenomenon (Bennet, 2006).

3.5.2 Efforts to mitigate the effects

Considering the problems outlined in the preceding section, this section aims at highlighting efforts made by the Lesotho Government and other organisations to reverse the challenges faced by the garment sub-sector.

Inter-Ministerial Textile and Apparel Industry Task Team

In late June 2004, the textile and apparel sector raised a number of concerns with the Government. The problems raised led to high-level discussions involving the Lesotho Prime Minister, Mr. Pakalitha Mosisili. Because of these discussions, an Inter-Ministerial

Textile and Apparel Industry Task Team was established. This Inter-Ministerial Task Team analysed problems raised and suggested solutions. It prepared a report which was then adopted by Cabinet on 21 September 2004 as a Government working document. The report dealt with matters related to foreign exchange, taxation, industrial incentives, import and export clearance issues, and the need for Lesotho to have a fabric mill after September 2007. Work and residence permits, security matters, and a range of other matters related to improving infrastructure were raised. As a result of these efforts a delegation was sent to the USA in order to reverse the situation, as is described below (Bennet, 2006; 174).

Lesotho Government-led Delegation Trip to USA in January/February 2005

Firstly, to ensure that Lesotho's garment export drive to the USA remained strong, a multi-stakeholder delegation, involving the Minister of Trade, staff of the trade ministry, the LNDC, members of the private sector, and leaders of the trade union movements visited the USA in late January 2005. The USA Ambassador to Lesotho also accompanied the delegation. The delegation held a number of meetings with the US government – both with its Congress and its Administration. In addition, the delegation held round table discussions with representatives of the major garment brands, i.e. Gap and Levis Strauss. The trip was an overwhelming success as it raised the profile of Lesotho's textile and garment industry (Bennet, 2006: 174).

Improving Firm Competitiveness

Lesotho's garment firms have now started to invest in the training of their staff and some training programmes have had spectacular results. One ComMark programme has resulted in some firms improving output by up to 35.0% (Bennet, 2006). Without sustained investment in training Lesotho, garment companies will find themselves increasingly less competitive and this will result in many of them losing orders. In addition, increased productivity should also result in workers being able to earn higher incomes as their firms become more profitable (Bennet, 2006: 174).

Investment Promotion

The LNDC has now also initiated plans to attract further textile and garment investment to Lesotho. In this regard, LNDC is looking for additional investment in the denim value chain and for firms that produce knitted fabrics. In addition, Lesotho is also trying to link Lesotho manufacturers with regional manufacturers. Links with regional manufacturers will give Lesotho firms greater flexibility. Currently, they import most of their garment inputs (fabrics and garment trims) from China (Bennet, 2006: 175). The Section 3.6 gives an account of how Basotho perceive textile manufacturing industry in Lesotho.

3.6 Foreign direct investment (FDI) and the perceptions of the basotho people

The preceding sections sketched out the development of manufacturing in the Lesotho context. Yet, the question is: how are factory workers treated and what are their experiences? The aim of this section is to give an account of the Basotho's perceptions of and reactions towards industrialists in Lesotho.

In general, the textile and clothing industry in Lesotho is one that has a large number of foreign investors in the manufacturing sector. However, other subsectors are coming into being, contributing to the economic growth of the country. Therefore, perceptions and reactions of the Basotho are largely directed at investment in the textile and clothing industry, which at present, employs 90.0% of the manufacturing workforce.

In January 2001, the Centre for Research on MNC's, based in the Netherlands, conducted a survey on the impact of the manufacturing industry (garment sub-sector) in Lesotho and in particular of the people living around the industrial estates. This includes the employees, and the workers' organisations. The team of researchers visited ten factories in which interviews were done with management, trade unions, and Non-Governmental Organistion (NGO) representatives, as well as factory workers. The results of the interviews revealed abysmal labour conditions, including long working hours with overtime foisted on workers, low salaries, unlawful dismissals, job insecurity, and trade union repression (Cleancloths, 2001; Lebaka, 2006).

This dissatisfaction in the sub-industry resulted in a public picket on 10 November 2003 by 20 000 textile workers in Lesotho, who came from Asian-owned textile factories in the Maseru, Leribe, and Mafeteng districts. The marchers, who were on a one-day picket, were on their way to the offices of the Employers' Association of Lesotho to submit a petition against the 5.5% wage offer made by the employers. The 5.5% was an attempted response to the 15.0% increase proposed by the textile workers. The Lesotho Mounted Police Service (LMPS) intercepted the march and opened fire, killing two of the factory workers and injuring more than 100 (Protesting Textile Workers Killed by Lesotho Police, 14 November 2003).

In August 2006, the Public Eye newspaper carried a headline, which read: "Inhuman and unbearable! Survey condemns textile industry working conditions". In that same view, the Lesotho Council of Non-governmental Organisations (LCN), together with the Lesotho Allied Workers Union (LECAWU) surveys, pointed out that many female workers complained that their salaries were often reduced. This happened when they were on sick leave despite providing their employers with certificates of incapacity. In addition, a large number of employees in the clothing and textile factories had seen their salaries deducted in spite of producing medical certificates of incapacity (Public Eye, 28 July-3 Aug 2006: 1, in Lebaka, 2006).

According to an article carried by Lesotho Today (May 2006), a LECAWU representative specified that, while deliberating on issues regarding improving conditions at the factories, there was also a need for a memorandum of understanding to create a non-violent situation. Such a memorandum of understanding should take the benefits of factory workers into consideration. The representative noted that most of the factory workers were employed on short-term contracts and that the Multi fibre Agreement forum should consider looking at health and safety precautions. In addition, training of ordinary workers to enable them to run factories when skilled persons left the country should be fostered (Lesotho Today, 31 May 2006: 325, in Lebaka, 2006).

Adding to the problem is the soaring level of secrecy and hatred of interference that pervades most of the industry in Lesotho. Many of the industrialists have developed the

attitude that they wish to work without interference. They are claiming that they create and provide jobs for Basotho who are heavily affected by the unemployment crisis, and, therefore, they should be left alone. This attitude has caused the Basotho to develop negative perceptions of industrialists (Salm *et al.*, 2002).

To summarise, the manufacturing industry in Lesotho is viewed by the Lesotho media as exploitative and dehumanising, and the envisaged benefits to the Basotho and the country's economy are not realised. In the next two chapters, a thorough assessment will be made of the experiences of factory workers.

3.7 Conclusion

The manufacturing industry in Lesotho has undergone a series of developments since its inception, as reflected in Section 3.1 of this chapter. Over the years, the industry has played a pivotal role in driving the economic growth of Lesotho. From the analysis presented earlier on in this chapter, it can be specified that much of this growth has been brought about by the contribution of the textile and clothing sub-sector.

Despite the problems encountered by the textile and clothing industry between 1998 and 2004, as explained, this subs-sector stood the test of time and expanded to become Africa's biggest supplier of apparel to the US markets. In Lesotho, it is the largest private sector employer.

These developments can be attributed to two core factors. Firstly, the government of Lesotho embarked on a campaign to attract foreign investors, through which it revisited its investment incentives, which attracted a reasonable number of foreign enterprise establishments in Lesotho. Secondly, export goods from Lesotho are given preferential treatment by the USA (AGOA), the EU, and SACU more than ever before. This preferential treatment led to a proliferation of foreign investment in Lesotho as export goods from Lesotho enjoys tariff-free concessions in the global markets. Lesotho should now work harder to sustain the expansion of industrial production by constantly reviewing its investment policy in order to competitively position its exports globally. Table 3.7 below summarises the stages of manufacturing development in Lesotho.

This chapter presented the development of the manufacturing industry in Lesotho and its contribution to the economic growth of the country with particular reference to its trade regimes (see Table 3.6). The following chapter will concentrate on analysing the empirical information that describes the working conditions of factory workers in Lesotho.

Table 3.7: A summary profile comparing the different stages of the development of the manufacturing sector in Lesotho

Category	Pre-independence	Post-independence	Political impasse period	Post political impasse period
Status	Traditionally inclined – non-export base.	- Very few cottage industries in the beginning and later embarked on export-led growth economy. - Manufacturing production experienced significant problems with South Africa because of fear of competition. - Created many job opportunities for the Basotho. - The sector gradually grew because of concessions given by South Africa.	- The once buoyant sector experienced a downward trend. - Many factories shut down with heavy job losses. - Due to this trend, the economy experienced a slow-down.	- The sector gained momentum and became one of the leading exporters of apparel in the world. - Vibrant contributor to the economy of Lesotho. - The subsector is the largest private-sector employer in Lesotho. - Investors' confidence was ensured, which eventually saw a good number of foreign investor establishments in Lesotho.
FDI Flows	Almost non-existent.	- There were few cottage industries in the beginning and they had a modest impact on the economy. - The 1970s saw an upward growth of manufacturing production because of the establishment of foreign enterprises.	- Established foreign enterprises were burnt down and many closed down. - Foreign investors were sceptical of re-investing and new attractions were almost impossible.	- FDI flows were attracted because of the support of trade regimes, more so with EU and AGOA.

CHAPTER FOUR: THE SOCIO-ECONOMIC STATUS AND CURRENT WORKING CONDITIONS OF FACTORY WORKERS IN LESOTHO

4.0 Introduction

In Chapter Three, the evolution, general trends, and impact of manufacturing in Lesotho were highlighted. The aim of this chapter is to highlight and assess the current working conditions at the factories in Lesotho, and the impact such working conditions have on factory workers. An understanding of the real working situation is important before an assessment of workers' perceptions can be done. This chapter is based on the empirical evidence gathered through a survey conducted (as described in Chapter One of this study). To begin with, this chapter analyses the socio-economic characteristics of respondents, namely, their educational profiles, informal training received, average age, household size, other financial dependants, and marital status. Respondents are herein referred to as interviewees or factory workers. Secondly, it depicts the employment history and mobility of factory workers in Lesotho. The chapter further covers a description of factory workers' second income, which then highlights its sources and categories. The chapter closes with details about the average monthly expenditure of factory workers and an in-depth analysis of their current working conditions in Lesotho.

4.1 Basic socio-economic overview of respondents

This section aims to analyse the socio-economic characteristics of respondents, such as their educational profiles, informal training received, average age, household size, other financial dependants, and marital status. The reason for highlighting this section is to provide first-hand information on the variance in the socio-economic profiles of factory workers in Lesotho. Table 4.1 below presents details about the educational profiles of factory workers in Lesotho.

Table 4.1: Educational profile of factory workers in Lesotho, 2007

Educational status	n	%
Completed secondary education	207	51.8
Completed primary education	93	23.3
Some primary education	54	13.5
Post secondary certificate/diploma	34	8.5
Never went to school	9	2.2
Technical	2	0.5
Total	**399**	**100**

Based on the data in Table 4.1 above, 51.8% of respondents completed their secondary school followed by those who completed primary education (23.5%). Factory workers who have some primary education amounted to a total of 13.4%. A further 8.5% of the respondents had post-secondary certificate and/or diploma education with the 'never went to school' category registering 2.3% during the interview. Those with technical education, which is perhaps relevant to manufacturing production, accounted for a minimal percentage of 0.5. These statistics stand to raise a question as to whether the Lesotho educational system has been able to produce learners who could be employable in the manufacturing industry. However, the low level of skills required in many of the factories makes employment possible for many Basotho (citizens of Lesotho) who, because of their low levels of education, cannot be other wise employed in the formal sector. Such persons now benefit from the job opportunities available at these factories and confirm the ability of the T&C sector to absorb lower skilled workers (see Chapter Two).

A significant percentage of respondents indicated that they received informal training (see Figure 4.1).

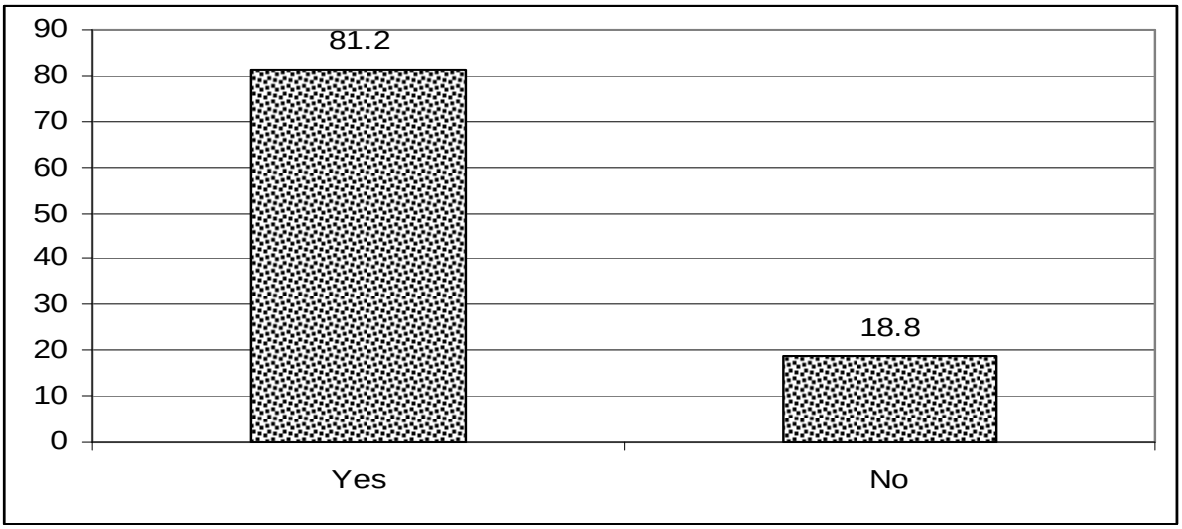

Figure 4.1: Percentage of factory workers who received informal training in Lesotho, 2007

In Figure 4.1, it is indicated that respondents who, at the time of the interview, had received informal training accounted for 81.2% as opposed to 18.8% who had no informal training. If this trend is sustained, the percentage of textile production training will be significantly increased, thus creating a body of locally based skills obtained as a result of the manufacturing sector. Should the industrialists decide to leave Lesotho, the already existing locally based skills could be meaningful in expanding and sustaining textile production in Lesotho. Yet, an education system which could provide skilled people for the garment industry could constitute an increased incentive for investment in Lesotho.

An analysis of the age distribution of factory workers is now presented (see Figure 4.2).

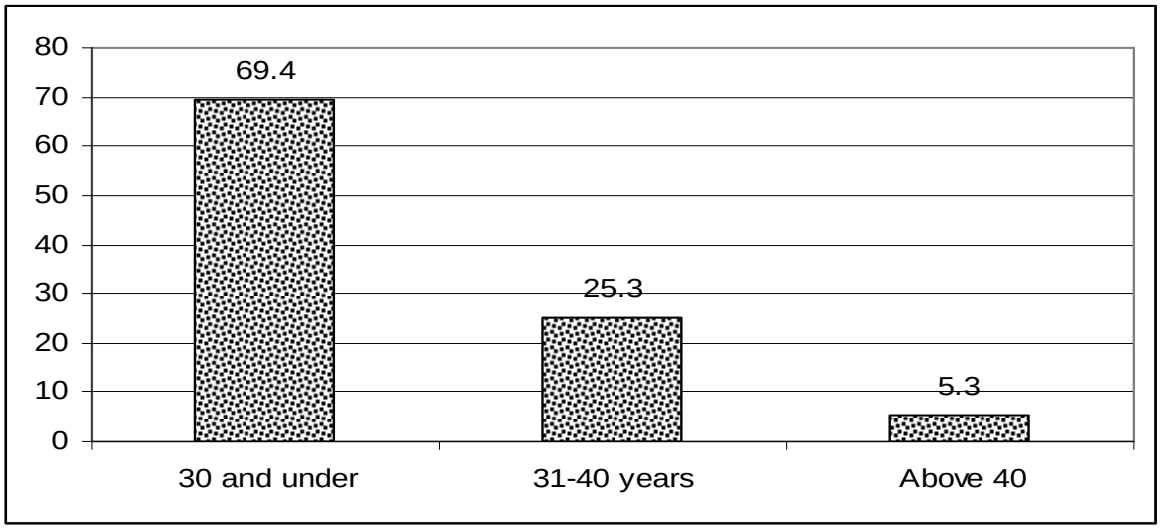

Figure 4.2: Average age of respondents working at factories in Lesotho, 2007

Figure 4.2 shows that the majority (69.4%) of factory workers in Lesotho are thirty years of age or younger. Comparatively, the age category of thirty-one to forty years constitutes 25.3%. Respondents who were older than forty years of age accounted for 5.3% of the interviewed population. The average age was calculated at 28.6 years. Considering the educational background and the age profile, one could probably conclude that employment in the factories plays a significant role in employing less skilled youths. Figure 4.3 analyses the average size of households in detail.

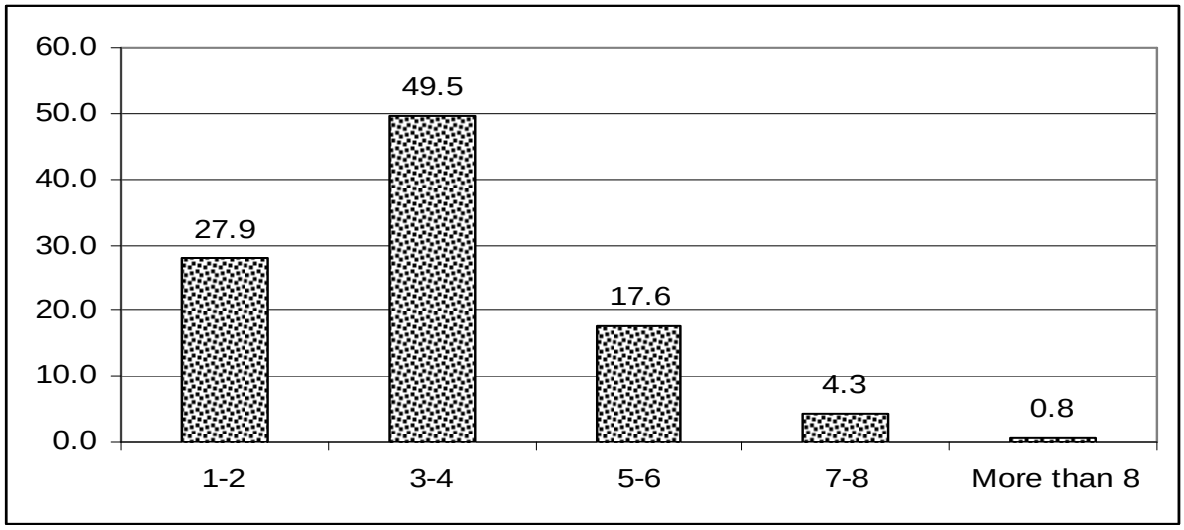

Figure 4.3: The age distribution of respondents working at the factories in Lesotho, 2007

The data in Figure 4.3 illustrate that the respondents with one to two dependents represent 27.9% of the population, with those having three to four dependents accounting for 49.5%. Respondents with five to six and seven to eight dependents accounted for 17.6% and 4.3% respectively. As seen from Figure 4.3, the average-sized household of respondents stands at 3.49. The household size confirms that these factory workers are young and at an early stage of their careers and family life cycles.

Household dependence sometimes stretches beyond direct family household size. Respondents were asked whether they have other financial dependants who are not residing with them or whom they had not mentioned when answering the question on household size. This data is presented in Table 4.2 below.

Table 4.2: The number of other people who are financially dependent on the household of the factory workers in Lesotho, 2007

Number of dependants	n	%
1	38	19.7
2	72	37.5
3	30	15.6
4	21	10.9
5	15	7.8
6	10	5.3
7	3	1.7
8	1	0.5
9	1	0.5
13	1	0.5
Total	**192**	**100.0**

Nearly half of the respondents (192/399) indicated that they had individuals other than their immediate family members who financially depend on them. Overall, it means that, except for the immediate family size of 3.49, factory workers also, on average, contribute financially to a further 1.35 people. An assessment of the results in this section reveals that 19.7% of respondents had one additional financial dependant. This analysis further shows that those with two and three other dependants accounted for 37.5% and 15.6% respectively. A further 10.9% and 7.8% are depicted for those with four and five additional dependants. Respondents with six and seven other dependants recorded 5.3%

and 1.7%. An equal percentage of 0.5 is shared between those with eight and nine, and more dependants sequentially as indicated in Table 4.2.

The data in Table 4.2 draws to attention to similar conclusive remarks made in Figure 4.3, implying that those extra financial dependants are liable to drain the individual factory worker's earnings. At the same time, the analysis suggests that, for each factory worker, 3.9 additional people are financially dependent on such a worker's salary. If one then assumes that approximately 50 000 people work in this industry, it implies that approximately 195 000 individuals (approximately 10.0% of Lesotho's population) are dependent on factory worker's earnings.

An analysis of the gender profile of factory workers shows that females dominate employment in these industries. The percentage of females is calculated at 81.5%, while males constitute the remainder (18.5%). A further investigation is made of the marital status of respondents at the time of the interview with the intent of further determining their socio-economic status. These results are presented in Table 4.3 below.

Table 4.3: Marital status of respondents working at the factory in Lesotho, 2007

Marital status	n	%
Single/never married	135	33.8
Married	239	59.9
Widowed/divorced	23	5.8
Other	2	0.5
Total	**399**	**100.0**

According to Table 4.3, respondents who are single and/or have never married amounted to one hundred and thirty-five, a percentage of 33.8. Those who were married during the period of the interviews were two hundred and thirty-nine in number, (59.9%). The widowed and/or divorced were twenty-three in number, amounted to a percentage of 5.8. And those in the category 'other' have a moderate number of two, accounted for 0.5% (see Table 4.3).

Having provided an overview of the biographic attributes of respondents, the analysis now focuses on a description of the employment history of respondents.

4.2 Employment history

This section is devoted to highlighting the employment history and mobility of factory workers in Lesotho's textile industry. In order to record employment history, the questionnaire used in the interviews categorised three phases of factory workers' employment history, namely, job one, job two, and current employment. The current job refers to their employment during the interview. Job one refers to the job prior to respondents' current employment, while job two refers to the respondent's employment before being employed in job one. The data in Table 4.4 indicates that 7.8% of respondents were employed in job two and 31.8% in job one. This means that 61.0% of respondents were in their first job, which also connotes the relatively young age of factory workers.

Table 4.4: Presentation of employment history and mobility of factory workers in Lesotho's textile industry, 2007

JOB 2	JOB 1	CURRENT EMPLOYMENT
Percentage of respondents: 7.8%	**Percentage of respondents:** 31.8%	**Percentage of respondents:** 100% (68.2% are first time employees)
Main sectors employed in: • 51.6% in textiles • 26.2% in sales/merchandise • 6.5% in accounting, etc.	**Main sectors employed in:** • 39.7% in textiles • 15.2% sales/merchandise • 14.3% in accounting, etc. • 5.6% in transport	**Type of factory work in factory:** • 58.1% in textiles • 8.1% quality control • 5.6% cleaning services
Average number of months in this job: 33.6	**Average number of months in this job:** 35.3	**Average number of months in this job:** **(N**ot applicable)
Average monthly salary: R774	**Average monthly salary:** R685	**Average monthly salary:** R696
Main reasons for leaving this employment: (not asked)	**Main reasons for leaving this employment:** • 27.3% closure/new management • 19.4% conflict at previous place of employment • 15.8% financial reasons/salary too low • 13% health reasons • 7.2% did not like previous job • 6.8% relocated • 4.2% conflict at previous work	**Reasons for seeking employment at this factory:** **(**Not applicable) • 98.0% financial reasons

The data in Table 4.4 indicates that 51.6% of respondents who were employed in job two had employment in the textile manufacturing industry. These workers spent, on average, 33.6 months in job two, with an average salary of M774 per month. Comparatively, respondents who had been employed prior to their current job had a lower percentage of employment in the textile industry (nearly 40.0%). In job one, respondents spent, on average, 35.3 months and received an average monthly salary of M685. This implies that respondents in job one received a lower average monthly salary than those in job two, as illustrated in Table 4.4 above.

Regarding job one, respondents were asked to provide main reasons for leaving the job. Responding to this question, 27.3% indicated that their work places closed down and/or have new management in place. A further 19.4% said they left their previous employment because of conflict and 15.8% for financial reasons as they claimed that the salaries paid to them were too low. Table 4.4 also indicated that 13.0% left the job because of health reasons, 7.2% did not like their previous job, and those who were relocated recorded 6.8%.

In their current job, 58.1% of the respondents are doing cutting, sewing, and knitting (textile-related work). Respondents who engaged in quality-control tasks registered 8.1% while cleaners only accounted for 5.6%. In general, the majority (98.0%) sought employment in their current job for financial reasons. In other words, the need to take care of themselves and families influenced their seeking employment in their current jobs (a more detailed assessment of what respondents find to be positive and negative in respect of their employment is provided in Chapter Five).

What is noteworthy from the above analysis is the fact that the average salary in respect of current employment is lower than in job one and job two. Although a range of methodological reasons, such as the memory of respondents, could have contributed to this, it does, at least not show an increase. To a large degree, the lack of increase in the average salary obtained from previous employment could well be one of the reasons for people feeling marginalised.

4.3 Second income of factory workers in Lesotho

This section provides evidence of respondents' sources of a second income other than their basic monthly earnings from the factories (outlined in Section 4.2 above). The extent of this income is highlighted herein. Table 4.5 below presents the sources of second income of factory workers in Lesotho.

Table 4.5: Sources of second income of factory workers in Lesotho, 2007

Source	n	%
Family or friend	50	46.8
Formal loans	40	37.4
Extra selling of items and hawking	9	8.4
Loan from society	4	3.8
Other	2	1.8
Agriculture	1	0.9
Private business	1	0.9
Total	**107**	**100**

Just more than one quarter (26.0%) of respondents noted that they obtain an income from sources other than their formal employment at the factory. The responses in Table 4.5 signify that 46.8% of the respondents who answered the question, "Do you have any other source of income?" are obtaining extra money from their families and friends. A further 37.4% indicated that their second source of income is from a formal loan. Obviously, these loans need to be repaid, in most cases at interest rates that double the actual loan. Respondents who are obtaining extra income from selling various items and hawking and loans from society accounted for 8.4% and 3.8% respectively: whereas, 1.8% and 0.9% of respondents sourced their extra income from the categories "other" and "agriculture" respectively, as illustrated in Table 4.5 above. In addition, 0.9% also earns extra income from conducting private businesses. The actual income is reflected in Table 4.6 below.

Table 4.6: Second income category of factory workers in Lesotho, 2007

Second income category	n	%
M1 – M250	27	25.7
M251 - M500	34	32.4
M501 - M750	10	9.5
M751 - M1000	7	6.7
More than M1000	27	25.7
Total	105	100.0
Average for households who do have a second income		**R833**
Average for total population		**R219**

In Table 4.6, it is revealed that 25.7% of respondents earn between R1 and R250 from their second income. Thirty-two point four percent of respondents earn between R251 and R500. Table 5.6 also denotes that 9.5% of the respondents earn between R501 and R750. Oddly enough, just more than one quarter earned more than a M1000 per month from additional sources. This is strange in the sense that M1000 is a fairly high sum considering variances in Table 4.6. The average extra monthly income per household is R833 for those claiming to have additional income. If this is transposed to the total sample, it means that, on average, households earn M219 additional to their salaries from employment at the textile factories. It could well be asked whether a factory income could assist a small percentage of people to start their own enterprises, which will provide them with additional income.

4.4 Average expenditure

The assessment in Table 4.6 focused on the income side. An assessment of factory workers' monthly expenditure is now pertinent. Such an assessment broadens the debate about adequate income in which the expenditure patterns provide an indication of poverty in terms of how respondents expend their income. One indicator which is often used is the percentage of expenditure spent on food. Details of this data are presented in Table 4.7 below.

Table 4.7: Average expenditure of factory workers in Lesotho, 2007

Item	Average amount	%
Food	266.04	35.7
Transport	131.30	17.6
Clothing	91.34	12.2
Housing	90.70	12.1
Education	51.25	6.8
Water	30.14	4.0
Household goods and furniture	24.21	3.2
Medical	20.75	2.8
Repay loan	21.29	2.8
Communication	17.49	2.3
Other	3.88	0.5
Total	**748.39**	**100.0**

Table 4.7 above shows that respondents' average monthly expenditure on food stands at 266.04 Maloti, or 35.7%. The average monthly expenditure on transport is M131.30 or 17.6%. As evident in Table 4.7, respondents expend 12.2% of their income on clothing and 12.1% on housing. The analysis also portrays that respondents expend M51.25i on education, which is 6.8% of their monthly expenditure. On water, the monthly expenditure for respondents is M30.14 or 4.0%. On household goods and furniture, M24.21 are spent monthly, which is a percentage of 3.2. The data in Table 4.7 further illustrates that respondents' monthly disbursement on medical care is M20.75 or 2.8%, and loan repayment is M21.29 or 2.8%. The average monthly amount spent on communication is M17.49 or 2.3% and a further M3.88 (0.5%) is for the category 'other.'

In this analysis, two concluding comments need to be made at this point. Firstly, the expenditure recorded in the above table is about 7.0% more than the income recorded in Section 4.3. This probably suggests that factory workers are paid significantly less than what they should be paid. Secondly, the percentage spent on food (35.0%) does not indicate any serious hunger problems amongst factory workers. If this percentage is calculated in respect of income, it increases to above 38.0%.

In concluding this section, one can deduce that usually there are serious problems of hunger once households spend more than 50.0% of their household income on food. If one can relate this to the indication of hunger problems, it does not hold in the case of Lesotho where factory workers spend, on average, less than 50.0% of their monthly income on food. In the next section, an investigation of the working conditions of factory workers is done.

4.5 Working Conditions

Working conditions in terms of this research relate to the time work is commenced, period of breaks in between working hours, and closing time. Having presented the above statistical analysis in this chapter, from the socio-economic background to the average monthly expenditure of respondents, a description of factory workers' working conditions is of the essence.

It is indicated in the analysis in Table 4.8 that the majority of factory workers in Lesotho will start working at 07:00 and stop at 17:00. The average working day was calculated at ten hours and six minutes, including an average time of 1 hour for breaks. The aim of this section is to highlight the time differences between starting and ending work per day, the break in between, overtime, and the value the workers receive as a reward for work done.

Table 4.8: Percentage distribution of respondents working time at the factories in Lesotho, 2007

Period	hr	%
Time to start work(am)	6	1
	7	97
	8	2
Time to stop work(pm)	5	95.4
	6	3.8
	7	0.8
Breaks	Yes	98.5
	No	1.5
Break Time in minutes	30	0.8
	60	99.2

Of the respondents who answered the question about working conditions, 98.0% start their work before 08:00; while 95.4% finish at 17:00 (see Table 4.8). Table 4.8 further shows that 3.8% stop at 18:00. Only 2.0% reported that they start work at 08:00. A further 99.2% of the three hundred and ninety-one workers had a one hour break for lunch.

With regard to overtime, out of three hundred and ninety-seven respondents, 80.4% worked overtime, and from this number, 76.7% of these who responded got paid for it, whereas over 90.0% were getting an hourly rate that is less than ten Maloti on weekdays, weekends, and holidays (see Figure 4.4 and Figure 4.5).

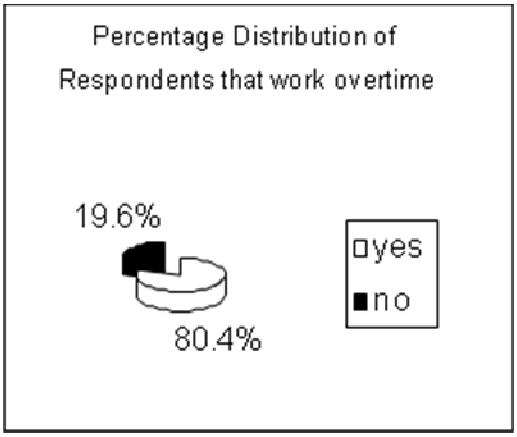

Figure 4.4: Percentage of respondents working overtime at the factories in Lesotho, 2007

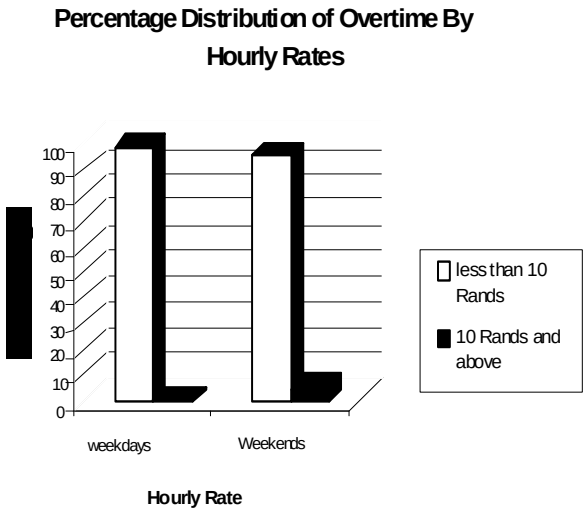

Figure 4.5: Percentage distribution of overtime of respondents that work overtime by hourly rates of respondents in Lesotho, 2007

Although 80.0% of respondents stated that they work overtime to increase their salaries, only 2.0% of factory workers get more than 10 Maloti per hour. This, therefore, implies that only a small percentage manages to achieve their envisaged salary increase.

Based on Table 4.8 above, it can be concluded that factory-working conditions in Lesotho are mostly not conducive to productivity as there are some workers who do not have breaks while some break for only thirty minutes. Yet, in all other areas of work in Lesotho, people break for a minimum of an hour. Workers in the factories work for long hours, as reflected in Figure 4.5.

4.6 Conclusion

The working conditions of factory workers in Lesotho have triggered various perceptions (mostly negative) in the minds of the Basotho (citizens of Lesotho), some of which are mentioned in Chapter Three. A good number of the Basotho perceive that foreign industrialists, particularly in the textile industry, are maltreating and exploiting factory workers. It is against this background that this chapter strives to highlight and access the

current working conditions at factories in Lesotho, as explained in the introductory section.

It is important to note that textile manufacturing has played and will continue to play a significant role in creating employment in Lesotho. As delineated in this chapter, most factory workers in Lesotho's textile industry have educational achievements below tertiary level and only 0.5% has had technical training, which is in line with manufacturing production. The analysis herein reveals that a significant percentage of factory workers are young people who have formidable potential to increase manufacturing production to the advantage of the employers and the Lesotho economy in particular. They are on average 28.6 years old, as calculated in Figure 4.2 and the paragraphs that follow Figure 4.2.

The number of dependants who rely on factory workers in Lesotho appears to be a burden to them. Consequently, factors leading to factory workers seeking extra income in order to meet their needs and those of their dependants are epitomised in this chapter. The average household size is calculated at 3.49. In fact, the chapter further reveals that 195 000 people (10.0%) of the Lesotho population depend on factory workers' salaries. These facts buttress the significant contributions of the textile industry in Lesotho.

The textile industry is by far the largest employer in Lesotho. The high numbers of women in the textile industry indicate a tendency of repositioning women to become economically self-reliant so that they will be able to take care of their needs. As illustrated in this chapter and determined by factors indicated herein, there is more job security in job two than in job one. The average period spent in and the average income of job two stood at 33.6 months and M774 respectively. However, it can be pointed out that job one served as an entry point to job two for more than half of the respondents.

With the prevailing working conditions at the factories in Lesotho, respondents work long hours and receive minimal earnings for the work they do.

As reflected in the highlights of this chapter that describe respondents' working conditions in Lesotho's textile industry, the emphasis in Chapter Five now shifts to an evaluation of changes in living conditions and perceptions of respondents.

CHAPTER FIVE: EAVALUATION OF CHANGING LIVING CONDITIONS OF FACTORY WORKERS IN LESOTHO

5.0 Introduction

Chapter Three provided an overview of the growth in manufacturing industry in Lesotho. It was indicated that a reasonable contribution of the manufacturing industry comes from the textiles and clothing sub-sector, which has attracted more foreign investment than any other sub-sector in the country (see Chapter Three). The textile industry is the biggest single employer of Lesotho citizens who are mostly performing tasks such as, sewing, cutting of material, ironing finished products etc. In Chapter Two and Three, it was indicated that some scholars and the media argued that, despite the employment creation in the manufacturing industry, factory workers have negative perceptions towards industrialists. In the main, the argument is that industrialists exploit factory workers. It is against this background as well as the overview of working conditions in Chapter Four, that an assessment will be presented of the degree to which factory workers' living conditions have changed since they have been working in the textile industry in Lesotho. Thus, the aim of this chapter is to evaluate changes in living conditions of factory workers since their employment at these factories. To achieve this aim, the socio-economic changes in the lives of factory workers will firstly be presented. Next, the chapter turns to an assessment of changes in living conditions of factory workers in Lesotho. This will be followed by an analysis of the positive and negative aspects of working at the factories in Lesotho as evaluated by the factory workers.

5.1 Evaluation of socio-economic situation respondents

Evaluating the changing socio-economic situations of respondents (factory workers) as well as the changes in respect of their living conditions are as important as describing their work place conditions as highlighted in Chapter Four. The aim of this section is to determine the socio-economic changes of respondents before taking up their current employment and access their current status thereafter. More specifically, the section will investigate whether respondents' children attend school and who pays for their schooling. It also highlights the housing unit arrangements in terms of size and costs, their access

and forms of communication, and forms of energies for lighting in their houses before and after work at the factories. It further evaluates the sanitary situation of respondents, their access to banking services and the modes of transport they mostly use to go to work.

5.1.2 School access and payment

Children are usually the first group of people that suffer from poor economic conditions that go with poverty. In some instances, herd boys in Lesotho get employed in order to pay for their sisters' education. The level of school attendance for herd boys is a major problem that contributes to the overall low attendance of male children at school; this is in addition to the effects of HIV and AIDS. Historically, parents paid for their children's education. In another development, the government of Lesotho has introduced primary education with specific schools identified for this benefit during the last five years. The pertinent question in this section is whether or not employment in the industries has given factory workers' children better access to education (see Table 5.1).

Table 5.1: Level of school access for Lesotho's factory workers' children before current occupation and at the moment, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Yes	185	47.3	225	57.4
No	84	21.5	54	13.8
Not applicable	122	31.2	113	28.8
Total	**391**	**100.0**	**392**	**100.0**

A number of comments should be made in respect of Table 5.1. Out of 391 respondents that answered the question 'Are your children attending school?', 185 said that their children have attended school before taking up employment at the factories, and this represents 47.3% of the interviewed population. A total of 84 respondents' children did not attend school, thus accounting for 21.5% as reflected in Table 5.1. Comparatively, during the interview, 225 (57.4%) factory workers indicated that, since working in the factories their children have been attending school. This means that, there is a 10.1% increase in number of respondents' children currently attending school. Correspondingly, the percentage of factory workers' children who did not attend school decreased from 21.5% to 13.8%. There are probably three aspects that need to be considered as reasons

for this change. Firstly, the question is whether this can be attributed to the fact that, factory workers in fact, have the finances to pay or, secondly, whether it is the urban nature of the manufacturing sector, which makes access to schools easier. This is because, more schools are centralised in the urban centre. The third point is to ascertain whether the introduction of free primary education might have played a role as well. With these questions in mind, Table 5.2 presents the sources of payments for the education factory workers' children's before and after their taking up employment at the factories in Lesotho.

Table 5.2: Sources of payment for the education of Lesotho's factory workers' children, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
I am paying	225	79.8	223	76.6
Someone else	57	20.2	68	23.4
Total	**282**	**100.0**	**291**	**100.0**

Table 5.2 indicates that, 79.8% of factory workers who have been interviewed were paying for their children's education prior to their employment at the factories. Currently 76.6% of the respondents indicated that they are paying for their children's education. This illustrates that, there is a decrease of 3.2% in factory workers who are paying for their children's education in comparison with the period before being employed at the factories. The most prominent reason for this decline is probably related to the introduction of free primary education by the government of Lesotho.

The next section presents analysis of the characteristics of factory workers' housing conditions as indicated in Table 5.3 below.

5.1.3 Housing conditions

The assumption here is that employment (brought about by the growth in the manufacturing industry) might have a positive impact on the living conditions of people. At the same time, one could claim that the creation of new jobs in the manufacturing industry has led to an increase in urbanisation in Maseru, which has been the focal point

of newly established factories (see Chapter Three). This development is echoed by Marais, (2001: 95), who pointed out that Maseru, which has 60.0% of all dwellers within the boundaries of formal urban areas in Lesotho, will be the prime centre of urbanisation and will grow at an annual rate of approximately 6.0%. This growth is due to the presence of a highly centralised government service in Maseru (despite current decentralisation initiatives), as well as the growth in the textile industry. It should also be noted that productivity is also dependent on good living conditions (access to housing, water, sanitation and electricity). This analysis compares the conditions of housing units in which factory workers in Lesotho lived in before and after taking up employment at the factories. Such an analysis is intended to determine whether there are positive or negative shifts in their housing conditions as reflected in Table 5.3 below.

Table 5.3: Characteristics of factory workers housing units in Lesotho, 2007

Rooms per house	Before taking this employment		At the moment	
	n	%	n	%
Bachelor / one room	155	39.4	176	44.3
Two-room unit	143	36.3	146	36.8
Three-room unit	51	12.9	45	11.3
More than three rooms	45	11.4	30	7.6
Total	**394**	**100.0**	**397**	**100.0**

Table 5.3 depicts that factory workers who lived in a bachelor unit of one room before taking up employment at the factories are in majority with 39.4%. The results of the survey as displayed in Table 5.3 show that, the percentage of respondents residing in a bachelor or one room unit increased after the respondents had taken up employment at the factories (to 44.3%). This means that the percentage of respondents living in a bachelor or single-room unit increased by 5.0% after taking up employment as indicated in the Table 5.3. Conversely, those who lived in more than three rooms before taking up employment at the factory accounted for 11.4%, but this percentage dwindled to 7.6% after taking up employment at the factories.

This apparent decrease in the number of rooms in the housing units of respondents should be understood against the background of increasing urbanisation. Most of these

workers are young persons who migrated to Maseru and left their own houses clay and stone houses in the rural areas. These houses incurred no direct cost. Living in Maseru requires them to pay for rent on a monthly basis and in most cases, this is quite expensive. This situation, made them opt for bachelor's units in informal areas. Reflecting on this analysis, there is thus an urgent need for policy makers to come up with a framework that will respond to the impact of urbanisation in the industrial areas in Lesotho. In light of this, Table 5.4 presents an analysis of the bases on which respondents were staying in their housing units before and after taking employment at the factories.

Table 5.4: Nature of tenure for factory workers' housing in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Own the house	104	26.9	83	21.0
Rent from someone	181	46.9	279	70.5
Stay for free with someone	101	26.2	34	8.5
Total	**386**	**100.0**	**396**	**100.0**

Table 5.4 reflects the historical and current status of tenure of respondents. Historically, 26.9% of the respondents owned the houses they stayed in before gaining employment at the factories compared to the current 21.0% who own houses. Respondents who rented accommodation from someone else before gaining employment at the factories accounted for 46.9%, and after taking up employment at the factories, the percentage rose to 70.5%. Respondents who stayed for free with someone, dropped from 26.2% before taking up employment at the factories to 8.5% after taking up employment. The average monthly rent for factory workers is M131.94. The increase in the number of respondents renting at the moment compared to the situation prior to taking employment at the factory can also be related to the migration of respondents to the urban centres. Rental housing is by far more appropriate for mobile and younger people (such as these factory workers). For example, a significant percentage of the factory workers moved from their family homes in rural Lesotho, where they were not paying rent, to rented houses closer to the factories; this is however, in shanty settlements that they can afford. At the same time, the

increasing percentage of factory workers leasing these shanty houses have probably also contributed to their landlords' access to extra income.

Table 5.5 provides an overview of the different types of housing units in which respondents are reside. They reside in Lelaene, which is vertically structured with one unit after the other in a single building. Some reside in Optaka, which consists of two or more rooms with living condition better than those of Maleaneng, especially when they are individually owned. Polata, a small house that consists of one room with a door and one or two windows, is preferred by some of the respondents. Randavel and Heisi, each made up of one room with thatched roofing, provide residence to other respondents.

Table 5.5: Types of factory workers' housing units in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Lelaene in one or two rooms	163	43.4	229	60.7
Optaka in two or more Rooms	142	37.8	91	24.1
Polata in one room	29	7.7	25	6.6
Randavel (thatched roofing) one room	27	7.1	30	8.0
Heisi (thatched roofing) one room	15	4.0	2	0.5
Total	**376**	**100.0**	**377**	**100.0**

The results of Table 5.5 confirm the results in Table 5.3 discussed earlier in this chapter. In Table 5.5, it is indicated that most factory workers live in Lelaene (one to two rooms). This increased from 43.4%, before their taking up employment at the factories to 60.7% after they took up employment at the factories. This shows that the majority of the factory workers live in housing unit of not more than two rooms.

Overall, the housing situation of factory workers is a reflection of mobility of younger people migrating to urban areas where the factories are located (see Bond, 2000).

5.1.4 Access to telephone

The analysis now shifts to other settlement services available to factory workers. Table 5.6 below presents the number and percentage of factory workers having access to telephone.

Table 5.6: Number and percentage of factory workers in Lesotho having access to telephone in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
No access	209	54.3	117	30.4
At least one person in household has a cellular phone	138	35.8	246	63.9
Landline in my house	26	6.8	8	2.1
Cellular at friend close by	7	1.8	6	1.6
Landline at friends close by	3	0.8	2	0.4
Access not close by	2	0.5	1	0.3
At least one person in household has a cellular phone and Landline in my house	0	0.0	5	1.3
Total	**385**	**100.0**	**385**	**100.0**

Out of 385 respondents to the question "Explain the level of telephone access for your household", 209, which in total accounted for 54.3% of the respondents, indicated that they had had no access to a telephone before taking up employment at the factories. Yet, since taking up employment this percentage has dropped to 30.4%. Table 5.6 also illustrates that 35.8% of the respondents indicated that at least one person in their households had had a cellular phone before they started working at the factories. There is a shift in this trend as 63.9% of respondents claimed that, after taking up employment at the factories, at least one person in their households with a cellular phone. This implies that the percentage of respondents who have to at least one person with a cellular phone increased by of 28.1% after taking up employment at the factories. The percentages of those who indicated that they have had landlines before taking up employment and after taking up employment at the factories were 6.8 and 2.1 respectively.

The deduction here is that the increase in percentage of those who have at least one person in their households with cell phone and landlines could be as a result of them gaining access to employment at the factories where they now have access to income and

can buy phones. It is a shift that goes with the waves of consumerism where telephone service becomes apparently important in expediting respondents' day-to-day transactions. Mobile service providers have just taken over the telephone market for new employees in the manufacturing industry of Lesotho.

5.1.5 Access to fuel

Next, energy and fuel use are analysed (see Table 5.7). Access to fuel use is usually a good indication of changing patterns of poverty and wealth. Better access to electricity could ensure the prolonging of the day and improved health (Bond, 2000).

Table 5.7: Factory workers' access to fuel in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Paraffin	199	49.9	158	39.6
Gas	127	31.8	151	37.8
Electricity	42	10.5	68	17.0
Candles	25	6.3	18	4.6
Gas and Candles	2	0.5	2	0.5
Gas and Paraffin	2	0.5	2	0.5
None	2	0.5	0	0.0
Total	**399**	**100.0**	**399**	**100.0**

According to the statistics presented in Table 5.7, 399 respondents were asked to indicate what forms of energies they have use, mostly for lighting their homes, before taking up employment at the factories. Those who used paraffin prior to their current job totalled 49.9% and the 'at the moment category' registered 39.6%. At the same time, there was an increase in the use of gas (31.8% before and 37.8% at the moment). This trend implies that the percentage of factory workers using gas for lighting their houses increased by 6.0% after employment at the factories had begun. Table 5.4 further indicates that only 10.5% of the respondents used electricity before taking up employment at the factories compared to 17.0% who are using electricity to light their houses at the moment. In this case, one can deduce from the statistics in Table 5.7 that the percentage of factory workers who are at the moment using electricity in their houses increased by 6.5% after they had become employed.

From the discussions in this analysis, it is worth noting that factory workers' living standards showed reasonable improvement in most of the categories as depicted in Table 5.7. The improvements can be attributed to their increased access to income.

5.1.6 Access to water

Access to clean water is an important human right and a crucial element in the survival and well-being of a person. Specifically, access to water also has an important health benefit, which in turn improves productivity. According to a World Health Organisation report (2008), around 1.1 billion people globally do not have access to improved water supply sources.

In addition, 2.4 billion people do not have access to any type of improved sanitation facility. About two million people die every year due to bowel diseases, most of them being children under five years of age. The most affected are those in developing countries, living in extreme conditions of poverty, normally peri-urban dwellers or rural inhabitants (World Health Organisation, 2008). Among the main problems which are responsible for this situation are the following: lack of priority given to the sector, lack of financial resources, lack of sustainability of water supply and sanitation services, poor hygiene, and inadequate sanitation in public places including hospitals, health centres and schools. The provision of access to sufficient quantities of safe water, the provision of facilities for a sanitary disposal of excreta, and the introduction of sound hygiene habits are of capital importance to reduce the burden of disease caused by these risk factors. (World Health Organisation, 2008).

Most of the areas where factory workers in Lesotho reside are faced with problems of water supply and the increased urbanisation of factory workers during the last ten years has exacerbated the situation. A reasonable number of factory workers have no water borne facilities on their premises. They mostly access water from either their neighbours or from communal taps to which some have no access at all. The question is what will happen in the case of an outbreak of an air-borne disease? A reverse of this appalling

situation will require town planners in Lesotho to start paying greater attention to the problems that urbanisation poses to settlers in these informal residences (see Table 5.8).

Table 5.8: Factory workers' main access to water supply in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Within 200m from the house (communal taps)	178	44.7	191	47.9
On the stand	117	29.4	106	26.6
More than 200m from the house (communal taps)	69	17.3	66	16.5
In the house	20	5.0	20	5.0
None	14	3.5	16	4.0
Total	**398**	**100.0**	**399**	**100.0**

In responding to the question on water supply, 44.7% said that they had had access to communal water taps within 200m from their homes before being employed at the factories. By the time the interviews were held, this percentage had risen by 3.2%. Furthermore, 17.3% of the respondents sourced their water from communal taps located at a distance of more than 200m from their houses before taking up employment at the factories. This percentage has decreased marginally to 16.5%. Those who had had in-house water supplies before being employed at the factories stood at a percentage of 5.0 and the same percentage was recorded for the "at the moment category". Those respondents with no water access increased slightly from 3.5% to 4.0%.

From the above analysis, it can be concluded that majority of the factory workers still depend on communal tap water. The results also show that very little improvement has taken place with regard to factory workers' access to water supply. Unlike increased use of fuel, telephone and increased access to banking, which are attributed to factory workers being employed at the factories, access to water supply and sanitation, can directly be influenced by national policies and their implementation. It is the responsibility of state authorities to facilitate the provision of water and proper sanitation in areas where these factory workers reside (see Bond, 2000: 208). The crucial question one needs to ask is why the government of Lesotho is not paying attention to the current appalling conditions of these informal settlements in Lesotho? What seems clear is that

the urbanisation implications of increased industrialisation, which go hand in hand with the rise of the clothing industry, have not been taken into consideration.

5.1.7 Access to sanitation

The importance of access to proper sanitation in enhancing the livelihood of human beings can not be over emphasised. As in the case of water, there are specific health benefits which could be associated with access to proper sanitation (World Health Organisation, 2008). Access to basic sanitation in areas where factory workers reside is minimal and in some instances none-existent, as Table 5.9 depicts. In fact, virtually no difference was apparent between before and after the factory workers took up employment at the factories.

During the interviews, respondents were asked to explain their main access to sanitation before and after gaining employment at the factories (see Table 5.9).

Table 5.9: Factory workers' access to sanitation in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Pit latrine	335	84.0	334	83.7
Waterborne outside	46	11.5	46	11.5
Waterborne in house	11	2.8	10	2.5
None	7	1.7	9	2.3
Total	**399**	**100.0**	**399**	**100.0**

Out of 399 people who responded to this question, 84.0% used pit latrines before being employed at the factories. This trend virtually stayed the same as it decreased to only 83.7% for the category 'at the moment'. Respondents who were using waterborne sanitation outside their houses before taking up employment remained stable at 11.5%. Those households with access to water borne sanitation also remained the same while there was a slight increase in the percentage of households with no access to sanitation.

In general, this analysis depicts that the majority of factory workers' in Lesotho are still mostly using pit latrine (see Table 5.9). There has not been much improvement in

sanitation because town planners do not take into consideration the massive effects that urbanisation has on people. In respect of this, national policies should be directed at improving the sanitation status in areas of informal settlements as in the case of the factory workers. Figure 5.1.8 presents analysis of factory workers access to bank accounts

5.1.8 Access to bank accounts

Access to a bank account in some ways is an indication that a person's income status is improving. In Lesotho, a large percentage of factory workers receive their salaries directly into their bank accounts. It is a requirement imposed by the industrialists, who manage these factories, that workers have bank accounts. In Figure 5.1, a presentation of the percentage of respondents with access to bank accounts is provided.

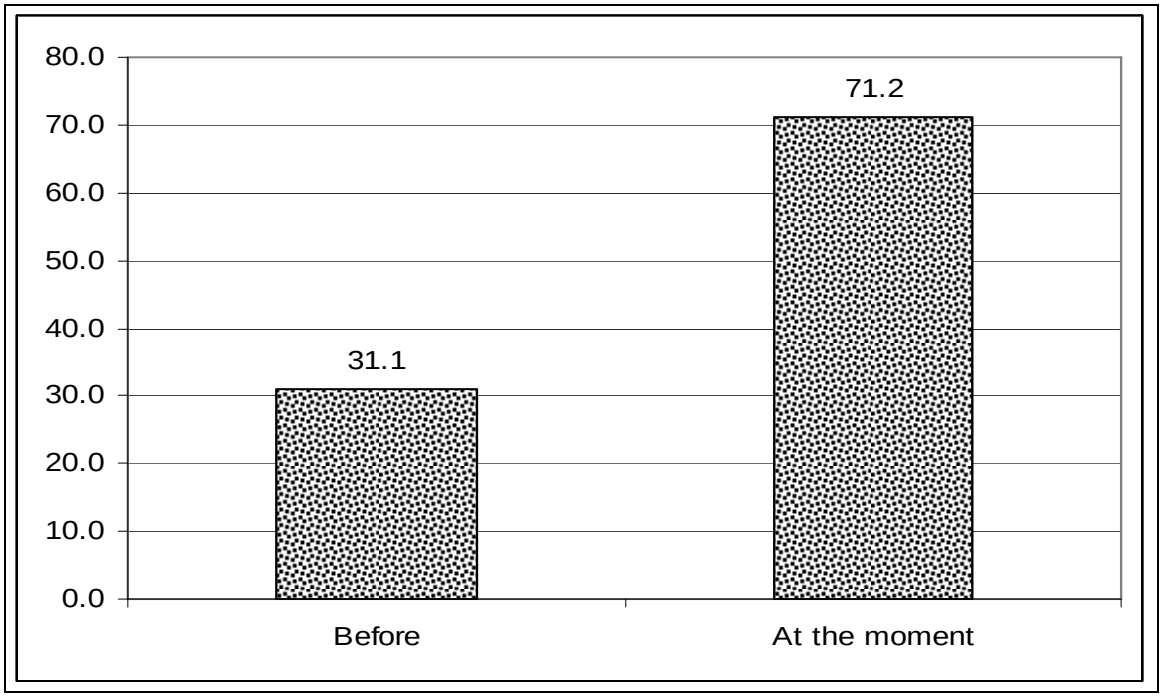

Figure 5.1: Respondents with access to a bank account, 2007

The data in Figure 5.1 illustrates that 31.1% of the respondents had had access to bank accounts before taking up employment at the factories. However, there is a positive shift in this trend as 71.2% do have access to bank accounts. It can be concluded that the large numbers who have access to bank accounts can be attributed to the fact that their salaries

have to be deposited into the banks in Lesotho. It is therefore obligatory for them to have access to bank accounts, of which most are savings accounts. Such facilities allow them not only to withdraw money from their respective bankers, but also to use their Automated Teller Machine (ATM) cards to purchase items like foods and make payments for other services.

5.1.9 Access to transport

Table 5.10 gives an analysis of the modes of transport of factory workers before and after taking up employment at the factories. That factory workers should have access to transport for going to work is essential especially, for those who are not residing close to their work places. In Maseru, it is very common that factory workers walk to work between 04:00 and 18:00. Some of them walk up to 14km to and from their work places every day.

Table 5.10: Main sources of transportation for factory workers in Lesotho, 2007

Answer	Before taking this employment		At the moment	
	n	%	n	%
Public transport	264	67.5	259	64.9
Walk on foot	116	29.7	135	33.8
Private car	7	1.8	5	1.3
Other	4	1.0	0	0.0
Total	**391**	**100.0**	**399**	**100.0**

During the interviews, respondents were asked the question 'What mode of transport do you mainly use for going to work?' In answering this question, 264 (67.5%) indicated that they had used public transport prior to their current employment at the factories. This percentage has dropped to 64.9%. Respondents who had walked before taking up employment accounted for 29.7% compared to 33.8% after taking up employment at the factories. The number of factory workers walking to work is quite alarming, reaching a percentage of more than half of those who are using public transport after taking up employment. Perhaps, this can be attributed to the fact that most of these workers are staying closer to their work places or they simply do not have enough money to for their

transport fares. This scenario also confirms the problem of increased urbanisation caused by location closer to the existing factories – something, which is yet to receive responsive planning. Of all the respondents, 1.8% indicated that they had been using private cars to go to work before taking up employment at the factories compared to 1.3% using private cars after taking up employment at the factories in Lesotho.

From another point of view, it can also be observed that, the areas in Maseru where these factories are located have over the years seen an increase in residents. These areas are characterised, amongst others, by poor water and electricity supplies and poor sanitation. This situation calls for responsive action by national policy makers if these undesirable human conditions are to be reversed, especially in the midst of increasing expansion of industrial production, which requires more establishments of factory shells. The preceding section highlights the changes in living conditions of factory workers in Lesotho. The analysis will now shift to factory workers' perceptions of changes in their living conditions.

5.2 Perceptions about changing quality of life

The aim of this section is to determine the general changes that have occurred to factory workers since being employed at the factories. Table 5.11 below presents percentages of change in the lives of factory workers. In this case, the question that was asked during the interviews is 'Did your life change for the better since being employed at the factory?' (see Table 5.11 and 5.12). These initial responses are what make this section crucial in the sense that it determines the advantages and disadvantages of working at the factories in Lesotho. The chapter further portrays that the impact of FDI, not only on the economy of Lesotho, but also, to some extent, on its people. It should be noted that 81 respondents (just more than 20.0%) mentioned that they have not experienced any change in their living conditions.

Table 5.11: Reasons why respondents said their living conditions had not changed for the better since working at the factory in Lesotho, 2007

Reasons	n	%
Income is too small	57	70.4
Work related demotivation	9	11.1
Overall life is not better	4	4.9
Health related	4	4.9
No response	2	2.5
Other	5	6.2
Total	**81**	**100.0**

From the analysis in Table 5.11, it is indicated that respondents whose living conditions did not change for the better because of too little income accounted for 70.4%, which is the highest score in the table when compared to other reasons given during the interviews. Respondents explained during the interviews that their salaries cannot accommodate all their needs, and some were still receiving the same salaries that they had been earning in their previous jobs, which make no difference. A further 11.1% claimed that their living conditions had not change for the better because of work-related demotivation, while 4.9% said their overall life had not change. Health related reasons contributed to a further 4.9% of the overall reasons in this respect. In reiterating the discussion of this analysis, respondents specifically indicated during the interviews that inter alia, their lives had not improved and that they still struggled as much when not working. They claimed that, the work was too demanding and that they were receiving meagre salaries. They expressed dissatisfaction in the way management treated them.

This analysis highlights the reasons advanced by respondents for their improvement in their lives since being employed at the factory and it is presented in Table 5.12.

Table 5.12: Reasons why respondents said that their life changed for the better since employed at the factory in Lesotho, 2007

Reasons	n	%
I have financial satisfaction	36	27.3
My family needs are satisfied	31	23.5
My needs are satisfied	30	22.7
The job has motivated me	16	12.1
I am no more starving	5	3.8
My life and family have improved	5	3.8
My life has improved	3	2.3
I own a house	2	1.4
I now have access to tap water	1	0.8
I now have a cell phone	1	0.8
Other	2	1.5
Total	**132**	**100.0**

Whew considering the reasons that respondents gave for the improvement in their lives, 27.3% said they have financial security, 23.5% indicated that their family needs have been satisfied since being employment at the factories and 22.7% of respondents said their needs are being satisfied since being employment at the factories. During the interviews, 12.1% of the respondents said that the jobs at the factories had motivated them, while 3.8% said that they were no longer going hungry since being employment at the factories. The analysis in Table 5.12 further reveals that 3.8% of respondents indicated that their lives and the lives of their families had improved. Those who own houses and have access to tap water recorded 1.4% and 0.8% respectively. Similarly, 1.5% and 0.8% fall in the categories of those with a cell phone and 'other' respectively.

In general, one can deduce that there is improvement in the financial situation of factory workers as they have access to income at the end of every month. This development refutes the negative perceptions that the Basotho have about foreign industrialists, as expressed in Chapter Three of this study. These results at least show that the negative perceptions are not common. The next section turns to specific positive and negative aspects of working at the factories in Lesotho.

5.3 The positive and negative aspects of working at the factories in Lesotho

Chapter Three of this study illustrated the negative perceptions of the Basotho regarding foreign investment. The aim of this section is to determine how factory workers in Lesotho perceive working at the factories, both positively and negatively. In order to test the perceptions of factory workers, a range of statements were made in the questionnaire and respondents had to indicate whether they strongly agree, agree, are neutral, disagree or strongly disagree about enjoying working at the factories. The responses are presented in Figure 5.2 below.

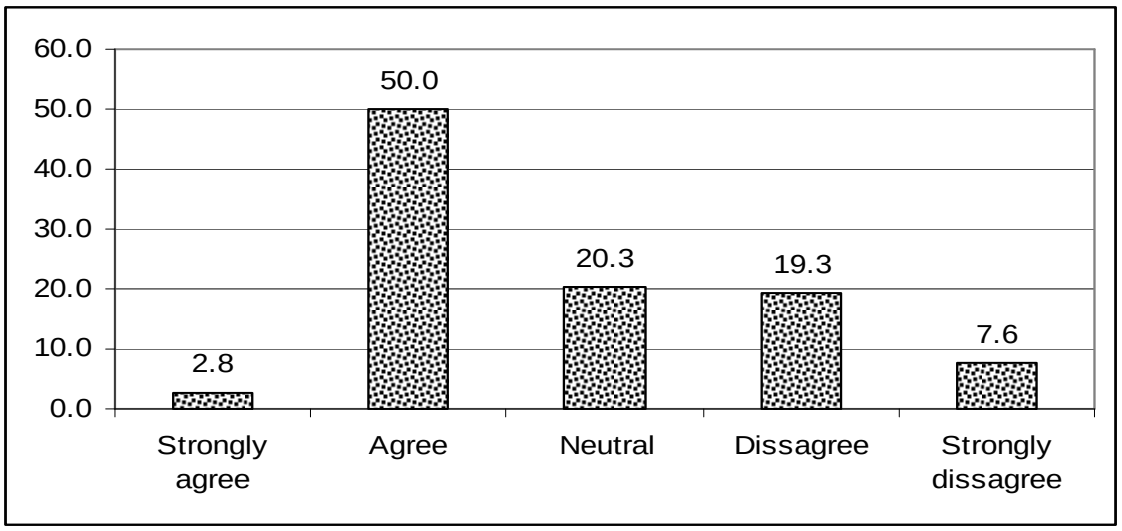

Figure 5.2: Responses to the statement: "I enjoy working at the factory in Lesotho", 2007

During the interviews, respondents were asked the question whether they enjoyed working at the factories. In response, 2.8% of the respondents strongly agreed that they enjoyed working at the factory, while 50.0% of the respondents agreed that they enjoyed working at the factories. Approximately, 20.0% of the workers were neutral about their perceptions of working at the factories. This may be attributed to the fact that those who stayed neutral were afraid of giving a true picture which might cost them their jobs. Alternatively, it could also be attributed that, in order to survive, very few people really have a choice of employment and being employed at the factories is more a response to reality of lack of income, than an issue of enjoyment. Respondents who disagreed about

enjoying working at the factories accounted for 19.3%, which is almost the same percentage of those who stayed neutral.

From the analysis in Figure 5.2, the majority of the factory workers indicated that they enjoyed working at factories. This is also confirmed by the analysis in Table 5.12 where 27.3% claimed that they have had better financial situations, and a further 22.7% indicated that their needs are satisfied. Reflecting on some of the salient points in this chapter, it can be concluded that a significant percentage of respondents enjoyed working at the factories and were better off financially. This implies that textile manufacturing cannot automatically be viewed as a negative phenomenon. It has made significant contributions in Lesotho. This analysis invariably signals, at the very least, a more balanced perception than the perceptions expressed by some analysts in Chapter Three.

The salary scale of any organisation is one way to determine workers' perceptions of working in an organisation. This mode of determination also applies to factories in Lesotho. In Chapter Four of this research, a description of the current salary range was made which depicted that the average monthly salary for a factory worker is M749. Figure 5.3 below presents the percentages of respondents who indicated their perceptions about the salaries they are paid at the factories.

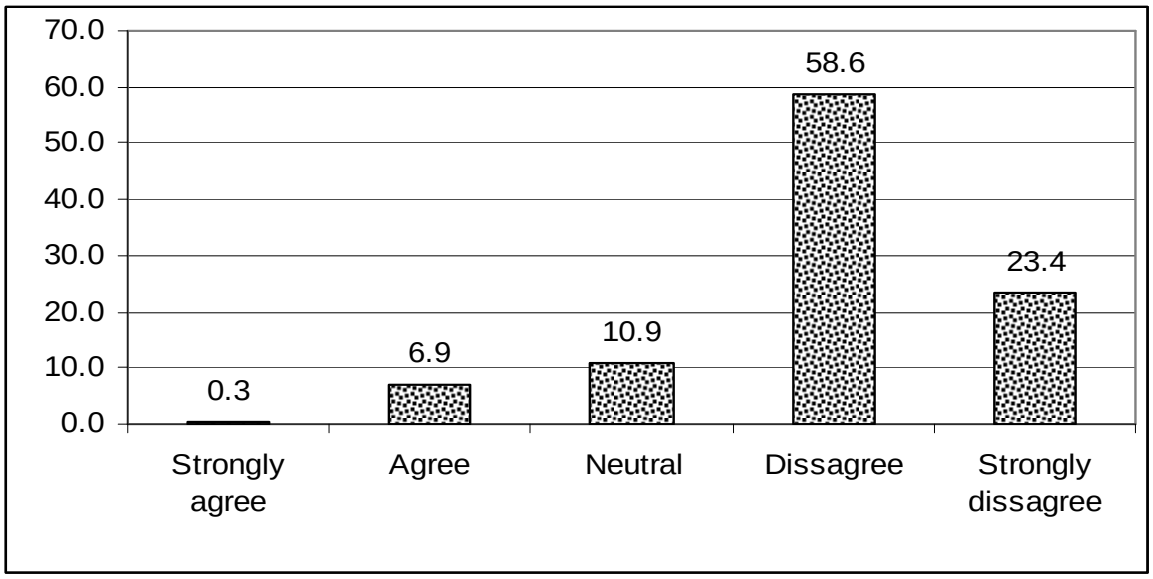

Figure 5.3: Responses to the statement: "My salary is appropriate for the amount of work I do at the factory in Lesotho", 2007.

According to Figure 5.3, the percentage of factory workers who strongly agreed that the salaries they earn are appropriate for the amount of work they did stood at a percentage of 0.3. 6.9% of the respondents agreed that the salaries they earn were appropriate for the amount of work they do as illustrated in the Figure 5.3. A significant percentage of 58.6 of respondents disagreed by saying that what they earned for the job they did was not appropriate, while 23.4% strongly disagreed by indicating that their earnings for the amount of work they do were inappropriate. These dissatisfactions have long been manifested in tensions between the industrialists and the factory workers, resulting in public demonstrations mounted by factory workers in Lesotho, as highlighted in Chapter Three of this research. The above analysis also indicated that factory workers in Lesotho are getting lower wages than that stipulated as a minimum wage in South Africa.

Figure 5.4 presents an analysis of how factory workers in Lesotho perceive their managers' treatment of them. As indicated in Chapter Three, a common perception exists that factory workers in Lesotho are treated poorly. The figure below provides detail on how factory workers in Lesotho are being treated by their managers.

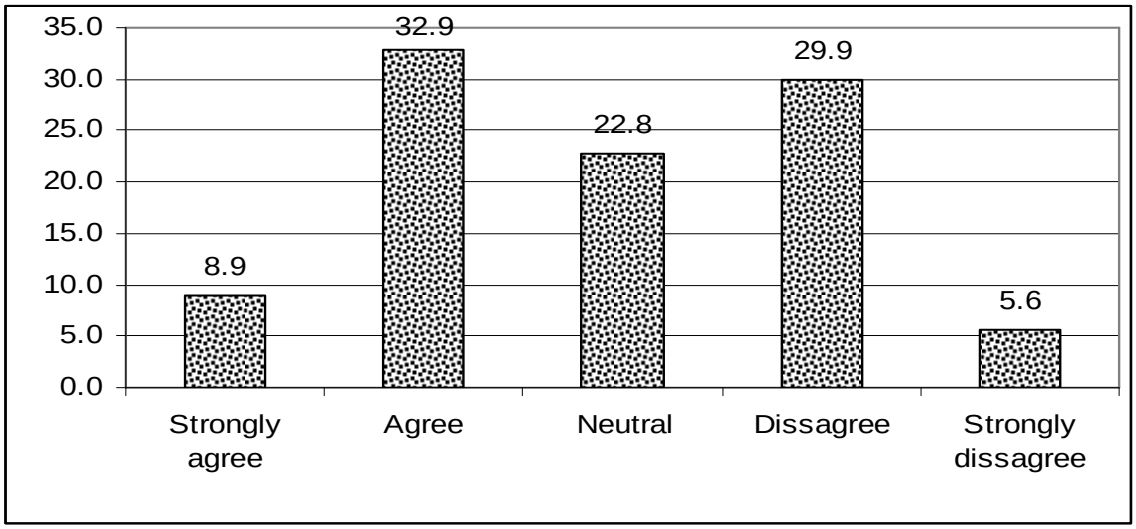

Figure 5.4: Responses to the statement: "The managers treat me poorly at the factory in Lesotho", 2007

The results of Figure 5.4 show that 8.9% of the respondents strongly agreed that their managers treated them poorly. While 32.9% of the respondents agreed that their managers treated them poorly, 28.2% were neutral about the treatment received from their managers. Perhaps, their neutrality could be attributed to the fear they have of losing their jobs. Those who agreed and strongly agreed claimed that their managers were against them, they work overtime and receive low payment and these managers virtually ignored sick leave certificates presented to them. Ironically, 29.9% claimed that they were not poorly by their managers. In addition, the figure illustrates that only 5.6% of respondents strongly disagreed. Comparatively, the percentage of those who strongly agreed that their managers treat them poorly outweighed the percentage of those who strongly disagreed.

Figure 5.5 below illustrates the percentage of respondents who indicated that 'if it was not for the industrialists I might not have been employed' (see Figure 5.5).

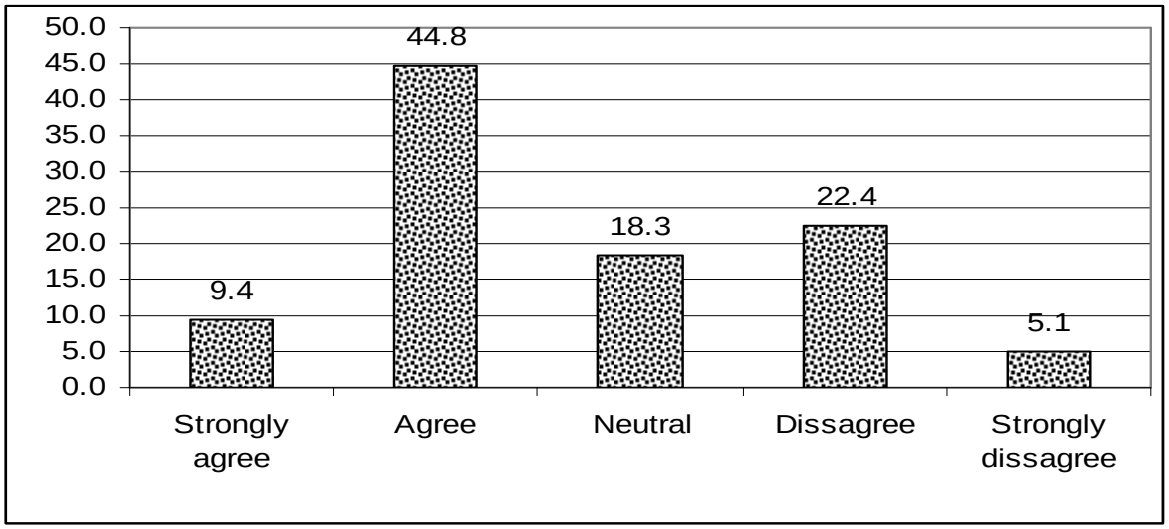

Figure 5.5: Responses to the statement: "If it was not for these foreign industrialists, I would not have had a job in Lesotho", 2007

The above Figure indicates that 9.4% of the respondents strongly agreed that, had it not been for the industrialists, they would have been employed. This implies that their living conditions would have been more perilous than it is currently. Respondents who agreed to the statement in Figure 5.5 were in majority, with a percentage of 44.8, while 9.4% strongly agreed. A further 18.3% were neutral, with 27.5% of the respondents either disagreeing or strongly disagreeing. Nevertheless, the analysis in Figure 5.5 depicts that those who thought that had it not for the industrialists, they would not have gained employment were clearly in the majority. This implies that there is significant support for industrialists' operations in Lesotho among factory workers.

Next, Figure 5.6 explains how respondents feel about the statement 'The industrialist should not be in Lesotho'. This question was specifically put to the respondents to see whether the same evidence noticeable in the media was also relevant to those who work at the factories.

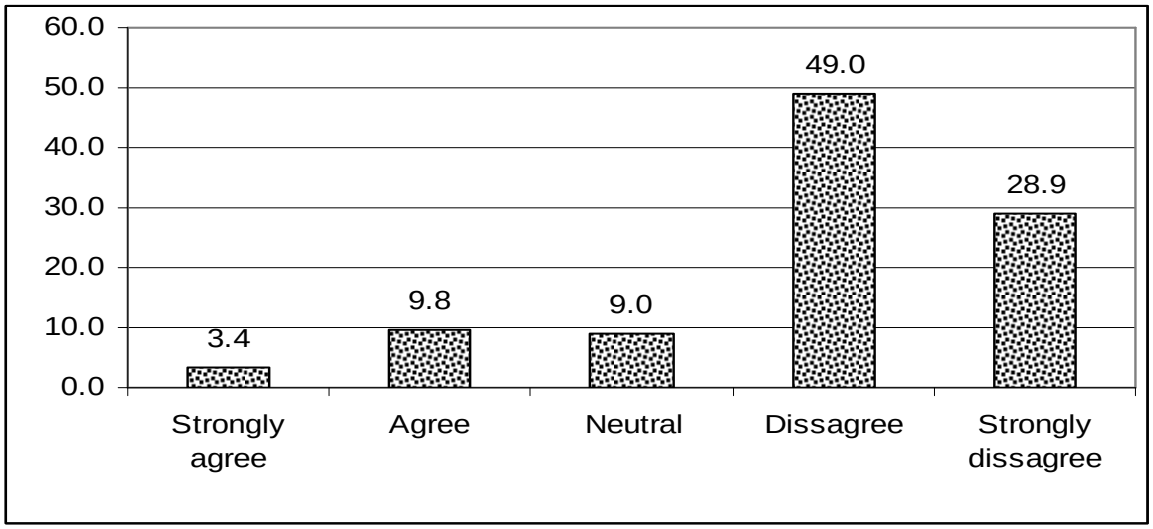

Figure 5.6: Responses to the statement: "These industrialists should not be in Lesotho", 2007

During the interviews, 3.4% of the respondents stated that, they strongly agreed that the industrialists should not have been allowed in Lesotho. These statistics are backed by 9.8% who agreed to this statement. Perhaps these responses have to do with the inappropriate salaries that are paid at the factories. This situation was manifested in Figure 5.11, in which some of the factory workers indicated a 'no improvement' in the financial situations and, as such, unable to make ends meet since employed at the factories. 9% remained neutral, meaning that, they had nothing to say about the statement. Those who disagreed and those who strongly disagreed made up of 49. 0.0% and 28.9% respectively.

This analysis predicts that although factory workers earn little in comparison with other sectors in Lesotho, the majority maintain that the industrialists should still operate in Lesotho because the rest of the economy cannot absorb their numbers. This also demonstrates that, if the industrialists are to leave Lesotho, the majority of the factory workers will face the mammoth challenge of gaining employment somewhere else. Should this happen, it will perhaps lead respondents to committing crimes and engaging in other immoral activities for their survival.

Figure 5.7 below, shows the percentage distribution of factory workers who responded to the statement: 'the job at the factory saved me from starvation'. In Lesotho, working at the factories has been viewed by most Basotho as exploitative considering the working conditions prevailing at the factories and the general view that manufacturing production is a means of stripping the country of its economy. The data in Figure 5.7 presents interpretations of respondents' views about working at the factory which largely negate the view concerning exploitation.

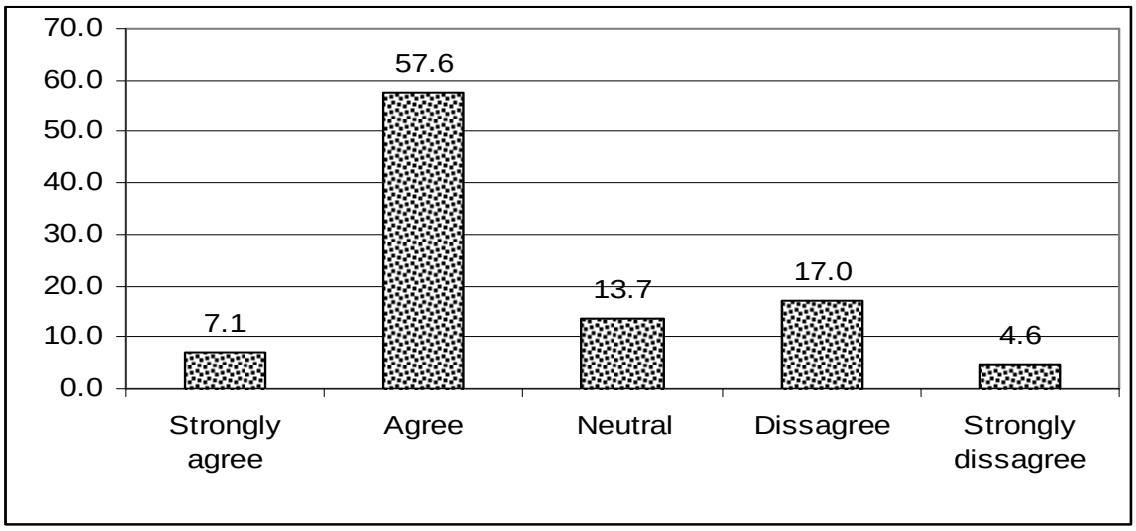

Figure 5.7: Responses to the statement: "The job at the factory in Lesotho saved me from starvation", 2007

Figure 5.7 indicates that, 7.1% of the respondents strongly agreed that the job at the factories saved them from starvation. This is true with those who had no source of income before being employed at the factories. Furthermore, 57.6% of the respondents agreed that the job at the factory saved them from starvation, with a 13.7% saying nothing about the claim reflected in Table 5.7 above. Ironically enough 17.0% and 4.6% respectively disagreed and strongly disagreed that the jobs at the factories have saved them from starvation. This analysis sounds positive for the industrialists as the percentages of those who are neutral, disagreed, and strongly disagreed together only formed 35.3, which is less than the percentage of those who strongly agreed and agreed, which came to 64.7%.

The findings of this analysis are strongly supported by Figure 5.8 below, which illustrates the percentage distribution of factory workers who responded to the statement 'The job at the factory has given me some self-confidence'. It would seem, from the analysis in Chapter Three, the descriptions of working conditions in Chapter Four, and to some extent the analysis in this chapter, that working at the factories in Lesotho are demoralising, de-motivating and lowering the esteem of those who are working there. Paradoxically, however, findings presented in Figure 5.8 largely refute these perceptions.

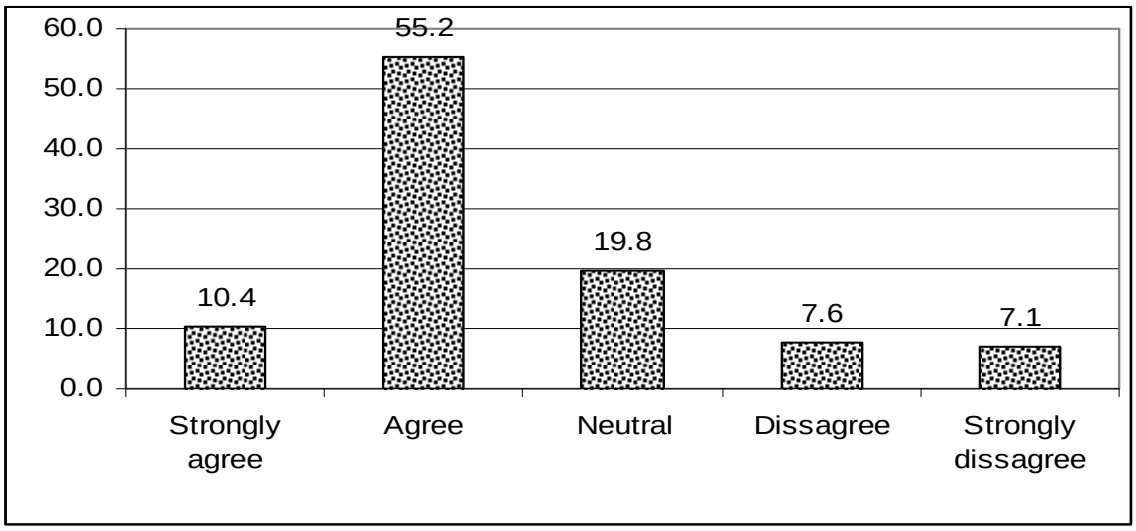

Figure 5.8: Responses to the statement: "This job at the factory in Lesotho has given me some self-confidence", 2007

During the interviews, 10.4% of the factory workers responded that they strongly agreed that the jobs at the factories have given them some self-confidence. The highest percentage of 55.2 indicated they agreed that the jobs at the factories have given them some self-confidence. Those who were neutral amounted to 19.8%, which is high for a population like Lesotho. Those who disagreed and strongly disagreed to the statement 'The jobs at the factories gave them some self-confidence' accounted for, 7.6% and 7.1% respectively.

It can be concluded that, when put together the percentages of those who were neutral, disagreed and strongly disagreed with the statement: 'The jobs at the factories have given them some self-confidence', are less than the combined percentage of those who strongly

agreed and agreed (65.6%). This implies that, though some of the descriptions in Chapter Four and some of the analysis in this chapter indicate poor working conditions at the factories - such as low salaries, long hours of work, virtually no medical care, and majority with no positive changes in their lives to mention a few - they still have gained self-confidence because of working at the factories. This is because, at the end of each month, respondents receive a salary and can use their status to borrow additional money to meet their basic needs, unlike the case when they were not working, as manifested in Chapter Four.

5.4 Conclusion

The analyses in this chapter reveal that factory workers in Lesotho have divergent opinions. However, what is obvious in this chapter is that changes in the living conditions of factory workers in Lesotho were moderately, reflecting significant fluctuations in their living standards. However, the increase in factory workers children's access to education is attributed to two factors. Firstly, the fact that respondents are employed by these factories, which have given them access to income and have in some ways improved their financial situations to enable them to make ends meet, is a significant contribution. Secondly, the Free Primary Education Programme introduced by the government of Lesotho has considerably contributed to the increased numbers of children attending school (including factory workers children) in Lesotho.

Another key reflection of this chapter is the condition of houses in which the factory workers in Lesotho dwell. Most of the respondents live in single units where there is poor sanitation, and the majority source their water from communal taps. A good number of the workers use candles, gas to light their rented houses. From a different perspective, the chapter shows that the majority of the factory workers, if not all, have access to bank accounts, cell phones, unlike in the period before being employed at the factories. This development is an indication that foreign investment has made significant contributions to changing the lives of factory workers for the better.

In the final analysis, the presence and operations of the industrialists in Lesotho is much needed by the government of Lesotho as the activities of the textile and clothing industry contribute greatly to the economy. On the other hand, the number of Basotho employed at the factories can hardly be absorbed by the existing economy because of their low levels of education. Therefore, foreign investment is not only needed to drive the economy of Lesotho, but also to provide job opportunities for the unemployable in the formal sector. This analysis challenges the general perceptions that the Basotho have about foreign industrialists who invest in Lesotho and subsequently set the tone for the conclusion and recommendation chapter. In a bid to summarise the findings in this chapter, Table 5.13 profiles some of the key points in this chapter for purposes of comparison.

Table 5.13: Some comparison of the positive and negative aspects of working at the factories in Lesotho, 2007

Positive Aspect	Negative Aspect
There is increased access to income of factory workers	
22.7% of factory workers can now make ends meet	Some of the factory workers can still not make ends meet
More factory workers' children in Lesotho go to school as they can now afford to defray the costs of their education	Though they are employed at the factories, the salaries they earn are inadequate to send their children to school.
The textile industry created employment opportunities for many Basotho, more so than any other sector, including the government of Lesotho.	More job opportunities are being created by the factories, but at the same time, there are poor working conditions. They work long hours, are hardly granted leave, work on holidays, and frequent do overtime with meagre pay. Almost all of the workers have no medical aid
The chapter also indicates that 23.5% of factory workers have sustained families in Lesotho living harmoniously because respondents bring in useful resources to their homes.	A cross-section of factory workers cannot make ends meet for themselves and families.
With the meagre salaries they earn, 0.8% have their own houses	The majority of the factory workers live in shanty towns where there is inadequate water and electricity supplies, poor sanitation, congested houses of mostly one-room units
Although the salary range at the factories are minimal, such salaries have brought self confidence to the factory workers as they now have the sense of being employed, which earn them respect in their communities	Conflict is very striving at the factories in Lesotho, which is one of the reasons for factory workers leaving jobs.
Because of being employed at the factories, a good number of factory workers can now afford to pay for their monthly rent. In addition, factory workers are contributing to their landlords' economic improvement.	Most factory workers in Lesotho access water from communal taps as far as 200m from their residences.
Working at the factories in Lesotho has enabled factory workers to buy cell phones and others with access to landlines.	
There are more factory workers using gas and having access to electricity supply in their house.	
During the interviews, 64.7% of the respondents supported the continuity of the operations of the industrialists in Lesotho.	

CHAPTER SIX: PRINCIPAL FINDINGS AND RECOMMENDATIONS

6.0 Introduction

The overall aim of this research has been to analyse the tension between employment growth and workers satisfaction emanating from FDI in the manufacturing sector of Lesotho's economy. In FDI in manufacturing and more so in the textile and clothing sub-sector in Lesotho has played a significant role in improving the economy of the country, which in recent years has made Lesotho to become the largest supplier of apparel in the US market than any other country in Africa (see Chapter Three). On the other hand, the textile and clothing sub-sector was also viewed by many people in Lesotho as exploitative, undervaluing the hard work of factory workers, which in turn calibrating them to a situation that stops them to improve their living conditions (Cleancloths, 2001; Lebaka, 2006). In an attempt to achieve the overall aim of this research, the researcher deemed it important to firstly make a review of the African experience in the manufacturing industry taken into consideration the periods between pre-colonial to post-colonial Africa, which was analysed in Chapter Two of this research. Some comments were already made about how FDI was experienced in the African context. Secondly, the researcher also conducted a review of the historical development of manufacturing industry in Lesotho, which depicted the turbulent and competitive phases of the manufacturing industry of the country. A review of available literature sketched a picture of massive growth in the manufacturing industry coupled with increasing resistance from factory workers. In order to ascertain the reality of the perceptions viewed by the Basotho (citizens of Lesotho) the researcher conducted a survey to access the current working conditions at the factories in Lesotho and its impact on factory workers thereof and results of this survey are presented in Chapter Four of this research. In Chapter Five of this research, an evaluation of the changes in living conditions of factory workers were analysed as informed by the same survey.

Against this background Chapter Six is devoted to an overview of key findings of the research, recommendations and the identification of further research topics.

6.1 An overview of key findings in the research

The entire research has indicated seven key points that need to be pointed out and highlighted as follows:

- The research has revealed that the manufacturing sector in Africa has been small despite the historical periods of growth
- Manufacturing has become one of the dominant economic sectors in Lesotho despite its small size in Africa
- The growth of the Lesotho manufacturing industry is mainly linked to incentives and international trade agreements
- Current trade agreements have serious limitations
- The manufacturing sector plays a crucial role to provide first time jobs
- Lesotho's authority is unable to manage urbanisation pressures related to growing manufacturing environment
- Despite low wages in this manufacturing industry, not all employees are dissatisfied and felt exploited

These seven key findings are discussed below:

6.1.1 The manufacturing sector in Africa has been small despite historical periods of growth

It is revealed in Chapter Two of this research that pre-colonial manufacturing in Africa was characterized by primary products that mostly meant for domestic consumptions, which started within the West African country of Benin between the fourteenth and fifteenth centuries (Dumont, 1969). This research illustrated that production of goods were based on kinship and family connections (Rakodi, 1997). It was also indicated that the practice of colonialism was born out of the struggle to gain access to overseas markets for investment and supplies of raw materials that were needed by the colonial master hence Africa became a victim of colonialism. It is also indicated that many African countries suffered from numerous colonial actions by taken away the productive lands from the indigenous people leaving them with the choice of producing primary products, which had little returns. Although colonialism contributed to the slow pace of

manufacturing production in Africa, it also contributed to laying the foundation for the development of an industrial economy in Africa (Chandra, 1992). The railways were built, and other infrastructure established by the colonial masters for their own use still remain in use by current governments in Africa as revealed by this research.

It is worthy to illustrate that while manufacturing in the developing world has expanded and advanced technologically in the world since the 1970 to date, Sub-Saharan manufacturing on the other hand has shown a slow pace development as depicted in Chapter Two. In 1970, manufacturing growth in Africa recorded 0.4% and a decade later it whittled down to 0.3%, which remained the same until 1994.

6.1.2 Manufacturing has become one of the dominant economic sectors in Lesotho despite the small size of the sector in Africa

This research revealed that Lesotho had been engaged into some form of manufacturing practice prior to independence. A few cottage industries among others were all Lesotho could boast of and was organized in kinship (Lebaka, 2006). The immediate period after independence, the then government of Lesotho embarked on a serious campaign to expand on their industrialisation. As reflected in this research, this effort led to the formation of the LNDC whose mandate was to initiate, promote and facilitate the development of manufacturing, processing and mining industries and commerce in a manner intended to improve the level of income and employment in Lesotho (Wellings 1984: 9). Backed by this initiative was the investment incentives package that was put in place to attract foreign investment into Lesotho as indicated in Chapter Three. This effort in turn saw many foot-loose companies from South Africa and Asia invested in Lesotho

Manufacturing output between 1976 and 1987 accounted for 78 million Maloti.[6] Because of the increased establishment of manufacturing companies in Lesotho, employment numbers also increased until 1998 when the country was held down by political impasse (Sechaba Consultants, 2000). The political impasse was caused by opposition parties detesting the 1998 National Assembly election results, which eventually led to rioting,

[6] Maloti is currency in use in Lesotho which is pegged to the South African Rand.

looting and burning down of firms especially foreign owned. As a result, foreign firms closed down and investors left the country (see Chapter Three for details). After the end of the political impasse in Lesotho, the down trend of textile manufacturing production was reversed by a series of campaigns mounted by the government of Lesotho that lured investors to recommence their operations. In 1999 this effort was translated into employment figures ascending from 9847 to 53 087 in 2004 and dropping down to 40 364 in 2005. The drop in numbers of manufacturing employment in Lesotho was attributed to the end of the Multi fibre agreement, which resulted in` the closure of many factories as indicated in Chapter Three. (Bennet, 2006). This research revealed that textile manufacturing is the single biggest employer in the economy of Lesotho. In Chapter Three, it is revealed that the volume of textile export to the US in 2003 worth $393 million and increased to $456 million in 2004 (see details in Chapter Three). This reflection on the manufacturing history of Lesotho points out that the textile sub-industry has contributed to the economic growth of Lesotho.

6.1.3 The growth of the Lesotho manufacturing industry is mainly linked to incentives and international trade agreements

The expansion of manufacturing in Lesotho can be attributed to two main factors namely: the introduction of investment incentives by the government and the various trade relations that Lesotho enjoys with the SADC and beyond. As explained earlier in this chapter, efforts to attract foreign investment in Lesotho amongst others were strengthened by the introduction of investment incentives package (see Chapters Two and Three). The current investment incentives cover the following areas: taxation, tariff rebates and duty free to global markets. Detailed analyses of them are explained in Chapter Three. This research revealed that since the introduction of these investment incentives, many Asian companies were attracted and invested in Lesotho mostly in the textile and clothing industry, which created significant employment for the Basotho. The second attribute to the advancement of the manufacturing industry in Lesotho are the trade agreements that Lesotho entered into.

These trade agreements include the SACU, Lome/Cotonou and the AGOA. This research revealed that since Lesotho became a member of these trade agreements manufacturing

exports from Lesotho to the SADC and the developed countries markets recorded some growth. In fact, these trade agreements led to the reversal of the downward trends in the manufacturing industry in Lesotho. This is because, it triggered increased foreign investment, which eventually led to increased exports to the global markets (see Chapter Three). The Cotonou agreement offers price advantages that rendered Lesotho's exports to the EU market competitively and by 2000 exports from Lesotho to the EU markets were no more than 1 million Euros (Salm *et al.*, 2002). The US AGOA stands to be the principal contributors in the expansion of the Lesotho export production (Mandelson, 2005: 4). These agreements pushed Lesotho to become the biggest supplier of apparel in the US markets. In view of these testimonies, it is worth noting that these trade agreements significantly contributed to the expansion of the manufacturing industry in Lesotho.

6.1.4 Current trade agreements have serious limitations

In this research, it is revealed that Lesotho like many other African countries exports, have in the recent years been able to considerably access the global markets through the trade agreements that it has entered into. Yet, these agreements are accompanied by a number of limitations as pointed out in Chapters Two and Three. Take for instance the arrangement with the GPS. In this trade arrangement, participating countries amongst other factors, indicated that the GPS was one-sided - characterised by a concessionary outlook and not on a negotiable premise (see Chapter Two for details). The Cotonou agreement amongst other factors, on the other hand, has biased outlooks on the basis that few countries such as Mozambique, Swaziland and Malawi benefited significantly and Angola, the Democratic Republic of Congo hardly benefited (see Chapter Two). With EBA, it is pointed out amongst other factors that the agreement only covered exports that have already been liberalised by the EU and restrictive to the rules of origin. The rules of origin have also been identified in the AGOA arrangement as it reduces the scope for international sourcing of inputs. With the SACU agreement, Lesotho loses sovereignty in fiscal control through the common tariff, where the latter renders very little monetary options. It is also revealed in this research that while SACU indeed protects its member states against vulnerability from the vagaries of the global economy, the CMA is

arguably undermining the values of its member states (see Chapter Three for details). It is important to note that participating countries to these trade agreements should take keen attention to rectify these limitations in order for Africa and Lesotho in particular to have even access to global markets.

6.1.5 The manufacturing sector plays a crucial role to provide first time jobs

The textile manufacturing industry has played a pivotal role in providing access to jobs for first time job seekers in Lesotho (see Chapter Four). Considering the low levels of education of these factory employees as required in this sector, other sector in the Lesotho's economy that require in most cases tertiary education would not have employed them. It is revealed in Chapter Four that 68.2% of the respondents are first time employees. With this development, the textile manufacturing has invariably proved to be a significant creator of employment in Lesotho. Although on the one hand, the textile manufacturing has played a significant role in creating employment, on the other hand this research has identified its effects on urbanisation in Lesotho.

6.1.6 Lesotho authorities are unable to manage urbanisation pressures related to a growing manufacturing environment

Employment opportunities in most countries in the developing world are clustered in the urban centres. This situation is also found in Lesotho as revealed by this research. In Chapter Five, it is indicated that while increased employment in the manufacturing industry in Lesotho has positive impact on the living conditions of people due to their access to income, at the same time, the creation of new jobs has also resulted to increased urbanisation in Maseru. According to Marais (2001), 60.0% of all dwellers within the boundaries of formal urban areas in Lesotho are in Maseru, which is the prime centre of urbanisation with a projected annual growth rate of 6.0%. The increase in urbanisation is attributed to the fact that government services are highly concentrated in Maseru despite current decentralisation initiatives that are put in place as well as the growth in the textile industry, which is also highly concentrated in the urban centres particularly in Maseru.

In light of this trend, a large number of factory workers in Lesotho and Maseru in particular are residing in informal settlement that are characterised by lack of proper sanitation and less access to electricity and water supply to mention a few as indicated in Chapter Five. In retrospect, access to clean water is an important human right and crucial element in the survival and well-being of a person as revealed by this research. The negative effect of lack of water and proper sanitation are exposed by the World Health Organisation Report, 2008 (see Chapter Five). It should also be noted that while the government of Lesotho is promoting an export-led growth economy that requires the attraction of foreign investment, which is manifested in the textiles industry, at the same time, policy makers and urban planners did not take into consideration the exodus movement of people and its effects of urbanisation. While it is revealed that textile manufacturing has contributed in improving the economy of Lesotho and creating more jobs for people than any other sector in the country, there remain scepticisms, which eventually resulted to a number of perceptions held against foreign investment in the country as typified in Chapters Three, Four and Five).

6.1.7 Despite low wages in this industry not all employees are dissatisfied and feel exploited

Prior to the commencement of this research, the general views of the Basotho toward foreign investment in the textile manufacturing industry were negative ranging from their abilities to exploit, undervalue and pay low salary, ill-treating the factory workers and many more as indicated in this research. Although the reviews in Chapter Two and Three revealed that multinational companies are capable of influencing amongst others, policy direction and political decisions of host countries, the analyses in Chapters Four and Five stand to contest some of the negative perceptions about foreign investment.

The common negative perception between the general public and factory workers in Lesotho is the salary range of factory workers. The average monthly salary at the moment in the textile manufacturing industry is M696. This is a dissatisfaction that is raised by majority of the factory workers as indicated in this research. However, it is depicted in this research that although the salary range at the factories is low as compared to other

sectors in Lesotho, approximately, 195 000 individuals (10.0%) of Lesotho's population are dependent on factory workers earnings. They work long hours and sometime overtime is foisted on them (see Chapter Four). According to this research, some factory workers indicated that they received bad treatments from their managers and conflict amongst others, made them to lose their jobs. However, a significant percentage of factory workers are motivated by working at these factories and indicated that working at these factories has enable them to meet their needs and the needs of their families as reflected in this research. The factory workers indicated that the industrialists should not be asked to leave Lesotho as their presence has positively changed their living conditions. All these indications point to the fact that not all negative perceptions held by the Basotho are of reality as this research revealed. With a view to offset the flops that have been identified in this research, the researcher attention now shifts to making recommendations therein.

6.2 General policy recommendations

The recommendations on policy are based on key findings of this research. The aim is to inform policy and decision makers in Lesotho to review core industrial policy areas that are geared towards improving the drivers of manufacturing industry in Lesotho. These industrial drivers if improved can invariably reposition Lesotho's competitiveness in attracting more FDI and its global production of exports manufactures will be face lifted. Thus key recommendations of this research are discussed hereafter and summarised in Table 6.1.

6.2.1 Improved skills related to manufacturing production

Largely, the system of education in Lesotho has always been conventional. One that is constantly producing skills related to general office administration. If Lesotho is promoting an export-led growth economy as it is now, then there is a need to review the current system of education so that production skills can be vibrantly incorporated into the national educational system. This implies that locals in Lesotho will be able to assume strategic positions in the manufacturing industry in Lesotho. And moreover, if the foreign nationals who are currently occupying strategic positions in the manufacturing

industry decide to leave the country for any reason, skilled locals will be able to assume such positions and continue with manufacturing production.

6.2.2 Increased infrastructural development

Good infrastructure is amongst the key drivers that promotes foreign investment confidence. There is a need to revamp the current infrastructure in Lesotho especially in the areas of increased factory shells to accommodate manufacturing activities. The railway in Lesotho should undergo a serious face lift so that production materials and export goods can be easily and smoothly transported. Water supply and electricity are no doubt play significant role in facilitating manufacturing production. The capacities of water and electricity supplies in the manufacturing industry in Lesotho should be improved and increased in order to meet the demand-driven needs of manufacturing activities in the country.

6.2.3 The need to improving trade agreements

From the abound evidence revealed in this research, it is observed that although Lesotho benefited from external trade agreements, their desired impact on Lesotho's exports are far from being realised. This is due to a number of factors amongst others: they are restrictive, concessional as explained in Chapters Two and Three. It is important that the government of Lesotho reinforces itself with the necessary skills to better negotiate trade agreements that will reduce the restrictive nature of these agreements so that Lesotho's exports are parallel with successful countries. In addition to this approach, there is also a need for the government of Lesotho to negotiate longer trade agreements in order to avoid the short falls that characterise short-term trade agreements as in the case of the Multi Fibre agreement and even the AGOA whose life span is about to end.

6.2.4 The need to promoting small enterprises and employment generation

It is revealed in Chapter Three of this research that amongst the focus of LNDC is to generate employment and income for the Basotho. If this is so, why not embark on revamping effort of promoting small enterprises in Lesotho? For in the advent of a decline in manufacturing employment, small and medium enterprise (SME) development

will serve as an alternative approach to generate employment-intensive industrial growth. It should be noted that there exist ample evidence that the promotion of SME growth in the developed and developing economies has been attributed to increasing export competitiveness. For instance, a large proportion of China and Taiwan Province of China exports are generated by SMEs (Thoburn, 2000: 10). Establishing foreign manufacturing investments in line with local small and medium enterprises has exceptional returns. A key example is the case of Japan where its export competitiveness has been associated with the practice of efficient subcontracting to its SMEs (Thoburn, 2000: 10). This is a significant area that needs proper attention in Lesotho with a view to strengthen small and medium enterprises and expose them to new ways of export manufacturing through the direct transfer of production skills that are needed. This will even guarantee the continuity of local manufacturing export production and competitively put local SMEs along side foreign industrialists in Lesotho. Above all, the motivating factor lies to a larger extent in the ability of SMEs to access investible fund through financial institutions whose preference lies in larger and well-established enterprises.

6.2.5 Address political instability

The success of attracting foreign investment lies to a considerable extent in a country's political stability. No investors will like to invest in a country that is tensed with political instability. Currently, party politics in Lesotho is beginning to show signs of instability since the results of the 2008 general election were announced that have provoked lot of discontents from the opposition parties. This situation has led to many public pickets organised by opposition parties in Lesotho indicating their dissatisfactions in the 2008 elections outcome. This does not send any good signal to foreign investors. A similar situation that occurred in 1998 saw instability in the country to an extent of foreign firms were affected and eventually closed down (see Chapter Three). It is important that Lesotho work towards stabilising the country so that there is ensured investment confidence.

6.2.6 Address the challenges posed by urbanisation

Although manufacturing industry has contributed to the economic growth of Lesotho, and contributing to increased job opportunities, it is also hardly a disputable fact that it has contributed to increased urbanisation effects as explained in Chapter Five of this research. The effects of urbanisation can be mitigated if policy makers and town planners develop appropriate policy framework and action plans so that issues like poor sanitation, water and electricity supplies to mention a few can be addressed.

6.2.7 Review general working conditions of factory workers in Lesotho

This research revealed that while a cross section of factory workers indicated that their managers treated them poorly, others indicated being satisfied. There is a need for the government of Lesotho to ensure that these factory workers are treated humanly through influencing the review of factory workers' working conditions, which should emphasis the protection of their rights.

In summarising this chapter, Table 6.1 below outlines main findings of the study and recommendations.

Table 6.1: An outline of the main finding findings of the study and recommendations

Main finding	Chapter reference	Recommendations
The manufacturing sector in Africa has been small despite historical periods of growth	**Two**	
Manufacturing has become one of the dominant economic sectors in Lesotho despite the small size of the sector in Africa	**Three**	▪ Industrial policy in Lesotho should be reviewed with a view to strengthen manufacturing production. This should take into consideration: improved savings, skills level, infrastructural development, political stability, and strengthen SMEs. • Africa (Lesotho specifically) should negotiate trade agreements that are longer and balanced
The growth of the Lesotho manufacturing industry is mainly linked to incentives and international trade agreements	**Three**	
Current trade agreements have serious limitations	**Three**	
The manufacturing sector plays a crucial role to provide first time jobs	**Four**	
Lesotho authorities are unable to manage urbanisation pressures related to a growing manufacturing environment	**Five**	• Challenges of urban effects as a result of increased activities of manufacturing industry in Lesotho should be addressed.
Despite low wages in this industry not all employees are dissatisfied and feel exploited	**Five**	• General working conditions of workers in the manufacturing industry in Lesotho should be reviewed

6.3 Value of the research and future research possibilities

The value of this research was to unearth the relevance of FDI in the manufacturing industry as against the clustered negative perceptions held by the Bosotho toward foreign investment. It is noteworthy that foreign investment activities that could impact negatively on factory workers and the economy of Lesotho in particular were identified. Correspondingly, a number of policy recommendations have been made with a view to making FDI in the textile manufacturing industry in Lesotho meaningful in the full view of Basotho.

In this research two areas came out prominently as key limitations to the advancement of export manufacturing in Lesotho. Firstly, although trade agreements have contributed to the growth of export manufacturing in Lesotho, exports manufacturing is seen to be at risk with these trade agreements not only for Lesotho but for all participating Africa countries. Secondly, there is a need for Lesotho to embark on revamping the promotion of SMEs, which has very little premium in the strategic development plan of the country despite its importance in increasing the growth of exports as in the case of the Asian countries. These two issues stand to be possible grounds for further research.

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ANNEXURE A

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON THE LIVELIHOODS OF WORKERS IN THE MANUFACTURING SECTOR OF LESOTHO

QUESTIONNAIRE

A. Biographic and Migration Information

1. Gender of Respondent:

Male	1
Female	2

2. Age of respondent: _____

3. What is your marital status?

Married	1	Single/Never married	2
Widowed/Divorced	3	Others	4

4.1 What is your highest educational qualification attained?

Never gone to school	1	Some primary education	2
Completed primary	3	Completed secondary education	4
Post secondary certificate/diploma	5	Degree	6
Technical training	7		

4.2 Do you have any informal training?

Yes	1
No	2

4.3 If Yes to 4.2., specify:

_____

5.1 How many members does your household consist of at the place of residence?

_____

5.2 Where is your permanent place of resident? _____

5.3 Other dependents: Do you have any other financial dependents apart from those specified above?

Yes	1
No	2

5.3.1 If the answer is Yes to this question, please specify how many? _____

B. Income and expenditure:

1. What is your basic monthly salary/wages from the factory?

Less than 250 Maloti	1	250-499 Maloti	2
500-749 Maloti	3	750-999 Maloti	4
1000-1249 Maloti	5	1250-1499 Maloti	6
1500-1749 Maloti	7	1750-1999 Maloti	8
2000-2249 Maloti	9	2250-2499 Maloti	10
More than 2500 Maloti	11		

2. Is the salary/wages that you receive from the factory the only income for your household?

Yes	1
No	2

3. If you answered No to question 2, list those other sources of income and state the amount
for each source.

Source	Amount

4. How much money do you and your household spend per month on each of the following
items?

Items	Amount per month
Food	
Transport & Fuel	
Education for dependents	
Medical expenses	
Clothing	
Household goods & Furniture	
Housing (bond/rent)	
Water and Electricity?	
Repayment of loan (Interest and capital)	
Communication costs	
Other	

B. Socio-Economic (make provision for before and after the factory job)

1.1 Are we your children attending school?

A. At the moment		**B. Before you started to work at the factory**	
Yes	1	Yes	1
No	2	No	2
Not applicable	3	Not applicable	3

1.2 If Yes, at 1.1 who is/was paying for your dependents education?

A. At the moment		**B. Before you started to work at the factory**	
I do	1	I do	1
Some one else pays	2	Some one else pays	2
I am not paying	3	I am not paying	3

2.1 How many bedrooms do/did your house have?

A. At the moment		**B. Before you started to work at the factory**	
Bachelor/one room	1	Bachelor/one room	1
Two-room unit	2	Two-room unit	2
Three-room unit	3	Three-room unit	3
More than three rooms	4	More than three rooms	4

2.2 Explain your residential arrangements at the moment/before joining the factory:

A. At the moment		**B. Before you started to work at the factory**	
Rent from someone	1	Rent from someone	1
Stay for free with someone	2	Stay for free with someone	2
Own the house	3	Own the house	3

2.3 If rent in 2.2, how much are you paying per month? _____

2.4 Explain the type of housing unit you are/did reside/ing in:

A. At the moment		**B. Before you started to work at the factory**	
Randavel (thatched roofing) one room	1	Randavel (thatched roofing) one room	1
Heisi (thatched roofing) one room	2	Heisi (thatched roofing) one room	2
Polata in one or two rooms	3	Polata in one or two rooms	3
Lilaene in one or two rooms	4	Lilaene in one or two rooms	4
Optaka in one two or more rooms	5	Optaka in one two or more rooms	5

3.1 Explain the level of telephone access for your household:
(A combination of answers is possible in this case)

A. At the moment		**B. Before you started to work at the factory**	
At least one person in household has a cellular phone	1	At least one person in household has a cellular phone	1
Landline in my house	2	Landline in my house	2
Landline at friends close by	3	Landline at friends close by	3
Cellular at friend close by	4	Cellular at friend close by	4
Access not close by	5	Access not close by	5

No access	6	No access	6

3.2 What form of energy do you/did you use mostly for lighting:

A. At the moment		**B. Before you started to work at the factory**	
Electricity	1	Electricity	1
Gas	2	Gas	2
Candles	3	Candles	3
Paraffin	4	Paraffin	4
None	5	None	5

3.3 Explain your main access to water supply:

A. At the moment		**B. Before you started to work at the factory**	
In the house	1	In the house	1
On the stand	2	On the stand	2
Within 200m from the house (communal taps)	3	Within 200m from the house (communal taps)	3
More than 200m from the house (communal taps)	4	More than 200m from the house (communal taps)	4
None	5	None	5

3.4 Explain your main access to sanitation:

A. At the moment		**B. Before you started to work at the factory**	
Pit Latrine in house	1	Pit Latrine in house	1
Water borne outside	2	Water borne outside	2
Pit latrine	3	Pit latrine	3

None	4	None	4

4.1 Do you have access to any banking services?

A. At the moment		**B. Before you started to work at the factory**	
Yes	1	Yes	1
No	2	No	2

5.1 What mode of transport do you use to go to work?

A. At the moment		**B. Before you started to work at the factory**	
Walk on foot	1	Walk on foot	1
Private car	2	Private car	2
Public transport	3	Public transport	3
Others	4	Others	4
If other, specify:	5	If other, specify:	5

C. Work Place

1. Where did you work before employment in a factory? (if no job prior to working in a factory state not applicable)

Job	**Geographical location (district)**	**Years**	**Type of work**	**Monthly income**	**Not applicable**
Job 1 (employment prior to this job)					
Job 2 (job prior to job)					
Job 3 (job prior to job2)					

2. Why did you leave the job1 above?

_____

___

_____

___

3. Why did you seek employment at this factory?

_____

_____

4.1 Did your life change for the better since being employed in the factory, or not?

Yes	1
No	2
The same	3

4.2 Motivate your response at 4.1

_____

_____

__

5. Explain the procedure of how you got the job?

_____

_____

_____

_____

____

6. What is your daily task in the factory?

_____

_____

_____

7. What is the most positive aspect of working in this factory?

_____

_____

_____

8. What is the most negative aspect of working in this factory?

_____

_____

_____

9. What time do you start working? _____

10. What time do you stop working? _____

11.1 Do you have any breaks?

Yes	1
No	2

11.2 If yes at 11.1, give details:

Type	How long in minutes?
Morning break	
Lunch break	
Afternoon break	
Other (Specify)	

12.1 Do you often work overtime?

Yes	1
No	2

12.1 If Yes for 12.1, do you get paid for working overtime?

Yes	1
No	2

12.2 If Yes for 12.2, state the hourly rate?

On Weekdays_____
On Weekends _____
On Holidays _____

13. How much do you think is an appropriate monthly salary for your current job?

_____

14. Do you have any other benefits from your employer than your salary?

	Yes	No
Pension	1	2
Medical Aid	1	2
Sick leave	1	2
Belong to workers union	1	2

E. General Questions

1. Please indicate your experience in the following statements

1.1 I enjoy working in this factory

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	

1.2 My salary is appropriate for the amount of work I do.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	

1.3 The manager treats me poorly

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	

1.4 If it was not for these foreign industrialists I would not have had a job

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	☐

1.5 These industrialists not be in Lesotho

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	☐

1.6 The job at the factory saved me from starvation

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	☐

1.7 This job at the factory has given me some self-confidence

Strongly agree	Agree	Neutral	Disagree	Strongly disagree	☐