

**THE NATURE OF DECENTRALISATION IN LADYSMITH AND
EZAKHENI: AN ASSESMENT OF HOW INDUSTRIAL
DECETRALISATION INCENTIVES AND INCEASED
GLOBALISATION HAVE IMPACTED UPON THE VIABILITY
OF TEXTILE INDUSTRIAL ACTIVITY IN
LADYSMITH/EZAKHENI.**

BY

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CHAPTER ONE

INTRODUCTION

The purpose of the study

The purpose of this study is to determine the impact of changing conditions of business upon the production of textile goods in the Ladysmith/ Ezakheni locality. The reason that it has become necessary to pose such a research question has to do with two important changes in the economy that have had a significant bearing on the performance of the industry in the locality. The first of these changes is located within the national sphere of influence and concerns the changes to the state's industrial location policies, which have traditionally had a significant impact upon the textile industry. The second source of change originates from the global sphere of influence. These global changes regard the intensification (in scale and scope) of the globalisation of the world economy.

In determining how these changes at global and national levels will impact upon the viability of the locality as a centre for textile production, it is essential to note the sort of changes that have been implemented at the level of the locality in order to deal with a changing business climate.

The influence of industrial location policies on the development of textiles

As far as national dynamics are concerned, an important factor that shall have to be considered is the overwhelming impact of South Africa's industrial location policy upon textile production in the locality. The textile industry in South Africa was not established through the actions of a strategic thinking entrepreneur - the establishment of the industry was pursued as an explicit programme of job creation (firstly for white males, although blacks became a concern in later stages of development), and was an important element of spatial engineering by the South African state. As such, the impact of such programmes as the RIDP (Regional Industrial Development Programme) shall have to receive special attention because of their unique relationship with textile production within the locality.

Nevertheless, the significance of industrial location policies has been on the wane since the start of the decade, and the remaining programmes stand to be phased out in the near future. Thus, the locality has had to survive without the generous levels of industrial subsidies that have been a feature of industrial location policy.

Globalisation

The second important factor which has a bearing on the viability of textile production in Ladysmith and Ezakheni regards the process of globalisation in the world economy. Such globalisation of the international economy refers to those changes in the world economy which have come about as a result of the intensification of certain aspects and effects of capitalism.

The trends which characterise this new international economic regime can be divided into five categories:

- The globalisation of both economic relations and transactions
- Major changes in technology which have improved both production and communication
- The organisation of production to accommodate the shift from mass-production to mass-specialisation
- The role and organisation of labour to encourage greater flexibility in the labour market and high levels of labour participation in the production process
- The nature of competition between companies

Source: Harrison, 1994, pp. 73-74.

Globalisation has not only led to a greater integration of the world economy; it has also resulted in the restructuring of the international space economy. Through the use of modern technologies, assets and information can be shuttled across the globe almost instantaneously. The high cost of labour in the developed countries together with the efficiency gains stemming from the use of new technologies have resulted in an international division of labour. Therefore, not only have the nature of the firm and the role of the nation state been fundamentally altered in the process; so has the role of the locality. As such, the process of globalisation should be understood to have important implications for Ladysmith/Ezakheni.

Understandably, it took some time for the full effects of these changes to be felt upon the South African economy. However, since the readmission of the country into the international community, this has changed. It is thus useful to record how the locality is managing to reposition itself as a textile producing polity under the conditions of a new economic atmosphere.

Why is the textile industry significant in KwaZulu-Natal?

The textile industry in South Africa employed approximately 93 000 people and contributed R6 300 million worth of output to the country's economy in 1992 (Maree, 1995, pp. 5). The sector's contribution to the economy of KwaZulu-Natal is similarly significant. The contribution of textiles to the provincial GGP (Gross Geographical Product) was R 2 307 million in 1988, and there were 42 000 jobs in the sector (Harrison, 1995, pp. 9). More recent figures indicate the following trends within the industry.

Table 1.1 CSS statistics regarding the textile industry in KwaZulu-Natal

Number of firms	215
Number of workers	42 570
Wages	R402 484 000
Fixed assets	R486 452 000
Gross output	R2 307 907 000
Net output	R905 372 000

Source: CSS, 1994.

Although the textile industry reduced its previous levels of labour intensity during the course of the 1980s, the performance of the sector is still critical with regard to job creation issues. This is mainly due to the extensive network of downstream linkages which connect textile production to industrial activity in other sectors. These other sectors include industries which are currently characterised by high capacities to create employment opportunities, such as the motor manufacturing and component industry and the clothing industry. For instance, the clothing industry alone absorbs 9% of textiles' output, while textiles make-up 64.9% of inputs in the clothing sector (South African Competitiveness Monitor 1996, 1996, pp. B31 & B33).

The need to ensure the long-term viability of the textile sector is very important since failure to do so will result in an economic downturn which will not be confined to textiles or the locality of Ladysmith/Ezakheni alone. For instance, Harrison (1997) argues that if the costs of textiles are removed from the costs of manufacturing a garment, South African clothing producers are actually relatively competitive against foreign manufacturers (Harrison, 1997, pp. 3).

What is significant about Ladysmith and Ezakheni?

The locality of Ladysmith and Ezakheni is very significant to the process of evaluating the impact of the phasing out of decentralisation incentives. This is largely due to the substantial role which such incentives have played in the recent growth of the locality. During the 1980s, the Ladysmith/Ezakheni locality was one of the fastest growing localities in the province (Harrison & Harrison-Migochi, 1997, pp. 8). This period of growth coincided with the influx of investments which were directed primarily towards Ezakheni, and which were, in turn, facilitated by the RIDP.

With regard to the process of globalisation, the locality can be useful in illuminating the changes which have to be undertaken at the level of the locality in order to maintain competitiveness in a changing economic climate. Apart from the availability of incentives, characteristics which have tended to attract investors to the town in the past were concerned with the cheap cost of labour in the area as well as the location of the locality as the mid-point between the Reef and Durban. These qualities, together with the high rates of tariffs in the past, can be argued to have imposed a 'net inward pull' upon the locality (i.e. the conditions which prevailed could have made production for the domestic market a more attractive option for a producer based in the locality). The effect of increased competition due to the globalisation process has the potential to alter such a strategy. As such, the process of how the locality changes its production processes and relations in order to cope with these changes could offer insights which might have a measure of relevance to similar centres across South Africa.

Methodology

The research process which was employed to further the study comprised both primary and secondary research methods. The primary research assumed the form of two surveys of manufacturers in the locality. The first of the surveys was conducted between January and February 1996. This initial survey was conducted as part of a broader evaluation of the RIDP in KwaZulu-Natal which had been commissioned by the Board of Regional Industrial Decentralisation. In the course of the January / February 1996 survey, 18 Ladysmith and Ezakheni industrialists from various sectors were interviewed. Furthermore, qualitative interviews were conducted with officials from the then Transitional Local Authority in Ladysmith, the South African Clothing and Textile Workers' Union (SACTWU), and the KwaZulu Finance Corporation (KFC).

The second survey of the locality was targeted at the textile sector in particular, and was conducted during October 1996. Four textile manufacturers were interviewed. Three of these

four respondents had not been interviewed during the first survey. The purpose of both surveys was to gather primary data relating to the following:

- The use of decentralisation incentives
- Information regarding the locality as a production centre
- Information relating to changing market conditions and product types
- Levels of output and employment
- The nature of relationships within sectors and the locality

Various other sources of statistical data were also consulted in the process of conducting the research. Statistics provided by the KFC and the National Productivity Institute (NPI) were used to determine the following factors:

- The location of firms
- Growth and decline dynamics with regard to the locality (especially Ezakheni)
- Sectoral dynamics within the locality
- Decentralisation incentives

Furthermore, the Centre for Social and Development Studies' (CSDS) Comprehensive Industrial Register for KwaZulu-Natal (1996) was also utilised to inform the research. The database was compiled by cross-correlating data from the Bureau of Market Research's (BMR) 1996 industrial register for KwaZulu-Natal and the Braby's KwaZulu-Natal Business Register 1996/95; telephonic verification was conducted across the province. Statistics from this database were used to draw information regarding provincial dynamics relating to the textile sector. These dynamics included factors such as the location of firms, the distribution of textile sub-sectors, and the average sizes of firms.

Secondary sources of information which have been consulted were mainly comprised of literature relating to the process of globalisation, regional industrial location policy, and the textile industry.

The composition of the sample

The impact which changes on the national and international level are having upon the textile industry in the locality can only be assessed by evaluating local-level responses to them. The way to do this is to survey the textile industry in the locality.

Visits to the locality indicate that there were at least eight textile firms which were in operation in the locality during 1996 (official databases were found to be incomplete). Given the relatively small base of potential respondents, the sampling process was geared towards achieving a full sample. However, as only six of the eight industrialists responded promptly, the sample was restricted to these six respondents.

Of the six respondents, five were based in Ezakheni while one was based in Ladysmith. One of the respondents was a yarn manufacturer, two were jersey knitters, one produced knitted men's underwear and outerwear, and the last two were bag weavers.

Format

The dissertation is divided into five chapters:

- Chapter One: Introduction.
- Chapter Two: Chapter Two deals with the theoretical implications of the process of globalisation. This encompasses what the process of globalisation entails, how it came about, how it has affected the process of production and accumulation, and how localities can create the appropriate conditions to capture investments in a global economic order.
- Chapter Three: Chapter Three is an overview of the evolution of industrial location policies in South Africa, and thus relates (in a historically chronological order) the way in which the policies shaping the nation's spatial economy unfolded.
- Chapter Four: Chapter Four provides an outline of the textile industry as it exists at the international, national and provincial levels. The purpose of drawing such an outline is to provide an overview of the broader textile industry within which the industry in the locality operates.
- Chapter Five: Chapter Five is concerned with providing an overview of the Ladysmith/Ezakheni locality. Chapter Five also provides an overview of the impact of the RIDP within the locality. Furthermore, the sample discussion is conducted within this chapter.
- Chapter Six: This final chapter synthesises the issues which arise out of the discussion. The chapter also provides the policy recommendations which stem from the research findings as well as a conclusion to the discussion.

CHAPTER 2

GLOBALISATION AND ITS IMPACT ON LOCAL ECONOMIES

INTRODUCTION

The focus of this dissertation is to assess the impact of two important factors in relation to the continued viability of textile production in the Ladysmith and Ezakheni locality. Both factors can be classified as being external in nature, since they both originate from sources of power which can be argued to be beyond the direct influence of local agents.

One of those factors is the state's industrial location policy. This policy has been implemented by the state in a number of forms in the pursuit of various socio-economic objectives, such as affirmative action for poor whites or grand-apartheid ideals. A more detailed account of the policy is provided in Chapter Three. However, it can be stated at this stage that industrial location policies are now a much less significant component of the state's stock of economic remedies for South Africa.

Another important factor which could have an impact on the competitiveness of the Ladysmith/Ezakheni locality relates to the intensification of the globalisation phenomenon. The process of globalisation has been paralleled by various changes in the nature and organisation of the world economy. A comprehensive discussion relating to the various associated changes which accompany globalisation cannot be accommodated within this discussion. However, two of those changes are relevant to the question of determining the impact of changes in the international economy upon textile production in Ladysmith/Ezakheni. As such, these two particular changes warrant further elaboration. One of these parallel changes is concerned with the organisation of production, and has primarily taken the form of a transition from 'Fordism' to 'Flexible Accumulation'. The other change is concerned with the changes relating to 'place'; that is, the role of localities within a global economy.

This brief chapter is thus concerned with outlining the dynamics relating to the process of globalisation, the shift towards flexible specialisation, and the role of the locality within a global economy.

GLOBALISATION

What is globalisation?

Since the unbanning of liberation movements and the re-entry of South Africa into the international economy, the country has found that it is reuniting with a world which is substantially different from the one which existed before it became a pariah state. While South Africa was in isolation, the world economy was changing with regard to markets, production techniques and transaction processes. These changes can be linked to dynamics which characterise the intensification of the globalisation process, thus leading to the question of what globalisation actually is. According to McGrew, 'Globalisation refers to the multiplicity of linkages and interconnections that transcend the nation states (and by implication societies) which make up the world system' (McGrew, 1993, pp. 65).

Other accounts of what globalisation entails also emphasise the increasing interdependence between people and places across the globe. Giddens (1990) is of the view that globalisation is a product of the amplification of forces of modernity, which has caused a profound reordering of time and space in social life (Giddens, 1990, pp. 3). This reordering of time and space has resulted in a situation where social relations are lifted out of local contexts to be reunited across time and space at an increasingly larger scope and scale (ibid.). Therefore, in Giddens' view, 'globalisation can thus be defined as the intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa' (Giddens, 1990, pp. 64).

Similarly, Harvey (1989) says that globalisation is concerned with the process of 'time-space compression that has had a disordering and disruptive impact upon political-economic practices, the balance of class power, as well as upon cultural and social life' (Harvey, 1989, pp. 284).

Therefore, according to the three theorists who have been quoted, the process of globalisation is essentially concerned with the increasing intimacy and interdependence of various communities across the world on an ever-intensifying scale. This has taken the form of bridging the gulf between communities and societies which had been created by both space and time constraints. As such, the exchange of information, social values and resources has now increased in scale and scope across the world.

The intensification of the globalisation process

The world economy during the period after the Second World War experienced remarkable growth, stability, and low levels of inflation. This period of relative economic prosperity benefited both the developed economies and the emerging economies of the newly independent countries. The dominant means of accumulation was based on the twin concepts of Fordism (mass-production) and Taylorism (scientific management, which also entailed the detailed division of the production process). The international economic system was heavily dominated by American values, embodied by the Bretton Woods institutions (Harrison, 1994, pp. 74). Despite American hegemony and the importance of multinational corporations, the role of the nation state was still very significant at this stage of world economic development (ibid.).

However, by the late 1960s and early 1970s, the system began to disintegrate as a result of various pressures. These pressures included challenges to American hegemony due to the rise of other influential economic powers such as the European Union and Japan, the deregulation of fixed exchange rates, and the reduction of the influence of Bretton Woods institutions (Harrison, 1994, pp. 74). Some of the other crucial changes which further accelerated the pace of change include the oil crisis of the early seventies (which resulted in higher energy prices) and the development of new technologies (especially in communications).

There are other accounts which place emphasis upon causal factors other than the oil crisis and the challenge to American hegemony:

- Rosenau (1990) isolates the power of technology as the key driving force behind globalisation; that is, technology has reduced geographic and social gulfs through increased efficiencies which are offered by modern transport and telecommunication technologies.
- Gilpin (1984) offers an account which places great significance on the existence of an international political order which generates stability and security between nations; creating, as a result, conditions which encourage expanding linkages between nations.
- Giddens (1990) offers a somewhat more complex account. Instead of isolating a single causal factor, Giddens identifies four causal factors (arising from the era of modernity), all of which contain, in his view, a globalising imperative. These factors are capitalism, the inter-state system, militarism and industrialism.

(McGrew, 1993, pp. 60-72).

However, what is perhaps the most important conclusion of the listed accounts, is that the nationally-based world economy has matured into a 'global' economy which has been

characterised by an increase in scale and scope of the impact of capitalism. The trends which characterise this new global economy can be divided into five categories:

- The globalisation of both economic relations and transactions
- Major changes in technology which have improved both production and communication
- The organisation of production to accommodate the shift from mass-production to mass-specialisation
- The role and organisation of labour to encourage greater flexibility in the labour market and high levels of labour participation in the production process
- The nature of competition between companies

(Harrison, 1994, pp. 73-74.)

Globalisation has not only led to a greater integration of the world economy; it has resulted in the restructuring of the international space economy. Through the use of modern technologies, assets and information can be shuttled across the globe almost instantaneously. The high cost of labour in the developed countries together with the efficiency gains stemming from the use of new technologies have resulted in an international division of labour. Therefore, the nature of the firm and the role of the nation state have, in the process, been fundamentally altered.

THE SHIFT TO FLEXIBLE SPECIALISATION

One of the parallel developments which has come to be associated with globalisation has been the change to the organisation of production and consumption. This has largely taken the form of shifting from the Fordist system of economic organisation towards the system of flexible specialisation / accumulation.

Harvey (1989) identifies the structural contradictions within the system of Fordist and Keynesian accumulation as one of the key factors which led to the disintegration of the system (Harvey, 1989, pp. 141). The issue of rigidity within the system is isolated as a key influential factor in the process of change. These forms of rigidity were:

- Rigidity of long-term and large-scale fixed capital investments in mass-production systems that precluded flexibility in design and presumed stable growth in unvarying markets
- Rigidity of the labour market and in labour allocation and contracts

- Rigidities regarding state commitments towards social programmes, which became more problematic as states tried to maintain legitimacy within the constraints of economies which restricted increases in state revenues

(Harvey, 1989, pp. 142.)

The difference between Fordism and Flexible Specialisation

Table 2.1 is a simplified representation of the differences between Fordist mass-production and flexible accumulation (or specialisation).

Table 2.1 Mass-production and flexible specialisation: a crude topology

MASS-PRODUCTION/FORDISM	FLEXIBLE SPECIALISATION/POST-FORDISM
Supply pushed	Demand pulled
Standardised products	Segmented markets
Inflexible, special-purpose machinery	Flexible machinery and computerisation
Division of labour: <ul style="list-style-type: none"> • Within the firm (specialisation of tasks, skilled / unskilled) • Between firms (arms-length relations) 	Multi-skilling and multi-tasking Partnering, long-term obligations
Labour is a cost to be minimised	Labour is a resource to be developed

Source: Kaplinsky, 1996.

A basic interpretation of the table leads to the following line of reasoning:

Since production was 'pushed' through under mass-production, products needed to be standardised and markets had to be undifferentiated. Yet, as products were standardised, production processes and machinery were inflexible. However, when production processes are inflexible, labour need not be highly skilled or multi-skilled, and relations between firms and suppliers are not in need of being intimate. When labour is unskilled, it tends to become easily disposable and is prone to a situation wherein supply can often exceed demand. Thus, labour can easily be regarded as a cost (rather than a resource) which needs to be minimised.

By contrast, in a global economic order a different logic would apply:

Flexible accumulation is characterised by a segmented market with multiple niches. Therefore, production has to be 'pulled' by demand in order to avoid wastage and to conform to particular market needs. That is in turn dependent upon the use of flexible production techniques and

machinery. However, flexibility within the firm rests upon a multi-skilled workforce and an efficient production pipeline. Therefore, under the regime of flexible specialisation, labour becomes more of a resource than a cost in production. Relations along a production pipeline also need to be intimate to ensure that necessary efficiencies are realised (e.g. the exchange of data relating to production).

The process of globalisation and the concept of flexible specialisation should be seen to be mutually dependent developments. For instance, without the technological gains which have accompanied globalisation, factors of production such as transport costs, transaction costs and information exchange would still be costly and less efficient. Such factors are important in facilitating flexibility in market preferences and production processes.

THE LOCALITY IN A GLOBAL ECONOMY

Having briefly elaborated upon how the process of production and accumulation in a globalised economy differs from the one which existed under Fordism, the question of how localities have positioned themselves to capture international capital flows and to produce for world markets then arises.

The role of the locality in a global economy

The integration of the world economy into an increasingly interdependent functional entity has changed the role of the locality within the world economy in a fundamental manner. According to Giddens, globalisation has intensified the scope and scale of social relations and links between distant localities (Giddens, 1990, pp. 64). This has taken the form of a 'dialectical process', because localities can also influence transactions in an 'obverse direction from the very distanced relations that shape them' (ibid.). Therefore, in Giddens' view, the transformation of the role of localities does not necessarily place them in a strictly receptive and passive role as far as the global economy is concerned.

Amin and Thrift offer a more focused assessment of the role of localities in the new global economic order. According to Amin and Thrift, the Fordist city (or the city during the era of modernity) was the basis of mass production, accumulation and consumption (Amin & Thrift, 1995, pp. 91). However, under the regime of globalisation, the city economy 'is a thing of fragments, composed of many parallel sectoral logics with few interconnections between them' (ibid.). This disarticulation of the city economy has to do with the fact that local economies

need not be 'fully integrated' centres of production in a globalised economic setting because the production process has itself become fragmented across space and time.

Amin and Thrift deliberately avoid presenting the role of local centres of economic activity within the global economy in stark and analytically polarised terms (Amin & Thrift, 1995, pp. 92). Instead, the pair argue that 'the question of local economic integrity is closely linked to the ability of cities and regions to develop the institutional capacity to "capture" global economic flows' (ibid.).

Given the increasing dominance of forces beyond the control of localities, one would expect localities to experience difficulties in trying to interact with the world in a manner which is beneficial to them. However, it is essential to keep in mind that the global economy continues to be constructed and driven by agents who are still territorially bound (Amin & Thrift, 1995, pp. 96). Therefore, 'globalisation, seen as the compression and transgression of time and space barriers, ascribes a greater salience to place, since firms, governments and the public come to identify the specificity of localities (their workforces, entrepreneurs, administrations and amenities) as an element of deriving competitive advantage' (ibid.).

Harvey (1989), in his framework regarding the shift from Fordism towards Post-Fordism, offers a similar assessment regarding the significance of localities within the new global economic order, which has flexibility in production as one of its key characteristics: 'As spatial barriers diminish, so we become more sensitised to what the world's spaces contain. Flexible accumulation typically exploits a wide range of seemingly contingent geographical circumstances, and reconstitutes them as structured internal elements of its own encompassing logic' (Harvey, 1989, pp. 294). For example, geographical differentiation in the mode and strengths of labour control, together with the variations, quality and quantity of labour, assume a much greater significance in the location decisions of corporate strategists (ibid.).

Therefore, rather than coming to the conclusion that the locality has become less significant in the global order, it would appear that local economies have instead had to rearrange their roles and comparative advantages in order to secure investments in the global economic regime. The manner in which a local centre of economic activity can position itself to capture these fluid capital flows, is to create the necessary conditions which can attract capital from the global economy.

Some strategies for locality development in a global economy

If people become aware of the spatially differentiated qualities of localities, then there is a possibility that those who have influence within localities will seek to alter their spaces in ways which will enable them to capture highly mobile global investment flows (Harvey, 1989, pp. 295). Therefore, 'the greater the sensitivity of capital to the variations of place within space, the greater the incentive for places to be more differentiated in ways to attract investment' (ibid.). Therefore, the critical issue for localities within the globalised capitalist system has become how to position themselves within a fluid global economy.

Due to the changes in the international economy, and the subsequent decrease of the role and power of the nation state in the global economy, there now exist high levels of justification regarding the need to locate economic planning and development at a local level. One of the consequences of this shift has been the increased tendency by localities to adopt the concept of Local Economic Development (LED).

LEDs involve local initiative as the preferred instrument of economic development in regions and communities (Moulaert & Demaziere, 1996, pp. 3). This has come about as a result of the changes in the role of the locality within the global economy. These changes have made it difficult to plan the development of localities from a centralised point. LEDs thus typically assume the form of 'sub-national action, usually sub-state and sub-regional, taking place within a local labour market, and often covering an area greater than a local government area, but with focused specific sites, sectors and social groups' (Bennett & Krebs, 1991, pp. 1).

An LED can revolve around a partnership between local government(s), the private sector and civil society. In this regard, according to Bennett and Krebs (1991), formal partnerships in the form of firmly stated agreements tended to have better levels of success in Britain and Germany than other forms of agreement (especially informal agreements) (Bennett & Krebs, 1991, pp. 173). However, it is essential to keep in mind that LEDs can involve a diversity of agents and initiatives. In this regard, significant agents could involve the following:

- Local entrepreneurs who are demonstrating high levels of identification with the locality
- Socio-economic institutions such as business chambers and local trade unions
- Socio-political movements which are rooted within local communities
- Political decision-making agents at different levels in the spatial hierarchy (local, regional and national administrators)

- Mixed agents, such as local development agencies which may have either public or private partners

(Moulaert & Demaziere, 1996, pp. 4.)

An LED strategy is thus based on bringing together the various institutional formations within a locality into a structured relationship which promotes information exchange and generation (issues which are now critical factors of production). However, LEDs are not only concerned with marshalling factors of production within a locality for efficient utilisation. The concepts of partnerships or relationships can also be used to bring together the various actors who manage each of the separate factors of production, which can then be brought together into a mechanism to ensure a successful and sustained LED (ibid.).

An LED can be organised around a number of factors which underpin local economies:

- Land, infrastructure and site provision
- Capital formation and investment
- Innovation, entrepreneurship and technological change
- Human resources
- The development of the best institutional context

(ibid.)

An important aspect of LEDs concerns the increasing tendency to market the location as a resource in its own right (as opposed to a place where resources are located). In this regard, a locality may seek to associate itself with particular qualities and characteristics which highlight the ambience which is to be found within the locality itself. In this regard, Wilson (1996) says that: 'The change in the literature points clearly to a shift away from a functionalist perspective of place as the passive location of activities according to the grand logic of global capitalism and exogenous business decisions. Instead, the literature is pointing to an endogenous approach, one that emphasises the unique factors of a spatial milieu in which the activity occurs, while at the same time reorganising the embeddedness in large structures' (Wilson, 1996, pp. 311).

One of the concepts which is useful in this regard (i.e. creating an appropriate productive atmosphere) is that of the 'innovation milieu'. The "innovative milieu" works as a microcosm where the usual elements that are considered to be generating sources of economic development and change take place *in vitro*. These are high enhanced by spatial proximity and by economic

and cultural homogeneities that allow spatial specification of the milieu itself' (Camagni, 1995, pp. 319).

The economic elements which characterise an innovation milieu are as follows:

- District economies: These promote the necessary industrial atmosphere which can help small firms to reduce production costs by socialising the risk involved in production processes (i.e. joint trading, the availability of skills, and shared benefits from innovations).
- Proximity economies: This refers to the reduction of transaction costs due to proximity. As such the efficient circulation of information both laterally (among firms) and vertically (between firms and suppliers) is facilitated.
- Synergy elements: This refers to the spread of techniques through imitation, the establishment of local partnerships to provide infrastructure, and interaction between local producers and research centres.

(Camagni, 1995, pp. 319).

Another useful concept within this body of literature, is that of the 'social capital'. Bazan and Schmitz use Putman (1993) to describe what the concept of social capital entails: 'Voluntary co-operation is easier in a community that has inherited a substantial stock of social capital in the form of norms of reciprocity and networks of civil engagement. Social capital here refers to features of social organisation, such as trust, norms and networks, that can improve efficiency of society by facilitating co-ordinated actions' (Bazan & Schmitz, 1997, pp. 2).

Bazan and Schmitz disaggregate the concept into various components which are useful for the purpose of outlining some of the key characteristics which constitute the concept of social capital, and which can aid a locality to become competitive in a global economy:

- Origins: Social capital can be generated as a by-product of existing social relations, or it may be created for specific purposes.
- Distribution and scope: These factors relate to the nature and reach of the social capital. Social capital may be generated by members of a particular trade or craft, class, religion or ethnic group within society.
- Institutionalisation: The nature of co-operation may be informal (as is often the case with bilateral co-operation) or formal and institutionalised into some kind of association.
- Balance of power: The status of participants and power relations between agents may be symmetric or asymmetric in nature. This is significant because asymmetric relations between agents are regarded by the literature to be better placed to generate social capital

since they depended upon the voluntary participation of individuals. A symmetric pattern of relations may imply 'clientelism' and patron-client relationships, which tend to be historically volatile.

- Reinforcement of commitment: This can take the form of internal sanctions (e.g. feeling of guilt when a participant fails to meet group expectations) or external sanctions (e.g. expulsion or ostracism).
- The nature of social ties: Social capital can be generated on the basis of traditional ties (e.g. kinship) or modern social ties (e.g. professional associations).

(Bazan & Schmitz, 1997. pp. 5).

The creation of social capital, according to Bazan and Schmitz, can place a locality in a position which allows it to produce for a global market and to capture global investments. This is largely achieved by nurturing the kinds of relationships which can serve to distinguish a locality from others, on the basis of endogenous qualities which will be attractive to international investors.

Therefore, it will be those local economies which can generate LED concepts such as an 'innovation milieu' or 'social capital' which will be best placed to compete in an economy which is organised around the principle of flexible specialisation. Flexible specialisation rests upon factors such as skilled but flexible labour resources and efficient information generation and exchange. Such conditions are important to complement the speed and variety which has come to characterise new production and consumption patterns. Therefore, the significance place within the global economy is very important.

CONCLUSION

Changes in the world economy (i.e. from Fordism to post-Fordism or from nationally based economies to deep globalisation) have had a profound impact on the nature of socio-economic relationships across the globe. Due to major strides regarding telecommunications and transport technology, the world is today much more integrated than ever before. This integration has made certain activities possible which have further deepened the increasing levels of interdependence across the globe:

- Levels of cultural exchange and diffusion around the world have increased.
- The flow of vast quantities of monetary resources across borders is now an instant and frequent procedure.

- There has been a fragmentation of production activities in the quest for efficiency and flexibility, which is in turn connected to the international division of labour.

However, these changes have not resulted in the demise of the locality as a centre of production. Instead, localities have found a new role within the global economy. Nevertheless, it is only those localities which create the necessary conditions which permit flexible specialisation and production for global markets which will be able to capture the fluid capital flows of the global economy. In doing so, the literature points towards a trend whereby localities will seek to enhance certain endogenous qualities within them which are perceived to complement new production techniques.

CHAPTER 3

THE EVOLUTION OF SOUTH AFRICA'S INDUSTRIAL LOCATION POLICY

The purpose of this chapter is to provide the spatial policy framework within which the textile industry in Ladysmith and Ezakheni has developed. As stated previously, this dissertation seeks to assess the impact of globalisation and the change in industrial location policy upon the textile industry in Ladysmith and Ezakheni. As such, the chapter addresses the various contradictory demands that were placed by competing interests on the state as it attempted to shape the space economy. This chapter thus outlines the evolution of the country's industrial location policy.

Prior to this century, South Africa lacked a solid textile manufacturing tradition to act as the foundation for a modern industry. As such, the textile industry in South Africa had to come about as a result of deliberate undertakings by the state to pursue such forms of development. From the early pronouncements by those state agents who were active in the implementation of this national strategy, it is possible to deduce that the development of a domestic textile industry was being conceived within a spatial framework and as a tool for social intervention: *'As chairman of the Industrial and Agricultural Requirements Commission, Dr van Eke was thinking about textiles ... Even in 1942 the IDC's managing director firmly believed that a cotton textile industry could be most advantageously established near or in Native (sic) territories.'*

By: An anonymous contributor to the journal SA Textiles. Source: Kilvington, (1991, pp. 28).

The textile industry in South Africa thus developed out of state-initiated blanket manufacturing which began in 1925 (Kilvington, 1991, pp. x). This initiative was implemented essentially as a work creation measure to address first white poverty and unemployment, and then black and homeland unemployment within the framework of bantustan policy. These objectives define the social activism which the state attempted to display at various times in the evolution of this policy.

Equally significant is the locational factors which were taken into account. The manufacturing of cotton fabrics commenced on a decentralised basis. The first mills to be established were in the Western Cape, the Rand and, most importantly, border areas such as Zwelitsha and

Ladysmith (Kilvington, 1991, pp. xii). At this initial stage in the development of the industry, the Industrial Development Corporation (IDC) would only finance textile ventures which were locating in rural towns (ibid.). Given such a pronounced emphasis on location factors by the state, it is imperative that the development of the textile industry in South Africa be considered in tandem with the industrial location policy which has been so influential in shaping its development.

This chapter is divided into two sections, which are concerned with the following topics:

- Sketching some of the relevant international industrial location theory which the South African state has used as a theoretical basis to justify its own industrial location policy
- Outlining the development of industrial location policy in South Africa, as it evolved under the 'pre-apartheid state' and the 'apartheid state'

A BRIEF REVIEW OF INDUSTRIAL LOCATION THEORY

Given the emphasis which the South African state has given to location factors in its industrial strategy, it is essential that the industrial location policy of the state, which has had a major influence on the development of the textile industry in Ladysmith/Ezakeni, be examined.

Industrial location policy typically involved the identification of so-called growth points, where economic activity was directed for the purposes of initiating development in depressed regions, or to achieve a measure of socio-economic homogeneity within a particular country. Such a planning orientation (i.e. when the economy is seen to have a core and a periphery) was becoming popular among governments and theorists around the world in the wake of the Second World War (Linge, 1988, pp. 8). Three foundations for the conceptual shift that gave rise to modern regional planning were:

- 1912/1934: Schumpeter's contention that 'jerky' innovation waves are achieved by ever-changing groups of entrepreneurs who take risks in order to produce new goods and methods of production, new markets, or find new sources of supply
- 1936: Keynes's advocacy of government intervention in the economy to achieve increased growth and full employment
- Clark (1938) and Kuznets' (1941) highlighting of the usefulness of utilising national accounts as a means of generating statistics to measure the economic performance of countries

(Source: Linge, 1988, pp. 9)

As far as South Africa's industrial location policies are concerned, they can to some degree be located within 'conventional Industrial Location Theory which concentrates on minimising collective costs and maximising total revenue' (Platzky, 1991, pp. 18). Perroux's 1950 work (which modified Schumpeter's concept of risk) on 'leading sectors' of industry which spread the benefits of economic growth to depressed sectors, has by a large measure influenced the South African industrial location theory (ibid.).

Perroux proposed that the economy should be conceptualised as being made up of 'propelled industries' and 'propulsive industries' (i.e. 'leading sectors', according to Platzky). According to this formulation (Linge, 1988, pp. 9), propulsive industries are usually large, dominant and can expand their output through linkages and multiplier effects. Hence these industries will usually have a greater capacity to induce growth within their locality: 'Growth does not appear everywhere at the same time; it manifests itself in points or "poles" of growth, with variable intensities; it spreads by different channels with variable terminal effects for the economy as a whole' (Perroux, 1955, pp. 182; Source: Linge, 1988, pp. 2).

The subsequent complementary theories by Hirshman (1958) and Myrdal (1957) which evolved to support Perroux are also relevant in explaining the development of South Africa's industrial location policy. Hirshman's work was concerned with the positive spin-offs from the backward and forward linkages by a large firm which help to connect various regions into the production chain, thus hopefully permitting a trickle-down of resources from richer areas.

Myrdal's contribution to this body of theories was to emphasise 'circular and cumulative causation'. The theory emphasised 'increasing returns to scale and spread effects to supply the hinterlands', while 'the supply of capital and labour drawn to growing industries from surrounding areas would cause a backwash effect' (ibid.)

The key outcome of the work which was produced by Perroux, Myrdal and Hirshman was to advance the idea of inequality - which, ironically, can often result from economic development. Furthermore, the concept of 'growth-poles' (whose dynamism and enhanced capacity to create linkages could act as catalysts to infuse growth in economically depressed or backward regions) was also advanced as a socio-economic concept.

THE DEVELOPMENT OF AN INDUSTRIAL LOCATION POLICY IN SOUTH AFRICA

Post-World War II South Africa was not unique in having a government which targeted certain industries and localities to form the basis of its industrial policy. Such policies were popular in other parts of the world as well. In fact, subsequent generations of scholars would later demonstrate that state intervention in the economy was then so pervasive that even the so-called 'free economies' of the Far East were themselves not immune from the trend (e.g. Wade, 1990 and Chang, 1994).

A brief outline of the evolution of South Africa's pre-apartheid space economy

In the process of formulating an industrial location policy, previous South African governments often had to balance the contradictory demands which the various sources of white political influence would place upon the state. One such contradiction is the tension which existed between the desire of whites to have racial insulation and their constant need to be able to access black labour. This is the dilemma which was apparent during the deliberations which would lead to the 1910 constitutional union of South Africa. This dilemma (which was popularised as the so-called 'Native question') would, from election to election, become the political concern to be addressed by the white policy makers of the then newly formed state.

The development of an industrial location policy was thus carried out under the contradictory conditions of severe racial xenophobia coupled with a desire to economically exploit the same people who were feared as threats to 'white civilisation' in the subcontinent.

The 'native policy', according to Woods (1991), was focused on three principal issues during the first half of this century:

- The needs of agriculture and mining for cheap black labour
- The unwanted presence of blacks in urban areas
- The demands of white workers to be protected from black workers' competition

(Woods, 1991, pp. 32)

As far as capital was concerned, these pressures were a result of what is believed to have been a black preference not to work in mines on a regular basis, but only as a means of meeting particular needs. As long as blacks had access land, they had an independent means of producing a surplus which made labour on white farms or mines unattractive. In 1903, the Transvaal Labour Commission echoed these same sentiments in a report:

'The scarcity of labour is due first and foremost to the fact that the African native tribes are, for the most part, primitive pastoral or agricultural communities who possess exceptional facilities for regular and full supply of their animal wants, and whose standards of economic needs are extremely low.'

(Report to the Transvaal Labour Commission, 1993, cited in: Kilvington, 1991, pp. 35)

The strategy which was adopted to address these conflicting concerns had its roots in the findings of the South African Native Affairs Commission (SANAC), which was established later in 1903 by Lord Milner and headed by Sir Godfrey Lagden (Woods, 1991, pp. 35). The recommendations of SANAC would significantly alter the space economy of South Africa.

SANAC recommended a racial division of territory, a common system of 'native' administration for all four provinces of the Union, and the removal of Africans from the common voting roll (ibid.). In time, most of SANAC's recommendations would come to be accepted as government policy. This segregationist paradigm thus created separate spheres of black and white activity in terms of territory, employment and civic activity. It was from this sort of policy foundation that the 1913 Land Act was conceived. This act set aside disjointed pockets of mostly low-quality land for the exclusive use of Africans. The 1913 Land Act was consolidated further by the introduction of the Natives Land and Trust Act of 1936, which enlarged the reserves created by the 1913 Land Act. These reserves would later evolve to become one of the pillars of South Africa's space economy.

The logic behind the creation of reserves was based on the risky strategy of inducing enough stress to bear upon Africans in order to force such communities to release some of their labour resources to be exploited by white agriculture or mining. The best way of creating such stress was by fostering a land shortage, hence the reserves never exceeded 13% of South Africa's land area. The amount of economic stress being directed towards the reserves was meant to be carefully determined, because too much stress could cause the economies of reserves to collapse. This would lead to high urban migration by Africans, which was undesirable to white interests.

The Second World War resulted in a spurt of import substitution activity due to disruptions to world trade, which was mostly suspended during the war. It must be remembered that South Africa was then very dependent on British imports, whose production was affected by German

bombing or redirected towards meeting war requirements, and that transportation during war would have been risky.

This distress induced the growth of manufacturing activity in the country, resulting in a situation in which the solutions to the 'Native Question' once again needed to be evaluated.

While the then Native Reserves were an adequate solution to the demands of both mining and agriculture capital, the same arrangement could not be assumed to be equally beneficial to the manufacturing sector. As far as this sector was concerned, it seemed as if its labour needs were totally incompatible with the then dominant policy. Due to the level of skills needed to operate manufacturing machinery, it appeared as if this sector needed a more stable labour force with a lower rate of staff turnover:

'Unlike the mining industry, manufacture has no preference for the migratory type of labour, and indeed other conditions being equal, finds the stable urbanised worker more of an asset to production than the migrant worker.'

(Source: Posel, 1990, pp. 153)

The post-war boom also resulted in an increase of migration levels into towns by Africans. The increase in migration was not only due to pull factors. The worsening overpopulation, environmental degradation and economic collapse of the reserves was an important push factor (Woods, 1991, pp. 43).

This new set of contradictions and demands (i.e. the differing labour needs of mining and agriculture versus those of manufacturing) set in motion another debate around the issue of space management in South Africa. This debate would have a major impact on the evolution of industrial location policies in South Africa. In 1948, the choice was essentially between a half-baked philosophy by the United Party which represented a more subtle form of segregation, and the Afrikaner nationalist alternative of Apartheid (i.e. explicit and officially sanctioned racism).

The evolution of Apartheid-era Industrial Location Policy

The rise in the prominence of manufacturing as an economic sector brought about a crisis regarding the country's means of accumulation, as its labour requirements could not be fully accommodated by existing policy. The contesting solutions included the liberal option, which regarded the urbanisation of Africans to be a more economically sound alternative in the long-

term. This view took into consideration the logic which was dominant in the manufacturing sector, which in turn was informed by a belief that manufacturing required a stable and urbanised workforce. It is essential to note that this argument was not based on cultural considerations, but on the perceived economic imperative to have a more flexible race policy.

Competing against the liberal view was the Afrikaner nationalist view, which supported the intensification of the segregation policy as a solution to the crisis. This debate, together with the election of 1948, was won by the segregationists. The Nationalist victory brought into force the racial philosophy of 'apartheid'.

The significance of apartheid in the evolution of an indigenous industrial location policy is that it led to the formalisation and rationalisation of industrial location policy. Prior to this stage, individuals such as Dr van Eck (founding chairman of the IDC), or individual acts such as the 1913 Land Act or the 1936 Natives Land and Trust Act, had made up the bulk of what can be considered to be pre-apartheid industrial location policy. It is also known that institutions such as the Native Economic Commission, the Board of Trade and Industry, the Witwatersrand Mine Native Wages Commission and the Fagan Commission supported the idea of decentralising industrial development (Todes & Watson, 1984, pp. 3).

The 1948 election victory by the Nationalists coincided with the international golden age of interest in industrial location policies. This coincidence allowed the custodians of apartheid to adopt quasi-technical jargon to justify racism (Platzky, 1991, pp. 18).

The most significant development regarding industrial location policy in the 1950s, is the 1955 report by The Commission for the Socio-economic Development of the Bantu Areas. This commission (also known as the Tomlinson Commission) recommended that 'industrial jobs must be "brought" to the bantustans in order to absorb surplus labour, thereby making agriculture in the bantustans more viable and limiting the number of African migrating to "white cities". In other words the plan was to make each bantustan economy into a self-sustaining economic unit so that the vast majority of Africans could live and work in (or along the borders of) the bantustan' (Driver & Platzky, 1991, pp. 2).

The Tomlinson Commission further 'envisaged a transition towards individual land ownership of larger, more economically viable units, the establishment of towns to house those made landless by land reform, and the promotion of (white-owned) industry in the bantustans in order

to provide employment opportunities for those without the means of subsistence. Job creation at the rate of 50 000 per year would be needed, it concluded, for this scenario to work' (Woods, 1991, pp. 55).

The government was unwilling to relax its policy of keeping ethnic groups in isolated spheres of activity and, as such, the recommendation which would have allowed white industrialists to establish operations inside bantustans was rejected. The idea of permitting private ownership of land was also rejected because it could have had the impact of diluting the influence of the Induna /Amakhosi system - regarded by apartheid as a key tool in imposing control over Africans (ibid.).

Hence, the two key recommendations of the Tomlinson Commission which were seen to be incompatible with apartheid were rejected. The white paper which emerged from the Commission in 1956 opted for the principle of 'Border Areas'. A border area was defined as an industrial centre located within 30 miles of a reserve (Todes & Watson, 1984, pp. 4).

Given the tendency of bantustans to be located in the most economically unviable of the underdeveloped areas, the border policy failed to persuade industrialists to relocate and, as such, the policy failed (Driver & Platzky, 1991, pp. 3). Thus, in 1960 an incentive package consisting of tax concessions was announced, while the Permanent Committee for Industrial Establishment and Border Area Development was established to facilitate industrial relocation. The establishment of the Hammersdale industrial estate (which primarily catered for the textile industry) was also initiated at this point.

In 1965, the definition of a border area was changed to include other economically depressed areas which were not necessarily dominated by Africans (Watson & Todes, 1984, pp. 4). However, the state was still not content with the rate of decentralisation. Thus, in 1967 the Physical Planning and Utilisation of Resources Act was passed, which aimed to actively control and restrict growth within metropolitan areas by placing restrictions on the proclamation of industrial sites and supply of labour (Watson & Todes, 1984, pp. 5). The 1967 Act placed very few restrictions on Durban, but it was less accommodating as far as the PWV (Pretoria-Witwatersrand-Vereeniging) was concerned (Harrison, 1992, pp. 1). It was also decided that it was best to concentrate on a small number of growth points. In Natal, these points were Ladysmith, Newcastle and Richards Bay - the inclusion of Isithebe (which was then part of KwaZulu) was effected in 1972 (ibid.).

The 1967 Act was made up of a combination of ‘positive inducements’ and ‘negative controls’, especially since the Act was introduced against a backdrop of poor performance levels concerning previous decentralisation programmes (ibid.). Despite the difficulties which the state was experiencing in its quests to lure industry away from metropolitan areas, there is a significant factor relating to the late 1960s and early 1970s that needs to be emphasised: the crisis regarding the sustainability of Fordist institutions of production and consumption (which was alluded to in Chapter 2) was becoming apparent and leading many industrialists around the world to seek alternative avenues of maintaining competitiveness.

According to Harvey (1989, pp. 141), ‘the period from 1965 to 1973 was one in which the inability of Fordism and Keynesianism to contain the inherent contradictions of capitalism became more and more apparent. On the surface, these difficulties could best be captured in one word: rigidity’. One way of resolving the crisis rested on the principle of ‘flexible accumulation’, which also entails the principle of flexible labour markets (Harvey, 1989, pp. 147). Subsequently, one of the consequences resulting from the need to fashion flexibility in labour markets was the international trend to start locating labour intensive industries where the cost of that factor of production tends to be cheap.

South Africa was not immune to these dynamics and, despite the relative failure of the government sponsored schemes, there was a significant movement of firms towards peripheral locations from the early 1970s (Harrison & Todes, 1996, pp. 10). This process took the form of industrial ‘de-concentration’ to places on the periphery of metropolitan centres. In Natal, such places would have included industrial sites such as Pinetown, New Germany and Hammersdale (ibid.).

The 1967 Act resulted in dissatisfaction among industrialists - hence the Riekert Commission was set up. The subsequent white paper, which came out in 1971, would lead to fundamental changes regarding industrial location policy in South Africa. Key recommendations from the Commission were:

- White economic development should not be ill-affected by decentralisation
- A more flexible approach to job segregation to compensate for the lack of skills in decentralised areas

- The inclusion of the Cape in the decentralisation programme in order to prevent Coloured migration to Cape Town

(Watson & Todes, 1984, pp. 7)

Another consequence of the Commission was the adoption of policy measures which led to the following trends:

- The PWV (Pretoria-Witwatersrand-Vereeniging) region became the main target of anti-urban bias
- Minimum wages in border areas were abolished
- The Western Cape became a Coloured labour preferential area
- Smaller firms received more lenient treatment
- Provisions were made for so-called 'locality bound industries' to establish and expand without restrictions in areas where production requirements bounded them
- The commission recommended that incentives should be calculated according to an area's relative attractiveness in terms of production costs and availability of infrastructure

(Watson & Todes, 1984, pp. 8)

In 1975, the National Physical Development Plan (NPDP) was made public. The NPDP represented a significant departure from apartheid's preoccupation with bantustan development. The NPDP ushered in a shift in policy from that which was confined to influencing development in border areas towards a general approach of rationalising the use of space by the economy. Among the NPDP's recommendations was the principle of accepting the PWV, Durban and Richards Bay as growth points (Harrison & Todes, 1996, pp. 10).

'The rationale for the plan was primarily a concern about the white depopulation of the rural areas and the size of large cities, but the emphasis placed upon the issue of metropolitan size was greater than previously' (Watson & Todes, 1984, pp. 9).

According to the NPDP's approach to industrial location policy, South Africa was carved into 42 planning regions which excluded bantustans (Driver & Platzky, 1991, pp. 4). Possible growth points were identified and a hierarchical division of space was devised. The following tiers of space were identified: Metropolitan Areas, Planned Metropolitan Areas, Growth Poles, and Growth Points (ibid.). The NPDP accepted the idea of 'de-concentration points', as opposed to 'decentralisation points'. As such, growth points were located close to existing industrial locations in order to accommodate their ongoing expansion.

The 1981 Good Hope Conference represents another overhaul of industrial location policy. The Good Hope Plan contained a revamped Regional Industrial Development Programme (RIDP). With the Good Hope Plan, the mutual economic dependence of regions was accepted, although flirtations with the idea of black 'nation states' still persisted. The country was divided into eight planning regions, which cut across homeland boundaries. This number was later increased to nine in order to accommodate the political concerns of Bophuthatswana.

Long-term incentives offered under the plan included rebates of between 40% and 60% for transport costs, subsidies to equate electricity rates in remote areas with those of the cheapest areas, housing for key personnel (i.e. white workers), a 75% allowance for training, and preferential tender arrangements (Woods, 1991, pp. 74).

Short-term incentives covered large labour subsidies (a 95% tax-free cash rebate of up to 10 years for labour earning up to R110 per month), a rebate of up to 80% of interest paid on land and buildings for up to 10 years, rental concessions, and a R500 000 subsidy to cover relocation costs (ibid.).

Four types of development space were identified in the Good Hope Plan:

- Ten de-concentration points
- 49 Industrial Development Points: These were largely located in the homelands, and were thus important sites for the location of labour intensive industry
- Other Development Points: These were areas which had received incentives under past packages, but have since been granted lower priority
- Ad Hoc Cases: This category covered any site which could - under special circumstances - be regarded as eligible for assistance

(Woods, 1991, pp. 73)

The RIDPs which were identified in KwaZulu and Natal were Isithebe, Ezakheni, Madadeni, Ulundi, Richards Bay, Empangeni, Ladysmith and Newcastle (Harrison, 1992, pp. 2).

Despite the fact that the 1981 RIDP was used to good effect to bring manufacturing nodes such as Ezakheni and Isithebe into existence (or at least into a new era of growth), the package was far from being satisfactory in many respects:

- The cost of providing incentives and infrastructure was regarded as unsustainable within certain circles in politics, academia and business

- There was some uncertainty regarding the creation of new jobs as opposed to the mere relocation of existing jobs
 - Incentives were also perceived to restrict local decision making and, as a result, less-than-optimal locations were sometimes artificially sustained at a great cost to the state and economy
 - The ideological consensus of apartheid within the state was beginning to show cracks in the mid-eighties; as such, this source of motivation was becoming less important
- (Harrison, 1992, pp. 2)

Therefore, in 1988, the 'Panel of Experts' (which had been mandated to independently evaluate the 1981 RIDP) published a report which was also critical of the high cost of the programme (Harrison, 1992, pp. 3). The Panel also highlighted the programme's neglect of other economic sectors, its tendency to promote inefficiency, and its limited success in promoting self-sustaining growth and coherent regional development (*ibid.*).

Stemming from the recommendations of the Panel of Experts (and in recognition of the political changes which engulfed the country), a revised RIDP was introduced in 1991. The 1991 RIDP was expected to achieve concentrated and self-sustaining growth in areas which had a natural potential to achieve industrial development (Wilsenach & Ligthelm, 1993, pp. 366). This policy shift contributed significantly towards diluting the social-engineering aspect of industrial decentralisation by emphasising issues of economic sustainability and cost effectiveness. The principles which were drafted for the 1991 RIDP were:

- The development of an integrated national spatial economy comprised of few broadly defined regions
 - The promotion of regional development in a manner which would improve national economic performance but not neglect less-developed areas
 - A market-orientated approach to regional development including a free flow of production factors such as labour
 - A multi-sectoral approach to development supported by regional development strategies based on comparative advantages
 - A market related incentive scheme calculated according to profit or output
- (Wilsenach & Ligthelm, 1993, pp. 366).

The 1991 RIDP's incentive scheme comprised two elements. The first of these elements consisted of a two-year grant based on asset value; the second was an output-based incentive

which ran for a further three years (Wilsenach & Ligthelm, 1993, pp. 368). These two elements emphasise the move towards assisting only those firms which were perceived to have the ability to sustain themselves once incentives dried up.

The 1991 RIDP came into being at a time when South Africa was shedding its pariah status in international relations. One of the implications of the normalisation of South Africa's international trade relations was the recognition of the global trade regimes (especially GATT) which South Africa could previously ignore. According to the provisions of GATT (General Agreement on Trade and Tariffs), schemes such as GEIS (General Exports Incentive Scheme) and certain provisions of the RIDP are regarded to be subsidising the price of a product. Such practices have been interpreted as constituting unfair competition in international trade, hence they have been largely outlawed by GATT. Although the Department of Trade and Industry (DTI) has budgeted R540 million towards the RIDP for the 1996/97 financial year, the scheme does not feature in the 1997/98 budget at all. It is expected to be replaced by supply-side measures which have been provided for within the Growth, Employment and Restructuring (GEAR) strategy (DTI's 'Summary of Existing and Planned Supply-side Measures', 1996, pp. 2).

It is intended that industrial location policy located within GEAR will replace the RIDP through the so-called "Tax Holiday Regulations" (Government Gazette, vol. 377, No. 17650, 1996, pp. 7). According to the provisions of this aspect of GEAR, a new manufacturing project can apply for a tax holiday of up to six years. Localities which qualify to make use of this facility in KwaZulu-Natal are: Ladysmith / Emnabithi (Ezakheni), Empangeni/Ngwelezane, Mandini, Newcastle, Pietermaritzburg / Msunduzi, Richards Bay, and Durban's Outer West, Northern and North Central sub-structures (Government Gazette, vol. 377, No. 17650, 1996, pp. 3). Furthermore, the various manufacturing activities that are associated with textile production have been included in the list of activities that can access the facility (ibid.). As such state policy has shifted away from the convention of providing direct subsidies to business. In this regard, the minister in charge of the DTI said: 'We have packaged a set of incentives that take into account the pressures that the international economy will be placing on our economy, and we have focused on supply-side measures designed to support the cost of production rather than the price of the product' (Engineering News, 6 Dec. 1996, pp. 1).

The scheme will operate by granting a two-year tax holiday for each of the three qualifying components. These components are:

- A human resource component which is aimed at encouraging skills development
- There is a spatial component which aims to encourage a distribution of industrial development
- There is also a sectoral component that ensures that priority industries will be targeted by the scheme.

(ibid.).

CONCLUSION

The development of the textile industry in South Africa was pursued within the framework of industrial location policies. The reasons that justified the linking of textile production to industrial location policy are connected to the social engineering objectives that were held by various governments in South Africa. These justifications ranged from the desire to provide employment for poor white males during the 1920s and 1930s, to the desire to maintain South Africa as a racially segregated country.

However, the record of industrial location policies in South Africa has traditionally been far below optimal levels of efficiency and sustainability. The policies tended to be driven more by ideological considerations than the dictates of market imperatives. These policies have recently been diluted and are being phased out because the international atmosphere and ideologies that sustained them are themselves in retreat.

CHAPTER FOUR

A PROFILE OF THE TEXTILE INDUSTRY

The aim of this chapter is to provide brief profiles of the textile industry as it manifests itself at global, national and provincial level.

The purpose of providing background information of such a nature is to ensure that the textile industry, as it exists in the Ladysmith/Ezakheni locality, is not seen in isolation of the broader industrial complex within which it operates.

This chapter is divided into three sub-sections. The first section is concerned with sketching the broad international trends that are to be found within the textile sector. The second and third sections concentrate on outlining the sectoral dynamics which feature at national and provincial levels respectively.

THE TEXTILE PRODUCTION PROCESS

Figure 4.1 A profile of the textile industry

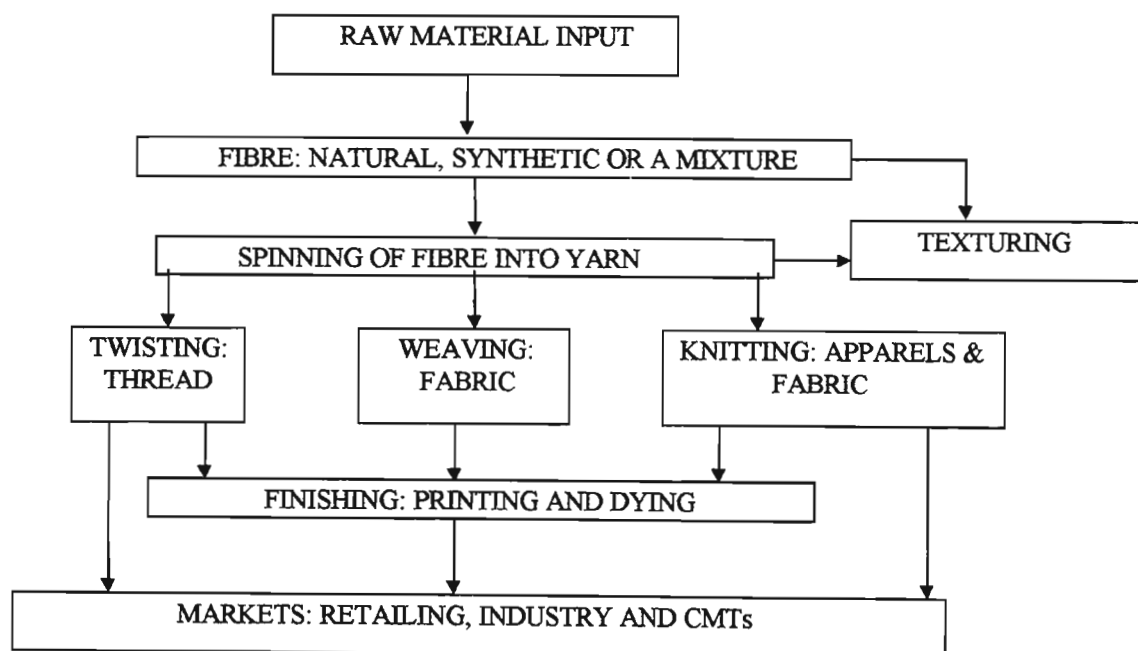


Figure 4.1 offers a simplified overview of the textile industry's production system. The textile industry's pipeline is in fact fairly complex because of the diverse nature and end-usage of the goods that are being manufactured. Furthermore, the various activities along the textile pipeline

are not neatly divided between set stages of production. Any number of the various activities can happen within one firm. This places serious constraints on any attempt to classify the firms in the sector in a neat format.

Nevertheless, the basic flow of goods through the textile pipeline involves the following steps:

- Turning raw material (natural or synthetic) into fibre
- Spinning the fibre to make yarn
- The fibre may be twisted to make strengthened thread for specialised end-uses or is typically woven or knitted into a fabric
- The fabric is then turned into a finished product, either by being dyed, printed or trimmed, or, as in most cases, going through all of these processes.

AN OVERVIEW OF GLOBAL DYNAMICS REGARDING TEXTILES

The origins of the modern textile industry

The modern textile industry can trace its roots back to the dawn of the Industrial Revolution. Before the Industrial Revolution, fabric production was structured around home-based production. 'Men of some capital' would put work out among the housewives and farm weavers of the European countryside (Checkland, 1964, pp. 115).

The development of new machines and the pressure to increase output necessitated a reorganisation of production and placed fresh emphasis upon new investments. Steam was first used in 1785 to run a spinning machine in Nottinghamshire (Checkland, 1964, pp. 136). By 1800, there were 11 steam engines in Birmingham, 20 in Leeds and 32 in Manchester and other centres in Britain (ibid.).

The transition towards a new system of production was not completed until about the 1830s, when the 'factory masters' began to eclipse the 'piece masters' (i.e. those who put work out to cottage workers) (Checkland, 1964, pp. 115). This was largely due to the fact that the enormous gains in efficiency of the powerloom had become obvious after 1830 (ibid.).

Significant inventions that provided critical impetus towards the industrialisation of textiles were:

- Crompton's 1815 mule. This was the most popular method of spinning. However, the carriage of the machine still required to be pushed back manually and the winding of yarn was a separate operation.
- Robert's self-acting mules of 1825 and 1830 removed the two limitations of Crompton's mule.
- Cartwright's powerloom, which had been in existence since 1785, was made commercially effective in the 1830s.

(Checkland, 1964, pp. 116)

From those early stages and onwards, the textile industry was to play a key role in the unfolding of the Industrial Revolution and the development of capitalism. According to Beaud (1984), it was largely through the establishment of mechanised industry that the capitalist mode of production was successfully extended, and one of the key sectoral actors in this process was textiles (Beaud, 1984, pp. 83). The textile industry managed to remain a key sector in manufacturing and a significant employer in industrialised Europe until the twentieth century. Despite the spate of inventions which had provided the industry with the mechanism to stage its initial launch, there were to be few further organisational or technical innovations until the dawn of Fordism in the early twentieth century.

The textile industry in the twentieth century

In almost all centres of production, the textile industry in the 1960s was experiencing the effects of what had been a long period of 'technological stagnation' which had begun in the period before World War II (World Bank Industry & Energy Dept., 1991, pp. 30). The industry was thus still using production methods which tended to be labour intensive and, as was then the case in the developed countries, wages in the sector tended to grow faster than increases in the levels of productivity (ibid.).

The global market was also experiencing excess demand due to the widespread trend of expanding or establishing textile production capacity (ibid.). It was thus not at all surprising that the established countries in the manufacture and trade of textiles became increasingly concerned about what impact globalisation might have on the industry. Hence, the new players who provided the momentum for globalisation soon found themselves bound by a cumbersome trade agreement. This trade agreement was to evolve into a powerful institution in the global trade of textiles - the MFA.

The MFA (Multi-fibre Agreement)

The global textile industry in the last quarter of the twentieth century can seem to be in many ways a product of the MFA. The MFA is a global agreement that is primarily concerned with the regulation of clothing and textile exports from the developing countries to the developed markets. Despite the fact that the agreement accommodates provisions that contradict the 'free trade' ethos, the MFA is an agreement that was reached within the confines of the GATT agreement (Colin McIver Associates, 1993, pp. 25). It was primarily born out of a need to slow down the growth of Third World exports in the markets of developed economies, since this trend had the capacity to choke European and American producers who usually had higher overhead costs.

The post-colonial had era heralded the advent of Third World competition in the global textile industry. The reasons for this development are closely tied to post-colonial industrialisation efforts by Third World states, which viewed textiles as one of the attractive industrialisation options 'because of its labour-intensity and the free availability of adequate technology, which made it possible for countries with low labour costs and low levels of indigenous technology to compete' (ibid.). As such, by 1961 the international textile trade was already being managed by a separate set of rules, which included measures such as quotas and other forms of quantitative restrictions (Hyvarinen, 1996, pp. 1). Hence, the signing of the MFA in 1974 can be seen as a bureaucratic rationalisation of a restrictive trade system that had, in fact, been in operation for over a decade. The MFA was meant to be a short-term measure, but it managed to exist for 21 years and had to be extended on five occasions (ibid.).

'In 1988 the MFA covered about 50% of the global exports of textiles and clothing, accounting for 9% of world trade in manufactured goods, i.e. US\$ 177 billion' (ibid.). The way the MFA operated in Europe was to erect barriers to prevent imports from penetrating the European market while simultaneously reducing tariff barriers for goods being moved between European countries (Elson, 1994, pp. 192). The impact of this system has been the creation of a regional European textiles' market wherein the flow of textile trade between the various European countries is more significant than trade with non-Europeans (ibid.). At the end of the MFA period the US (United States), Canada, EEC (European Economic Community), Norway, Finland and Austria were the only political entities imposing quotas (Hyvarinen, pp. 2, 1996). Japan is a notable exception from that listⁱⁱⁱ.

Although the MFA may have been introduced to stem the growth of textile production in the developing world, the regime did not succeed convincingly in this regard. Since the 1970s, the number of textile producers from the developing world has been rising steadily. In 1975, the South's^{iv} share of the international textile output was 18.6%; by 1980 this figure had risen to 26.1%, and was estimated to have reached 31.6% in 1990 (United Nations Industrial Development Organisation (Unido), 1991, quoted from Elson, 1994, pp. 190).

The major source of the South's advantage over other producers has been the relatively low cost of labour in its localities. However, other producers in the so-called South (most especially the Newly Industrialising Countries) have managed to cultivate other means of maintaining a competitive edge in the international market. In 1992, the South had 50% of the world's non-cellulose fibre production capacity, which is mainly concentrated within the NICs (Elson, 1994, pp. 191). As such, the Newly Industrialising Countries (NICs) have managed to engineer a technological diffusion that has resulted in shuttleless looms accounting for 81% of weaving capacity, compared to 75% in Europe (*ibid.*).

Despite this rise in new competition, European and American producers still manage to remain competitive in the world market. Germany and Italy, with a combined share of 18.7% of world exports, still rank as the top textile exporting nations, while countries such as Japan, France and the US command market shares of 4.5% and above, respectively (see Figure 1.3). This has been achieved through a combination of less-than-free trade regimes, and a tendency to shift from labour intensive but low-value-added activities, towards the production of higher-value-added goods. When Table 4.1 (which shows that employment levels for the production of manmade fibres in Europe have been declining sharply) is examined together with Table 4.2 (which shows producers' shares of global exports), it becomes clear that the industry has undergone major restructuring.

Table 4.1 Employment trends in the manmade fibre industry for selected Developed Countries

Country	1975	1980	1986	% Change: 1975/86
USA	98 000	81 000	57 000	-42%
W. Germany	43 000	30 300	26 200	-39%
France	20 450	10 920	6 070	-70%
Benelux	14 845	9 710	8 170	-45%
Italy	41 800	29 115	16 441	-61%
UK	36 976	17 616	8 530	-77%
Japan	91 345	53 104	45 235	-50%

Source: World Bank Industry & Energy Dept., 1991, pp. 83.

The final picture that thus emerges is that of an international trade regime that can be seen to have been at times ambiguous in its outcomes. However, these ambiguities disappear if one assumes that the MFA was not meant to destroy textile production in the newly industrialising nations as much as it was intended to create conditions that would allow established producers to restructure their production orientation. The MFA did not succeed in halting the growth of the Third World challenge in textile's production, yet European and North American producers still remain relatively competitive in the export of textiles.

The MFA did not cover all textile and clothing products, while some of the quotas were not fully utilised, and some major producers did not impose quotas at all (Hyvarinen, pp. 2, 1996). Furthermore, 'it has been evident that there has been a regular shift of the production from quota restricted countries to less restricted ones when the quotas began to cause considerable problems for the traders in importing countries' (ibid.).

Figure 4.2 Leading textile exporters

Country	% Share of 1980 Global Exports	% Share of 1990 Global Exports
Germany	11.3	12.0
Italy	7.4	8.6
Hong Kong ^v	3.2	7.4
China	4.6	6.5
Japan	9.3	5.3
Taiwan	3.2	5.7
South Korea	4.0	5.6
Benelux St.	6.4	5.7
France	6.1	5.5
USA	6.7	4.5
UK	5.5	3.5
Holland	4.0	2.5
Switzerland	2.5	2
TOTAL	74.2	74.8

Source: Colin McIver & Associates, 1993, pp. 28.

The ATC (Agreement on Textiles and Clothing)

One of the key outcomes of the Uruguay round of GATT negotiations has been the formation of the ATC, which stipulates that the MFA, which has operated since 1974, should be phased out by the period ending on the last day of 2004 (Hyvarinen, pp. 4, 1996). Since the MFA has been operating under fundamentally different principles from the rest of the GATT regime, the ATC is being introduced with the intention of phasing out the anti free-trade quotas of the MFA.

One of the key provisions of the ATC has been the inclusion of a sunset clause in its constitution to prevent the regime from being prolonged in the same manner as the MFA (ibid.). The ATC has other distinctive features that should distinguish it even further from the MFA.

They include the following:

- The ATC is an integral part of the Marrakesh agreement that established the WTO (World Trade Organisation). As such, it is to be a truly integrated part of GATT and is to be administered by the WTO.

- The ATC is expected to apply equally to all members of the WTO, and shall not make provision for the accommodation of non-GATT exporters (e.g. China) as was the case with the MFA.

(ibid.).

The ATC is expected to level the playing-field by opening up huge emerging markets such as India and China to established producers, while at the same time giving emerging producers a fairer opportunity of accessing the lucrative markets of NAFTA (North American Free Trade Agreement) and the EEC. However, whether such an outcome would actually materialise cannot be known with any degree of certainty.

Patterns of world fibre consumption

The purpose of this sub-section is to provide an idea of whether the market for textile goods is growing. One way of working this out is to refer to statistics detailing global fibre consumption.

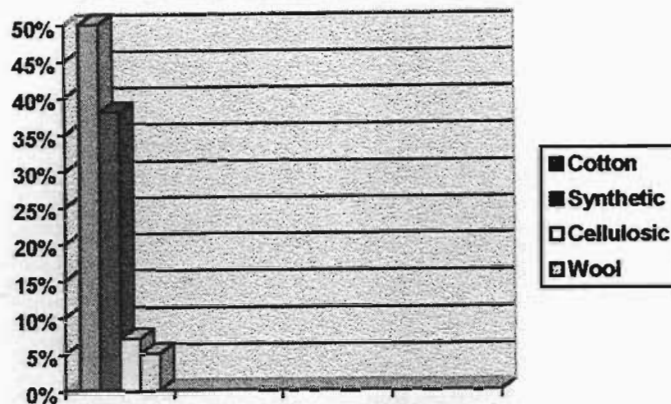
The overall trend in global fibre consumption between the years' 1983-93 shows a rise of 3% per annum in the consumption of manmade fibres (Colin McIver & Associates, 1993, pp. 29):

- Polyester: 5%
- Nylon: 1.3%
- Acrylic: 1.2%

(Ibid.)

In the same manner, there has also been a corresponding increase in the consumption of natural fibres. This trend was most conspicuous concerning the global consumption of cotton. During the 1983-93 period, cotton realised a 4% rise in global demand.

Figure 4.2 Global patterns of fibre consumption



Source: Colin McIver & Associates, 1993, pp. 29.

Overall, cotton accounts for 50% of global fibre consumption, as is shown in Figure 4. In 1988/89, the US consumed 1 697 tons worth of cotton, while Spain, West Germany, Italy and France consumed a total of 1 171 tons (World Bank Industry & Energy Dept., 1991, pp. 79).

In conclusion, the global trade in textiles since the end of the Second World War has been characterised by the increase in the number of new centres of production. Most of these new centres have been located in the so-called Third World. The subsequent increase in competition resulted in the enforcement of a trade regime that was essentially contrary to the global trend towards free trade. This trade regime (the MFA) can be seen to have provided the earlier generation of Western based manufacturers with time in which to transform production processes. As such, behind the barriers of the MFA's quota system, Western manufacturers were able to shift from labour intensive production (which migrated to centres of cheaper labour) towards mechanised production. New markets and products were also created. Thus, the shift towards a free trade regime in textiles has come only after a major transition in the textile industry of the West.

AN OVERVIEW OF THE SOUTH AFRICAN (RSA) TEXTILE INDUSTRY

The local textile industry can be said to owe its existence to a belief that was held by successive white governments - that the sector could be used to provide job opportunities for either poor white males or, as was later the case, rural black men. The growth of the industry was thus characterised by heavy state involvement at almost every stage of its development.

A brief historical background to the development of the RSA's textile industry

As it has been previously stated, the modern textile industry in South Africa has its roots in the government-sponsored drive towards the local manufacturing of blankets (Kilvington, 1991, pp. XI). State involvement in the initiative can be attributed to a number of factors that were socio-economic and developmental (i.e. the need to combat economic and political uncertainty in the wake of the South Africa War and 1910 Union), and which dominated political discourse at the time. Firstly, The southern African subcontinent had no textile production tradition as was the case with various other parts of the world. Secondly, the 1920s was a period when the 'poor white' problem was a major national policy challenge. This 'poor white' problem was symptomatic of the wide-ranging social realignment within white society that had been caused by developments such as mining. The plight of this section of the population would have been a major concern for the Hertzog-led 'Pact Government', which had won the 1924 elections on an Afrikaner nationalist and labour platform. Thirdly, 'wool prices received by farmers between 1921-1924 were sharply lower than those which they had received in 1919-20, and this could have influenced the farming lobby in parliament' (Kilvington, 1991, pp. 11).

Consequently, the initiative to kick-start the development of a labour intensive industry should be seen within such a historical context. Kilvington (1991, pp. 9) asserts that the Pact Government 'introduced a radical programme of measures that included the encouragement of some manufacturing through the imposition of selective import duties', i.e. an Import Substitution Industrialisation (ISI) strategy. This fact has also been isolated by Maree (1995, pp. 22) as one of the key factors which were regarded as necessary to ensure the survival of the budding industry.

However, the benefits of protective tariffs had various contradictory outcomes. On the positive side, the industry could satisfy 87% of the market during World War II (Kilvington, 1991, pp. 12). Nevertheless, the industry could only succeed in creating 1 450 jobs for whites (out of a sectoral total of 3 100) by 1939 (ibid.). Furthermore, the protective tariffs did not make local wool any cheaper, due to the fact that the fine Marino clip was already of too high a quality, hence imported wool was still required (Ibid.).

Yet another shortcoming of the initiative was that, despite the relatively protected environment within which the textile industry was being nurtured, the industry still found it difficult to expand beyond the manufacture of cheap blankets. Between 1939 and 1946, the value of imported textiles actually doubled in value from about 19 million pounds to about 38 million

pounds at 1939 values (Kilvington, 1991, pp. 16). Furthermore, it was not until 1945 that the first two mills for apparel textiles were built (Kilvington, 1991, pp. XI).

The post-war growth of the industry was fairly rapid. Government involvement in the industry was also much in evidence. Apart from the constant manipulation of the tariff system, the state used its industrial parastatal the IDC (Industrial Development Corp.) to actively drive the growth of the industry through investments (Maree, 1991, pp. 22). Hence, by 1958/59, textile output amounted to 4,3% of the gross value of private industry production, plus 5,8% of the employment (Kilvington, 1991, pp. 26). To put these achievements into perspective, it should be noted that by 1965 the IDC had invested R19 393 000 (i.e. 9.06% of all cash invested) in textile development (Kilvington, 1991, pp. 27). Another issue of significance was the raising of textile tariffs in 1961 that, as Maree (1995) observed, was followed by a period of rapid growth in the sector (Maree, 1995, pp. 23). The state was indeed very cynical in its use of tariffs. The Board of Trade and Industry (BTI), once it had sorted out its problems regarding effective classification of fabrics for customs purposes, instituted high tariffs for fabrics that were not yet produced in the country in order to accelerate the ISI process within the sector (Maree, 1991, pp. 24).

However, it should be kept in mind that during the 1960s ISI practices were the dominant economic doctrine. The world economy was still to suffer from the effects of the oil crisis, and inflation was not yet a major political or economic concern. South Africa was also experiencing sound economic growth during those years.

The 1970s was the last good decade for the industry. Growth between 1972 and 1981 was never below 5.7%, and in 1981 production reached a peak of R9 721 million at 1990 prices (Maree, 1995, pp. 25).

Recent dynamics in the textiles sector

The 1980s was a decade of serious economic stress for the South African industry. It was during this decade that the noose of international trade sanctions began to tighten, the price of gold began to decline after a brief profitable spell at the early stages of the decade, the value of the Rand began to fall, and political instability was at its peak. These factors combined to produce an underproductive industrial culture that was characterised by low levels of capital investment and high levels of labour militancy.

The textile's industry was not sheltered from these dynamics. In fact, it has been observed that 'from the mid-eighties to the early nineties the South African textile industry could be categorised as antiquated' (KMI - KwaZulu-Natal Marketing Initiative - Report, 1996, pp. 20). The industry had neglected to invest in modernisation during that period (ibid.) because of the twin effects of operating within a struggling economy while being sheltered from the challenge of foreign competition due to the high tariff regime that was in place when South Africa was not bound by GATT.

Table 4.3 Average total growth rates for textiles

	1980-88 % change	1989-92 % change
Employment	-1.1	-6.6
Production	-1.6	-8.2
Labour productivity	0.5	-2.3
Fixed capital stock	0.1	-1.1

Source: Swart Report, 1994, pp. 37.

The impact which sanctions and high tariffs had on the performance the South African textile industry can be observed from Table 4.3. There was a failure to register a positive growth in employment between 1980 and 1992. It is important to note the trends shown in Figure 1.5, because the table captures one of the major sources of instability within the industry. In the 1980s the textile sector initiated a major transformation - it moved away from being labour intensive, as European manufacturers had done (see Table 4.1). However, labour was being shed at the same time as investment into fixed capital stock was being neglected. As such, it is not surprising that production volumes and labour productivity declined during the 1980s.

The democratic election of 1994 marked South Africa's re-entry into the international community. The opportunities that such a realignment might bring were not lost on local manufacturers in the textile industry. It was correctly recognised that major modernisation would be necessary to place the textile industry on a footing that would allow local firms to exploit a much bigger, but much more sophisticated and competitive, international market. Hence, it is expected that the industry's capital expenditure for 1994 through to 1997 will be in excess of R3 billion (KMI Report, 1996, pp. 20).

However, the modernisation of the textile industry may have been neglected for far too long. The international economy which South Africa has rejoined is one that has been moving rapidly

towards an integrated and global economy. In order to facilitate this process, the world community has committed itself to lowering trade tariffs as dictated by the various GATT agreements. GATT has itself become globally institutionalised through the recent formation of the WTO. While this process was gradual and incremental for most countries, it came about in a speedy and overwhelming manner for a South Africa that had not been part of the global process of negotiating the new trade dispensation. Meeting the challenges posed by more efficient and cost effective competition has thus been a major preoccupation for the industry in recent years. Moreover, anxiety has been further raised by the fact that the Long Term Strategic Plan For The Textile and Clothing Industries in South Africa (i.e. the Swart Report), recommended a tariff reduction timetable of 10 years, which beats the GATT expectation by two years. The reductions that are being proposed are also much more substantial than GATT requirements. According to the table in Table 4.4, the Swart Report recommends tariffs that are lower than those recommended by GATT for the following imported textile goods: clothing, fibres, yarn and fabric. The tariff reduction exercise was a cause of major division between textile and clothing manufacturers during the drafting of the report. The clothing manufacturers who were in favour of a shorter timetable for the reduction of tariffs for fabrics believed that cheaper fabrics would allow them to compete effectively, while textile manufacturers warned that such a move would flood the local market with imports that would kill the local industry.

Table 4.4: The contrast between the GATT and Swart Report recommendations (tariffs)

Product	GATT (%)	Swart Report (%)
Clothing	45	40
Household textiles	30	30
Fabric	25	22
Yarn	17	15
Fibres	10	7.5

Source: Swart Report, 1994, pp. vi.

The recent past has also seen the advent of an even more robust source of competition against the local industry - that is, illegal imports. It is difficult to measure the impact of this form of competition upon the local textile industry, as is always the case with criminal activities.

However, the problem is serious enough to provoke statements such as the following: 'Illegal imports which have been flooding the marketplace are for the moment making a mockery of the industry's attempts to modernise, grow and become competitive' (KMI Report, 1996, pp. 21).

The state has responded to this challenge by forming the new institution - the South African Revenue Service (SARS) - which will amalgamate and streamline revenue collection, customs and excise into a single institution (Ibid.).

Output and employment trends

As has already been pointed out, output in the textile industry dropped by a total of 1.1% between 1980 and 1988, and 6.6% between 1989 and 1992 (see pp. 45). It is essential to take notice of the fact that 1980 and 1981 were actually *good* years for the textile industry (see pp. 44). These years' results have thus had the effect of masking what was a dramatic period of poor performance by the sector. In fact, 'output dropped drastically after 1981 and declined by 22% over the four year period 1981-85' (Maree, 1995, pp. 25). In 1986, the decline began to level out and production actually boomed in 1989 (ibid.). During 1989, there was growth in the production of natural fibres (7.5%), synthetic fibres (5.5%) and olifnic fibres (9.5%) (KMI Report, 1996, pp. 22). both 1994 and 1995 are generally regarded to have been growth years for the industry, but the gains were obviously blunted by the impact of imports (KMI Report, 1996, pp. 21)

During 1981, employment in textiles was at 113 700, but by 1985 it had dropped by 18 580 (16%) (Maree, 1995, pp. 25). After levelling out at about 95 000 between 1986 and 1988, employment rose slightly in 1989 to about 97 000 employees (Maree, 1995, pp. 26). However, while it had taken 102 000 workers to produce R5 900 million worth of goods (at 1990 prices) in 1972, the 97 000 employees of 1990 produced R7 300 million worth of goods (ibid.) This would seem to suggest that it was during the confusion of the 1980s that the industry changed its *modus operandi* towards less labour intensity and higher capital costs. However, since productivity struggled to rise (see pp. 45), it is clear that capital investment was not approached with the same zeal as retrenchments. This point is further illustrated by the fact that the value of goods that were produced in 1990 was only 20% higher than which was produced 20 years earlier.

The most significant employers in textile manufacturing are the cotton sector and the household textile's sector, while specialised finishers (this category refers mainly dying and printing houses) are the least labour intensive (see table 4.5).

Table 4.5: NPI (National Productivity Inst.) sample of the textile industry^{vi} - key indicators.

Category	Sales (R Million)	Operating Assets (R Million)	Employees
Fibres	879.1	821.3	3 330
Commission finishers	26.6	20.2	232
Knitwear & socks	139.4	90.2	1 924
Circular knitwear	243	148	1 425
Industrial	150.3	84.2	1 401
Worsted sector	329.4	408.6	5 409
Household & blankets	176.5	169.1	2 313
Cotton sector	1 247.9	1 242.7	15 546
TOTAL	3 192.2	2 984.3	31 580

Source: NPI, 1993, pp. 2.

Local fibre demand

After 1989, there was a negative trend in the demand for most types of fibre, as is shown by Table 4.6. This trend continued its decline until 1992. However, that tendency was reversed and between 1993 and 1995 a positive growth in local fibre demand has been shown.

Table 4.6: Fibre demand (measured in tons)

Fibre	1990	1991	1992	1993	1994	1995 ^{vii}
Natural	99 155	87 450	85 000	82 550	86 400	87 900
Synthetic	123 645	120 300	116 500	122 450	128 600	132 800
Olifinic	41 715	43 950	43 500	49 450	56 800	59 500
Other ^{viii}	9 915	9 550	9 000	9 300	9 750	9 500
TOTAL	274 430	261 250	254 000	263 750	281 550	289 700
% Change	-10.0	-5.0	-2.5	4.0	6.5	3.0

Source: KMI Report, 1996, pp. 22.

Listed below are some of the trends associated with selected fibres:

- Cotton: In 1993/94, demand for cotton rose from 68 500 to 71 500 tons. Imported cotton fibre, which was priced 20% higher than local fibre, made up 88% of supply in 1993 and 62% in 1994.
- Wool: Despite the fact that South Africa is a non-cotton but a wool producing country, the demand for wool has always been low because the textile industry has had a pro-cotton bias since its state-sponsored inception. Wool demand for both 1993 and 1994 was a mere

6 000 tons. However, production for 1993/94 was 69 000 tons, while 61 000 tons were produced in 1994/95.

- Polyester: 1995 demand for polyester staple was estimated to stand at around 35 000 tons, which is a significant drop from the 1989 demand of 40 000 tons. As far as 1995 demand for polyester CF (Continuous Filament) is concerned, the estimate has been put at 29 000 tons. There are considerable amounts of polyester CF being exported, and while imports have been minimal, they have nevertheless displayed a tendency to grow.

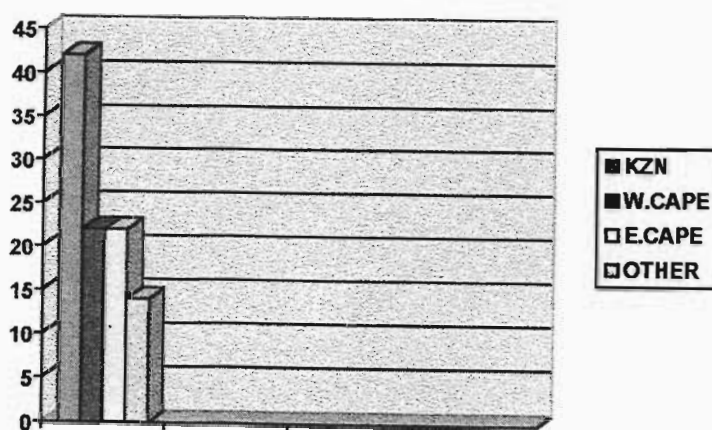
(KMI Report, 1996, pp. 25)

AN OVERVIEW OF THE KZN TEXTILE INDUSTRY

KZN has a textile industry that is both dynamic and significant to the national and regional economies. 'In 1988, the textile industry in [KZN] employed about 42 500 workers, about 12.4% of workers in the manufacturing sector' (Harrison, 1995, pp. 9). The sector's contribution to GGP in terms of output was R2 307 million, or 9.4% (ibid.).

KZN's share of industrial activity within the textile's sector is by far the most significant when compared with other regions. 42% of all textile industrial activities occur within the province; the Eastern Cape and Western Cape each account for 22%, while the rest of RSA accounts for 14% of industrial activity (see Figure 4).

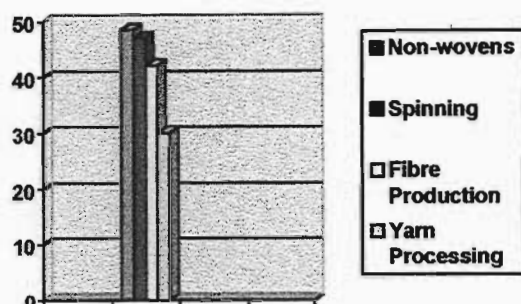
Figure 4.3: Textile industry activity by geographical region.



Source: KMI Report, 1996, pp. 20.

KZN is expected to raise its share of industrial activity within textiles to 45% and beyond by 1997, because of firm modernisation, expansions and greenfield developments^{ix} (KMI Report, 1996, pp. 20), which are either in the pipeline or have been initiated already.

Figure 4.4: Textile activity in KZN as a % of RSA throughput



Source: KMI Report, 1996, pp. 21.

KZN's share of RSA's total textile throughput (i.e. 42%) is made up of manufacturing non-woven fabrics (48.5% of national throughput), spinning (47% of national throughput), fibre production (42% of national throughput) and yarn processing (38% of national throughput), as per Figure 5 (KMI Report, 1996, pp. 21).

The distribution of textile manufacturing in KZN

The spatial distribution of textile production within the province clearly displays the effects of state policies that encouraged the location of textile firms in peripheral localities. Successive governments in the RSA have considered the urbanisation of black people to be undesirable. These anxieties were clearly evident in the recommendations of the Tomlinson Commission of the 1950s, which linked the existence of black homelands to the decentralisation of industry (Kilvington, 1991, pp. 81).

Despite an anti-city bias in government policy, Durban still remains a major locality for textile production. Durban was the site of one of the first cotton spinning mills in the country - the African Textile Manufacturers Company that was started in 1927 (Kilvington, 1991, pp. 10). Other producers such as Philip Frame (founder of the Frame Group) had established mills by 1928 (ibid.). The benefits for textile production that were associated with Durban include the locality's favourable weather, the port, the availability of skills among the Indian population (ibid.), and a decent market to exploit. Due to the presence of other industrial activities within

the Durban area, textile activities that are undertaken are quite varied. No one industrial activity can be said to dominate the textile sector in Durban. Pinetown also has a relative mixture of activities to make up the textile industry in the locality. This is largely due to the proximity of Pinetown to Durban and the various markets that are to be found in the port city. Nevertheless, it is essential to note that, despite the similarities, Pinetown differs from Durban in that a trend towards the clustering of activities can be detected. Of the 27 firms which the 1996 CSDS's Comprehensive Industrial Register for KZN picked up, 12 of them were involved in the spinning, weaving and finishing of non-woven fabrics.

Table: 4.7: The distribution of textile activity (firms) by sub-sector and locality

Activity	DBN	H'dale	I'thebe	L'smith	N'castle	PMB	Pn'town
Wool scouring & combing	2	0	0	0	0	0	0
Dyeing & finishing	1	0	0	0	0	0	1
Spinning, weaving, finishing of non-wool fab.	5	11	7	4	1	2	12
Soft furnishings (binding & embroidery)	10	0	0	2	0	3	1
Bags and sacks	1	0	2	0	0	1	0
Tents, sails & canvas	8	0	0	0	0	0	0
Auto textiles	3	0	0	0	0	1	2
Knitting & hosiery	8	1	2	1	5	0	0
Carpets & rugs	5	0	1	0	0	1	2
Cordage, rope & twine	4	0	0	0	0	0	0
Linoleum & coated fab.	1	0	0	0	0	0	3
Pressed felt, padding & upholstery filling	4	0	0	0	0	0	1
Spinning, weaving & finishing of wool fab.	0	1	0	0	0	1	3
TOTAL	52	13	12	7	6	9	27

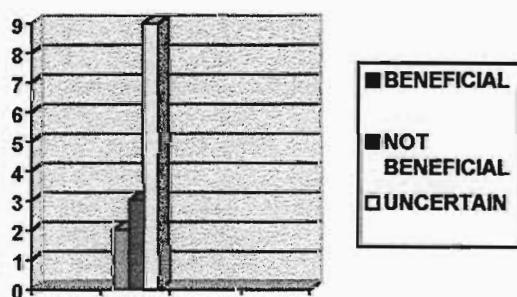
Source: CSDS, 1996.

Of the decentralised localities, the Hammersdale locality is by far the most significant. The estate was established close to rail and major road routes as a greenfield development by the

IDC in 1961, and was provided with amenities such as power supply and a township for the black workforce (Kilvington, 1991, pp. 85). Together with Newcastle (which has a much smaller complement of firms), Hammersdale shows the most distinct pattern of clustering in the province. When Table 4.7 is read vertically, it becomes apparent that the dominating activity in Hammersdale is the spinning, weaving and finishing of non-wool fabrics. Similarly, Newcastle is dominated by knitting and hosiery firms. Furthermore, a horizontal reading of Table 4.7 also reveals that there is a tendency for certain textile activities to cluster around a particular locality. For instance, all the manufacturing for tents, sails and canvas occurs in Durban.

However, it is clear that the potential benefits which can be gained from clustering are not being sought.

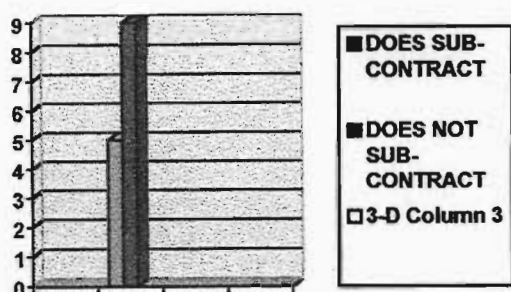
Figure 4.5: Opinions of Hammersdale producers regarding the merits of clustering



Source: Randuny^x, 1996 (unpublished)

As illustrated by Figure 4.5, the majority of producers in the area do not see the clustering of activities in the locality as being beneficial. Furthermore, Figure 4.6 shows that the majority of industrialists in the locality do not engage in sub-contracting.

Figure 4.6: The number of Hammersdale firms which sub-contract out stages of production



Source: Randuny, 1996 (unpublished)

Other significant localities for the production of textiles include Isithebe (which together with Madadeni and Ezakheni is managed by the KwaZulu Finance Corporation), the Ladysmith/Ezakheni locality and Pietermaritzburg.

Provincial trends regarding firm size

The majority of textile manufacturers in the province have emerged from the eighties with operations which are less labour intensive and thus (presumably) more capital intensive. This can be observed from the relatively high number of firms which employ not more than a hundred workers (see Table 4.8). From the data generated by the BMR, the proportion of firms which employed 1-100 workers numbers 87. In contrast, there were only 12 firms which employed 301-800 workers.

Figure 4.8: Average firm sizes in KZN by employment

Localities	1-100 Workers	101-300 Workers	301-800 Workers
Durban	42	9	1
Hammersdale	6	2	5
Isithebe	9	1	2
L'smith/Ezakheni	4	3	0
Newcastle	3	1	2
Pietermaritzburg	7	2	0
Pinetown	16	9	2
Totals	87	27	12

Source: CSDS, 1996.

The trend towards the use of less labour in textile production has not been peculiar to any one locality. As such, industrial decentralisation areas are also displaying the same trends. This development is clearly contrary to what the previous governments' policies had intended to achieve. The shift is thus having the effect of making these areas' competitive advantage (i.e. being reservoirs of cheap and plentiful labour) become increasingly redundant.

CONCLUSION

The prevalent dynamic in textiles (globally, nationally and provincially) is transition. At a global level, the industry has been thrown into a state of flux by the increasing significance of producers from the developing countries (especially the NICs). Another medium of change has been the shift from the MFA to the ATC, which is to be followed by full compliance with the GATT trade regime when the ATC expires at midnight on 31 December 2004.

At a national and provincial level, the industry has had to face the challenge of moving from an inward focus towards outward orientation. For an industry which has traditionally catered for the domestic market, the shift towards a greater export focus has had to be managed under challenging conditions. The source of the challenge has come from the aggressive entry of exports into the local market.

The industry has had to engage in a process of rapid investment in capital assets in order to modernise, due to its neglecting to pay close attention to this issue in the 1980s. Furthermore, there has been a shift from being labour intensive towards being capital intensive.

CHAPTER FIVE

AN OVERVIEW OF THE LOCALITY AND SAMPLE FINDINGS

This chapter deals with the dynamics which help to explain the social milieu which exists within the Ladysmith and Ezakheni locality. The chapter shall be divided into two sections. The first section shall be concerned with providing the historical background to the locality; the impact of decentralisation policies in the locality; and, the current economic profile of Ladysmith and Ezakheni. The second subsection shall provide the survey results and a discussion of the sample.

AN OVERVIEW OF THE LADYSMITH/EZAKHENI LOCALITY

Ladysmith and Ezakheni fall within the ^{xi}Klipriver and Emnambithi magisterial districts of north-western KwaZulu-Natal. In 1990, the combined population of the two districts was estimated to be 215 000 (Harrison, 1990, pp. 112). The town of Ladysmith is the most important centre within the district, and it serves the surrounding area as an administrative, retailing and manufacturing centre.

A brief historical overview

Ladysmith was founded by the British colonialists in 1847. The town was intended to serve as an administration centre which would help to stabilise the Northern Natal frontier on behalf of the then prevailing British interests (Harrison, 1990, pp. 114). Ladysmith was meant to act as a sister town to Harrismith, located on the other side of the Drakensberg range (ibid.), and hence the town was fittingly named after the Spanish wife of Sir Harry Smith.

The initial growth of the town was heavily influenced by the flow of traffic between the Reef and Durban (ibid.). Ladysmith's location as the mid-point between these two centres of economic activity was thus already having a significant impact on the economic development of the town. Hence, by 1886, Ladysmith had become a major railway junction with over 2 500 wagons passing through the town each month on their way to the Reef.

After the disruptions caused by the South Africa War (and the subsequent siege of the town), Ladysmith entered a period of steady but slow economic growth (Harrison, 1990, pp. 115).

By the 1930s, Ladysmith was already courting investments (and further white settlement) by exploiting the geographical qualities of the region (Ladysmith Publicity Association (LPA) & SA Railways, 1931, pp. 28):

'The geographic situation of Ladysmith at once makes a very strong appeal from a distribution point of view. The centre is a railway junction and enjoys advantageous railway services. This fact has been very strikingly realised by the petrol companies which have established distribution depots.' (ibid.)

The railway intersection which was located in Ladysmith had by the 1930s grown to become the largest marshalling grounds in South Africa (LPA & SA Railways, 1931, pp. 29). The Ladysmith municipality also offered 'very liberal terms' to manufacturers as an inducement to draw investment to the town (ibid.). Industrial land was available for up to 50 pounds/ acre, and large tracts of land had been set aside close to transport facilities (i.e. railway lines) (ibid.).

Other attractions that were offered included the following:

- Labour: The municipality was of the view that 'Native labour can be found in plenty in the neighbourhood of Ladysmith'.
- Energy: In the 1920s, the electrification of the railway line was completed and the town was thus able to install a 6 600 volt, high tension underground ring main (which could supply six sub-stations); there were also numerous coal mines in the vicinity.
- Water: The municipality claimed that the town had an 'unrestricted' supply of water from the Klip River.

(LPA & SA Railways, 1931, pp. 29-32)

At the end of the Second World War, Philip Frame came to an agreement with the Lancaster Cotton Corporation that laid the foundation for the establishment of a cotton spinning mill in Ladysmith by 1948 (Kilvington, 1991, pp. 55). Ladysmith was regarded to be a good location for a spinning mill because of the plentiful supply of both labour and water (ibid.). The mill represented a major capital investment in Ladysmith, with The Consolidated Cotton Corp. issuing share capital of two million pounds (ibid.). The firm was soon a major employer in the district.

In 1959, another textile firm was established (Klip River Textiles) and it was followed in 1961 by a clothing firm (Scotford Mills LTD) (Harrison, 1990, pp. 115).

In 1968, Ladysmith was declared a 'growth point' under the 1967 Physical Planning and Utilisation Act. This paved the way for the IDC to begin with the development of the Danskraal industrial estate. The number of industrial establishments in the town grew from 31 to 43 over the course of the 1970s, with most of the growth concentrated in the first half of that decade (ibid.).

In 1981, the Good Hope Plan was introduced as the new industrial location policy of the Republic. The Ladysmith locality was identified as one of the IDPs by the Good Hope Plan. As such, the area was well placed to receive the generous incentives that were being offered under the scheme for the purposes of attracting industrialists to peripheral centres.

The 1981 RIDP in Ladysmith/Ezakheni

Since Ladysmith was one of the localities that were allocated IDP status under the Good Hope Plan, it is ironic to note that it was under the 1981 RIDP that the focus of development within the locality was allowed to shift. Thus, the 1981 RIDP tended to benefit the KFC-managed estate of Ezakheni (which was established in 1983) much more than Ladysmith. This bias had much to do with the fact that KFC estates tended to offer even better incentives than other decentralisation areas. Ezakheni was also aggressively marketed in the Far East by the (white) managers of the estate who worked intimately with local government bureaucrats in Ladysmith (Hart, 1996, pp. 14).

The bias in favour of Ezakheni was substantial. Between 1984 and 1989, Ladysmith registered 58 decentralisation projects that represented a projected capital investment of R46.3 million and 4 050 in employment (Harrison, 1990, pp. 118). By contrast, Ezakheni had 156 projects approved over the same period, representing projected capital investments of R452 million (ibid.).

Table 5.1 The growth of Ezakheni (under the 1981 RIDP)

Year	Number of firms	Annual employment
1983	2	1 566
1984	4	1 927
1985	22	4 963
1986	32	7 611
1987	44	8 464
1988	57	9 469
1989	70	10 475
1990	75	11 930
1991	76	13 758
1992	74	10 109
1993	62	10 844
1994	62	10 790

Source: KFC, 1995.

According to KFC figures (see Table 3.1), the number of establishments in Ezakheni increased steadily throughout the 1980s. There were only two firms operating in the estate at the time of establishment in 1983 (KFC, 1995). The number of firms had increased to 22 by 1985 (*ibid.*). In 1991, the number of firms in the estate had reached a record high of 76 (*ibid.*).

The fast growth of Ezakheni was significantly boosted by the influx of Taiwanese industrialists who were seeking alternative locations of production due to the rising cost of labour in Taiwan. Hence, the locality can be said to have significantly benefited from the twin developments of the international division of labour and globalisation, which had become realities by the 1980s. Other factors which contributed to the influx of the Taiwanese include the aggressive recruitment drives launched by the KFC and local government officials from Ladysmith in Taiwan; the fear of a possible invasion of Taiwan by China; the desire to exploit South Africa's unfulfilled quotas in the American and European markets; and the fact that most relocating industrialists are members of a particular ethnic group which has been struggling for greater political influence within Taiwan (i.e. ethnic Taiwanese, who are not necessarily supportive of the Kuomintang regime which is mainly controlled by Mainland nationalists who fled to the island in 1948) (Hart, 1996, pp. 15). These additional factors that are unrelated to cheap labour are quite significant, because they help to explain the formation of a global Taiwanese Diaspora. In this process, South African towns such as Newcastle and Ladysmith

have emerged as significant nodes of a global Taiwanese Diaspora (ibid.). Considering this assessment, cheap labour cannot be assumed to have been the only consideration that informed the decisions of investors. Therefore, the level of identification with the locality by Taiwanese industrialists may actually be stronger than one may initially assume. This tendency was noticed during research in the nearby locality of Newcastle (ibid.).

However, the influx of Taiwanese was a mixed blessing for the town (and other similar centres around the country). This is due to the fact that these investors often practice the system of lean management, which entails a thin management stratum (which is actually the opposite of what is practised in Taiwan) (Hart, 1996, pp. 10). This can result in strained relations within the firm due to 'problematic labour practices' (ibid.).

Despite the fact that Ladysmith may have been neglected as far as investment is concerned, the town managed to draw many benefits from the growth of Ezakheni. The town remained the retail and service centre of the area, while nearly all of Ezakheni's white and Asian industrialists settled in Ladysmith. Furthermore, it was estimated in 1990 that industrialists from Ezakheni were spending about R180 million (at 1997 prices) a year in Ladysmith (Harrison & Harrison-Migochi, 1997, pp. 8). This sort of indirect but positive spin-off for Ladysmith can be observed further in Table 3.2, which shows that the percentage contribution of service sectors to the GGP of Klipriver increased by a margin of 6% between 1981 and 1994 (NB: Ezakheni was then not part of the Klipriver magisterial district). During the same period, the percentage contribution to GGP by manufacturing increased from 27.5% to 28% (Harrison, 1990, pp. 117, and Harrison & Harrison-Migochi, 1997, pp. 25). As such service sectors were increasing their percentage contribution to the Ladysmith GGP at a faster rate than manufacturing.

Table 5.2 The changing contribution of service sectors to the GGP of Klipriver (i.e. excluding Ezakheni)

Sector	1981 % Contribution	1994 % Contribution
Construction	2.4	4.9
Commerce & catering	8.8	14.6
Transport & communication	26.4	21.3
Finance & real estate	9.3	12.9
Community services	1.0	1.7
Government	12.7	11.2
TOTAL	60.6	66.6

Generated from: Harrison (1990) and Harrison & Harrison-Migochi (1997).

The 1991 RIDP/1993 SRIDP in Ladysmith

The eighties were a period of low profile RIDP activity in Ladysmith. However, this trend seems to be reversing to favour Ladysmith once again, especially in terms of total capital outlays (see Table 5.3).

Table 5.3 Patterns of RIDP/SRIDP claims in Ladysmith/Ezakheni (1991-1995)

	LADYSMITH	EZAKHENI
NEW FIRMS	6	10
FIRM EXTENSIONS	4	23
DOMESTIC CLAIMS	10	26
FOREIGN CLAIMS	0	7
EMPLOYMENT LEVELS	391	1 763
INVESTMENT LEVELS	R194 691 854	R167 839 387

Source: Reid, 1996, pp. 6.

The latest RIDP patterns (i.e. 1995) show that Ladysmith in the end received higher investment, yet it still lagged behind Ezakheni in terms of the number of firms that benefited from the RIDP. Ladysmith firms had a projected investment of R194 600 000 for a total of 11 projects. This means that an average projected investment in Ladysmith was about R17 000 000 per project. On the other hand, Ezakheni firms projected a lesser sum of R167 800 000 for a far greater number of projects (33). As such, the average cost per project in Ezakheni was much lower than it was in Ladysmith, and stood at about R5 000 000.

Ezakheni seems to be a more labour intensive locality than Ladysmith. The number of jobs created in Ezakheni was 1763, compared to 391 in Ladysmith. However, this data may be misleading since there are a number of small clothing producers in Ladysmith who did not claim incentives. As such, the statistics may have a bias against small but labour intensive producers.

There could also be a measure of informalisation that is taking place in the locality. Anecdotal evidence and observations from trips to the locality suggest that there is a group of manufacturers who are setting up operations in Ladysmith without the assistance of the RIDP or the SRIDP. It could be that these manufacturers are too small to fit into the current format of the incentives' schemes or, since they are not reflected in municipal records either, they could be trying to avoid state regulations or union detection.

Table 5.4 RIDP/SRIDP claims and approvals in Ladysmith by sector (1991-1995)

SECTOR	RIDP	SRIDP	NEW	EXTENSIONS	JOBS	INVESTMENT
TEXTILES	3	0	1	2	251	R146 706 031
CLOTHES	2	0	2	0	19	R1 297 332
METALS	1	1	1	1	17	R2 556 512
FOODS	1	0	1	0	33	R2 148 446
RUBBER	1	0	0	1	64	R41 064 333
FURNITURE	0	1	1	0	6	R337 000
TOTAL	8	2	6	4	390	R194 109 654

Source: Reid, 1996. pp. 7.

The single biggest sector benefiting from RIDP incentives in Ladysmith was the textile sector. Although there were three claims, the actual number of firms that benefited from these incentives is, in fact, two. There was one new firm that established new operations; the other two claims were made by one firm, and they were both for the purpose of facilitating extensions. Other sectors that benefited were clothing, metals, foods, rubber and furniture.

The 1991 RIDP in Ezakheni

The number of firms operating from Ezakheni reached the record number of 76 during 1991. The area then experienced a marked trend towards decline, with the number of firms dropping to 62 in 1994, representing an absolute loss of 14 firms. Employment also experienced a corresponding decline and stood at 10 790 at the end of 1994 (see Table 3.1).

There were five new firms that bucked the trend by establishing operations in the locality during the same period (i.e. 1991-1994). The actual number of firms that left the locality is 19. The relevance of this piece of information is that out of the 76 firms that operated during the peak year, 57 remained by 1995. This means that 75% of the firms from 1991 were still in operation, suggesting a relatively high level of stability for an area which is supposed to be in decline.

Table 5.5 RIDP claim approvals in Ezakheni by sector

SECTOR	CLAIMS	NEW	EXTENSIONS	JOBS	INVESTMENT
TEXTILES	8	1	7	373	R63 240 626
SHOES	2	0	2	74	R4 975 557
KNITTING	3	2	1	350	R10 944 376
CLOTHES	5	2	3	508	R19 490 439
PLASTICS	6	0	6	156	R33 772 875
LEATHER	3	0	3	85	R14 606 206
METALS	1	1	0	68	R938 893
WOODS	1	1	0	2	R3 535 429
PAPER	2	1	1	69	R13 922 594
APPLIANCES	1	1	0	78	R2 402 412
TOTAL	32	9	23	1 763	R167 835 387

Source: Reid, 1996, pp. 9.

The textiles sector in Ezakheni used the RIDP for seven projects which were concerned with extensions. There was only one new firm in this sector which was being aided by the RIDP. The textile industry created jobs in Ezakheni at a lower rate than is the case in Ladysmith. The average investment per job was R169 546, which is much lower than that in Ladysmith. Still, the trend in this sector is heavily in favour of helping existing industries rather than introducing new producers to the locality (see Table 3.5).

The clothing sector, which forms a part of the national textile's pipeline, made five claims - this should create 508 jobs at the cheap average rate of R38 367 each. The RIDP benefited two new firms and three established firms. As such, the incentives are being used for establishments as well as expansions at proportions which are almost equal. The two new firms account for 412 of the 508 jobs which were created in this sector. These jobs were created at a very low

average rate of R27 180. It is significant to note that the two newcomers are both from overseas.

The knitted textiles sector in Ezakheni created 350 jobs at a rate which averaged R31 670. The incentives went towards two new firms and one established operation. The cheapness of these jobs indicates that this sector is similar to both the shoe and clothing sectors, which have remained fairly labour intensive in Ezakheni. The tendency by the KFC to recruit mainly Taiwanese industrialists could have a lot to do with this pattern (it is important to note that the cheapest job in Ladysmith cost over R50 000), but Taiwanese restructuring policy (which seeks to export labour intensive production to areas with cheaper labour) could also be an important external factor.

The locality of Ladysmith and Ezakheni benefited substantially from industrial location policies in their various forms. As a result, it was widely suspected that the withdrawal of the subsidies which accompanied industrial location policies would have drastic consequences for the locality. Figures stemming from the evaluation of the 1991 RIDP in Ladysmith and Ezakheni, suggest that a modified view should be encouraged - that is, while the local economy of the areas suffered a downturn due to the withdrawal of subsidies, it would appear that this trend has been much more moderate than was predicted.

The current economic profile of the locality

As it has already been stated elsewhere in the dissertation, the Ladysmith/Ezakheni locality experienced its best levels of growth during the 1980s, when the Good Hope Plan facilitated the establishment of various manufacturing enterprises. Furthermore, it has already been established that Ezakheni was by far the most significant beneficiary of the provision of the Good Hope Plan within the district.

Within a year of Ezakheni's establishment in 1983, there were 14 factories which employed 4 000 people within the estate (Harrison & Harrison-Migochi, 1997, pp. 7). By 1989, the number of factories within the estate had grown to 70 establishments which employed 10 500 people (ibid.).

The growth of Ezakheni had definite positive spin-offs for Ladysmith as well. As a result, Ladysmith was one of the fastest growing localities within the province during the 1980s. As such, the phasing out of subsidies was a serious setback for the locality because the impressive

growth of the 1980s had been heavily dependent upon such financial assistance by the state. However, the total collapse of the local economy (which had been a reasonable assumption given the role of subsidies in the growth of the locality) did not materialise. As indicated, of the factories which had been operational in 1991, 75% were still in operation in 1995 (*ibid.*). These figures thus provide for a far less depressing assessment regarding the economic stability of the locality during the first half of the 1990s (despite the obvious slowing down of growth).

As far as the structure of the local economy is concerned, the most significant economic sector (in terms of both employment and the locality's contribution to GGP) is manufacturing. According to Table 4.1, manufacturing within the locality accounted for 29% of the area's employment in 1991. Furthermore, Table 4.2 shows that manufacturing also accounted for 30% of the locality's contribution to GGP in 1994.

Actual manufacturing employment for the Klip River district (i.e. excluding Ezakheni) was 16 182 in 1991 (Harrison & Harrison-Migochi, 1997, pp. 17). This figure represents an average of 147 workers per factory (*ibid.*). The combined number of manufacturing enterprises for Ladysmith and Ezakheni in 1991 totalled 190 factories, which were employing 29 940 workers (*ibid.*). It is estimated that that figure has probably been reduced to under 25 000 for 1997, due to the economic downturn of the 1990s (*ibid.*).

Within the manufacturing sector, the clothing and textiles' sub-sectors are the most significant. The two sub-sectors accounted for 65% of the firms which were manufacturing in Ladysmith in 1991 (*ibid.*). These two sub-sectors are also dominant (although to a lesser extent) in Ezakheni, where they accounted for 35% of the number of firms operating in the estate (Reid, 1996, pp. 4).

Table 5.6 Percentage employment by sector for 1980 & 1991 for Ezakheni and Ladysmith

Economic Sector	1980	1991
Agriculture / forestry	1.8	0.8
Mining	0.9	0.3
Manufacturing	28.3	29.0
Electricity & water	1.5	0.6
Construction	4.5	3.7
Trade & catering	14.3	11.0
Transport	12.4	6.7
Finance & real estate	3.1	3.3
Community & social services	22.1	18.9
Not specified (includes informal trading)	11.1	25.7
TOTAL	100.0	100.0

Source: Harrison & Harrison-Migochi, 1997, pp. 13.

In terms of employment, other significant sectors within the local economy are the unspecified informal activities, community and social services, trade and catering, and the transport sector (as per Table 5.6). The most change which can be observed from table 5.6 is that, while most sectors in the local economy are struggling to increase their share of the locality's employment, unspecified activities (which include informal trading) seem to be increasing their share of employment. As a result, over a quarter of all jobs were within this category in 1991.

Table 5.7 Combined 1994 GGP for Klipriver & Emmambithi (estimates)

Sector	GGP (R1 000) 1994 Prices	GGP % Contribution
Agriculture & forestry	48 398	4.3
Mining & quarrying	5 825	0.5
Manufacturing	340 353	30.2
Electricity & water	12 929	1.1
Construction	55 782	5.0
Trade & catering	144 588	12.8
Transport & communication	216 752	19.3
Finance & real estate	131 640	11.7
Community service & government	169 272	15.1
TOTAL	1 125 544	100.0

Source: Harrison & Harrison-Migochi, 1997, pp. 16.

In terms of the locality's contribution to GGP, table 5.2 shows that, after manufacturing, the transport and communications sector is the second most significant contributor. Other sectors which make substantial contributions to GGP are trade and finance, community services and government, and the finance and real estate sector.

In conclusion, it is important to add that the continued growth and development of the town is now a source of considerable debate due to a number of developments which have resulted in uncertainty. These are:

- The demise of industrial location policy and relevant incentive schemes
- The divergence of South African and Taiwanese interests (South Africa, which is not an international outsider anymore, has broken off diplomatic relations with Taiwan, while Mainland China probably offers better investment conditions for Taiwanese capital)
- The Labour Relations Act, which, if properly enforced, could compel employers to pay higher wages. This would remove one of the key factors which has been instrumental in making the town attractive to investors (especially manufacturing) in the first place (i.e. cheap labour)
- Increasing international competition due to falling tariffs and a further deepening of the globalisation process
- Uncertainty as to whether local producers will manage to meet the demands of the highly competitive global economy

**GENERAL PROFILE OF THE TEXTILE INDUSTRY IN LADYSMITH/EZAKHENI:
SURVEY FINDINGS.**

According to the CSDS's Industrial Register for KwaZulu-Natal (1996), there are seven textile firms operating in the Ladysmith/Ezakheni locality. However, visits to the locality have uncovered at least one other operational firm. According to the CSDS's^{xiii} criteria, four of these firms are in the 'Spinning, weaving and finishing of non-woollen fabrics' category. Two firms are in the 'Soft finishing (including bias binding and embroidery)' category of textiles. The last of the firms which were identified by the CSDS is in the 'Knitting and hosiery' category. In terms of sub-sectoral dynamics, there is a bias in favour of the 'Spinning, weaving and finishing of non-woollen fabrics' sub-sector. In this regard, the Ladysmith/Ezakheni locality has a similar profile to most other textile producing centres in the province. The most notable exception in this case is Newcastle, where knitting dominates.

^{xiii}Table 5.8: A profile of the textile sector in Ladysmith/Ezakheni according to the number of firms per sub-sector and by firm size

Sub-sector	1-100 Workers	101-300 Workers	301-800 Workers
Spinning, weaving & finishing of non-woollens	2	2	0
Soft finishing	2	0	0
Knitting	1	0	0
Totals	5	2	0

Source: CSDS, 1996.

Five of the firms in the locality were recorded as having 100 or fewer employees, while two firms claimed to employ between 101 and 300 employees. Only one firm is indicated to have over 300 employees. These figures indicate that most textile firms in the locality textile are either small or medium sized. Such a trend is in line with that which was noted at the provincial level.

After visits to the locality, four firms were found to be operated by Taiwanese industrialists. One of the firms in the locality forms part of the country's most dominant textile group. The other firms which were identified are closed corporations which are under the control of white South Africans.

Three of the textile firms are based in Ladysmith. The remainder of the firms operate from the Ezakheni estate. All of the Taiwanese-operated firms are located in Ezakheni.

Products and markets

One firm in the sample is a yarn manufacturer whose product is fancy acrylic yarn. This product is used in the knitting of jerseys, with the firm mainly positioned to supply domestic jersey knitters (and having relations with jersey knitters locally as well as in Newcastle). Two firms produce woven bags which are made from non-woollen materials (mainly polypropylene). These firms primarily target the agricultural market which uses such products to package their produce. One of these firms claimed to receive occasional orders for overseas exports.

There were two other firms in the sample which produced knitted acrylic jerseys for the domestic market. Both of these firms indicated that they occasionally win export orders as well. The last firm in the sample produced knitted men's underwear and outerwear. This firm targeted the top high-quality market segment. However, it was indicated that the firm is neither exporting nor planning to do so in the near future.

None of the firms in the sample produced for the mass-market. However, this tendency to target niche markets was clearly not a consequence of changing market conditions due to globalisation and increasing competition. The sampled firms stated that they had always been in the market segments which they currently occupy.

There were also no regular exporters in the sample. Therefore, the impact of globalisation on the local industry seems to have been confined to the increase of foreign competitors in the domestic market, while domestic producers seem to be unable or unwilling to venture into foreign markets. Reasons which were provided in this regard included difficulties involving pricing, quality, distance, and the impact of weak customs controls.

Location decisions

Judging from the interviews which were conducted with industrialists, it is clear that most of the industrialists were attracted to the locality by the twin prospects of decentralisation incentives and cheap, plentiful labour.

As far as the Taiwanese industrialists are concerned, those factors were complemented by other push and pull factors. In the wake of rising wage levels on the island state, the Taiwanese government adopted a policy of encouraging labour intensive industries to relocate to other centres of cheap labour. South Africa was one of the key beneficiaries of this Taiwanese restructuring during the 1980s. Furthermore, the Taiwanese were targeted by the KFC's aggressive marketing and recruitment drives which occurred in co-operation with local bureaucrats. It is also significant to note that some of the respondents in Ezakheni generally regarded the KFC administered estate to be efficiently managed.

Other beneficial factors associated with the locality include good rail and road links to the port of Durban and the most developed domestic market in the Reef. One firm which located to the locality at a much later stage than others (1992), indicated that the availability of trained machinists in the locality was a significant pull factor in their case. Meanwhile, a Taiwanese yarn manufacturer who located to the area in 1987, did so after the company had realised that there would be no local competitor for the product which the firm manufactures - that is, fancy acrylic yarn.

Although none of the respondents revealed any intention of relocating to another locality in the near future, most did identify problems which often complicated manufacturing undertakings in the locality. The most significant problem associated with the locality concerns the chronic shortage of managerial and technical staff within the Klipriver and Emnambithi districts. These categories of workers were reported to have a preference to work in larger centres, therefore they often needed remuneration at above metropolitan rates to attract them to more peripheral manufacturing centres.

Another negative aspect about locating in the area is that equipment and spare parts often have to be sourced from either the Reef or Durban. This can thus result in prolonged and costly delays to production.

The attributes of the Ezakheni/Ladysmith locality were significantly different when five of the respondents relocated to the area during the 1980s. The locality was then a key beneficiary of the Good Hope Plan, which meant that there was a generous package of incentives which was used to lure investors to the area. Furthermore, the wage levels in the locality were significantly lower than those of the larger centres of economic production. The locality was also deemed to

be ideally placed close to major transport routes and at the halfway point between Durban and Gauteng.

Apart from the last attribute, the other two attributes most mentioned by the respondents as having made the locality attractive (i.e. incentives and low wages), have changed. The incentive package was altered in 1991 (and is being phased out), and the pressure to increase wages in the local economy has been rising steadily.

However, as all the respondents indicated that they had no immediate plans to relocate, it would appear that there is a measure of stability within the textile industry in the locality. This trend of stability can also be observed by referring to the number of textile firms which operate from the Ezakheni estate. Despite the fact that the total number of firms on the estate declined by about 25% between 1990 and 1995, the textile sector in the estate remained relatively stable and increased its share of the number of firms from four to five (Reid, 1996, pp. 4). This suggests that the sector managed to cope with change better than some of the other sectors in the locality.

As such, it would appear that the impact of the globalisation process and the phasing out of decentralisation incentives have not resulted in an exodus of textile industrialists from the locality. However, the question remains as to whether the textile industry can be sustained within the locality.

Performance trends

When respondents were asked to respond to the question of whether their businesses were experiencing growth, decline, or stasis, they all claimed to be either in decline or static. Furthermore, as Table 5.4 indicates, none of the respondents claimed to have had 'good' or 'very good' profit returns for 1995 (which was often the last possible year to assess). There were three respondents who claimed to have had 'reasonable' profits in 1995. Two respondents claimed to have made losses, and one other respondent refused to comment.

Table 5.9: Firm performance according to profit

	Very Good	Good	Reasonable	Nil	Loss	No Response
Firms	0	0	3	0	2	1

However, due to the reluctance observed in responding to this type of enquiry during interviews, it may be necessary to question the validity of the responses. Furthermore, profit margins for one year can not be relied upon to provide the growth and decline trends of any given industry. Therefore, other indicators of performance will have to be referred to in order to arrive at a more balanced assessment.

As far as the textile sector in Ladysmith is concerned, claims and approvals for the 1991 RIDP indicate that the sector lodged three claims from the incentive scheme; two were for firm extensions and the other for a new establishment (Reid, 1996, pp. 7). The total anticipated amount of investment for these projects was over R145 million (ibid.).

In the case of Ezakheni, the textile sector had eight claims approved under the 1991 RIDP; seven of the claims were used for extensions and the other for the purpose of setting up a new firm (Reid, 1996, pp. 9). The amount of investment which was committed to these projects was in excess of R60 million (ibid.). The textile sector in Ezakheni also displayed remarkable stability between 1990 and 1995. Finally, all respondents indicated that their output had increased between 1991 and 1995.

Although respondents indicated that they have not had 'very-good' or 'good' returns during 1995, other indicators (such as the trend of relative stability which has been alluded to) suggest that the state of the industry is not as desperate as the respondents claim. 1991 RIDP figures indicate that a total of over R200 million was expected to be invested by the sector in firm expansions and modernisation projects in the locality.

This significant infusion of investment into the sector seems to have been the locality's major response to the opening up of the economy (NB: the increase in levels of investment within the textile sector can also be linked to a similar trend observed at the provincial level). Thus, while globalisation may not have forced local producers to seek new markets (e.g. export markets) or introduce new products, firms in the locality seem to have managed to 'buy time' by modernising their operations. The significance of this factor can also be observed in the failure of the locality to alter the role and organisation of labour.

Labour related issues

This aspect of the survey is dealt with below in a more detailed manner than other aspects since labour issues can be vital in highlighting the nature of the supportive atmosphere or milieu

which exists within the locality. Given space and time constraints, the social dynamics which influence the productive ambience within the locality could not be explored. However, labour relations within firms can be used to shed light on some of these dynamics. This is due to the fact that, in South Africa, labour relations can often overlap both class and ethnic relationships.

All respondents in the sample indicated a preference for a permanent labour force. Temporary workers were only retained as trainees. The use of home workers was also not a commonly used strategy of employment. Only two respondents claimed to have made use of home workers. However, one of the respondents claimed that only 2% of production was conducted in that manner. The other respondent claimed that home work accounts for 'very little' of his firm's production.

The key reason which was offered for the reluctance to sub-contract to home workers regarded the nature of textile work. It was pointed out by most of the manufacturers that only trimming can be undertaken from the home base. The one manufacturer who had a greater scope to sub-contract work to home workers, pointed out that transport would be a major problem. That is, as the majority of the potential home workers depend on public transport (often mini-bus taxis) to commute, guarding against theft and quality deterioration would be a logistics nightmare.

Finding unskilled labour was not a problem for the respondents due the abundance of such workers in the locality. As far as finding skilled labour is concerned, one industrialist indicated that there were no difficulties in this regard. However, that sentiment was not shared by the other respondents.

The lowest recorded starting wage for an unskilled worker which was recorded in the locality was R80 per week, and was paid by two of the respondents. The highest remuneration rates for an unskilled worker was up to R95 per week; this wage rate was also recorded on two occasions. The remaining two firms in the sample paid weekly wages of R85.

With regard to skilled workers who are not paid according to output, the highest recorded rates of remuneration were between R107 and R250 per week. The next best weekly rates for a skilled worker were from R115 to R240. The lowest weekly wage rates in this category ranged between R129 and R139. Three respondents paid their skilled workers according to their output. These three respondents estimated that the weekly wages of their skilled staff can range between R120 and R180, R120 and R200, and R120 and R280 respectively.

It was difficult to get a sense of what proportion of the production cost in firms was made up of expenditure on labour. However, estimates ranged between 11% and 30%. Similarly, respondents were often unable to say how much training expenditure accounts for as a proportion of production cost. Only two respondents were thus prepared to respond to this question. Their respective responses were: 0% and less than 5%.

Two firms indicated that the number of workers in their firms had increased between 1991 and 1995. These increases were due to firm expansions by one firm, while the other respondent had only recently set up operations. All the other respondents indicated that they had reduced the number of workers in their firms over the period in question. The reasons for this ranged from a desire to reduce the wage bill to the impact of new machinery. One Taiwanese respondent indicated that a lower wage bill would permit the firm to increase wages for those workers who remained - it was implied that this would increase productivity.

Similarly, none of the respondents claimed to have plans to increase the number of workers in their firms over the next five years (counting from 1996). Four respondents indicated that they planned to shed more labour, while another respondent expressed uncertainty regarding the issue. Only one respondent planned to keep labour levels stable in the next five years.

Management opinions of labour

All respondents indicated that they were unhappy with levels of labour productivity in their firms. Factors which were identified as having a negative impact on productivity ranged from high levels of absenteeism, high maternity levels ('because labour is at child-bearing age') and poor levels of training and education.

The employers offered various remedies as solutions to the problem, some of which are as follows:

- Employing candidates who had a better education background
- Bonuses
- Setting output targets
- Improved on-the-job training

Another complaint which was voiced regarded what was referred to as a 'poor work ethic', which manifested itself in the form of high rates of absenteeism and low levels of productivity. As a rule, management in the locality did not seem to regard productivity as being primarily a management concern. Rather, management often seemed content to continue offering bonuses and other material incentives as possible solutions to the dilemma. The preference to boost productivity in this manner was favoured despite the fact that many respondents indicated that such measures often have a short-lived impact. This could have much to do with the fact that these strategies often seemed to become imposed upon existing labour-management relations - which are far from ideal.

Results from the sample indicate that the locality has had only very limited success in restructuring the role and organisation of labour to cope with the new conditions of competition. The involvement of labour in the managerial and planning process is far from widespread. The use of home workers and temporary labour is rarely pursued, which suggests a measure of inflexibility regarding the labour market.

Furthermore, since most of the respondents did not seem to know how much their firms spent on training, it would be fair to assume that the training of labour in the locality is a one-off procedure which occurs at the beginning of a worker's employment. The ability of such workers to achieve higher levels of multi-skilling must thus be very limited. Consequently, the labour force in the locality can be assumed to be very inflexible with regard to the production process. The lack of a strong commitment by firms to the training of labour must also be partially responsible for the low levels of productivity which all the respondents highlighted. Furthermore, complaints about the rising level of wages and the desire to keep them as low as possible indicate a tendency by management to view labour as a cost rather than a resource.

It is significant to note that the majority of the respondents indicated that they had reduced the levels of employment in their firms. Furthermore, the intention to reduce employment levels in the near future was also expressed. It has been mentioned that firms in the locality have recently invested over R200 million in the sector (most of which was used for modernisation and extensions). Therefore, it is fair to assume that the textile sector in the locality has adopted the strategy of increasing technology as a solution to the area's labour problems. Although this strategy may indeed prove useful in reducing labour problems (by virtue of the fact that there will be less labour to be concerned about), it remains to be seen whether the modernisation of the sector will increase flexibility in the future. In order to achieve such an outcome, the

organisation of labour needs to be pursued more vigorously. In such an instance, issues such as the use of home workers will need to be re-addressed. Furthermore, flexibility can also be improved by upgrading the quality of labour within the locality by means of multi-skilling and deepening training. In this regard, a more systematic approach to training labour will have to be adopted.

Firm responses to changing business conditions

Changes to the international economy which have been brought about by the growing impact of the globalisation process, necessitate a reorganisation of production processes if firms wish to remain competitive and viable as business entities in an environment which is rapidly becoming more fluid. Since this dissertation is partly concerned with the impact of these changes with regard to the textile sector in the locality, it is essential that the steps which manufactures have taken to cope with these changes be examined.

One of the key innovations which has come to be synonymous with the growing influence of the global economy, concerns the issue of 'flexible specialisation'. The concept of flexible specialisation encapsulates the various changes which need to be implemented in order for a firm to execute the transition from catering for the neo-Fordist mass market (which is often only mildly differentiated) to producing for rapidly changing niche markets (i.e. scale versus scope). Flexible specialisation thus covers flexibility regarding the production process, the labour market, the labour process, and the consumer market (Harvey, 1989, pp. 147).

Firms in the locality were found to be very complacent with regard to implementing the necessary changes which would allow them to increase competitiveness in the global economy.

Responses from the industrialists indicated that firms in the locality had not taken sufficient steps to restructure the labour process. It has already been indicated that the use of home workers is not a widespread practice. The continued reluctance to diversify the labour market (and the possible impact of the LRA), will surely restrict any restructuring of the labour market in the locality.

The inclusion of labour in the managerial and planning process was also found to be poorly implemented. Essentially, no respondent had thus far attempted to pursue this goal seriously. The only respondent who had tried to engage workers in this manner seems to have restricted the exchange to imploring workers to improve productivity levels.

The most significant change to the production process in the locality has been the widespread introduction of new technology. This trend was observed in all the firms which were sampled, and the 1991 RIDP claims and approvals lists for the locality also confirm this trend. All the firms which were sampled claimed to have upgraded machinery in the past five years. All firms also indicated that there were plans to engage in further upgrading of equipment in the near future. Although only one respondent claimed not to have reduced batch sizes, there was a greater tendency to reorganise firm layout. Four respondents claimed to have either restructured layout or to have intentions of doing so in the near future. The use of computers was usually restricted to administration purposes (i.e. managing the payroll and record keeping). There was no incidence of firms having computer links to other firms.

In the case of sub-contracting stages of production to other firms, only one respondent was found to be engaged in such practices. None of the respondents had relations which were other than informal with their sub-contractors. Furthermore, although all respondents indicated that they were members of business associations, it was clear that such organisations were mainly used for engaging labour disputes and government lobbying.

Table 5.10: The number of firms which engage in inter-firm exchanges of information

	Never	Occasionally	Often
Firms	1	5	0

As Table 5.9 indicates, relations between firms in the locality are not very intimate. One respondent claimed never to have had the opportunity to discuss issues and problems affecting the industry with other firms in the locality. None of the respondents engaged in such exchanges on a regular basis, while the rest of the respondents only did so occasionally. Despite the fact that one of the respondents is a major yarn supplier to knitters in the locality, this respondent claimed not to 'interfere' in the operation of other firms. Various other respondents did indicate that they were concerned about protecting their 'trade secrets'.

All sampled firms indicated that they do implement final inspections on products. Forms of quality awareness were also implemented by all respondents among workers. However, none of the respondents had managed to introduce 'total quality control' into the production process. In the same vein, none of the respondents claimed to have managed to implement 'just-in-time' production process within their firms.

Given the reluctance of firms to target new markets or to achieve flexibility in labour organisation and processes, it was not surprising to observe that firms in the locality also fared badly in restructuring the production process.

Firms in the locality were found to have less-than-intimate relations with suppliers; the occurrence of sub-contracting relations was rare, and industrialists preferred not to exchange ideas with fellow industrialists in the same sector. This means that the organisation of production in the locality is still confined within the firm. The benefit of being in the same locality as other textile manufacturers (or of being close to other localities with textile firms, such as Newcastle), was not realised due to the preference of firms to remain isolated units of production.

Thus it would appear that the changing conditions in the economy are not leading to the fundamental restructuring of the production process or of production relations in the locality. The only major restructuring which has been evident has been the drive for new technologies. However, given the fact that the major foreign competitors of the industry have both the technology and other necessary provisions which allow their firms have a greater degree of flexibility, it remains doubtful whether this strategy will ensure the survival of the industry.

These observations indicate that the necessary relationships between firms and institutions, which are important in the process of creating an environment whereby an innovative atmosphere or social capital can be created and sustained, are still to developed and entrenched within the locality.

CONCLUSION

While the impact of the withdrawal of incentives and globalisation has resulted in a number of outcomes which may not have been as disruptive to the competitiveness of the locality as it was originally assumed, it has nonetheless been profound:

- Firstly, there has been a general slowing down of growth rates within the locality
- The focus of growth (at least in monetary terms) has shifted from Ezakheni to Ladysmith
- The performance of textile firms may not have been dismal, but it did suffer adversely from the twin effects of reduced subsidies and increased global competition

- The level of labour intensity within the textile industry has been reduced due to the increasing dependence on technology

Unfortunately, these adverse developments seem to have failed to push local manufacturers and supporting agents towards seeking to create the appropriate conditions necessary for survival in the new business environment. Essentially, the qualities which made the locality attractive to investments in the past are not going to be enough to attract new types of investment.

The textile sector in the Ladysmith/Ezakheni locality may have been able to delay the implementation of the fundamental changes to the production process by increasing the use of modern technologies in production. Nevertheless, it is doubtful whether such a measure will have a lasting impact on the competitiveness of the textile sector in the locality. Therefore, it is essential that the sector in the locality begin to explore survival strategies which will have a more prolonged effect.

CHAPTER SIX

CONCLUSION AND POLICY RECOMMENDATIONS

The purpose of this study was to determine the impact of changing conditions of business upon the production of textiles in the Ladysmith/Ezakheni locality. The changes have come about as a result of the changes in the nature of the global economy and the national industrial location policy.

THE IMPACT OF CHANGES IN INDUSTRIAL LOCATION POLICY AND GLOBALISATION UPON THE LOCALITY

The locality of Ladysmith and Ezakheni has in the past benefited significantly from the government's industrial location policies. Kilvington (1991, pp. 55) reports that the cotton mill which was established by the Consolidated Cotton Corp. in 1948 was subsequently able to benefit in matters of statutory wages and tax relief when Ladysmith was classified a 'border area'. This 'border area' policy had stemmed from the recommendations of the 1955 Tomlinson Commission.

In time, the locality was able to secure even more significant dividends from the decentralisation policies of the apartheid state. Two instances which stand out in this regard are the establishment of the Danskraal estate (which was achieved under the Physical Planning and Utilisation Act - 1967), and the growth of Ezakheni (which occurred under the Good Hope Plan of 1981).

However, it was under the Good Hope Plan in the 1980s that the locality experienced remarkable growth. During this period, the locality's growth rate was among the highest in the province. Ladysmith and Ezakheni's growth in the eighties occurred under very unique circumstances, some of which are listed below:

- The incentive package which was being offered under the RIDP was very generous and could be used to good effect for the purpose of attracting investment
- The industrial location policies of the state had the broader impact of restricting the range of localities available for industrial production within the country

- South Africa's relations with Taiwan developed to become very intimate during that decade, resulting in a suitable political atmosphere which helped to encourage Taiwanese investment in the locality
- Anti-apartheid sanctions had driven the country towards a highly introverted production and consumption system which was significantly insulated from global dynamics and competitors

The changes regarding decentralisation policies came at a time when South Africa was re-establishing ties with the world. The economic consequence of those diplomatic developments has been the reintegration of a previously isolated domestic economy into the global economy. It is essential to note that the global economy had been going through a process of far reaching modifications while South Africa was in isolation.

The process of globalisation had been constantly increasing the scope and scale of interdependence within the world economy. In the process, there has been a fundamental compression of space and time. This development has resulted in the bridging of gulfs created by space and time constraints. This aspect of globalisation, together with the parallel movement towards flexibility in production and consumption patterns, has also had the effect of changing the role of the locality within the global economy in a fundamental manner.

In the past, localities merely served as the basis of mass production, accumulation and consumption (Amin & Thrift, 1995, pp. 91). The production process also tended to be fully integrated within the geographical confines of the locality. However, under globalisation, the scale and scope of relations (both social and economic) between distant localities has deepened dramatically. Furthermore, since production can now be fragmented across space and time, production within localities need not be fully integrated. If the role of the locality has changed under globalisation, then one would expect the manner in which localities attract investment to change as well. This process can involve a reconstitution of local resources in a manner which will permit the flexibility which is now required by the global economy.

Furthermore, Wilson (1996, pp. 311) has noted a change whereby localities are perceived as being more than the passive locations of economic resources and activities. Rather, there has been a growing emphasis upon the qualitative attributes of localities. This trend places high levels of significance upon the atmosphere within which production and consumption are carried out in a particular locality. The extent to which these qualities are developed and

sustained can be an important asset to localities as they compete to secure investments within a highly competitive, fluid and global economic market.

Therefore, when South Africa re-established relations with the world, local manufacturers often found that they were unable to compete with competitors who had been operating within a globalised economic system for a much longer period. This meant that foreign competitors could often beat local producers in terms of price, quality, flexibility and efficiency within both the domestic and foreign markets.

Firms, which operate from Ladysmith and Ezakheni, were also adversely affected by the overseas competition (as was indicated during interviews). Furthermore, due to the high levels of dependence upon the RIDP to sustain growth within the locality, there was understandable anxiety when it became clear (at the end of the 1990s) that such schemes could no longer be afforded by the government due to both monetary and ideological considerations. It was generally feared that the withdrawal of subsidies would place the locality onto an inevitable path towards decline.

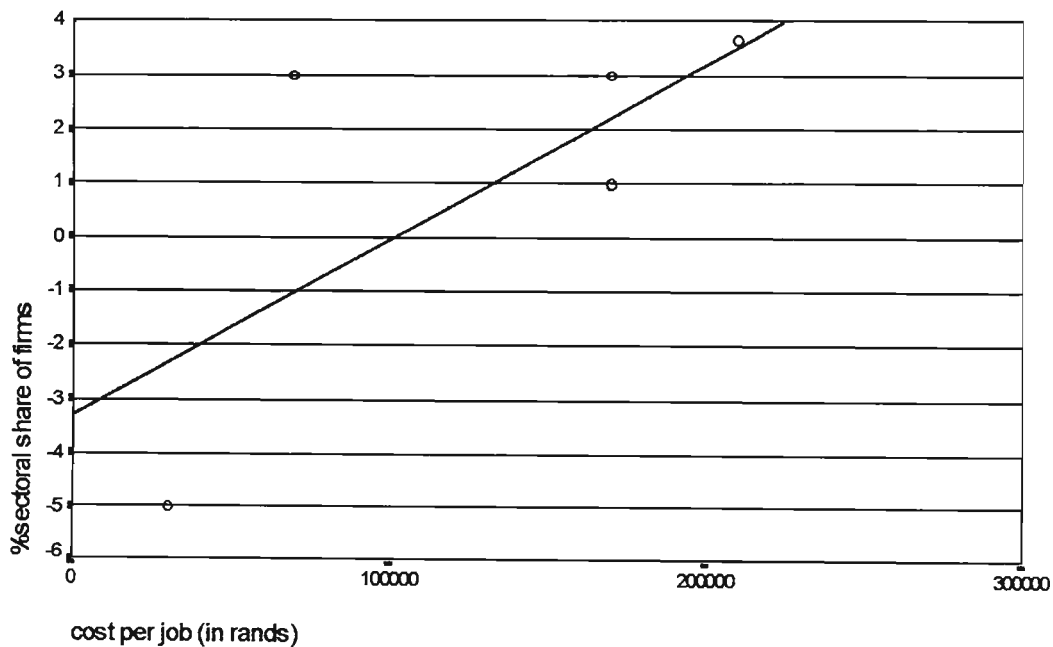
However, it is now apparent that the impact of those dynamics has not been as harmful to the local economy as was originally thought. RIDP-related research in Ezakheni revealed that the level of firm stability within the estate was actually quite high (given the relatively adverse conditions, which existed). Of the Ezakheni based firms, which existed in 1991, 75% were still in operation in 1995 (Reid, 1996, pp. 3). Furthermore, as far as the textile sector is concerned, there was actually no decline in the number of firms in Ezakheni over that period (Reid, 1996, pp. 6).

This level of relative stability within the textile sector can be partly explained by referring to the broader dynamics, which have been noted within the industry at the national and provincial levels. Firstly, during the 1980s, the national textile industry reduced the number of employees within the industry from 113 700 in 1981 to about 95 000 in 1988 (Maree, 1995, pp. 26). Secondly, during the early part of this decade, there was a general trend within the textile industry to upgrade fixed capital stock, which had been neglected during the 1980s (KMI Report, 1996, pp. 20). This trend became more pronounced after the 1994 national elections. Hence, the industry's capital expenditure between 1994 and 1997 is expected to exceed R3 billion (*ibid.*).

The textile sector in Ladysmith and Ezakheni also followed a similar trend. For instance, between 1991 and 1995, a projected figure of R7.9 million per firm was expected to be invested by the textile industry in Ezakheni (Reid, 1996, pp. 9). These investments were expected to create approximately 370 jobs at the cost of about R169 000 each (ibid.). It is worth noting that the cost of creating a job within the clothing sector in Ezakheni over the same period was about R38 300^{xiv} (Reid, 1996, pp. 10).

As such, there has been a general trend towards improving capital stock within the industry while reducing dependence upon labour. Therefore, there could be a link between the relative stability within the textile sector in the locality and that sector's shift towards being capital intensive. If that is indeed so, then a similar trend could be expected to apply to other sectors within the locality.

Figure 6.1 The relationship between the level of capital intensity within sectors and the change in the number of firms per sector in Ezakheni (1991-1995)



Source for variables: Reid, 1996, pp. 4 & pp. 9.

According to Figure 6.1, it appears as if there is indeed a relationship between the level of labour intensity within a sector and that sector's ability to increase or maintain its share of the number of firms within the estate. Sectors which tended to have a high ratio of investment per

job created, seemed to have been more successful at maintaining their share of the number of firms within the estate. On the other hand, sectors, which reduced their share of the number of firms in Ezakheni due to closures, tended to have a low ratio of investment per job created.

Consequently, it would appear that the most visible impact of the change in the national industrial location policy and globalisation upon Ladysmith and Ezakheni has been to reduce the level of dependence upon labour by manufacturers within the locality. This should have the effect of altering the locality's status as a labour intensive production centre.

Nevertheless, it remains to be seen whether this change alone will be sufficient to maintain the competitiveness of the locality and to enable it to capture new investments within the global economy. Since Wilson (1996, pp. 311) says that localities are increasingly relying upon an 'endogenous approach' which places emphasis on the 'unique factors of the spatial milieu in which activity occurs' in order to attract investments, it can be expected that such an approach will place high emphasis upon concepts such as the creation of an 'innovation milieu' or 'social capital'. This is a shift which has been necessitated by the way changes in the global economy have affected the manner in which localities function as centres of economic production.

Unfortunately, the social milieu which exists within the locality is not one which can be expected to facilitate either rapid information generation and exchange or flexibility in the organisation of production and labour. This conclusion is based on a number of factors, which were observed within the locality:

- There is a high incidence of adversarial relationships between labour and management
- The training of labour for the purpose of improving skills or multi-skilling is not always taken seriously within the locality
- Relationships between industrialists are often not very intimate, while relevant industrial associations are usually not being utilised on a regular basis
- The organisation of labour and production within the locality does not yet fully embrace the concepts of flexibility

Hence, it remains to be seen whether the shift towards higher levels of capital intensity will be enough to secure future flows of global investments towards the locality.

POLICY RECOMMENDATIONS

The textile sector in the Ladysmith/Ezakheni locality may have been able to delay the implementation of the fundamental changes to the production process by increasing the use of modern technologies in production. However, it is doubtful whether such a measure will have a lasting effect regarding the competitiveness of the textile sector in the locality. Therefore, it is essential that the sector begin to explore survival strategies, which will have a more prolonged impact.

Labour

The perception of labour (and its attributes) by management within the locality is very negative. This may have more to do with deeply entrenched cultural prejudices than fact.

The most pressing consideration regarding labour is the need to implement fundamental training procedures which will not only seek to improve the quality of labour in the locality, but which should also improve the level of multi-skilling within the labour pool. Higher levels of training will also equip labour to engage in planning and management issues relating to production in a more qualitative manner.

Management also needs to radically change its perception of labour, while labour in turn will have to alter its perceptions of management. Relations between management and labour are still clouded by the politics of racial conflict. Until that issue is laid to rest, suspicions within each camp regarding the motives of the other shall remain. Within such an atmosphere, the close intimacy which flexible specialisation requires between management and labour cannot be realised.

Total quality control, just-in-time production, quick change-over times, and some of the other strategies which ensure competitiveness and speedy production within a flexible specialisation economy, cannot be implemented without the improvement of race relations within firms (which, in a South African context, will be almost synonymous with the improvement of relations between labour and management).

The implementation of the LRA in the locality will be a mixed blessing. Although research regarding Newcastle (which is relatively close to the locality and has a similar socio-economic profile) indicates that the low level of wages in the sector is problematic due to the absence of

adequate social security measures (Hart, 1996, pp. 24), it should also be recognised that the LRA will significantly limit any attempt towards achieving flexibility within the labour market. Thus, difficult choices will have to be made regarding this issue. Given the fact that industrialists in the area have displayed a tendency to increase their reliance on technology rather than engage labour issues, it may be beneficial in the long term to reconsider the implementation of the Act in the locality. If this is not done, the locality could possibly gravitate further towards being less labour intensive.

Local collaboration

The nature of relations between firms in the locality tends to be characterised by a lack of intimacy. Consequently, potential benefits from the clustering of textiles in the locality are not being realised. The nature of relations between firms and suppliers is often also informal and, as such, there is not a systematic approach to manage the production pipeline efficiently.

Increased contact between industrialist thus needs to be encouraged. The quality of such contacts also needs to be addressed. Thus, it will be beneficial for the sector in the locality to pursue the formation of an association for textile manufacturers. This association should be given the task of investigating the possibility of creating greater co-operation between firms regarding issues such as order sharing or sub-contractual relations, a common approach to human resource development, and the promotion of intimacy between firms and local suppliers.

The local authority

The local authority in the region has been very active in the process of attracting industry to the locality. However, it is apparent that once firms are established, a policy of non-involvement in production matters takes over.

The authority has a vested interest in the continued viability of the industry in the locality. Thus, it will be in the best interests of the local authority to seek greater involvement (as opposed to interference) with the industry.

Firstly, the improvement of transport services (and security) between places of residence and work may help in permitting more employees to move towards a three-shift system of eight hours, in place of a two-shift system of twelve working hours. This will have a major impact in reducing fatigue. Therefore, there could be significant productivity gains to be realised. Local government also has a role to play in the process of creating social security, by seeking to

improve service provision within the predominantly African townships of Ezakheni and Steadville.

The local government can also act as a catalyst in the process of increasing intimacy between industrialists in the locality. In this regard, the local authority may want to explore ways in which the creation an appropriate spatial milieu can be achieved. It shall not be recommended that the local authority provide training facilities on behalf of the industry. Such responsibilities need to belong to the industrialists so that the firms can take an interest in their viability and effectiveness.

Macro-economic measures

The national government cannot be accused of lacking the proper macro-economic measures, which could help the industry operate competitively in the globalised economy.

The GEAR strategy of the government includes and will include (i.e. in 1997) support measures such as the following for industries:

- The Competitiveness Fund: This will aim to enhance the competitiveness of local manufacturing
- Sectoral Partnership Fund: This fund will aim to improve linkages between firms
- Best Practice Fund: This fund will support the diffusion of best practice manufacturing techniques
- Textiles and Clothing Human Resource Development (HRD): This will take the form of a pilot HRD scheme

Source: DTI, Summary of Existing and Planned Supply Side Measures , 1996, pp. 5 & 6.

The national government has also taken steps to reduce the level of tariffs in order to improve the exposure of local firms to foreign competition in the hope that this will boost competitiveness.

However, a major shortcoming on the part of the government has been its inability to effectively market and implement these measures. The administration of supply-side measures has thus been characterised by a poor record with regard to the dissemination of information relating to the measures. Therefore, the withdrawal of the old support measures has not been fully compensated by the introduction of new ones due to poor sequencing on the part of the

state. Consequently, there is a great need to improve the efficiency of the relevant state agents and agencies.

Furthermore, the state can take more decisive action with regard to the weak system of controls, which currently exist, at the country's ports of entry. Although it is not possible to assess the exact impact of illegal textile goods that come into the country, it is obvious that the intrusion of unregulated goods into the local market can only be an undesirable development.

CONCLUSION

The development of the textile sector in Ladysmith and Ezakheni has been shown to have occurred within a space economy that was closely managed by the state. As such, the development of the industry within the locality has tended to have close connections with the various industrial location strategies of the state.

However, the era of industrial location policies has now passed, due to changes relating to both political and monetary priorities. Furthermore, there have been changes to the global economy which have resulted in the widespread reorganisation of production and consumption as well as the redefining of time and space constraints.

The aim of this dissertation was to assess the impact of the changes that occurred at the national and global levels, but at the local level of analysis. Indicators of stability for the locality show that the textile sector in Ezakheni and Ladysmith has not collapsed as might have been feared. The reason for this seems to be connected to the modernisation process that was implemented in the first part of this decade.

However, given the fact that changes in the global and national level did not result in any substantial attempts to restructure the actual organisation of production (e.g. the process of production, role of labour in production, or the organisation of labour in production), it is clear that the sector has managed to survive thus far only on the basis of improved technology.

This approach at improving the level of competitiveness within firms (and the locality) cannot be relied upon to have lasting results. The globalisation of the world economy has changed the way in which localities interact with the global market in a fundamental manner. If there is no attempt at creating a spatial milieu within the locality that is attractive to global investors and

is compatible with the demands of the global economy, then there could be further economic hardship in the future.

Therefore, it is the surmise of this dissertation that unless a far-reaching attempt to restructure the textile sector in the locality is pursued, the continued competitiveness of the textile manufacturers in the locality could be threatened. Such restructuring can only occur within a conducive spatial milieu. At present, such a milieu is still to be created.

ⁱ Excluding the cost of labour.

ⁱⁱ Excluding the cost of labour.

ⁱⁱⁱ The fact that Japan does not rely on the MFA to control imports into its domestic market does not necessarily mean that that country has a completely 'free-trade' approach to such sources of competition. Japanese markets are notoriously hard to penetrate.

^{iv} Elson (1994) seems to use the term 'South' in a manner which is inclusive of the NICs.

^v A substantial proportion of these exports would be accounted for by re-exports from other centres of production.

^{vi} The proportion of the industry which was surveyed was 49% (NPI, 1993, pp. 2)

^{vii} Estimates

^{viii} Includes waste fibre, glass and speciality fibres.

^{ix} Hoechst is to expand and modernise in 1996/97, Spunchem built a new plant in 1995 and has plans to expand in 1996/97, and modernisation and expansion by Frame, Mooi River Textiles, David Whitehead, Zorbatex and Dano Textiles (KMI Report, 1996, pp. 20)

^x Runduny has conducted research in the Hammersdale locality as partial fulfilment of a Masters Degree in Town and Regional Planning, Natal University.

^{xi} The separation of the Klipriver and Emnambithi districts has been terminated due to the introduction a new political regime relating to local government in South Africa.

^{xii} The industrial classification system which was employed in the formulation of the CSDS's register, relied on the classification system of the (Bureau for Market Research) BMR.

^{xiii} Due to the fluidity of employment levels (which are dependent on production levels), it was difficult to get the exact number of employees in each firm. During the three surveys which were conducted in the locality during 1996 (i.e. the January-February survey, the October survey and the August telephonic survey), three different responses were received from respondents. Although the fluctuation was slight, it was still significant enough to preclude the provision of exact employment numbers.

^{xiv} The clothing sector in Ezakheni lost seven firms between 1991 and 1995 (Reid, 1996, pp. 9).

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