Ethics and Globalisation: A Namibian Perspective - Ramatex Case

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http://dx.doi.org/10.5772/intechopen.84746

Abstract

Globalisation can bring about many positive and negative changes to any economy. Namibia has enjoyed stability since gaining independence about 3 decades ago. Today, Namibia is struggling to stay afloat amid financial crisis. Numerous international companies such as Ramatex from Malaysia entered the business sphere shortly after independence, with promises to improve the livelihoods of a young economy. However, this only lasted for a very short while, as most of the promises were not met. As with many global companies, Ramatex packed up and left Namibia in less than 10 years. This had a very big impact on Namibia, as the economy had to find new ways to survive. A substantial number of citizens lost their jobs, and the psychological impacts of recovery were very detrimental on the families. Namibians from all across the country flocked to the capital city Windhoek, with the aim of improving their lives, but all these dreams, hopes and aspirations were short lived. This chapter will make use of secondary research documents and in-depth interviews with some of the key stakeholders. On a positive side, the closure of Ramatex led to the birth local manufacturing giant Dinapama Manufacturing and Supplies, which is striving using lessons from the past to build capacity in the local economy.

Keywords: globalisation, business ethics, Dinapama, Ramatex, Namibia

1. Introduction

Since the 1990s, globalisation has been widely discussed due to its multifaceted impact on our everyday life. For the past 10 years the share of Namibian urban population increased with over 10% [1] as more people flock to urban areas in search of greener pastures. The Namibian government has been under pressure from the activists and the community
groups, due to its inability to provide basic services for the increasing population i.e. serviced land, clean water, sanitation, and electricity. The Namibian government has substantially cut its expenditure in efforts to remedy the economic downturn it has recently been facing, thereby compromising provision of basic services to its people. However, due to globalisation a lot of achievement in terms of cooperation has been made possible, as today Namibia has bilateral relations with over 38 countries and continues to advocate for greater regional integration. Efforts have also been directed at attraction of investors and calls for public-private partnerships intensified as the Namibian government cannot solely solve the economic and social issues the country is facing.

Globalisation has been praised and embraced all over the world, as it opens up barriers and increase trade and cooperation between nations. However, due to enormous implications of globalisation, questions regarding the ethics of globalisation are rife. The business world is faced with many ethical issues today i.e. companies breaking environment laws, unfair labour practices, consumer exploitation, intellectual property and patent thefts, etc. These issues are however more common in developing countries, as governments struggle to achieve compliance due to weak law enforcement. It has been widely reported that globalisation brings about imbalances between developed and developing nations. These imbalances stems from the fact that developed countries have developed advanced systems and products/services, and are wealthier, therefore in better bargaining position compared to developing countries. This position allows them to enter into bilateral agreements that are more favourable to them, at the expense of the developing countries. This creates loopholes for exploitation and self-advancement by some nations and/or profit driven multinational companies. Ramatex’s investment in Namibia is one of a kind and has opened the eyes of Namibians about the real impact of globalisation. This paper focuses on the economic aspect of globalisation, and is further narrowed down to foreign direct investment (FDI), international trade, and the well-being of the Namibian poor.

The following section highlights the history of Ramatex and Dinapama. Thereafter, globalisation is defined, methodology outlined, and discussions and findings presented. The chapter concludes with a summary of discussions and conclusion and recommendations.

2. History of Ramatex and Dinapama

In 2001, Namibia successfully landed an investment in textile which was worth over N$1 billion at the time, and was envisaged to create close to 10,000 jobs. Ramatex, a fully owned Malaysian company has chosen to open a production plant in Namibia after the Namibian Government offered a generous incentive package and spent over N$100 million in public funds for the setting up of the infrastructure. The production plant was importing cotton from West Africa and turning it into textiles for the US market.

It has been claimed that the Africa Growth and Opportunity Act (AGOA) which allows for duty free exports to the US from selected African countries who meet certain conditions set by the US government was the motivation for Ramatex’ decision to locate production in Southern
Africa. Ramatex successfully started production in 2002, and employed about 6000 workers. There has been series of labour unrest after alleged poor labour practices and environmental breaches. Eight years into operation, Ramatex claimed that they are experiencing reduced demand as some buyers allegedly withdrew from doing business with them due to labour concerns raised by the unions. Ramatex filed for bankruptcy, and many people lost their jobs when it shut down its operations in 2008 (Figure 1).

Figure 1. Ramatex factories in Windhoek, Namibia.

Figure 2. Dinapama Manufacturing and Supplies.
During Ramatex operation, many local entrepreneurs saw an opportunity to venture into textile and garment manufacturing to get their hands on the now locally available textile materials. Some of those entrepreneurs are Namalenga and associates who founded Dinapama Manufacturing and Supplies in 2006, a garment and clothing manufacturing company, in Windhoek, Namibia. The company started with 6 employees and today employs over 300 local employees, thereby filling the gaps left behind by the closure of the large-scale Ramatex factory.

With increasing demand and a customer base all over Namibia, Dinapama continues to thrive despite the financial constraints Namibia is facing, manufacturing a range of products, from clothing to bags and corporate items. It has secured business deals with notable institutions in Government, private, and NGOs due to the quality of their product. The company imports textile materials from abroad, as there are no reputable textile factories in Namibia at the moment (Figure 2).

3. Defining globalisation in the Namibian context

Globalisation is the growing interdependence of the world’s economies, particularly the huge increase in capital movements and the rapid growth of world trade [2]. The adoption of trade policies and removal of trade barriers, leading to decrease in informational and communication costs due to information technology revolution, fosters the interdependence between nations and increasing internationalisation of trade and production. It is characterised by an intensification of cross-border trade and increased investment flows, and promoted by rapid liberalisation and advances in information technologies [3].

While globalisation was viewed in 1900s as a strategy by imperialists to advance their agendas, today globalisation is viewed as interdependence of the world’s economies. Globalisation has various dimensions and are commonly grouped under five categories, namely: economic, political, social, technological, and cultural. Among the dimensions and aspects of globalisation, the focus of recent discussions besides wars and climate change has been centred on whether globalisation really help poor people of the world. Most scholars concluded that globalisation indeed benefit the poor, but only if appropriate complementary policies and institutions are in place [4], while others challenge the presumption of a positive relationship between globalisation and welfare of the poor [2].

Namibia was classified as an upper-middle income country in 2009, and after South Africa is the most unequal country in the world with a Gini coefficient at 0.572 (World Bank, 2017). The Namibian economic growth has averaged 4.5% over the past 10 years, but with a high unemployment rate of 34% (broad) and of 29.6% (strict), and poverty incidence of 27% (Namibia Statistics Agency, 2016).

The government’s social safety net programme introduced at independence in 1990 helped to reduce absolute and severe poverty with over 32 percentage points. Despite this progress about 6.1% of the Namibian population still could not afford to buy the minimum calories per day (approximately 2000–2500 calories per day), and about 11% of the population were still below the lower bound poverty line and 17% below the upper bound poverty line. Experts
have suggested improvement of education system, attraction of investments that produces sustainable jobs, progressive tax system, and a comprehensive welfare system to address inequality and help scale-down high poverty rates.

To that end, Namibia has enacted policies to redress the income inequality—the New Equitable Economic Empowerment Framework, Black Economic Empowerment policy, and Affirmative Action policy, but only a few people have been benefited. Namibia has also enacted an industrial policy—a driving force to make Namibia a developed and industrialised nation by 2030. The industrialisation policy is geared towards openness, to ensure market access. Clearly, Namibia needs new pro-poor interventions to aggressively address wealth redistribution.

Nevertheless, the economic returns from open trade are unquestionable, but the perceptions about uneven distribution of returns between nations remain [5]. For some, globalisation is perceived as a vulnerability, while for others as an economic emancipation. Globalisation opened doors for multinational companies to practice what is termed “offshoring”. Offshoring is when a company shifts the location of part of service or production to a location abroad. Many multinationals have adopted this strategy in order to avoid paying high labour and production costs. At the time, Namibia was struggling with the high unemployment rate of 20.2% [1], hence the Ramatex investment was highly commended because it was believed to positively impact Namibia’s macroeconomic performance as the investment was said to create over 10,000 jobs, and raking in millions of dollars in taxes. Namibians from all across the country flocked to the capital city: Windhoek with the aim of improving not only their personal lives, but also those of their extended families. But, all these dreams, hopes and aspirations were short lived as the Malaysian company only operated for a little over 8 years. This had a very big impact on Namibia, as the economy had to find new ways to survive. A substantial number of citizens lost their jobs, and the psychological impacts of recovery were very detrimental on the families. The holes left behind by Ramatex are still haunting Namibians today, thus the fear among the people that despite the fact that globalisation is intended to open trade barriers for the betterment of economies, it brings with it social challenges such as unemployment and social collapse. Many a times, activists and anti-globalists have slammed transnational companies’ disregard for the welfare of the people. Business ethics and moral principles supposed to be at the centre of every business’ operation. But as was the case with Ramatex in Namibia, big corporations only seem to be interested in the profits. There does not seem to be a regard as to how their operations affect the lives of the people or communities in which they operate. Back then, the Namibian laws were somewhat lenient, as there was no pressure on corporations to fulfil their corporate social responsibility. Fortunately, the unions exerted pressure on Ramatex through orchestrated protests and strikes, causing reduced product demand in the US and eventual Ramatex shutdown.

4. Globalisation in Africa

There are two schools of thought regarding globalisation. One that perceive globalisation as the key to international trade which promotes global economic growth, jobs, and low prices,
and another that perceive it as exploitation of domestic markets in the third world countries [2]. The ideal situation is that the utilisation of relatively cheap and abundant labour by transnational companies in the third world countries should increase demand, thereby increasing employment, raising wages and reducing poverty. Instead, most multinationals use this opportunity to capitalise on weaker labour laws, lenient policies, and corruption in poor countries.

This section evaluates the advantages and disadvantages of globalisation with a specific focus on the economic dimension of globalisation.

Advantages of globalisation

- Different countries, corporations, and individuals have competitive advantage over others either due to abundant resources, advanced technology, skills, superior quality, etc. Every party brings something on the table, and trade flows globally.

- The internet and social media made it possible for nations and companies to trade and compete globally (ecommerce). Competitiveness reduces commodity prices, making goods affordable, improving efficiency and innovation, and boost market growth. The days of monopolies are long gone as market penetration process became fast and smooth. Namibia is rich in diamonds and minerals, meat and livestock, and fish, among others, which contribute greatly to revenues through export to outside markets.

- Countries also benefit from globalisation through foreign capital and technology. The potential for growth helps poor countries get to “catch-up” faster with wealthy countries. Governments use new technology to improve public services and infrastructural development, while the business community has access to opportunities that enable them to automate their production lines to produce and/or provide efficiently and productively.

- Poor or slow growing economies have an option to converge. The European Union of 28 member states developed has developed one market through standardised laws and common policies. Countries also collaborate to tackle common problems such as global warming, terrorism, etc.

- Globalisation brings about cultural diversity, thereby learning from one another. The level of tolerance towards one another has also improved.

- Countries work with one another to solve issues concerning the world such as global warming, terrorism, outbreaks, etc. 193 out of 195 countries in the world today are member states of the United Nations.

Disadvantages of globalisation

- Today, the richest 1% owns half of the world’s wealth and the situation is not changing. Globalisation tends to boost growth and increases wealth of the rich at the expense of the poor, and the environment. Developing countries are also having a hard time in efforts to reduce extreme inequalities that are attributed to colonial systems. For example, Zimbabwe
embarked on a land reform in 1980, intended to balance inequalities in land ownership, followed by a “fast track” redistribution campaign in 2000 whereby white owned farms were forcibly confiscated without compensation. This led to detrimental economic consequences for Zimbabwe. South Africa has also been reported to be in the planning process of land restitution.

- Big corporations seek to set up production in developing countries with cheap labour, and non-regulated markets. Consequently, job opportunities are lost in developed countries and shifted to developing countries thereby putting pressure on government’s ability to provide social safety nets in those countries. Transnational corporations also set up production facilities in tax havens to avoid paying taxes.

- Profit-driven transnationals disregard environmental laws, are always accused of unfair labour practices, and neglect their corporate social responsibility. Ramatex in Namibia has been accused of violating labour laws, illegal dumping of chemical and waste, and pollution.

- Due to their bargaining power, multinational corporations encourage corruption in developing countries due to their ability to influence, power, size, and status.

- Multinationals corporations with advanced technology and the benefit of economies of scale drives out smaller domestic companies as they do not have the capacity to compete at that level.

- Globalisation offers less intellectual property protection, as competitors can easily steal technologies and produce counterfeit products. The Chinese business people have been accused of stealing product ideas and counterfeiting.

- There have been claims that globalisation does not work for the majority of the world as inequality keep worsening. The UN Development Program reports that the richest 20% of the world’s population consume 86% of the world’s resources while the poorest 80% consume just 14%.

- Globalisation greatly contributes to the spread of epidemics, pandemics, and outbreaks of contagious diseases. The Severe Acute Respiratory Syndrome killed about 800 people worldwide; The Ebola outbreak killed nearly 11,000 people from 2014 to 2016 in West Africa; the influenza killed over 50 million people in Spain, Asia, and Hong Kong around 1950s; about 37 million people are living with HIV and resulted in over 1 million deaths, just to mention a few.

- Brain drain has also been attributed to globalisation. Professionals, especially in the health sector, leave their countries to work abroad for greener pasture, safer working environments, and to countries with better standard of living.

- The migration of people from rural to urban areas is also rife, more especially in third world countries, in search for employment opportunities and perceived better life in the cities.

- Globalisation brought with transnational corporations with little consideration for the welfare of the poor, subjecting them to unethical and socially unacceptable behaviours. Safety standards are disregarded for cheaper production thereby subjecting workers to hazardous
working environment, and uses child labourers. About 11% of overall child population is engaged in child labour, of which nearly 60% is in agriculture. This also leads to human trafficking. About 800,000 people are trafficked across international borders annually, of which half are children and 80% are female.

- Co-movement of domestic politics with international political risk is also common today. The Arab spring that began in 2010 in Tunisia spiralled all over North Africa and Middle East with protests, coups, and civil war that is responsible for massive civilian displacements, terrorism, and killing of innocent civilians.

Evidently, globalisation is good for the world as countries have access to global markets, but pressure is heavily placed on the world’s poor as only wealthy countries and/or corporations with resources and better capacity gets the larger share.

5. Research methodology

This paper utilises secondary research documents and in depth interviews with some of the key stakeholders, which experienced the changes of those who lost their jobs.

- In depth interviews: These interviews allowed the author to gain a deeper insight into the feelings of participants towards the subject, as hearing the word Ramatex for many still feels like a sharp knife piercing through human flesh. The authors interviewed Mr. David Namalenga, a unionist turned businessman, who is managing Dinapama Manufacturing and Supplies, a Namibian garment manufacturing company that have taken over the textile industry after the closure of Ramatex. Also interviewed is Mr. Herbert Jauch, an expert in labour issues and an author of a book featuring Ramatex in Namibia. The in-depth interviews also afforded the researchers an opportunity to gain the trust of the informants, and allowed for probing to get a clear understanding and accurate of information from the informants.

- Secondary research documents: The papers also reviewed journal articles, conference papers and newspaper articles to get the general feeling of the people of Namibia and developing countries. This method also provided the globalisation link and its impact between developing and developed countries. This gave the researchers the opportunity to understand the communities better. With in-depth interviews it is essential that one spent a reasonable amount of time with the informants and this indeed enhanced the rapport, as there was a great opportunity for common understanding and confidence and trust between the parties which lead to detailed and accurate information.

6. Discussions and findings

Entrepreneurs’ success, especially small-scale businesses, depends on their ability to be competitive in the global market even if they do not compete globally [5]. Developing relationships with multinationals is key to the success of small-scale businesses, thereby developing
what [5] termed symbiotic entrepreneurship—“an enterprising effort by multiple parties, each of which benefits from the joint effort, such that added value is created”. This will lead to multi-polar networks, as firms focus on relationships rather than on the firm, thereby enhancing competitiveness and growth.

Evidently, the Ramatex investment was doomed to fail as it was not based any nearer to this foundation. Ramatex needed to set up a factory in a country with relatively abundant and cheap labour, manufacture the fabrics, and export to the US market. A discussion with experts below sheds more light on the subject.

6.1. Discussions with Mr. David Namalenga

Mr. Namalenga is the founder and Managing Director of Dinapama Manufacturing and Supplies. He is of the opinion that the impact of globalisation on small firms such as Dinapama is that one is able to find new strategies, technologies and market in the world. There are however also challenges as small firms sometimes lack capacity to utilise such opportunities due to the non-levelled playing field, thereby ending up being overshadowed by large corporations and eventually close-down.

Mr. Namalenga revealed that the strategies Dinapama have employed to fill the gaps left behind by Ramatex is growth at home. He said that Ramatex was supplying the world, while Dinapama want to first supply Namibia and Africa before moving anywhere in the world. He believed that relationship building with their clients is critical for their growth, as they do not only want to sell but also to engage and develop relationships with their clients.

Mr. Namalenga further echoed that the lessons that Namibia should take from the failed Ramatex investment in Namibia is that rather put your faith in your own people, because they will still be around if things go south. He emphasised that today they have learned to trust themselves and grow their domestic market in a way that benefits the people, and that foreign investors should only come to complement the already existing efforts by the Namibians.

Taking cognisant of the fact that globalisation opens up trade barriers and increase trade between nations, he responded that the loopholes for exploitation and self-advancement by multinationals can only be best dealt with if developing countries start teaming up and supporting each other to develop their local and regional networks. He however advised that people should still remember that trade openness is key to success of developing nations, as it brings with new technology, which can help them to do things better and efficiently to better their position in the global village.

Mr. Namalenga further encouraged that developing countries should emulate strategies that a country like Singapore have developed to propel themselves from the third world to first world position. He reminded that developing countries, especially African countries, are still at the beginning of the transformation journey and different pathways will emerge as countries navigate the transformation of production systems. Namibia and Africa have a huge opportunity to capitalise on these opportunities as long as they do it with the best interest of the people at heart. He concluded by imploring for a new and available strategies to help close loopholes that Ramatex left behind.
6.2. Discussions with Mr. Herbert Jauch

Mr. Herbert Jauch is a Labour Consultant in Namibia, author, and have been one of the vocal people on the Ramatex saga in Namibia. Jauch revealed that one of the huge challenges for local firms is the cut-throat competition posed by global competition. In the era of globalisation, the world economy—guided by the dogma of free market capitalism—has become a site of intense competitive struggles where only the strongest survive. Thus many local firms could either not take off or collapsed under the pressure of cheap imports. He further stated that proponents of globalisation argue that globalisation provides consumers with cheap goods and services and that the competitive local firms will benefit from export markets. On balance, Jauch argued that overall, Namibia has been one of the many losers in the globalisation system and this is shown in mass unemployment and very low wages for the vast majority of workers.

Jauch lamented that the Ramatex case has clearly shown that it is naïve to believe that any investment is a good investment. He blamed Namibian policy makers for failing to understand how companies like Ramatex operate, how they are driven by short-term profit maximisation and how they have absolutely no regard for the developmental aspirations of the country they are operating in. Jauch cautioned it is thus important to be extremely selective when it comes to foreign investments and to not blindly accept the conditions set by such investors, to avoid similar problematic investments in future.

He reiterated that weaker economies like Namibia (and African economies in general) were always hoping that in the end they would benefit from globalisation. However, the pattern is very clear: the strong and powerful economic blocs and countries (like China and the EU) have been the main beneficiaries and they are dictating the rules of globalisation to a large extent. He said African scholars like Samir Amin have long argued that Africa needs to selectively delink from globalisation and develop new links that are equal and mutually beneficial with countries that do not have an imperial agenda. In his seminar paper title *The Global Crisis and African Alternatives—Inspirations from Venezuela*, Jauch gave highlights of Venezuela’s redistribution and participatory democracy as an alternative to the global crisis. Venezuela embarked on a series of radical reforms regarding social services provision, which involved channelling oil revenues to provide access to housing, education, and health care, which resulted in broadened access to university education for students from poor families, accessible healthcare, redressed regional imbalances, increased minimum wages, lower poverty levels, growth in GDP, reduced unemployment, lower Gini Index, and overall improved standard of living [6]. Jauch advised the third world countries to learn from the “semi-liberated” countries in Latin America—Cuba, Venezuela and Bolivia, as it seems obvious that the social progress made by Venezuela through the “Bolivarian Alternative for the Peoples of our America” hold significant promises.

6.3. Summary of discussions

The potential of globalisation to transform this world to be a better place for everyone is unquestionable. Free trade is supposed to promote global economic growth, job creation,
competitiveness, and affordable prices for consumers. However, the pressure is heavily placed on the world’s poor as they have to struggle to survive on indecent and low paying jobs, left with destroyed environments, driven out of business by large transnational corporations, corrupted, exposed to outbreaks, and susceptible to international political risk.

Since the 1990s, there has been improvement in world GDP and world trade as a result of globalisation led policies [2]. Although globalisation has helped increase growth and wealth over the years, not all continents and countries experienced the same growth. Social ailments continue to impede development as third world countries are left to pick up the pieces [3]. The situation is also worsened by developing countries’ unsustainable external debt, which leave them with little options but to enter into unfavourable bilateral agreements with bigger players most of whom are in it to solely advance their economic agendas.

From the discussions, which were based on the economic aspect of globalisation, the pressing issues of globalisation are the lack of business ethics by transnational corporations conducting business in third world countries, regulatory and law enforcement issues, and the unequal gains between wealthy and poor countries from trade openness. The third world countries are advised to learn from one another and always put the interest of their people first; to empower local firms to survive competition from big multinational corporations; device strict laws with appropriate enforcement capacity to guard against environmental damage, exploitation, and to enable skills transfer; and to gear themselves up to reap the full benefits of globalisation and propel themselves to first world position.

7. Conclusion and recommendations

The findings of this paper reveal that the impact of globalisation on the economic aspect is twofold, bringing about two schools of thought. One is that of the perceptions that multinationals seek for new favourable markets to grow at the expense of the market in which they operate, while the other is that of pure global interdependence and development. While trade liberation is supposed to benefit all economies globally, the imbalances still that are negatively skewed to the developing countries still exist. Nations are urged to develop their own markets and support growth at home policies in order to avoid dependency on large players, while supporting balanced trade openness. For many developing countries, globalisation brings with negative spillovers to the poor as some multinationals exploit the cheap and abundant labour in developing countries, drives out small firms out of the market, damage the environment, and leave those countries to pick up the pieces. Namibia learned the hard way when Ramatex closed its doors leaving many people unemployed, dreams shuttered, and hopeless. Many people flocked to urban areas in hopes of better living conditions, placing a huge burden on the government to provide basic services to the escalating urban population. The experts interviewed highlighted the need to improve domestic laws and regulation to guard against exploitation of resources and environment, manipulation, corruption, and unethical business practices. Law enforcement also came out strongly as nations struggle to ensure compliance due to lack of capacity and resources. Conversely, globalisation is also highly praised as it allows free flow of goods and services, flow of
information, labour movement, increased employment opportunities, integration of cultures and tolerance, decrease in commodity prices, among others. The researchers also recommend symbiotic entrepreneurship in order for firms to focus on relationships rather than on competition, thereby enhancing competitiveness and growth especially among firms in the developing countries.

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