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## Book-review

### *Death of an Industry: Cultural Politics of Garment Manufacturing During the Maoist Revolution in Nepal*

Book Author: Mallika Shakya; Cambridge University Press (2018).

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#### **Introduction: Unpacking Nepal's industrial development**

Dr Mallika Shakya's scholarly contributions on industrial development dynamics in Nepal, the focus of her work being Nepal's apparel sector (which evolved in early-1980s with the introduction of the Multifibre Agreement or the MFA), are well-known to most Nepal as well as South Asia scholars. Shakya has a longstanding and commendable engagement with not just Nepal's apparel sector—and the institutional dynamics that govern it—but also with Nepal's broader political economy of development. Several dimensions in Shakya's scholarship are not only noteworthy and important but also exceptional, in part, due to the methodological approaches and interdisciplinarity that enables, *inter alia*, credible grounding into the context. Built on political economy frameworks—inspiration being disciplines such as anthropology and economic sociology—and principal empirical strategy being ethnography-based grounded case-studies, the publication under review here unpacks the interface of domestic and transnational politics with practices of, not only, firms but important spatio-institutional structures (relevant to industrialization) such as labour unions, bureaucracy, business associations, political parties and global retailers downstream in the apparel production network. At the risk of oversimplification, the publication analyzes how Nepal's apparel sector evolved with the MFA and how politics within and beyond borders impacted its development and performance.

The rich empirical and archival insights presented across seven chapters are a major departure from the narrow and abstract formulations coming from much of the existing industrialization literature on Nepal, produced predominantly by IFI-affiliated or commissioned (IFI or International Financial Institutions) economists. For instance, the existing industrialization literature— looking at production dynamics from, for instance, the production function lens—informs little on the production dynamics such as its governance, organization and networks. Moreover, the existing formulations pay no attention to important elements in production such as production capabilities and that such capabilities are learnt and acquired via credible policy tools. Unsurprisingly, mainstream economics has been critiqued to not have credible analytical tools to assess important aspects of production and industrialization dynamics.<sup>2</sup> Other gaps in the existing apparel sector

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<sup>2</sup> See, for instance, Andreoni and Chang (2016)

analysis on Nepal—owing significantly to deployment of narrow analytical frames—pertain to the emphasis on supply-side constraints (that hinder progress in industrialization) and somewhat problematic empirics including in analyzing apparel sector performance. On the empirical analysis front, an important limitation that the book addresses is supplementing the rather unreliable and limited published data on Nepal’s apparel sector—an issue valid for much of the Global South—with extensive ethnographic fieldwork; spaces being firms, labour unions and business associations. In this backdrop and given the methodological approaches and interdisciplinarity, the book has significantly greater explanatory power in unpacking the industrial development dynamics; more so, in the case of backward developing countries.

### **Context-based intricacies in production: Firm heterogeneity and its significance**

For scholars studying Nepal’s apparel sector in some depth, Shakya’s 2008 doctoral thesis is an important resource. In fact, the empirical findings—coming from the ethnography carried out then—and archival evidence outlined in the dissertation inform the analysis in the publication being reviewed. That the doctoral thesis is being drawn becomes evident when Shakya lists the three garment manufacturing factories - also the sites of ethnography for her doctoral research (Chapter 1). The context for the analysis is set in Chapter 1 when the author recounts how, upon announcing her return to Nepal to resume research on the apparel sector, she was be told that “...the sector was already dead with not much to learn from...”. To this, Shakya responds that the aim of the exercise “is to understand what this death signified...” (p 1).

Chapter 1 emphasizes the volatility that accompanies industrial activities in developing countries where expansion and decline of industries has been increasingly and intricately intertwined with transnational actors, processes and policy circuits. For instance, the MFA—which specified the quantum of apparel every country could export to the US—incentivized (potentially unintentionally) the setting up export-oriented industrialized apparel production in agrarian geographies like Bangladesh and Nepal (the former has a rich history of textiles production by highly skilled artisans). The MFA rents—rents because within the quota limit, countries could export apparel tariff-free—led to massive production and exports of apparel in Nepal which was allocated the highest per-capita export quota in South Asia.<sup>3</sup> Such was the intensity that from miniscule levels through 1980s, apparel became among the highest exported items (along with carpets) by 1990s.<sup>4</sup> The termination of MFA in 2005—meaning a liberalized international trade order in apparel where each country had to compete with the other without preferences—meant most ‘new’ apparel manufacturing locations such as Nepal were no longer competitive (Chapter 1). There were some exceptional cases like Bangladesh whose firms could develop technological and organizational capabilities thanks to credible utilization of the learning rents that came with the MFA. Scholars have observed that Bangladesh firms could acquire production capabilities because of an effective (but essentially light-touch) industrial upgrading policy encompassing not only MFA-rents but also other forms of policy support such as bonded

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<sup>3</sup> From Shakya’s dissertation: Shakya (2008)

<sup>4</sup> Ibid.

warehouse (meaning that Bangladesh apparel producers could obtain inputs at global prices).<sup>5</sup>

In Chapter 1, Shakya observes how ‘...Nepali policymakers have pieced together certain fragments...’ to define development as merely a de-socialized, technocratic and an apolitical construct where the state has merely the ‘facilitative’ role; and, in so doing, they let go of even the most ‘fundamental public-governance responsibilities such as tempering corporatism and neoliberalism despite the well-documented vices and disregard to societal goals’ (p 7). Little wonder, upon the apparel sector crash in 2004, the garment sector workers—over a third, women—were pushed into highly vulnerable and precarious livelihoods. The book documents the suffering of the workers with many having to become porters and roadside tea-sellers (p 2). Some gender rights activists have observed that these were relatively ‘lucky’ ones (p 2). Was it only the workers whose livelihoods underwent major shifts? Subsequent chapters document how even the owners saw precarious shifts to their own livelihoods. Shakya links the highly problematic volatilities in industrialization-related progress in developing countries to the current ideological malaise that came up in the 1980s when the neoclassical counter-revolution rendered planning institutions and mechanisms as mere rent-seeking devices (Chapter 1). Markets post the counter-revolution—as if autonomous and self-governing entities which simply land among us from somewhere—would be theorized as holy. Shakya deploys Coase’s firm theory to counter-argue that markets are essentially made and are not self-governing; that institutions and hierarchies (such as firms or the state) serve critical functions in completing transactions like search, implementation and monitoring. The author notes that while public governance dynamics, instead dependent on distributional contests among powerful social formations, shape Nepal’s (and elsewhere’) economic performance, societal embeddedness—by definition, specific to societal context—of economic relations remains a neglected dimension in Nepal’s existing development literature (p 8). Shakya’s analysis, in essence, is a contribution emphasizing the societal embeddedness of economic dynamics as we see in the discussion later.

Shakya’s skepticism on the analytical utility of mainstream economic theory is significantly informed by ethnography-based primary empirical data generated from, among other spaces, the apparel sector firms. Unlike the existing literature on Nepal’s apparel sector which pays almost no attention to the production dynamics within firms, for Shakya—borrowing from contributions such as Piore and Sabel (1984)—production capabilities and processes are not only important dimensions in studying industrialization, but also vary significantly among firms. Of the three firms (the sites of ethnography)—two produced craft apparel using both artisanal and mechanical tools and techniques while the third was a conventional mass-production firm producing everyday apparel (p 11). Craft apparel signifies ethno-contemporary wear with a mix of both western and local cultural heritage whether it is fabrics, design or works such as embroidery and cutwork. While ignored in Nepal’s policy circles as well as research, the findings pertaining to craft producers bear significance and are important contributions in industrial development analysis. Produced by less than a dozen firms—at its peak in the late-1990s, the apparel sector had over 1,000 firms—craft apparel, also geared towards export markets, obtained significantly higher unit-prices and entailed

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<sup>5</sup> See Khan (2018) for a discussion of learning and building up of organizational capabilities by Bangladesh garments firms.

greater value addition (and hence, domestic linkages). The craft apparel producers studied belong to the Newar and Madhesi ethnic groups, both among the major ethnic groups in Nepal. Interestingly and suggesting the societal fault lines and distributional contestations in Nepal, both groups have often perceived themselves as politically marginalized and have hence mobilized at different time periods for political power and resources (in line with their population and mobilizational capabilities). Shakya observes that both the groups, rich culturally, deployed their cultural endowments in producing craft apparel (p 11). Embedded in the owners' and workers' lives and their social networks—which spans, intricately, across the borders into India as well as Tibet (for the Newars)—Shakya traces the *sui generis* production capabilities and their learning processes and hence the complex context-specificities in industrialization. Mass-production units, on the other hand, their design to fabrics, came from abroad. The differences in, for instance, production processes aside, both groups of apparel producers met the same fate; craft a little later than mass.

### **Contextualizing apparel production**

Chapter 2 contextualizes Nepal's industrialization in general and its brief apparel production phase. The discussion divides Nepal's history of industrialization into two waves. The first when the Rana rulers invited Indian Marwari capital in mid-19<sup>th</sup> century to produce items like matches (p 19). The second wave of industrialization pertains to when King Mahendra dismissed the democratically elected B.P Koirala government in 1960 to institute an authoritarian monarchy which the then King called a more 'soil-suited' order (intriguingly, the 'soil-suited' constitution would be written by a British constitutionalist, Sir Ivor Jennings). While development plans between 1956 and 1970 attempted economic development via, for instance, state-led industrialization and elaborate economic planning, outcomes were rather modest. Is this because policy rents got captured by the dominant and powerful social formations (or among the principal arguments forwarded in critiquing interventions like industrial upgrading policies)? This line of analysis is pursued when Shakya highlights how the licenses and credit went to dominant ethnic groups overrepresented in the ruling coalition (p 20). The author observes that the scrapping of the license regime—hence making accumulation opportunities to available to non-insiders as well—during the rhetoric-laced economic liberalization contributed to a rapid rise of apparel output, with exports peaking at roughly US\$200 million in the late 1990s, or a fourth of total merchandise exports (p 22). One mechanism of this improved performance was that the garment association developed functional institutional arrangements to distribute production quotas among firms.

While the termination of the Multifibre Arrangement (MFA) in 2004 rang the end of the once booming apparel sector in Nepal, the industry had, in fact, started experiencing difficulties well before the MFA termination. In Nepal, the sector was, for instance, affected by obstructions owing to the violent Maoist insurgency that peaked in the early 2000s (p 24). The obstructions in the supply chain meant further costs—in the form of delays and often even cancelled orders owing to delays—for suppliers already disadvantaged due to Nepal's landlocked geography. Supply chain-related disruption was not the only hindrance. Shakya observes that apparel was particularly (and severely) affected by militant labour activism emanating from massive membership drives of the Maoist labour union – '...the workers were

not merely seeking work-place improvements but mobilizing for class action and regime change...' (p 24). A pertinent question is what led to militant labour activism and why would workers join the Maoist labour union? Did coercion and hope for betterment or both drive workers towards membership? In Chapter 2 and elsewhere in the book, the questions, concerning important dimensions like wages and working conditions, stand neglected despite the significance. Even in Shakya's thesis, which gets drawn from sizably, does not focus on the important aspects despite the subject of analysis being workers and labour unions. On wages, for instance, a World Bank study pertaining to the mid-2000s provide some guidance. The study observes that unit prices of several Nepali apparel exports were comparable to Bangladesh, a production destination known for its rock-bottom wages (then, more than now)—given the significant supply of workers especially women that have few other income generating opportunities—and hence low prices (World Bank 2003). Given the labour intensity in apparel production and assuming near-parity in input prices, perhaps it can be inferred that wages in Nepal were comparable to Bangladesh. That wages may well have been comparable to Bangladesh is worrying because in Nepal's case, the apparel sector workers was often a male and potentially the only bread-earner. Furthermore, wages in Nepali apparel sector may have been suppressed for prolonged periods as, in the book as well as her dissertation, Shakya notes that the garment sector workers had lost confidence in labour unions affiliated to mainstream political parties (such as the Nepali Congress). By 2011, the bulk of the factories had closed, but the chapter reminds us that apparel continues to be produced, resembling '...much the production lines in the 1970s...'. In this sense, the sector has '...taken a full-circle back...'.

Chapter 2 traces the history of MFA-induced apparel production in Nepal – its technologies, regulations, the spatiality (of, for instance, fabric sourcing and firm location) and more crucially, the producers and workers. The chapter documents how production was intricately networked across geographies and ways in which the cultural endowments got translated into material gains for the craft producers that were markedly different from mass producers in the apparel ecosystem. Besides generating greater value added and profits, craft has been evidenced as being highly knowledge intensive. Intriguingly, craft production has been documented as being significantly artisanal and hence of low capital intensity. Among a crucial marker was that craft was nearly impossible to replicate by those producing mass products. While mass producers crashed by 2004, craft producers lasted well beyond the MFA termination. It is somewhat intriguing that scholarship—much of it commissioned by aid agencies and financial institutions—would fail to observe such heterogeneities despite an 'economic rationale'. Indeed, the challenges for the apparel sector were almost always traced to the somewhat elusive 'low-productivity' challenges and that these were owing to supply-side constraints. What about production capabilities of the firms? Although industrialization is the issue at hand, Shakya notes that more suitable frameworks coming from the global value chain or industrial policy literature have not been deployed in apparel sector analysis (p 29). Furthermore, the apolitical and de-socialized scholarship has meant that the everyday struggles of workers and owners has been paid minimal attention to despite significant links to industrial performance and more crucially its sustainability (p 32). The author posits that the weaknesses stemming from the methodological issues can be addressed by more suitable analytical lenses like the industrial ecosystem (IE) framework (Chapter 3).

## **Industrial ecosystem lens: How institutions function**

The author posits that Industrial Ecosystem framework (IE), drawn from Porter's industrial cluster approach and placed in the Polanyian tradition of societal embeddedness, addresses the limitations such as the compartmentalization of workers, work or production, owners and capital into the economic and noneconomic. IE, hence, enables credible mapping of actors, networks, their governance and spatiality. IE acknowledges human agency as well as how contexts determine institutional functioning (or the social embeddedness). The need for a holistic analytical framework becomes evident when Shakya traces the labour inspection process then, a mechanism governed by professedly accountable (to the wide community including workers) and highly resourced entities (including firms) from the north. Shakya bring to light its farcical workings (p 43; Chapter 3). Contrary to the social responsibility and accountability claims of global buyers, the Nepali apparel units were almost always tipped off about the 'surprise labour audits' (p 43). The chapter ends with a rich analysis of the spatiality—and the complexities—in textile-sourcing by craft producers. The insights are suggestive of the knowledge intensity and high value addition levels in craft production (p 50). For example, the nature of craft was such that it took the producers to the rich textile clusters in India – cities like Benaras and Ahmedabad, where the producers contracted textile production directly with weavers. While this was aimed at customized textiles, the strategy also translated into lower costs. Cultural networks across borders—in the southern plains as well as the mountainous north—were central to craft production including the sourcing of textiles (Chapter 3). Industrialization, hence—and unlike the dominant theorization—is not faceless as such and the lives and social networks of those involved, plays a major role. Mass apparel producers, unlike their craft peers, had minimal discretion whether it was design or fabrics; hence, less of scope for enhanced value addition (p 50).

## **Mass production is modern and aspirational: Or, not so much...**

Chapter 4 titled *Normality of Garment-making*, dives deep into the work and lives of workers and owners (and managers) via shop-floor ethnographies of both, craft as well as mass-production units. The author, for instance, evidences how craft production spaces—hosted in residential properties—employed entire families and provisioned facilities for children (of the working families). The chapter highlights how despite credible capabilities, craft producers were largely unknown to the policy elites. Shakya notes that this was partly to do with the understanding that Fordist production modes are also aspirational for late developers. Fordist patterns have been associated with modernity and are an aspirational turn for developing countries. Were the 'aspirational' and 'modernity' elements factors when licenses were handed out to the insiders that were part of elaborate patron-client networks (p 60)? The author poses this question and observes that modernity (or mass production) was to be learnt from outside while available knowledge was poorly recognized and documented (p 64,65). Ethno-contemporary wear produced by craft producers—consider, for instance, a Newar producer—were deeply rooted in not just Kathmandu's culture and society but also that of Tibet. Unsurprisingly and rather predictably, Shakya evidences that craft producers had begun production of apparel well-before the MFA (p 69). Furthermore—and an observation which highlights the intense exchange of ideas—while the

conceptualization of craft apparel design was often initiated from the buyer side (in developed countries such as those in North America), significant chunk of designing came from Nepali craft producers. Additionally, works such as dyeing, patchwork, cutwork and embroidery were carried out domestically—owing to complex designs and greater scope for artisanship—suggesting greater local value-addition and linkages among craft producers.

Shakya highlights that despite the sea of difference in their apparel, both the set of producers, did not live in silos and interacted and exchanged ideas although the craft producers did guard their trade secrets vociferously. The chapter documents how, unlike policymakers and economists—who failed to recognize craft apparel, its producers and their capabilities and competitive potential—the mass production firm managers and owners did see opportunity in craft. Shakya documents that mass production units wanted to forge partnerships with the craft producers – proposals which were almost always refused.

### **Hopes that MFA will remain...**

Chapter 5, focused on strategies and reactions of firms and policy elites upon the nearing of MFA termination (early-2005), highlights how apparel production, despite being considered the stepping stone to industrialization and notwithstanding two decades of significant production and expansion (at its peak, over a thousand firms), scholarly works and policy documents identified nothing beyond (the broad and general) ‘critical constraints’ of the sector. Worse and rather detrimental (and not just unhelpful), the Nepali policy elites (from the important wings like finance and industry) routinely labelled the sector as low value added and backward; that the activity was ‘dowry’ from India given that the first apparel assembly units in the early-1980s were set up by Indian capital to tap quotas assigned to Nepal (p 88-90). The latter position—that the sector was dowry from India— is deeply problematic considering that by the 1990s, over two-thirds of its workers in the sector were Nepalis.<sup>6</sup> One set of reactions stemming from firms and labour unions was hope that for some reason, MFA may not be terminated. This was not without a basis as there had been renegotiations and extensions before. The chapter evidences how the firms were desperately attempting to weather the crisis by adding specific capabilities such as hiring management consultants (and management graduates) to enhance management capacities, enable better marketing techniques and develop scientific performance appraisal mechanism.

An important question which the book does not delve into directly but does provide insights and evidence into concerns production capabilities, critical to engage in production. What are production capabilities? How are they acquired (they indeed are acquired)? Are production capabilities built with one off intervention/s—such as hiring management consultants in the instance above—that do/does not directly impact production organization? The strand of literature concerning production or manufacturing capabilities—coming from heterodox economists and other social scientists such as sociologists and economic geographers—posits that production capabilities enable credible organization of production whether it is using machines well, setting up the machines in each process, assigning workers well to each process and being able to fix small glitches. The literature evidences that these capabilities

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<sup>6</sup> From Shakya’s doctoral thesis. See Shakya (2008)



are acquired by credible learning by doing (or engaging in actual production) and not by reading blueprints. Furthermore, credible production capabilities will require learning over significant duration of time and hinge significantly on learning-related policy support—because learning by doing entails losses to begin with—and credible governance of such policy rents. Rather unsurprisingly, much of the analysis as well as the observations coming from policy elites—framework of theorization being mainstream economics—barely delved into the firm-level production capabilities. Indeed, Shakya notes that the relevant bureaucracy never took the pains to visit production floors (p 99). While Shakya terms such tendencies as elitism, the same potentially points towards minimal institutional capabilities in solving the puzzle around stagnant industrialization and premature deindustrialization—both considered major determinants in underdevelopment and joblessness—in developing countries. On the production capabilities and learning by doing aspect, it is perhaps important to highlight that although several industrial policy concessions and support were promised to the apparel sector (codified as industrial policies) by subsequent governments, archives indicate that minimal, if any, support was actually provided.<sup>7</sup> Pertinent questions are: who blocked such measures and why? And, did this hinder learning of production capabilities among the apparel sector firms?

### **Labour unions in ‘the end of history’ times**

Were the labour unions attached to the mainstream political parties’ pro-business in such a way that they paid less heed to labour interests? Evidence in Chapter 6 points in such direction and outlines how the labour union affiliated to the Maoists (political formation which had initiated an armed rebellion against the state in 1996; a peace-agreement was signed between the Maoists and the state in 2006 that led to the Maoists becoming a political party) expanded its membership significantly including workers from the apparel sector. It is pertinent to highlight here that both the major mainstream political parties—the Nepali Congress and the Unified Maoist-Leninist—spearheaded the ‘liberalization’ drive in early-1990s. Shakya notes that when factories started shutting down in significant numbers and upon which the workers—who had lost jobs and livelihoods—approached the mainstream political parties’ trade unions, the workers would be told that they could not be supported since there was no formal contract between them and the factories. An aspect concerning labour interest which the book does not somehow provide any insight despite focusing on the important issue of labour is level of wages and its potential suppression over prolonged periods. A World Bank 2003 study points into such direction by observing that several items of Nepali apparel were priced on par, even lower, than Bangladesh, known for its ability to produce the cheapest apparel.<sup>8</sup> The Maoist labour union could expand membership perhaps because the mainstream and pro-business labour unions were seen as complicit in driving down or keeping wages stagnant and at levels where livelihoods were increasingly vulnerable.

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<sup>7</sup> See World Bank (2003)

<sup>8</sup> Ibid.

## Conclusion

Against such backdrop, the concluding chapter, *Reconstituting the Garment Afterlife* (p 128-135) ropes together the rich ethnographies and theoretical insights to highlight and buttress the argument that the MFA-driven Nepalese apparel ecosystem—for that matter, any industrial ecosystem—can hardly be captured by the reductionist (but dominant) line of theorizing coming from mainstream economics. Whether it is cultural endowments or traditional knowledge and how the same usually stands neglected in late-development and catching up; or the centrality of domestic politics; or the role of transnational policy circuits; or the firm-specific capabilities and heterogeneities, Shakya's analysis credibly and holistically unpacks the industrialization processes and their societal embeddedness. Indeed, the sector has been a macro-social assemblage of, *inter alia*, class struggles, heterogeneous firms, cultural endowments and contests for rents as well as power (p 126).

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