Knowhow and its role in Economic Development: The Case of the Lesotho Clothing Industry

A Research Report submitted in partial fulfilment of the Degree of

Master ofCommerce (Applied Development Economics)

in the School of Economics and Finance,

University of the Witwatersrand

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Word Count:

18 963

27 June 2020

KNOWHOW AND ITS ROLE IN ECONOMIC DEVELOPMENT

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THE CASE OF LESOTHO’S CLOTHING INDUSTRY

Table of Contents

Abstract
The paper investigates the extent to which clothing manufacturing knowhow, which was introduced by Taiwanese expatriates in 1986, diffused into the economy. The core question is whether proximity to clothing production processes enabled Basotho to start enterprises of any size, be it micro, small, medium or large businesses, in the formal or informal sector, in and around this industry. The research process was two-fold. The first part consisted of desktop reviews from projects and programmes literature written by entities such as international trade and labour bodies, Lesotho government agencies, reputable multi-pronged organizations addressing growth and development in Sub-Sahara region, trade experts and economists on the clothing manufacturing sector in Lesotho. The second part of the research process was conducted through interviews, email and telephonic correspondences. The study found the following: between 1980s and 2012, high-skill level jobs were reserved for Taiwanese expatriates and that other high-skill level functions were conducted from Taiwan and not in Lesotho; Basotho supervisors generally working for Taiwanese hold very limited powers; Taiwanese investors set up in Lesotho to take advantage of tariff and quota benefits such as AGOA, as a result knowhow transfer to Basotho is not in their agenda; Basotho started owning clothing mills three decades after the influx of expatriates' investment in the sector, that is, after 2012; a legion of micro and small enterprises has since sprung in and around clothing manufacturing sector to serve largely the needs of the factory employees; the government of Lesotho is commended for initiatives such as Partial Guarantee Scheme, Diaspora Engagement Strategy and Trade Expos to assist Basotho to enter and succeed in the sector; Afri-Expo Textiles is of the impression that the government is not committed to addressing hurdles faced by Basotho-owned clothing mills; the training institutes set up by government for this sector are found to lack capacity to provide adequate skills; Afri-Expo Textiles is committed to on-going skill enhancements for its employees. The main conclusion found is that Taiwanese investors do not arrange their operations in a manner that fosters the transfer of knowhow to Basotho employees. It is recommended that the government of Lesotho consider owning a clothing mill specifically to insert knowhow to Basotho.

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 Definition of general problem area

This research report assesses the role of knowhow in promoting economic development by focusing on the clothing manufacturing industry in Lesotho. The paper investigates the extent to which clothing manufacturing knowhow, which was introduced by Taiwanese expatriates in 1986, diffused into the economy. The core question is whether proximity to clothing production processes enabled Basotho to start enterprises of any size, be it micro, small, medium or large businesses, in the formal or informal sector, in and around this industry. The investigation focuses broadly on Basotho who have been employees of Taiwanese-owned firms and Basotho who are entrepreneurs in related fields. After initial research it became clear that a case study of a Basotho-owned firm would provide the most useful way to explore this issue. The study therefore concentrates on Afri-Expo Textiles (Pty) Ltd, which is a 100% Basotho-owned business with three Basotho directors. It has been operational since May 2016. It has sourced some of its employees from Taiwanese-owned clothing manufacturers. The report also covers the role the government of Lesotho has played to hinder or expand knowhow diffusion in this sector.

It is worth noting that it was not only Taiwanese expatriates who came to invest in the clothing manufacturing industry in Lesotho. However, the Taiwanese have since become the most dominant expatriate group in the Lesotho clothing manufacturing sector, which is why the Taiwanese are the object of study. While the issue of workforce localization by Chinese firms in Africa is an important issue and has been studied in other African countries (Oya, 2019), this is not the focus of this dissertation. This dissertation looks at the extent that knowhow accumulated by employees from Taiwanese clothing manufacturers has provided them with the capability to start independent enterprises of any size in and around the clothing manufacturing sector e.g. seamstresses, clothing mills.

It is widely recognized that technology and knowledge are among the prime drivers of development. Hausmann (2016)reflects this view when he outlines the positive impact of ‘technical progress’on economic development. He lists the components of ‘technical progress’ as tools, codes and knowhow,' (p.13). While the first two are tangible and can easily be moved around, knowhow behaves very differently. Knowhow is essentially tacit knowledge that is accumulated through learning-by-doing. It requires practice and it takes time to acquire. It resides in individuals' subconscious and therefore cannot be readily transferred via manuals, codes, or recipes (Hausmann, 2016; Polanyi, 1962). It is acquired through imitation and much repetition. It is a painfully slow process involving experimentation through trial and error (Hausmann,2016; Khan,2009).

Knowhow therefore plays a central role in economic development (Hausmann, 2016). The difference in the per capita incomes of nations resides beyond institutions and protection of property rights, but essentially in the accumulation of knowhow of each nation. The latter plus the ability to arrange and combine knowhow to make complex products, is, Hausmann (2016) maintains, what sets nations apart in the development process. This accumulated level of knowhow plays a crucial role by enabling diversification from a current product set to the next product set. A diversified economy signals a positive development trajectory.

The implication of the theory of knowhow for this dissertation is that the clothing manufacturing knowhow first deposited into the Lesotho economy in 1986 by Taiwanese expatriates increased the cumulative stock of knowhow in Lesotho. Furthermore, this additional increment of knowhow plus the existing stock of accumulated knowhow prior to Taiwanese insertion has given Basotho economic agents an opportunity to combine these various forms of tacit knowledge and produce other products and services that did not exist prior to 1986. At the minimum it should lead to the increase in the number of transactions in products and services that existed prior to 1986.

A practical example could be illustrated with 'rejected materials' from the clothing manufacturing assembly. Prior to clothing manufacturing being set up in the 1980s in Lesotho, the economy already had knowhow on how to run clothing department stores. Instead of the 'rejects' from the clothing-line assembly being thrown away, the economic agents already with the knowhow of selling clothes, exploited this opportunity and added this new product (rejects) into their product sets, leading to more sales, profits and higher incomes.

The knowhow that the Taiwanese brought into Lesotho includes all the activities performed in global production networks in the clothing manufacturing sector. This includes but is not limited to: quality production, marketing to international buyers, logistics management, finance, administration, labour laws and the ability to leverage trade laws, trade privileges, trade quotas, international trade treaties and duty free access between developing countries and developed countries.

1.2 Statement of research questions

The question this paper seeks to investigate is: To what extent has knowhow introduced into Lesotho by Taiwanese investors in the clothing manufacturing sector resulted in new micro, small, medium or large enterprises in and around the clothing sector? In order to answer this question we need to know**:**

i. How the Taiwanese organize their industrial activities, how it impacts on the transfer of knowhow and whether Basotho workers in the clothing manufacturing sector are able to access and absorb this knowhow
ii. Whether Basotho have been able to start new enterprises in and around the clothing manufacturing sector and to what extent that was enabled by knowhow they absorbed from working in or interacting with Taiwanese factories
iii. What the government of Lesotho is doing to either hinder or foster the transfer of knowhow in clothing manufacturing.

1.3 The contribution of this dissertation

1.3.1 Why is the study of knowhow and economic development important?

The study of knowhow and economic development is important because it highlights how the capabilities resident in an economy can be harnessed to assist in the developmental process. Knowhow is one of the most difficult aspects of development to analyze, yet it is also one of the most needful and decisive factors on economic development (Hausmann, 2016). For this reason its impact in the development process of a developing nation cannot be ignored and is therefore worth investigating.

1.3.2 How does this research contribute to existing literature?

There have been enquiries on the Lesotho textile and clothing manufacturing industry with a focus on labour relations (Gibbs, 2005), on the overall progress of the industry (Gibbon, 2003), embeddeness and sustainability (Morris & Staritz, 2017), and there is a large grey literature capturing the dynamics in this industry. However there has not yet been a study on Basotho clothing mills and employees starting independent enterprises stemming from Taiwanese knowhow.

1.3.3 Why is this study important for Lesotho?

The study is important for Lesotho because clothing and textile industry contributes to wealth and employment creation both in industrialized and developing nations (Bruce & Daly, 2004). Lesotho is a developing nation. Developing nations frequently gain entry into global value chains through textile and clothing industry because it is low-value and hence relatively easy to access. Lesotho’s entrance into the clothing manufacturing industry in 1980s was a fortuitous event dominated by Taiwanese investors, which ushered new opportunities for Lesotho. It is noted that Taiwanese were not the first investors in this sector in 1986, but the initial entrants who came into Lesotho were South African firms in the early 1980s. These were escaping sanctions placed on South Africa because of the repressive apartheid regime and were attracted into Lesotho by the lower wages and access to Europe under the Lome Convention (Morris & Staritz, 2017). The Taiwanese were attracted into Lesotho by similar reasons and many relocated from QwaQwa, a South African town in the province of Free State (Gibbon, 2003; Morris & Staritz, 2017). The Taiwanese eventually came to dominate the industry especially in the capital city, Maseru. It is also important to note the Taiwanese firms ended up exporting to the United States, while the expatriate South African firms mostly export back to South Africa. The operating structures and local-embeddeness in Lesotho between South African and Taiwanese firms also differs (Morris & Staritz, 2017), hence the need to divide the capabilities brought by each nation group into the Lesotho clothing manufacturing industry.

Almost all the clothing manufacturing firms in the country are nestled along four industrial clusters at the moment. The first three of these are in the capital city Maseru and in the district of Maseru namely; Maseru Industrial Area; Thetsane Industrial Area; Tikoe Industrial Estate, and Nyenye Industrial Estate in Maputsoe town, Leribe District. Maputsoe is approximately 100km from the capital city and nearer the port of Durban, South Africa. Lesotho is landlocked and entirely surrounded by the Republic of South Africa with a population of 2 million (BOS, 2019). The clothing manufacturing sector is very important to the Lesotho economy and has become the cornerstone of the economy (Seidman, 2009). This fact is attested to the LNDC Textile and Apparel Manufacturing Sector Profile Report 2018 also highlights the importance of this industry on the Lesotho economy by pointing out the facts below:

i. Current major exports are natural resources and textile and clothing. The latter sector is also among the leading FDI sectors in the country.
ii. The employment contribution to manufacturing sector by textile and clothing is 88%
iii. The textile and clothing sector is one the leading initiatives against poverty through employment
iv. The textile and clothing sector is among the largest and most competitive in Sub-Saharan Africa.
v. Currently produces 13 out of 50 product categories with plans to take up more product lines
vi. Some of the textile and clothing produce is exported to USA, Japan, EU, and Qatar and in Africa to Kenya, Republic of South Africa, Botswana and Mauritius

The clothing manufacturing sector accounts to one third of the country's GDP (Morris & Staritz, 2017).

Below are statistics showing employment levels, number of factories and export values to the US from 1999 to 2016. These statistics point to the importance of the apparel industry in Lesotho.

TABLE 1 TEXTILE AND APPAREL EMPLOYMENT LEVELS & NUMBER OF FIRMS IN LESOTHO

Year	**1999**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2011**	**2012**	**2013**	**2015**	**2016**
Employment levels	9847	16417	33140	44345	53087	40364	45889	47040	45310	38437	39197	39210	37560	35306	42560
No. of Firms	21	19			49	42			44	44	42	44	40	39	41

Sources : LNDC (2018, p.8), ODI (2009, p.3), Morris, Staritz & Kao (2016, p.9)

TABLE 2. LESOTHO APPAREL EXPORTS TO THE US IN US$

Year	2000	2002	2004	2005	2006	2008	2010	2010	2014
Export Values	146	342	482	408	407	359	281	301	290

Source : Morris, Staritz &Kao (2016, p.3)

The viable niches for exploitation in the Lesotho clothing manufacturing are listed as manufacture of boxes and plastic packaging materials as well as buttons, zippers and other finishing accessories for garments (LNDC, 2019f).It is crucial, therefore, to focus on sectors that are in and around clothing manufacturing because as Hausmann (2016) points out developing countries in Sub-Saharan Africa are mainly locked in sectors of which the productive capabilities employed do not allow for diversification far beyond the current product set. The health of this sector is vital to Lesotho's economy and path to further industrialization (Morris, Barnes & Kao, 2016).

1.4 Research approach of dissertation

The research process was undertaken through desktop review, correspondence with an economic consultant who is also a former managing director of the LNDC and interviews with Afri-Expo Textiles and its two employees who have worked for Taiwanese clothing manufacturing firms for more than 20years.

The desktop review studied involves both academic and grey literature on Lesotho clothing manufacturing industry. This secondary data was explored through a knowhow lens. The grey literature surveyed ranged from the LNDC documents, publications from international trade research institutes and international labour bodies.

The desktop review has been helpful in preparing interview questions. It also enhanced and compensated the research output because the initial plan was to interview atleast 6 Basotho-owned firms compromising of clothing mills and enterprises in related activities, three Taiwanese-owned firms, and the government of Lesotho through its industry-promoting agency, LNDC and the independent economic consultant. Invitation letters to participate were issued in this regard. However only Afri-Expo Textiles responded timeously by meeting the requirements for ethical clearance while the other invited parties did not. These circumstances led to the research process undertaking a case study in Afri-Expo Textiles. Taiwanese investors presence in Lesotho has not led to a significant number of Basotho running clothing mills (Morris & Staritz, 2017).One reason for this may be how the Taiwanese lay out their operations(Gibbs, 2005; Lall, 2005; Morris & Staritz, 2017; Pike, 2019; Pike & Godfrey, 2010; Staritz & Fredericks, 2012). However for those few Basotho who ventured into this sector, they have had to partner with Taiwanese in order to break into the highly competitive U.S market while those who have not partnered with Taiwanese are limited to the South African market, Afri-Expo Textiles Finance Official (Interview, December 16, 2019). Furthermore, former employees of Taiwanese who take up independent enterprises are limited to micro and small outlets that serve the needs of the current employees.

As the case study was on Afri-Expo Textiles, it assisted in understanding how Taiwanese knowhow helped them start and operate the business. Afri-Expo Textiles employs a Taiwanese CEO who has over 35 years in clothing manufacturing industry. However this is the voice of one Basotho-owned clothing mill out of 4 in the whole country. The results found are not to be generalized as those representing all Basotho clothing mills and will have specific nuances stemming from the previous experience of the Basotho owners. Employees of Afri-Expo Textiles who are former employees for Taiwanese clothing firms were interviewed to find out if they were able to absorb knowhow in the Taiwanese clothing firms. These interviews revealed that they were able to absorb knowhow while working for the Taiwanese however it was only from one activity that was done repeatedly.

Correspondence with the economic consultant provided vital elements to understanding nuances that could not be gleaned from the literature including government interventions with regards to knowhow diffusion in the industry. This key informant is both a practicing economic consultant and a former Managing Director of the LNDC which oversees end-to-end the clothing manufacturing industry and other industry projects in the nation on behalf of the government. He revealed that the Taiwanese investors are footloose, came into Lesotho to exploit unused quotas, to take advantage of the AGOA benefits and abundance of cheap labour. These factors are not conducive to knowhow diffusion.

1.5 Limitations and key assumptions

As mentioned in section 1.4, the initial research plan was to supplement the research literature with interviews from the LNDC, three Taiwanese owned firms and their employees, six Basotho Clothing Mill owners and other entrepreneurs working in and around this sector. Unfortunately there were outright rejections for the interviews from the earmarked Taiwanese clothing firms. This was not a total surprise. My experience as an Accounts Executive at Vodacom Lesotho (2013 – 2018) in which I handled Taiwanese-owned firms has given me first hand exposure with Taiwanese expatriates. They seem to prefer meetings with government, Revenue Authority, and service providers only. They are not exactly welcoming to 'students wasting their time' with research. It did not help that the period in which I sought to engage them intersected with the backlash the Taiwanese expatriates in supervisory roles have received internationally for allegations of sexual harassment and of sexual-favours-for jobs (WRC, 15 August 2019). As a result my paper will not have first hand responses from this key population and it is reasonable to believe that the literature studied may have certain biases.

When other Basotho businessmen were approached, they showed interest but would not follow through with the ethical clearance material that was necessary for this research to be carried out. The government arm tasked with overseeing end-to-end the clothing manufacturing sector, the LNDC was contacted as well, but failed to provide consent letter requisite for ethical clearances. However there are publications from this office that are in the public domain. Moreover the meteoric rise of the Lesotho clothing manufacturing sector has elicited strong interest from academics and trade research institutes resulting in sufficient content to understand the dynamics of this industry.

Notwithstanding the key assumptions are:

i. There appears to be significant barriers in the diffusion of knowhow from Taiwanese firms to Basotho workers
ii. Nevertheless, over the years the Taiwanese organization of industry has allowed for diffusion of knowhow
iii. As a result Basotho workers and general population have been able to absorb knowhow which is evident in some of them starting both formal and informal enterprises in and around clothing manufacturing
iv. The government has some initiatives set in place to allow diffusion of knowhow

1.6 Chapter outline

Chapter 2 of this paper explores literature on knowhow in detail, delving into the definition of knowhow, understanding the dynamics between knowhowand development and knowhow in clothing manufacturing industry looking at the Bangladesh textile and garment sector and literature on the Lesotho clothing manufacturing industry. Chapter 3 will cover the methodology employed in carrying out the research while chapter 4 will provide the main findings from interviews and comparative studies. Discussions of main findings follow in Chapter 5 and the last chapter will conclude with recommendations. The appendix to chapter 4 is appended after chapter 6.

CHAPTER 2: LITERATURE REVIEW

The literature review is presented in two major sections that directly relate to the research project. The first section will review literature on knowhow. The four subsections within this section are: (i) the definition of knowhow, (ii) relationships between knowhow and economic development, (iii) knowhow and the role of the state and (iv) knowhow in clothing manufacturing industry

The second section reviews literature on Lesotho clothing manufacturing industry. The subsections are: (i) AGOA (ii) labour relations in the industry, (iii) issues pertaining to FDI, Global Value Chains, sustainability and skills

2.1 Knowhow[1]

2.1.1 Definition of Knowhow

The definition of tacit knowledge stems from Michael Polanyi's seminal book, *Personal Knowledge*. He describes tacit knowledge as internalized awareness that cannot be taught by merely rules and directives, but is fixed firmly in the subconscious of an individual through repetition (Polanyi, 1962). Allow me to give an example to explain knowhow through the experience I incurred when I bought a small bakery in 2010. The bakery came with lucid and detailed manuals to use equipment and mix recipes for baking bread and confectionary. However in the first two months of operation, as I and my new staff learnt to both use the equipment and mix the ingredients, the output was sub-standard to say the least. However by the end of a 12 month period, the art had been almost perfected and we could bake with simplicity and produce quality bread and confectionary because of daily involvement with the equipment and mixing recipes. As we continually experimented through trial and error on the correct heat per oven per item we mastered the process. This could only be perfected only by actual practice despite the presence of well documented procedures. The bakery team had to literally 'know' the strength of each oven in order to produce quality breads. We were then able to sell more products and increase sales revenue.

The bakery story highlighted above is theoretically supported by Arrow (1962) who advances that one of the most decisive contributions to increasing per capita is acquisition of knowledge or learning, that is acquired overtime and through experience. He also refers to this learning as the

[1]Knowhow , tacit knowledge will many times be used interchangeably in this paper

Horndal effect, which refers to the rise in productivity observed in a Swedish iron works over a 15 year period. In this experiment the singular factor giving rise to productivity was experience gained in this activity.

Dudewicz (1981) argues that knowhow is one of the ‘limiting’ factors in development of any field. He describes it as ‘availability of requisite knowledge in a timely and useable form’ (p.106). A related concept to knowhow is tacit knowledge which is postulated by some as laying the basis of the growth of the firm and the competitiveness of an economy (Gourlay, 2006). It is not ‘codifiable or communicable in language’ and is personally held (Perraton &Tarrant, 2007).

2.1.2 Knowhow and Development

Hausmann and Hidalgo (2011) in their attempt to account for differences in economic growth and per capita incomes across countries posit to some stylized facts which have implication for this study. Firstly, they find that economies that are ‘poorly diversified’ will tend to create and export products that most other countries in the world are creating and/or exporting while ‘highly diversified’ economies will create and/or export those ubiquitous goods and other products that only a few countries ‘successfully create and/or export’. The explicit implication is that we can expect developing economies with very little knowhow to export goods that many other countries are able to create and/or export anyway. Secondly, Hausmann and Hidalgo (2011) find that countries will co-export goods that use the same capabilities (knowhow). The statement implies that economies with few capabilities (little knowhow) will tend to have little increases in the diversification of the number of different goods they export. In other words when additional knowhow is added to a country with relatively little overall knowhow the additional exports it will introduce in their export mix will tend to be only a slight diversification from the current export basket and will most probably be exports that are ubiquitously produced. Moreover Hausmann and Hidalgo (2011, p.313) introduce what they term ‘the quiescence trap’: an economy with few capabilities (little knowhow) is more likely not to pursue additional capability (knowhow) compared to an economy which already has more capabilities. This explains the differences in per capita incomes across countries overtime. The implication on this study is that a developing nation might just be complacent and not exploit knowhow beyond what it is already producing and as a result have very little per capita income increases overtime.

A country that is able to produce more complex products is also likely to be more prosperous than another country that is producing simple products (Hausmann et al., 2014). 'Economic complexity' is the amount of knowledge that is embedded in a nation (ibid.). Consequently countries with a high economic complexity scores end up with high income per capita relative to countries with lower economic complexity scores. The link between knowhow and economic complexity is that a knowhow injection should improve productive capacities and structures by adding to the economic complexity of a nation. The diversity of the tacit knowledge resident in a country determines its productivity levels and its per capita income (Hidalgo & Hausmann, 2009).

Knowhow can only grow at the national level through increasing specialization by individuals (Hausmann, 2016). "Knowing the structure of the product space reveals where the best possibilities lie for diversification, which new products might be developed on the basis of existing knowhow or with the addition of relatively little extra knowhow" (ibid. p.3). A country, when exploiting knowhow into a new product is more likely to move into products that are closely related to what they have already; 'the nearby sectors' than move into a totally different product range requiring non-existing or 'far-away' productive capabilities (Hausmann et. all, 2014). Another foreteller of goods likely to be produced by a country in the future is its economic complexity (Hidalgo & Hausmann, 2009). The positive link between economic growth and the accumulated stock of knowhow in a nation is also noted by (Teece, 1977).

2.1.3 Knowhow and the Role of the State

'Learning what one is good at producing' or 'self discovery' is recommended in the toolkit of development for developing countries **(**Hausmann & Rodrik, 2003). This learning is not costless and requires on-going investment of which the initial entrepreneur cannot partake of the full benefits thereafter because ease of entry makes it far easier for competitors to join the bandwagon and drive away monopolistic profits (ibid.). One of the crucial costs identified in the 'self discovery' process is knowhow (ibid). While the employees of Taiwanese clothing mills in

Lesotho may eventually excel in using the technology of their employer in that particular factory; if they buy the same machinery and start their own firms, they are not likely to produce same quality as the Taiwanese in the initial months because of the 'tacit elements of technology transfer,' (ibid.). It is this initial stage of production by locals that necessitates state support of some sort because of the difficulties of firm-level adaptation and conditions. State support such as industry-specific research institutes allows local imitators to a multinational corporation to develop production models that are more suitable to the local conditions (ibid.).

Governments ought to play a heavy interventionist role in ensuring that once knowhow is seeded into an economy entrepreneurs find it attractive to step in (Hausmann & Rodrik, 2003). The type of intervention which is undertaken by government matters as well. For example, if the government reimburses entrepreneurs who fail, it is likely to attract entrants who would never yield any benefit to begin with anyway and this kind of support can deplete the national fund designated to this endeavor (ibid.). If the intervention is such that entrepreneurs are only rewarded later after they have become successful then those who could have been successful but lacked start-up funds are excluded to the detriment of the national economy (ibid.). Therefore government guarantees, export subsidies to local entrepreneurs at the initial stages of production to ensure knowhow does impact positively on the development process (ibid.).

Khan, (2009) in his exploration of learning, technological acquisition and governance challenges in developing countries articulates that tacit knowledge implies that firms that move into new sectors will incur financial losses as they learn. If a state finances the learning phase, it is important to discipline firms to perform through tools such as reciprocal control mechanism (RCMs) (Amsden,1994). These include but are not limited to linking incentives to output targets in the export sector.

Policies such as tax holidays and establishment of industrial parks are not sufficient to develop an industry but "the challenge is to craft policies that induce foreign firms to train local workers to the point that the workers become capable of training others in new organizations," (Mostafa & Klepper, 2010, p. 32). The government is clearly accountable for the spread of knowhow (ibid.).

The vital role of the state in translating knowhow into economic development is further concurred by Amsden (1992). She points out that countries such as Britain and United States that industrialized prior to the 19th century can best be referred to as inventors and innovators respectively, while learning economies joined industrialization very late in the game and best describe South Korea's industrializations in the mid 20th century. These learning economies 'borrow' existing technology and rely very much on a myriad of state support initiatives to ensure that knowhow on the production floor is continually improved to allow production of globally competitive products.

Wade (2010) highlights a successful initiative by the South Korean government in enforcing the diffusion of knowhow around the product space of glass manufacturing. The television manufacturer Phillips (Pty) was resistant to using Korean-manufactured glass. The state frustrated Phillip's import applications with delays until Phillips acceded to using Korean-manufactured glass.

Other measures to ensure existing knowhow in the economy builds industry and aids the development process is state intervention in regulating entry and removing non-productive entities (Hausmann & Rodrik, 2003). In the early 1950s, Taiwan set up a textile industry and successfully spurred local production by availing highly attractive incentives and over and above that, the government 'restricted' the number of companies that could enter the textile industry to prevent unnecessarily high competition that drives down yields (Evans, 1995, p.57; Wade,1990).

Two of the requisite elements for economic development are technology (i.e. new tools, new human skills and new knowledge) plus the attitude to the new knowledge (Reinhart, 1999, p.274). In the same paper titled *The Role of the State in Economic Growth,* Reinhart shows how the European states were able to move from backwardward-ness in the 14th century to modernity in the 17th century because the government established scientific academic institutes, apprentice systems, enabled for State-Owned Enterprises (SOEs) to be places of learning and allowed for diffusion of new knowledge through education (ibid., p 277).

In the early 20th century, Japan became one of the leading cotton textiles precisely because the government had initiated a state-owned mill in the late 19th century (Hausmann&Rodrik, 2003). That initial deposit availed knowhow of textile in the industry and attracted private entrepreneurs who learnt what worked, did not work and improved on the model the government had already provided.

Some of the special challenges that come with immigrant knowhow is that at the inception of the expatriate project, the host nation is scarcely skilled and the immigrant has to bring in skilled, specialized and experienced workers from their own nations. This phenomenon is highlighted by Oya (2019) in his assessment of labour regimes of Chinese firms in Africa. The immigrant firms can become complacent with importing their own skilled labour unless there are restrictions by government such as is the case in Ethiopia (ibid.). Another challenge immigrant knowhow bring is that expatriates may not be intentionally willing to develop local linkages unless there is a special policy or requirement by the host government. An example of disciplining an unwilling immigrant is provided above by Wade (2010), wherein the South Korean government found ways to ‘enforce’ Phillips to source inputs from South Korean firms.

2.1.4 Knowhow in Clothing Manufacturing Industry

Another element for the diffusion of knowhow into an economy put forward by Hausmann and Rodrik (2003) is the use of skilled workers who have on the job experience.Below is a detailed description of the manner knowhow was transferred into a whole economy in less than a decade in Bangladesh. I draw on the Bangladeshi example because by 1980 it was classified as a least developing country, as was Lesotho. Both countries started clothing manufacturing around the same time; 1979 for Bangladesh and early 1980s in the case of Lesotho.

Rhee (1990) traces out the Bangladesh garment sector’s meteoric rise in the 1980s. This sector share of exports grew from 0.5% in 1981 to 28% in 1987 at an average annual growth rate of 106% within the 6 years (ibid.). Rhee (1990) further identifies the catalysts to this astounding miracle. First of all, a South Korean Multi-National Corporation, Daewoo which had exhausted its own garment quota with OECD countries entered Bangladesh to expand its business and found a country that had no quota restriction and had not exploited the clothing manufacturing sector. Daewoo entered into a venture with a Bangladeshi company, Desh in 1979. One of the elements of the success derived from the intentional training plan between these two firms. One hundred and thirty Bangladeshi went for training in South Korea. The training had a detailed layout covering practice of machine operations, introduction to garment manufacturing, specialized training, in-depth on the job training and evaluation for seven months (ibid.). The aim was that with the new found skills of management, production and marketing this cohort would become the training catalyst for the whole industry back in Bangladesh. The location of the training enabled the trainees to learn and absorb firsthand the dynamics needed to run an international company and the kind of corporate culture needed to operate on an international scale (ibid).

Whenever necessary, experts from Daewoo, South Korea were sent to Desh, Bangladesh to improve quality of production and train new workers which had not attended the initial training in South Korea. Because of the on-going intensive and intentional diffusion of knowhow from Daewoo to Desh the joint-venture between these two companies was ended after about eighteen months of Desh's production and the latter successfully faced the international export current on its own (ibid.). Another pivotal event to the Bangladeshi garment sector success derives from the fact that 115 of the initial 130 Desh South-Korea-trained employees left to start own enterprises in the sector and repeated the cycle of heavily and intentionally training their workers who trained those coming after them. The fact that Desh had quickly developed into an international player meant that the employees left with all the requisite skills to replicate formation of international companies.

Khan (2009), Mostafa and Klepper (2017) and Mottaleb and Sonobe (2011) contend that when the initial 115 employees resigned to set up their own shops they transacted directly with foreign buyers. The same group also produced a class of garment traders. These garment traders were the intermediaries between the foreign buyers and other producers who had not received training but were interested in the sector. The traders, having received training, were able to cut down the period of trial and error for the producers who needed to enter the global clothing industry competitively. With time, the producers would learn how to cooperate with and manage the foreign buyers themselves, and carry out the wholesale clothing business while the traders moved to new producers. These new clothing owners also trained their own employees who went ahead to start own firms. Clearly, large scale and on-going knowhow transfers took place in the

Bangladesh economy. The initial South Korea training to local highly-educated Bangladeshi was one channel of transfer of tacit knowledge. When the new Bangladeshi clothing owners trained their managers and employees a further channel of knowhow transfer was spread across the economy. The third and also reinforcing channel was also between foreign buyers to garment traders to garment manufacturers who in turn passed it onto their managers and workers. It was advantageous that the initial trainees were also wealthy so they could immediately set up their clothing units. It was also wisdom in hindsight that a large number were trained so that the initial training would cause a spill over that would reverberate into a large stratum of the economy.

Mostafa and Klepper (2010, p. 3) contend that "the growth of the industry following an initial seed is not based on imitation per se but on transfer of tacit knowledge through employee mobility". The initial production of Bangladeshi garment industry was on woven textiles. Owing to the accumulation of knowhow the production processes diversified into the 'nearby' sectors of sweaters in less than 10 years. This diversification is in line with what Hausmann (2015) predicted. He argued that it is far easier to move into products that can be supported by existing capabilities than move into products where there are simply no capabilities.

Rhee (1990) notes that the Bangladeshi government role in the spread of knowhow in the garment sector included building Special Bonded Warehouses. These warehouses ensured costs of imports for intermediate inputs into the garment manufacturing and costs of exports were drastically reduced. At the same time the government availed a sort of import financing with back-to-back letters of credit to enable commercial banks to release foreign exchange to garment sector to be able to buy inputs on the international markets.

The above treatise on the Bangladeshi industry is one of the reasons why it is important for my research question to enquire whether Basotho workers have been able to absorb knowhow and start new enterprises in and around clothing mills. Hausmann and Rodrik (2003) mention how a former employee of a thriving cut-flower business in Colombia was able to resign and start a consulting service on the burgeoning new entrants. It is worth pursuing whether there are similar trends in Lesotho.

In the following section we look at what has been uncovered by literature on Lesotho clothing industry.

2.2 Lesotho Clothing Industry

2.2.1 AGOA and the Lesotho Clothing Industry

The 'miraculous' impact of Africa-Growth-Opportunity-Act (AGOA) on Lesotho's clothing industry is noted by Gibbon (2003). AGOA is a legislative tool issued by the United States of America (USA) to enhance market access to least developing countries (ibid.). AGOA came as a result of the USA government's decision to use trade policy as a tool for 'development aid' for its poorer allies (Seidman, 2009). The USA government designated favourable trade tariffs for clothing manufactured in those poorer countries (ibid.) As a result, manufacturers from across the globe descended on those countries to benefit from favourable trade terms (ibid.). Lesotho is one of these poorer USA allies.

Lesotho is the leading FDI recipient in Africa in the garment sector (Lall, 2005). Lall (2005) also attributes the increase in clothing sector FDI and export volumes and values to AGOA, which Lesotho as a 'Lesser Developed Beneficiary Country' benefited more than other African countries. The positive impact of AGOA on Lesotho's apparel sector and especially the Taiwanese investment presence is acknowledged also by Morris and Staritz (2017). Between2002 and 2005, Lesotho became the largest exporter of garments from the African continent (Lall, 2005). In 2001, textile and clothing manufacturing compromised 56% of all exports, with 99.2% of all textile and clothing exports going into the United States and Eurozone (ibid. p.1002).

2.2.2 Labour relations in the Lesotho Clothing Industry

Gibbon (2003) notes the restive labour relations in the industry in the early 2000s. The politics of labour reform were carefully analyzed by Gibbs (2005) who also concurred the explosive labour relations from in the early 2000s because of the presence of a large number of trade unions who complicated employer-employee relations. The intrusion of labour unions in the clothing sector leading to difficult relationships between employer and employee is noted by Lall (2005). This unpleasant relationship in the clothing manufacturing industry has a bearing on whether Basotho workers were able to absorb and access knowhow in such an acrimonious environment.

2.2.3 FDI, Global Value Chains, Sustainability and Skills Transfer

The Taiwanese firms came into Lesotho in 1986 from South Africa to escape the sanctions that were placed on the segregationist South African government (Lall, 2005). By the late 1980s FDI flooded into the clothing industry because the Eurozone postponed or delayed the requirement for products coming out of Lesotho to use fabric produced in Lesotho (ibid.). When this requirement was later put in place in the 1990s, those firms that had taken advantage of that loophole rationalized (ibid.). A new wave of immigrants came from South Africa starting at the beginning of the 21stcentury as labour laws and relations made it extremely difficult for clothing manufacturers in South Africa to remain competitive. Many of these producers were Taiwanese entrepreneurs based in Newcastle, Kwazulu- Natal Province (Nattrass & Seekings, 2014).

Morris and Staritz (2017) discuss the importance of local embeddeness and nature of supplier firms to upgrading within global value chains by studying the Lesotho apparel industry. They also study skills transfers from expatriates to local workers through training and possible imitation. They identify two types of export markets in the apparel industry, the South African market and U.S market. The South African export market is serviced by immigrant South African firms while the U.S market is highly dominated by the Taiwanese investors. These two different supplier firms also give rise to differences in sustainability, skills transfer and local linkages (ibid.). The Taiwanese having no interest in Lesotho beyond the AGOA trade benefits invests relatively little in training when compared to South African firms (ibid.). Developing local linkages is not the main concern of Taiwanese and they are not at all innovating beyond the CMT technology they first brought into the country (ibid.). South African firms are rather interested in bringing more of their production lines into Lesotho to take advantage of the lower labour costs and the proximity of Lesotho to the South African market. As a result there is a genuine interest in skills transfers by South African firms. The latter carry out training and develop- local linkages (ibid.). South African firms do experience problems in pursuing their ends and it is up to the Lesotho government to address the bottlenecks in the industry as South African firms seems to be a willing partner is pursuing sustainability, skills transfer and local linkages in the apparel industry.

One of the competitive capabilities or knowhow mandatory to succeed in international export of clothing industry is to be properly linked with international sub-contractors. These latter groups act as the middlemen between the OECD based buyers and the clothing manufacturers (Lall, 2005). The Taiwanese investors present in Lesotho are subsidiaries of global manufacturing companies which have links with these pivotal middlemen (ibid). These middlemen also stipulate and ensure quality, price and delivery, design specifications and technical assistance (ibid. p.1005). These transactions are completed at the manufacturers' headquarters in Taiwan, away from the shores of Lesotho and local employees.

Up to the mid-2000s, Lesotho' s survival in the clothing industry depended very much on the trade privileges allowing for it to source materials freely and the end of AGOA did not bode well for Lesotho (Lall, 2005). The same fear is underscored by Kaplinsky and Morris (2008) in their pursuit to understand how the rise of Asian countries like China in the clothing manufacturing export-sector affects export oriented industrialization in Sub-Saharan Africa (SSA). They find that SSA as a whole may not be able to hold against Asian competition without sustained trade privileges such as AGOA. They point to an explicit example of how the Multi-Fiber Arrangement system restricting exports from Asian into developed nations was removed after 2005 leading to textile and clothing firms based in the SSA region losing a fraction of their export volumes to Asian-based textile and clothing companies, resulting in job losses of 26% in the Lesotho textile and clothing sector. The Lesotho clothing manufacturing industry has been declining since 2005 and it would have been better if international development agencies had sought to help the government forge regional integration and economic diversification around the apparel industry to ensure survival of this crucial industry (Seidman, 2009).

Of particular concern in 2001 was that the managerial and supervisory levels were held almost exclusively by expatriates with Basotho being limited to the personnel relations functions (Kaplinsky & Morris, 2008) The shop floor supervisors were expatriates which introduces barrier to smooth labour relations as these expatriates could speak neither Sesotho nor English (ibid), the two official languages in Lesotho.

The highest recorded employment levels in the sector was in 2004, with the number of workers reaching over 53 000 (Morris & Staritz, 2017). At the time of writing Lall (2005) noted the utter lack of Basotho-owned firms in formal clothing manufacturing and that the local labour is not skilled in manufacturing (p.1001). One of Lall's (2005) claims is that he does not see the Lesotho clothing industry exporting into the larger-relatively more industrialized South Africa like the arrangement Mexico has with the larger United States of America.

Lall (2005) makes a bold claim as he observes the apparel industry in Lesotho- that the 'passage of time' and knowhow may not be sufficient to address the productivity deficiencies in the industry.

The literature review on Lesotho textiles has looked at skills transfer from Taiwanese manufacturers to employees (Lall, 2005; Morris & Staritz, 2017), but there have been no recent investigations into whether any of the employees have started an independent enterprise in and around clothing manufacturing by exploiting the knowhow they absorbed working for the Taiwanese. This is what my dissertation contributes to the studies on Lesotho clothing manufacturing. Furthermore, while Lall (2005) looked for presence of Basotho entrepreneurs arising in clothing manufacturing and finding none, Morris and Staritz (2017), only mention their existence but do not seek to understand how knowhow from Taiwanese was transferred to these entrepreneurs. This dissertation looks into the matter and thus adds another layer of contribution to the study of clothing manufacturing in Lesotho.

The next chapter (Chapter 3) looks at the research methodology carried out for this report.

CHAPTER 3: METHODOLOGY, DESIGN AND SAMPLING APPROACH

The research process was two-fold. Firstly, I conducted desktop review from projects and programmes literature written by entities such as international trade and labour bodies, Lesotho government agencies, reputable multi-pronged organizations addressing growth and development in Sub-Sahara region, trade experts and economists on the clothing manufacturing sector in Lesotho. The review was conducted with a strong focus on knowhow transfer and diffusion in the industry. This information plus the academic literature greatly assisted in furnishing the semi-structured questions. A brief description of the grey literature used in this research is provided below.

3.1 Description of the grey literature sources

(a) BetterWork: It is ‘a partnership between the UN’s International Labour Organization and the International Finance Corporation, a member of the World Bank Group, Better Work brings diverse groups together – governments, global brands, factory owners, and unions and workers...’ ,(BetterWork, 2019a). BetterWork opened an office in Lesotho in May 2009 (Godfrey & Pike, 2010) and closed it in 2017 (Pike, 2019).

(b) Godfrey and Pike (2010). This research pin-pointed the role BetterWork should play in the Lesotho clothing manufacturing industry. Dr. Shane Godfrey is a Senior Researcher at the Labour and Equality Project at the University of Cape Town, South Africa. Kelly Pike is Assistant Professor at York University, Toronto Canada.

© LNDC (2019). The Lesotho National Development Corporation. It is ‘the main parastatal of the Government of Lesotho charged with the implementation of the country’s industrial development policies (LNDC,2019a).Having failed to secure a written approval from the LNDC to conduct interviews I found content on their website extremely helpful.

(d) Morris, Barnes and Kao (2016).This is a Lesotho case study the authors made for the International Centre for Trade and Sustainable Development (ICTSD). Mike Morris is Professor in the School of Economics at the University of Cape Town, South Africa. Justin Barnes is a Benchmarking manufacturing Analyst. Moshe Kao is part of the experts’ network of the ICTSD.

(e) ODI (2009). This is a case study part of the Aid for Trade by ComMark into the Lesotho Textile and Apparel Sector Programme that was run from 2003 -2009. Aid for Trade is commissioned on behalf of European Union (EU) Member States to strengthen the quality and poverty focus of EU Aid for Trade Strategy implementation' (ODI, 2009). ComMark is a 'non-profit regional development organisation based in Southern Africa.

(f) Staritz and Fredericks (2012).This is a sector case study in Apparel (Lesotho) for the World Bank.

3.2 Interviews and Correspondences

The second part of the research process was conducted through interviews, e-mail and telephonic correspondences with the informants below during the month of December 2019.

(a) Former Managing Director of Lesotho National Development Corporation (LNDC) who is also a practicing economic consultant. This independent economic and investment advisory consultant is a well-to-do professional who was able to give me a fair understanding of the operations of the industry. The fact that he is also the former CEO of LNDC means he is aware of internal structures within LNDC and government relations that foster or hinder knowhow. He was able to provide a credible assessment on whether Taiwanese arrange their operation in a manner which allows for knowhow transference to Basotho and whether the knowhow brought into Lesotho by the Taiwanese investors has led to economic development. He was able to do that freely and generously without fear of reprisals because he gets a large portion of his consultancy assignments from international development agencies and not the Taiwanese investors. This particular participant was sent a set of core questions via email on the 1st of December 2019. The questions were designed in such a manner that they would shed light on the research questions first mentioned in the introductory chapter. There was no need for any follow up questions as he was very generous in providing information.

(b) Afri-Expo Textiles management and its employees

Afri-Expo Textiles interviews were held on the 16th of December 2019 at their headquarters. It is a 100% Basotho-Owned company which started operation in May 2016 (Afri-Expo Textiles, 2019). It operates from a two thousand square meter factory shell at Tikoe Industrial Estate, Maseru. Tikoe Industrial Estate is built and leased out by the LNDC. Afri-Expo Textiles currently has 450 employees, Finance Official (Interview, December 16, 2019). It has three Basotho managing directors, one Taiwanese factory manager who boasts a thirty-five year manufacturing experience, two Basotho Trainee factory managers who are fluent in Mandarin; one holds a Masters degree in International Trading and the other holds a degree in Marketing and Administration. There are also seven Basotho supervisors and three administrators (Afri-Expo Textiles, 2019, p. 2). The skills brought into Afri-Expo Textiles by its management are "engineering, projects management, textiles, international trade, administration and a wide experience in the production industry (ibid. p.6). The founder and his wife run a successful protective clothing retail business in the country which they started over a decade ago. The plan is to supplement Afri-Expo Textiles management skills by bringing in "international partners who will assist with technical expertise and a team currently understudying critical operations in other factories" (ibid., pp. 6-7).

Afri-Expo Textiles produces jeans only, Finance Official (Interview, December 16, 2019). It is currently operating on Cut, Make and Trim (CMT) basis and plans to do full FOB services after 5 years of operation, that is from year 2022 (Afri-Expo Textiles, 2019). CMT basis means the buyer supplies the fabric to Afri-Expo Textiles and the specifications of their preferred style of the apparel. The fabric and style is sent to the cutting department at Afri-Expo Textiles who then make a sample for buyer's approval. If approved, it is then sent to the sewing department which is the 'making'. It is then sent to the trimming department, where accessories, size labels and similar things are embossed on the apparel (ibid.)

Afri-Expo Textiles started off producing for the US market, taking advantage of AGOA, and has added a secondary line for South Africa, catering for the Ackermans Group, Legit and Edcon, Finance Official (Interview, December 16, 2019).

Afri-Expo Textiles was among the three Basotho-owned clothing mills that were first earmarked for this report because of its progressive growth since 2016. The founders responded positively to the participation invites. In December 2017 while employed as a Business Sales Specialist at

Vodacom Lesotho, I received a list of clothing manufacturers from the LNDC. At that time, there were only 4 Basotho owned firms. Afri Expo Textile was chosen because it is one of those that export to the U.S market. Their shop floor employees that were interviewed have more than twenty years working for Taiwanese clothing manufacturing firms. As they no longer work for the Taiwanese, there were able to speak freely and provide reliable information about their former employers, especially because I did not ask the names of the Taiwanese companies they worked for. The interviews with these shop floor employees who held supervisory roles in the Taiwanese firms and are still employed as supervisors in Afri-Expo Textiles were held in the presence of the Finance officer. She sat throughout the interviews without providing reasons. I immediately understood the dynamics at play. She wanted to ensure that the employees do not voice any reservations they might have about the current employer. She also sat through to confirm that I do not meander unto other topics beyond what I have briefed them on. This might indicate a slight bias to present their current employer well. At the same time, these employees were able to provide a good comparison of being a supervisor in a Taiwanese-owned firm viz-a-viz Basotho owned firm. The founders were represented by the Finance officer. The Finance officer chose the interview date (16th December 2019) as it was more convenient for her and her staff since they would be available. The official business shutdown for Christmas holidays was Friday the 13th December 2019. Only a handful of staff was at the premises and on the production floor on the Monday of the 16th December 2019.

I used semi-structured questions and left room for open-ended questions. This approach allowed me the freedom to catch some of the salient things that I might have not thought to be important beforehand. The limitation with using only open-ended question is that the interviewee could meander into other subjects hence the use of semi-structured interviews. I did ensure that the interviewees understand that my focus is on knowhow and that the concept is adequately explained. There were follow up interviews carried out on the 31st January 2020 to clarify some of the issues.

3.3 Limitations to the Research Plan

I had planned initially to carry out interviews with Taiwanese clothing manufacturers to hear first hand from them what they are doing to ensure knowhow transfer to their Basotho workers. None of the contacted Taiwanese accepted the invitation to participate. Taiwanese are not very welcoming to ‘students’ conducting research on them and value their time so highly they restrict themselves to government and parastatals that directly affect their operations, such as the revenue authority, the labour and home affairs ministries, the LNDC, their service providers in telecommunication and electricity. I had direct dealings with them for a total of close to ten years. The first five years I interacted with them on almost a daily basis when working for the Lesotho Revenue Authority (2004-2009) and on a monthly basis while working for Vodacom Lesotho (2013-2018). I had sincerely hoped my previous interactions would assist to get atleast two interviews but this was not the case. In one company I planned to use a Mosotho who is employed as a Personnel Manager to get an interview but he has since moved to another Taiwanese-owned clothing factory that started operations in 2019. In yet another company the Mosotho Operations Manager, who has been working with many Taiwanese for the past twenty years, whom I had been in touch with since May 2019 inviting him to participate in the research, verbally agreed, but when it was time to provide written consent he became unavailable. To make up for this I have had to rely on research conducted on the clothing manufacturing sector previously by international labour bodies and international trade bodies as indicated above.

The next chapter (Chapter 4) presents the main findings and discussions on the findings.

CHAPTER 4: PRESENTATION OF MAIN FINDINGS AND DISCUSSIONS

This first section will provide a summary of the main findings. The second section will provide discussion of these findings. A comprehensive list of findings is found in the Appendix, which follows Chapter 5. Section 4.3 provides a background on how Afri-Expo Textiles was formed and their journey thus far in order to provide context for the findings.

4.1 Key findings

- From the 1980s to 2012, high-level skill roles were initially reserved only for expatriates. These include supervisory, technical, pattern-making, machine maintenance, layout, cross-training on multiple tasks and managerial roles.
- Other high-level skill activities such as purchasing of inputs, merchandising, and marketing and finance units are largely conducted from the Taiwan-based headquarters.
- The type of activities performed in Lesotho by the Taiwanese investors, are mostly limited to CMT.
- Supervisory roles held by Basotho hold very limited powers.
- Expatriate preference for the use of Mandarin, initially has an adverse bearing on participation of Basotho in high skill level roles however this has proved a surmountable problem.
- Taiwanese firms are not driven by transferring knowhow to Basotho employees hence relative to South African firms, Taiwanese do not invest on staff training to increase skills.
- Taiwanese are in Lesotho only to take advantage of free tariffs and free quota preference such as AGOA.
- Basotho working on the shop floor receive basic on-the job-training.
- The first Basotho clothing mills are recorded after 2012.
- A legion of micro, small enterprises offering goods and services to factory workers have sprung up. These are in the poultry, fast food, micro lending and clothing retail services.
- There are commendable measures the government of Lesotho has undertaken to foster the expansion of knowhow such as the Partial Credit Guarantee Scheme, assistance with business plan development, setting up of operational systems and general business management including appointment of a mentor by LNDC, a Diaspora engagement strategy and trade expos.

- At Afri-Expo Textiles, there is on-going training of skills improvement. Meetings are held continuously to encourage employees to upgrade their skills and knowledge and proper plans for on-the job training are laid out
- Afri-Expo found the government of Lesotho to be indifferent to addressing the challenges Basotho clothing mills experience.
- There is no support of local firms that supply services to the clothing industry.
- The government training institutes created for skills transfer and local skills upgrading do not offer adequate curriculum.

4.2 Discussion of Key Findings

4.2.1 High-Skill level roles and units

The correspondence with the former Managing Director of LNDC still decried the fact critical decision making skills, such as purchasing of inputs; merchandising, marketing and finance are still performed from the shores of Asia. Furthermore informants revealed that the activities performed in Lesotho are restricted to CTM; a low-value adding activity. These findings are consistent with previous studies (Gibbs, 2005; Lall, 2005; Kaplinsky & Morris, 2008; Staritz & Fredericks 2012; Morris, Barnes & Kao 2016; Morris & Staritz, 2017). The implication is that the Taiwanese presence has not vastly improved the economic complexity (Hausmann et al., 2014) of the Lesotho nation because the nature of skills introduced is of a low value.

4.2.2 Basotho employees in Taiwanese vs. Basotho Owned factories

The interview with the former Taiwanese employees confirmed previous studies (Pike, 2019) assertion of lack of technical skills in Basotho supervisors whose roles are limited to enhancing employee morale and motivation for targets to be reached. These informants stated that since they had started working for Afri-Expo Textiles as supervisors, they have acquired technical skills from their expatriate colleagues because of the deliberate insistence and support by Afri-Expo Textiles management.

The Afri-Expo Textile employees revealed that their current employer is deliberate about their ability to acquire diverse skills and provides on the job-training for them; a very different situation compared to their former Taiwanese employers. Taiwanese employers provided only basic on-the job training for sewing machines, performing one task or operating one machine, cutting, pressing leading to employees being equipped with only one specific skill which they have to do over and over again (Pike & Godfrey, 2010; and interview informant). The interviews with the former Taiwanese employees revealed that they are learning more skills in the Basotho-owned factory. While employed at the Taiwanese firms, the workers took own initiative to upgrade themselves by using their private time, such as their lunch hour to learn new skills. This is akin to previous findings which alluded to reluctance by the Taiwanese to fully invest in staff trainings when compared with South African firms (Morris & Staritz, 2017).

The fact that Taiwanese 'workers are equipped with one specific skill which they use over and over again' as opposed to different skills (Pike &Godfrey, 2010) suggests that a Taiwanese employee can spent all his/her tenure of employment in the firm sewing one part of an apparel, e.g. a collar or backside pocket. This is in stark difference to Afri-Expo Textiles where there is deliberate training to ensure employees get to learn how to sew different parts of a garment and to learn other skills within the whole value chain of CMT. As a result these Basotho workers are restricted from further diversification as they are not acquiring key capabilities that would propel to being an-all round seamstress for instance. This is a fact denoted by Hausmann (2016) that nations cannot break outside their current mould of produce unless a new set of capabilities are introduced. I admit that this is a very limited observation because the findings are based on interviewing only two employees. Suffice to mention though is that the findings regarding the type of small and micro enterprises that are taken up by former Taiwanese employees tie with Hausmann and Hidalgo's (2011) implication that when a nation has fewer capabilities (little knowhow) their diversification will be limited.

It is not a surprise that the interviews with the former Taiwanese employees revealed that a larger percentage of the former employees of Taiwanese-owned firms open small and micro enterprises in services that serve the needs of the current employees such as food and money-lending services rather than clothing mills. Most of these micro and small entrepreneurs have worked in the clothing factories themselves. They know the daily life-style and immediate needs of a factory worker. They know the monthly incomes of factory workers. They know the kind of quick-lunches that factory workers prefer and can afford. They know the frustrations factory workers face when their salaries run dry before the month end and the need to supplement with quick loans that are easily accessible. They also know the mentality of factory workers; how at the end of each month, they celebrate their arduous labour with the ‘finer’ things in life, such as meat and alcohol. It is for this reason the micro entrepreneurs supply poultry. The micro entrepreneurs know that factory workers are fashion conscious and enjoy shedding their week-long wardrobe of jeans, T-shirts, takkies, employer-branded overalls and a small fleece to warm up their waists during the winter months. The entrepreneurs travel to the Republic of South Africa to buy cheap clothes and sell them to the factory workers. The entrepreneurs also know that factory workers leave their homes very early in the morning and arrive home very late in the evenings. Factory workers have 1-hour lunch period that they cannot extend without fear of grievous consequences and as a result do not have time nor the funds in the week to travel beyond the industrial estates for the supply of their needs. Hence savvy entrepreneurs who have ‘known’ the needs of a typical factory worker swoop in the industrial estates and ensure the services needed by a typical factory worker are easily accessible. The knowhow of running the micro and small enterprises listed here has been resident in Lesotho not because of the Taiwanese investors’ presence. The latter have simply increased the range and magnitude of these micro and small enterprises in the country.

4.2.3 Basotho’s entrance into clothing industry: opportunities and challenges

The clothing manufacturing industry began in Lesotho in the early 1980s, though 32 years later; there was still no Mosotho clothing manufacturer. The literature review on the Bangladeshi clothing industry (Rhee, 1990) reported that in less than a decade 115 Bangladeshi nationals became clothing manufacturing factory owners from the initial 130 that were extensively trained in South Korea. The difference in results between these two nations is precisely because the Bangladeshi government deliberately trained its nationals to run clothing manufacturing end-to-end when it sent them to Pusan in South Korea. In Lesotho, the government has been lackluster in requiring and/or enforcing Taiwanese firms to invest in knowhow transfer to the Basotho workers for fear they will abscond (Morris, Barnes & Kao, 2016; Pike, 2019).

From 1986 to 2012 there was no Mosotho clothing manufacturing firm. The informants revealed that after this period there has been Basotho entrants in running clothing manufacturing firms who have had limited success. The layout of functions within Afri-Expo Textiles suggests that the presence of an expatriate is important to break into the AGOA market. This is because the expatriate comes with a well-rounded wealth of experience of all activities involved in clothing manufacturing beyond CMT. These include textile engineering, fabric selection and inspection, international marketing, sourcing, liaisons with international buyers, product design, quality assurance and grading.

Furthermore the Taiwanese-led Association of Lesotho Textile Exporters is only concerned with exports of their members and not assisting Basotho to start or grow their enterprises as put forward in the correspondence the economic consultant. The Finance Officer from Afri-Expo Textiles was not even aware there is such an association in the industry and pointed out that there is no Basotho association of clothing exporters. However, officially this remains a voluntary association of textile and clothing manufacturers. Legally, this voluntary association is inclusive of all textile and apparel exporters based in Lesotho. However the fact that Afri-Expo Textiles is not even part of it and the Finance Officer suggests that operationally the association is a closely knit Taiwanese-only group.

The delay in Basotho nationals starting clothing manufacturing factories is precisely because of the way Taiwanese lay out their operations and state inaction in enforcing knowhow transfer. The latter is strongly heralded by Wade, 1990; Amsden, 1992; Amsden, 1994; Hausmann and Rodrik, 2003; Khan, 2009; Mostafa and Klepper, 2010; Wade, 2010. This finding ties in with Hidalgo and Hausmann (2009) observation that tacit knowledge or knowhow must first be diverse in a nation for productivity levels (productive capacities or skills) of a country to increase which has not been the case in Lesotho. This delay by Basotho nationals resonates with Hausmann et.al (2014) observation that when a country exploits knowhow into new products it will usually rely on the already accumulated knowhow. As this study has unveiled there has not been any concerted effort by government since inception of the industry to diffuse the Taiwanese knowhow into the economy. The founders of Afri-Expo Textiles already had over a decade of experience in supply of protective clothing and factory management and combined their knowhow with the Taiwanese clothing manufacturing veteran whom they hired in order to venture in apparel industry. From the interview with the Afro-Expo Textile Finance Officer, the most important factor for the owners to venture into apparel industry was the fact that it has the potential to drastically reduce unemployment rate and poverty. The founding directors of Afri-Expo Textiles had become very wealthy by conducting businesses that needed only a small contingent of labour. This is what led them to approach the Taiwanese factory clothing management veteran to plan out how they could start a clothing mill and stay afloat. The founding directors of Afri-Expo Textiles had noticed that it is a profitable business, seeing the largess the top Taiwanese management flaunted with their big cars and homes they rented in the nearby suburb of Ladybrand, in South Africa. These observations caused them to start this factory as a desire to help the community. The Finance Officer also went on to reveal that the government of Lesotho should have been the one investing in clothing mills to eradicate unemployment and poverty, however the political instabilities that have beleaguered Lesotho since 1998 have led to the neglect of such crucial matters, and hence why the founding directors felt necessary to open the mill.

The economic consultant and former Managing Director of LNDC explicitly stated that the Taiwanese are not interested in transferring knowhow to Basotho employees because they came into Lesotho **only** to take advantage of free tariffs and free quota preference Lesotho enjoys under AGOA plus its competitive labour costs because the Taiwanese firms are purely profit-maximizing footloose investors. As the advantages of AGOA are expected to cease at some point, the Taiwanese investment and commitment in Lesotho is highly limited.

4.2.4 The role of Lesotho government in knowhow diffusion

The LNDC strategic plan for 2018 – 2023 aims to ‘facilitate linkages and skills transfer programmes between Basotho-owned firms and multi-nationals’ and provide productivity training for Basotho export-oriented firms (LNDC, 2019g). However this investigation has unearthed some bottlenecks that have been identified that suggest hindrances to expansion of knowhow in the Lesotho clothing manufacturing industry. There do not seem to be incentives that are directly specific to the clothing manufacturing being offered by the government. The two training centers present in the country which are used by clothing manufacturers do not offer adequate curricula as they are also not specific to the apparel industry (Lall, 2005; Morris, Barnes & Kao, 2016, pp. 12-17; Staritz & Fredericks, 2012).

There is no deliberate support of local firms that supply services to the clothing industry (Morris, Barnes & Kao, 2016, pp. 14 -17; Staritz & Fredericks, 2012). The economic consultant revealed that the government support is biased towards big firms not MSMEs (Micro, Small, & Medium Enterprises). However the same informant noted that they are some support schemes for MSMEs to participate particularly in the apparel industry though comparative studies denote them as weak (Morris, Barnes & Kao, 2016; Staritz & Fredericks, 2012).

There are currently no deliberate government-supported training initiatives aimed at upgrading skills of Basotho to high management position within the clothing industry. The LNDC itself lacks the clothing manufacturing expertise to support the industry and generally the Lesotho government is too weak to force the expatriates to do anything because of Lesotho's subordinate position in the global value chains (Lall (2005, pp. 1013 - 1014; ODI, 2009; Pike, 2019, p.13; Seidman, 2009, p. 582).

The fact that business owner is expected to pay back the Partial Credit Guarantee facility is both a carrot and stick to entrepreneurs with sufficient business acumen to explore the opportunities in and around apparel sector. The advance helps a legitimate person without capital to set up but also disciplines him/her to work hard by requiring atleast 50% repayment of the loan. The other stick is requiring the business owner to provide own contribution for the enterprise. This finding corresponds to Hausmann and Rodrik (2003) who lauded ex ante government intervention in its ability to bring successful entrepreneurs to the fore that may be lacking sufficient funds. As a result it allows for existing Basotho entrepreneurs to branch into this sector which is what happened with Afri-Expo Textiles founders, who were already established businesspeople. It also allows an employee with meager savings but keen to start an independent business approach LNDC for funding and assistance with a business plan. This assistance with the business plan is very important to those who have not had the experience to prepare one before, such as a clothing factory worker.

The Partial Credit Guarantee can in itself advance knowhow diffusion to Basotho entrepreneurs because it demands that the controlling stake be held by a Lesotho Citizen, allowing Basotho to team up with expatriates who may have the requisite knowhow in and around apparel industry, even as the other qualification for this facility requires the borrower to have the knowledge, skills and experience in the business field they require to start or expand.

To the extent that the initiatives listed in the LNDC Diaspora Engagement Strategy lead to Basotho entrepreneurs and/or factory workers operating in and around clothing manufacturing, the government of Lesotho can hence be seen as fostering knowhow. Hausmann (2016) acknowledges the importance that neighbours, migrants, spin-offs and even business travel play in the diffusion of capabilities. This could be also one of the reasons LNDC organizes trade expos for firms in the clothing manufacturing sectors outside of Lesotho. The Afri-Expo interview revealed a recent excursion of this nature to Cape Town. This particular initiative by the LNDC has borne fruit for Afri-Expo Textiles as they are getting referrals to new buyers who are now contacting them, Finance Officer (Interview, January 31, 2020).

To the extent that a clothing firm employee may have absorbed knowhow that aids in transitioning from being an employee to an independent entrepreneur, the LNDC's assistance with business plan development, implementation, setting up of operational system and general business management, including appointment of a mentor by LNDC would prove to be very crucial in fostering knowhow into the economy. These activities by the LNDC are lauded by Reinhart (1999) who promotes the importance of apprentice systems and scientific academic institutes set up by the state specifically to drive the diffusion of knowhow.

As stated by Reinhart (1999) the state can play an uplifting role in the development agenda by being a centre and disseminator of crucial information to society. The LNDC has made business opportunities in and around clothing manufacturing industry transparent and easily available on its websites. The ease availability of such crucial information helps a Mosotho entrepreneur who wishes to branch into the sectors in and around apparel industry to educate himself/herself in their preferred niche beforehand knowing they will receive the necessary assistance from LNDC.

Hausmann (2016) highlights the role of foreign multinationals in bringing additional capabilities into an economy. To the extent that the aims of the LNDC strategic plan for 2018 – 2023 in running skills transfer and linkages between Basotho-owned firms and multinationals are implemented in the clothing manufacturing sector would suggest that the Lesotho government is beginning to understand the need to lead the process of knowhow diffusion from Taiwanese into the economy. The knowhow diffusion would take place if there are clear memorandum of understandings (MOUs) between the LNDC and the multi-national firms with specific, measurable activities, which are realistic and time-bound. The state also has to add in some benefits that would entice the multi-nationals to participate in the MOUs.

In Bangladesh, the government had a concerted effort in promoting knowhow transfer in the clothing manufacturing industry (Rhee, 1990). Besides the training of the initial 130 cohort of Bangladeshi, the South Koreans were constantly making their way into Bangladesh to conduct training on new employees. The government of Lesotho has not even sought to place Basotho in Taiwan or bring in Taiwanese experts specifically to train Basotho workers at its own expense.

4.3 Background on the Formation of Afri-Expo Textiles and their Journey

Below I detail how Afri-Expo Textiles was formed, how they overcome operational challenges, and accumulated knowhow. While Afri-Expo Textiles represent only one out of four existing Basotho-owned clothing mills this background help us understand the type of knowhow inserted into Lesotho.

The founders of Afri-Expo Textiles are a married couple in their early 50s who accumulated wealth from supplying protective clothing in the country for over 15 years. Having profited from a retail store that needed few employees they were, according to their own account, motivated by the desire to do something to address the high unemployment and accompanying poverty in the country. Their relatively humble beginnings, where the wife was a secretary for the richest man in the country and the husband a supervisor in the Lesotho Flour Mills company, played a role in motivating them to give something back to the country. This birthed the idea of a clothing manufacturing firm to decrease unemployment to the best of their ability.

They approached a Taiwanese clothing manufacturing veteran who was willing to help them achieve their dream by working for them, and ensuring processes would be set up in such a way that when the Taiwanese left Lesotho, all the skills that go into running a successful international clothing mill would be in the hands of Basotho. This Taiwanese had been of a friend of the couple up to this point. The founding couple then approached LNDC for the Partial Guarantee

Scheme loan with one of the banks. It was not difficult to poach Taiwanese and Basotho supervisors to join their company.

The main challenge however was the language barrier between Taiwanese experts and the Basotho that they train. However, the founding couple overcame that by hiring in an interpreter who could speak Sesotho, English and Mandarin.

The skills brought into Afri-Expo Textiles by its management are “engineering, projects management, textiles, international trade, administration and a wide experience in the production industry (Afri-Expo, 2019). Another challenge elicited in the discussion with the Finance Officer is frustration with senior government officials who do not seem eager to urgently hear out and assist in challenges within this industry, which has left the company in the ‘red’ financially. The Finance Officer did not elaborate but mentioned that there is indisputably a lot of money to be made in the clothing manufacturing business as attested by the length of stay of Taiwanese, and they have been to the Cabinet Ministers’ offices to seek help in order to be able to realize these profits. However Afri-Expo Textiles has noted reluctance by the senior Ministers to assist them, as the Ministers keep postponing meetings. My understanding is that the Taiwanese with 35 years of experience in the industry has passed on their knowledge of what they need to seek from government in order to be highly profitable. Unfortunately, the new government that came in from 2017 may not be eager to continue with what the previous government was doing to assist Basotho entrepreneurs.

Another observation is that the founding members, despite my personal connections with them, referred me to their Finance Officer for interviews and would not agree to be interviewed themselves. My intuition is that the business may be undergoing serious financial problems that are severely testing their resolve to keep the business going.

The next chapter provides conclusion and recommendations for policy and further research.

CHAPTER 5: CONCLUSIONS AND POLICY RECOMMENDATIONS

This chapter summarizes the dissertation, lists the contributions made by the results and finally recommends policy actions and provides suggestions for further studies.

5.1 Summary of dissertation with emphasis on results obtained

It has become crystal clear that Taiwanese clothing manufacturers are present in Lesotho because they are driven by the dynamics of the global value chains. Moreover, they find a country with abundant low-skilled labour and weak government institutions. As a result the manner in which they arrange their operations does not consider the transfer of knowhow to Basotho employees. In fact this study has found mounting evidence that the Taiwanese are reluctant in transferring high-level skills to Basotho such as purchasing of inputs, merchandising, and interactions with buyers. The Lesotho economy is largely exposed only to the knowhow pertaining to CMT activities. The Taiwanese have ensured that Basotho workers perform one activity repeatedly thereby ensuring they have one skill. Where Basotho workers have been able to accumulate more than one skill it has been due to their own innate determination and sacrificing of their time to learn.

The focus on Afri-Expo Textiles, the main Basotho-owned textile firm, has revealed that Basotho are able to enter this industry and become international exporters when they partner with Taiwanese who impart to them the knowhow to deal with international buyers and sub-contractors. The two Basotho clothing firms that do not work with Taiwanese are still limited to only exploiting the South African market. While the study was on a very small scale it revealed that Basotho are only able to break into micro and small informal enterprises to serve the needs of the clothing manufacturing employees such as fast foods, poultry, clothing and money-lending services. This is because most of them have worked in the clothing factories themselves and have ‘known’ first hand the needs of a typical factory worker. These needs range from supplementary finances, clothing, food and meat for end-of-month celebrations.

The investigation has also found that the government of Lesotho does not have any policies in place to ensure specifically that Basotho clothing factory workers can transition into entrepreneurs in and around clothing manufacturing. However they are some initiatives by the

LNDC to assist entrepreneurs to branch into the clothing manufacturing industry. The LNDC documents do not have specific clothing manufacturing sector initiatives to enhance knowhow transfer; all they have are broad initiatives that look at the industry landscape as a whole. As a result nuances that accrue crucially to this industry are not taken into account.

5.2 Contributions made by results

The results drawn from this research have been able to explain why there has been a slow uptake of Basotho entrepreneurs into running clothing mills. The results have identified generally weak government institutions that do not foster knowhow diffusion from the Taiwanese and the reluctance by the Taiwanese to invest in knowhow diffusion. The fact that Taiwanese production processes in Lesotho are still limited to CMT while the more sophisticated operations such as pattern-making, product design, textile engineering, constant communications with international buyers, marketing and merchandising are performed from the shores of Asia, imply that they knowhow brought into Lesotho as regards clothing manufacturing cannot in itself enable a Mosotho entrepreneur to break forth into the industry without employing a Taiwanese with sophisticated knowhow as the Afri-Expo Textiles example has shown.

There results have revealed that the Taiwanese were attracted into Lesotho to take advantage of trade privileges afforded by AGOA and other trade conventions conferred on least developing nations. It should therefore not be bewildering that the Taiwanese do not arrange their production processes in such a manner that makes Basotho access the entire knowhow requisite to run a clothing mill. Perhaps if they saw more long-term opportunities beside those afforded by AGOA, they could have arranged their operations differently.

5.3 Policy Implications /Recommendations and suggestions for further studies

As noted above, the global value chains dynamics have apportioned more power to the Taiwanese investors than the government of Lesotho. This suggests that the government of Lesotho cannot force these multi-national companies to transfer knowhow to its populace. However the government can explore other strategies to extract much more knowhow and diffuse it among its citizens. Below are a few policy suggestions for consideration.

Reinhart (1999) is a strong advocate for state-owned enterprises to be used as apprentice training grounds. It is suggested that the government of Lesotho, consider linking the technical schools and institutes in the country to be in partnership with Basotho-owned clothing mills. The state could fund the employment of skilled sewing machine maintenance operators in Basotho-owned firms who would then train apprentices from Lesotho institutes so that eventually there is a stock of indigenous sewing machine maintenance operators.

Furthermore Lesotho government might find directly owning a clothing mill beneficial. In the late 19th century, the Japanese government bought a textile mill whose presence enticed private Japanese entrepreneurs to learn about the textile industry (Hausmann & Rodrik, 2003). It is for this reason that by the early 20th century, Japan became one of the leading cotton textile exporters (ibid.). Nothing hinders Lesotho from copying this model into the clothing manufacturing if there is a genuine interest to tackle high unemployment levels.

There is a desire among clothing manufacturing workers to be independent entrepreneurs (Pike & Godfrey, 2010). The government of Lesotho can look into setting up in-house programmes at the factories that identify such individuals. There could also be a tailored training programme to propel these individuals into industries that are directly linked to clothing manufacturing as already identified by the LNDC. This exercise would positively affect knowhow levels in Lesotho and pull up per capita incomes. For this type of project to succeed, the LNDC would have to be strengthened with more skilled manpower. While it is acknowledged that most Basotho may not have the necessary skills to steer projects that transition low-skilled workers into running medium-sized enterprises, those resources can be tapped from Basotho in the Diaspora as envisioned by the LNDC's Diaspora Engagement Strategy. However for such programmes to succeed Lesotho would need a strong executive and political stability which has been absent since 1998. As at the time of writing this dissertation Lesotho is in the process of legislating national reforms that seek to address the copious political instabilities so that amongst other things, economic projects of this nature can succeed beyond the stay of particular political party in government.

I marvel at how to this day, some thirty-five plus years after the clothing manufacturing industry was set up in Lesotho, Basotho seamstresses are still sewing only traditional clothing and designs while Asian female seamstresses are littered across the main city sewing modern clothing and designs and hiring former Taiwanese factory employees.

Because of the abundance of low-skilled labour in Lesotho, a further in-depth research study that un-earths particular strategies that Basotho clothing manufacturing entrepreneurs can adopt to be able to export beyond South Africa is warranted. These particular strategies should be nuanced for the Lesotho economy. This is because of the clothing manufacturing industry is able to significantly reduce unemployment levels- one of the causes of Lesotho's poverty.

KHOTSO! PULA! NALA! (PEACE, RAIN AND PROSPERITY- This is a national benediction usually declared by the King, Prime Minister, Ministers, on the nation.)

APPENDIX TO CHAPTER 4: PRESENTATION OF ALL FINDINGS AND RESULTS

This appendix seeks to provides notes of all the findings that were unearthed during the investigation. Some of these have already been represented in the key findings. The first section will show results from comparative studies undertaken on knowhow diffusion. These studies and literature are looked through the lens of knowhow. The second section of this chapter will present results from actual correspondence and interviews with the economic expert, management at the Afri-Expo Textiles (Pty) Ltd and its employees who were once formerly employed by Taiwanese clothing mills.

A.1 Results from Comparative Studies

a. How the Taiwanese organize their industrial activities, how it impacts on the transfer of knowhow and whether Basotho working in the clothing manufacturing are able to absorb knowhow

Findings	**Author, Year**
Arrangement of Industrial activities	
In 2001, Nein HSing Group, which employed 97% of the clothing industry at the time, reserved supervisory and managerial roles for male expatriates.	Gibbs (2005); Staritz and Fredericks (2012)
Nearly all technical, management and even supervisory, machine maintenance and pattern-making positions are filled with expatriates	Morris & Staritz (2017, p.315):
Very few Basotho citizens occupying positions above supervisory levels and only a few in personnel or human resource management.	Pike & Godfrey (2010)
Compared to South-African-owned firms, the Taiwanese have very few Basotho as supervisors (p.10)	Pike & Godfrey (2010, p.10)

While the Basotho supervisors are on the same hierarchal level with expatriates supervisors, the Basotho are more of subordinate supervisors because they do not possess as much technical skills as the expatriates. The Basotho supervisors' powers are limited to 'communication to workers on the lines, problem-solving and motivation'	Pike (2019, p.15); Pike & Godfrey (2010, p.15)
Purchasing of inputs, merchandising, marketing and finance units largely conducted from their Taiwanese headquarters.	Gibbs (2005); Lall, (2005); Morris, Barnes & Kao (2016, p.4); Morris & Staritz (2017, p.310); Staritz and Fredericks (2012)
The plants in Lesotho are locked in low-value adding assembly activities as a deliberate strategy of the Taiwanese.	Morris, Barnes and Kao (2016, p.5); Staritz & Fredericks (2012)
A few Taiwanese firms have capital intensive finishing operations such as laundry, embroidery, screen printing and dyeing in Lesotho	Morris, Barnes & Kao (2016, p.5);
Only one firm has integrated backwards into a fabric and yarn production.	Morris, Barnes & Kao (2016, p.5);
Very few Taiwanese firms have sought to bring innovation to the initial process they brought into the country	Lall (2005, p.1008); Morris, Barnes & Kao (2016, p.5);
Knowhow transfer to Basotho Workers on the job	

The Taiwanese firms provide basic on-the job training to Basotho workers for sewing machines, performing one task or operating one machine, cutting, pressing.	Lall (2005, p. 1008): Morris, Barnes and Kao (2016, p.4);
'Workers are equipped with one specific skill which they use over and over again' as opposed to different skills	Pike & Godfrey (2010, p.15)
Workers interviewed by Pike and Godfrey showed a desire to learn more technical skills so that at a point they can open own enterprises.	Pike & Godfrey (2010, pp.15 -16)
Production plants in Lesotho are generally confined to cut-make-trim (CMT) activities	Morris & Staritz, 2017, p.310);
More complex skills such as cross-training on multiple tasks, machine maintenance, layout, and pattern-making are generally not taught	Morris & Staritz, 2017, p.315);
A deliberate attempt to preclude Basotho locals at participation in high levels and local skill creation by adopting the use of Chinese as the language to converse	Lall (2005, p. 1008)
Knowhow transfer through training to Basotho workers	
The recruitment process itself does not encourage skills accumulation as it is very haphazard with no formal tests for competence	Lall (200, p. 1008);

Amount of funds spend on formal training of local supervisors by Taiwanese firms very small compared to South Africa firms	Morris & Staritz (2017, p.316);
There are two Skills Development Centers in Lesotho, one in Maputsoe, Leribe and the other in the capital city Maseru. The Taiwanese utilize the centers lightly compared to South African firm	Morris & Staritz (2017, p.316);
Only one company claiming to have in-house training programme for local supervisors	(Lall, 2005, p. 1008)
'inadequate training of supervisors and labour' wherein they run a training programme aimed at improving cultural relations between expatriates and Basotho, extensive human resource training, supervisory training, quality management training and basic business concepts training	ODI (2009, pp.7-14)
Other Factors hindering or assisting knowhow transfer to Basotho workers e.g. Cultural Barriers, Industrial relations	
The expatriates are not well integrated with the Basotho because they live in enclaves close to South African border	Lall (2005, p. 1008)
Basotho workers generally are suspicious and hostile to the expats	Lall (2005, p. 1008)

Untrained supervisors tend to be rough on workers resulting in the latter being de-motivated and under-performing. However the interventions of BetterWork and resultant supervisory skills trainings by BetterWork improved relations between supervisors and workers leading to restoration of motivation and good performance to workers.	BetterWork (2019b)
An exploitative industry	Pike (2019, p.13)
Foreign owners abusing local workers	Pike (2019, p.13)

b. Whether Basotho are able to start new enterprises in and around this the clothing manufacturing sector

Findings	**Author, Year**
They are no industrial engineers in Lesotho and very little management and marketing capacity. He also notes the absence of Basotho entrepreneurs in clothing sector or as suppliers for inputs in 2001, 15 years after the Taiwanese first came in	Lall (2005)
There are still no Basotho entrepreneurs owing clothing mills.	Pike & Godfrey (2010, p.3); Staritz & Frederick (2012)

c. What the government of Lesotho is doing to either hinder or foster the expansion of knowhow in clothing manufacturing sector

In order to respond to the above question, information was sought from the Lesotho National Development Corporation (LNDC) website and publications. A brief on the LNDC follows below. More information was sought from the interviews held with the owners of Afri-Expo Textile (Ltd) and the Economic expert who is also the former MD of the LNDC. Since only two participants (the former LNDC MD and Afri-Expo Textiles) were engaged on this matter suggests that this report was only able to scratch the surface as it were and generalizations cannot be made about how business people perceive government intervention regarding fostering of knowhow in clothing manufacturing sector.

The information below rightly translates all LNDC initiatives as representing government activity in the promotion of industry. At the outset it is important to note that all the LNDC initiatives (unless specifically identified) address industry broadly and are not limited only to sectors in and around clothing manufacturing. However the findings are interpreted with a lens on knowhow diffusion in and around clothing manufacturing, with consideration on how Basotho entrepreneurs and clothing firm employees can start businesses in and around this sector, whether micro, small, medium or large.

I consider first the LNDC results to respond to the question above which is then followed findings from other comparative studies.

a. LNDC (2019h) reports **the following tax incentives** to foreign investors

- 10% corporate income tax on manufacturing profits vs. 25% general corporate income tax
- Training costs are allowable at 125% for tax purposes

b. LNDC (2019e) provides financial aid to start a business or grow one through **its Partial Credit Guarantee Scheme source:**

- The scheme provides 50% guarantee on loans up to 5 Million Maloti (= 5 Million Rand) to all types of businesses
- Individual or person holding a controlling interest of participating firm must be a citizen of Lesotho.

- The borrower must have sufficient and proven knowledge, skills and experience directly related to the nature of the business
- LNDC provides assistance with drawing up and implementation of business plan
- LNDC assists with setting up operational systems and general business management.

c. LNDC has provided a list of business in and around clothing manufacturing industry that could be explored:

- Manufacture of boxes and plastic packaging materials as well as buttons, zippers and other finishing accessories for garments (LNDC, 2019f).
- establishment of higher value added garments as well as for establishment of knit mills to support the local garment industry (LNDC, 2019h)

d. LNDC has set up a Diaspora Engagement Strategy for the period 2020 -2025 whose aim is to 'look beyond the geographic borders of Lesotho in diversifying our economy' (LNDC, 2019b).

- a wide inclusive definition of Diaspora found in Diaspora Engagement Strategy, (p.2)

> consisting of those living abroad who are natives/origins of Lesotho; those who hold Lesotho citizenship; and/or foreign citizens not necessarily of Lesotho origin but who maintain an affinity/link to Lesotho and are willing to contribute to the development of Lesotho.

e. LNDC hopes to leverage on human and economic capital of the Diaspora in growing industry in Lesotho (Diaspora Engagement Strategy, p.6). Some of the initiatives supported under this strategy are (pp.7 - 8) and (p. 55):

- Strengthening Diaspora engagement within the wider portfolio of LNDC activities and organizational development by developing a series of Diaspora trade and investment products for the Lesotho Diaspora from data-driven decision making.
- Strengthening the network infrastructure of the Diaspora and to provide LNDC access to key leaders within the Diaspora.
- Commitment by LNDC to support activities by partner institutions working on human capital transfer
- Create products and programmes via LNDC in partnership with key organizations to promote human capital exchange for trade and investment such as fellowship and mentorship programme that combines both the in-person and digital transfer of human capital.
- Creation of a start-up and SME business competition for Diaspora and Lesotho businesses.
- Actively promote a "culture of investment" via LNDC among Lesotho Diaspora – e.g. individual and collective products/strategies.

- Advocate reducing attitudinal and structural barriers to greater role of Lesotho Diaspora in trade and investment, for example, financial inclusion/literacy, promotion of Public-Private Partnerships and reduction in remittance cost.

f. LNDC (2019g) provides the Strategic plan 2018 -2023 (pp. 44 – 45) aims to:

i. Develop export skills training for LNDC staff and selected export-oriented firms
ii. Develop industry co-training skills programme with export-oriented firms
iii. Productivity training for Basotho export-oriented firms
iv. Facilitate Linkages and skills transfer programs between Basotho owned firms and multinationals

Comparative Studies Findings on the role of government in fostering knowhow

Findings	**Author**
There are no specific training centers for clothing industry by year 2005. Later on two skills development centers offering three months courses in human resource management, industrial relations, communications, supervisory skills, basic and advanced machinist training, quality assurance management (p. 12). These courses are too broad and do not specifically cater for clothing industry. There needs to be training institutions that provide advanced skills particularly at management, supervisory and machinist levels including deliberate government-supported training initiatives aimed at upgrading skills of Basotho to high management position.	Lall, (2005); Morris, Barnes & Kao (2016, pp. 12 - 17); Staritz & Fredericks (2012).
Policies that are meant to spur up and support local small and medium enterprises are weak.	Morris, Barnes & Kao, (2016, pp. 14-17); Staritz & Fredericks

	(2012) ;
There are no operational clusters to facilitate learning between firms. There is low prioritization on worker related issues due to fear that the investors will abscond.	Morris, Barnes & Kao, (2016, pp. 14 -17); Pike, (2019, p.13)
The LNDC is under-resourced and little budget to reach foreign investors. It also lacked the sector-specific expertise to support the apparel industry'. A government that is weak in its relations with foreign investors	Lall (2005, pp. 1013 - 1014); ODI (2009); Pike, (2019, p.13; Seidman (2009, p. 582)

A.2 Results from actual interviews

A.2.1 Interview Results from Afri Expo Textiles management and employees

a. How the Taiwanese organize their industrial activities and how it impacts on the transfer of knowhow and whether Basotho working in the clothing manufacturing are able to absorb knowhow

> I was employed in quality control and was first promoted to sub-supervisor and then supervisor. I only 'pushed' people to meet their target and checked measurements. However at Afri-Expo my role as a supervisor is expanded to included measuring and oversight of cut-sheet and I can handle my role even when my expatriate line-manager is absent .We are encouraged to learn to sew and they ask us to do samples, to sew to see how we are doing. I now knowhow to sew. I would be able to start own enterprise as a seamstress because of the experience garnered from Afri Expo Textiles. Furthermore at Afri Expo Textiles we are encouraged to introduce new ideas and can come on Saturdays

or use our free time to learn new things; as a result I am equipped now, Supervisor 1 (Interview, December 16, 2019).

The language barriers between expatriates and us are not insurmountable. We have developed our own language which is different from what the administration office and their expatriates use, Supervisor 1 (Interview, December 16, 2019).

I worked at a Chinese and Filipino Factory, sewing a collar for up to four years. But at Afri-Expo Textiles I sew many things. In another Taiwanese factory when I first came I could not sew. I was on my feet moving things from one operation to the next. So I used my lunch hour or waited for one person to go to the bathroom or be absent from their line to learn how to sew a waist band and eventually I was promoted into the sewing line.[2]

b. Whether Basotho are able to start new enterprises in and around this the clothing manufacturing sector

i. Afri-Expo is currently doing CMT (Cut, Make and Trim) and is in direct communication with their buyer. Finance Official (Interview, December 16, 2019).It has employed a Taiwanese expat who has 35 years experience in the apparel sector as the CEO. It has also employed Taiwanese and Chinese supervisors.
ii. The inclusion of the Taiwanese CEO assisted Afri-Expo Textiles to build the knowhow necessary the deal with international buyers and middlemen.
iii. The scarcity of jobs for the uneducated triggered the founder to build a large mass-employing firm. He then approached his current CEO, to come with his 35 year skills to bring this dream to life.
iv. One of the businesses I see Taiwanese employees doing is to travel to South Africa, buy clothes and sell them to their colleagues, Supervisor 1 (Interview, December 16, 2019). Many have left the factories to start own independent micro-enterprises as seamstresses, poultry farmers, fast food retailers – and they are supplying their former colleagues, Supervisor 2 (Interview, December 16, 2019).

v. We are not part of any textile or apparel exporter association. I am not even aware there is such, Finance Official (Interview, December 16, 2019).

c. What the government of Lesotho is doing to either hinder or foster the expansion of knowhow in clothing manufacturing sector

i. AfriExpo Textiles is not receiving any assistance from the government even though it has employed expatriates specifically to train its Basotho employees to ensure that the knowhow to run the industry remains in the country.
ii. They also received the Partial Guarantee Scheme from the LNDC to start operations.
iii. The LNDC comes often only to check on their property but recently 'organized' a trade expo in Cape Town of which Afri-Expo Textiles paid their own expenses.

e. Other findings that are noteworthy to the study

i. Interview with the Finance Official from Afri-Expo Textiles

- Afri Expo Textiles' expatriate supervisors are actually training and equipping selected Basotho employees to ensure continuity of business operations if and when the expatriates leave the country. The intentional knowhow transfer from the expatriates to Basotho also safe-guards the knowhow in clothing manufacturing. Indeed, as the year-end break has resumed on the day of interviews, the expatriates had travelled home but the operations were carrying on smoothly.
- With the AGOA market, Afri-Expo Textiles is sub-contracted but directly dealing with their South Africa based buyers.
- Afri-Expo Textiles has contracted Basotho for handling their management accounting, off-cuts, transporting their goods to and from the ports of Durban for their AGOA market and to and from South Africa, their management account.

4.2.2 Responses from the Economic Consultant and former MD of LNDC [3]

a. How the Taiwanese organize their industrial activities and how it impacts on the transfer of knowhow and whether Basotho working in the clothing manufacturing are able to absorb knowhow

[3] The informant was sent questions prior to see if there is any need for follow up. These are his responses.

The Taiwanese are not interested in transferring knowhow to Basotho Employees. They came to Lesotho to take advantage of free tariff and free quota preference Lesotho enjoys under AGOA and its competitive labour costs. They are profit-maximizing businesses looking for least-cost countries especially in Africa. The only benefit to Lesotho government is employment of unskilled labour, especially women.

These firms mainly produce t-shirts and denim jeans in Lesotho. Technical knowhow for production of these items is low. Employees need only to knowhow to cut, make and trim (CMT). The more complex skills like procurement, designing, branding, funding and marketing remain at the headquarters of these firms.

The CMT firms in Lesotho are either extension of big firms headquartered in the above countries or are smaller footloose firms whose survival depends on orders from big apparel companies based in Hong Kong, Taiwan and China. Big firms and international buyers outsource to CMTs in Lesotho. These CMTs largely depend on funding from buyers or parent company abroad.

Basotho employees are able to absorb knowhow but they are only basic skills of cutting and sewing.

There are Basotho in managing and supervisory roles in the cutting, sewing and human resource departments. I doubt very much that the Taiwanese run training plans to allow Basotho employees to learn all the functions of clothing manufacturing operations except in the three areas identified above.

b. Whether Basotho are able to start new enterprises in and around this the clothing manufacturing sector

There are a few but most could not make it. However I am aware of atleast one Mosotho who engages Taiwanese partners in this business with clothing expertise. I am also aware that this Mosotho has not worked as an employee of any Taiwanese owned manufacturing firm but they lack technical skills like textiles engineering, fashion design, sourcing inputs, quality assurance, compliance with international standards, access to regional and international markets. They also tend to lack funding.

The ability for these Basotho's to start business was definitely not because of Taiwanese having been in the country.

The Association of Lesotho Textile Exporters is only concerned with exports of their members and not assisting Basotho to start or grow their enterprises.

c. What the government of Lesotho is doing to either hinder or foster the expansion of knowhow in clothing manufacturing sector

The LNDC provides industrial buildings – factory shells at discounted rates. It also provides support services like labour issues, visas, permits, company registration guidance.

The government support is biased towards big firms not MSMEs (Medium, Small, & Micro Enterprises). However they are support schemes for MSMEs to participate in the apparel industry.

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