

By

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Secretary General

**Garment Manufacturers Association in
Cambodia**

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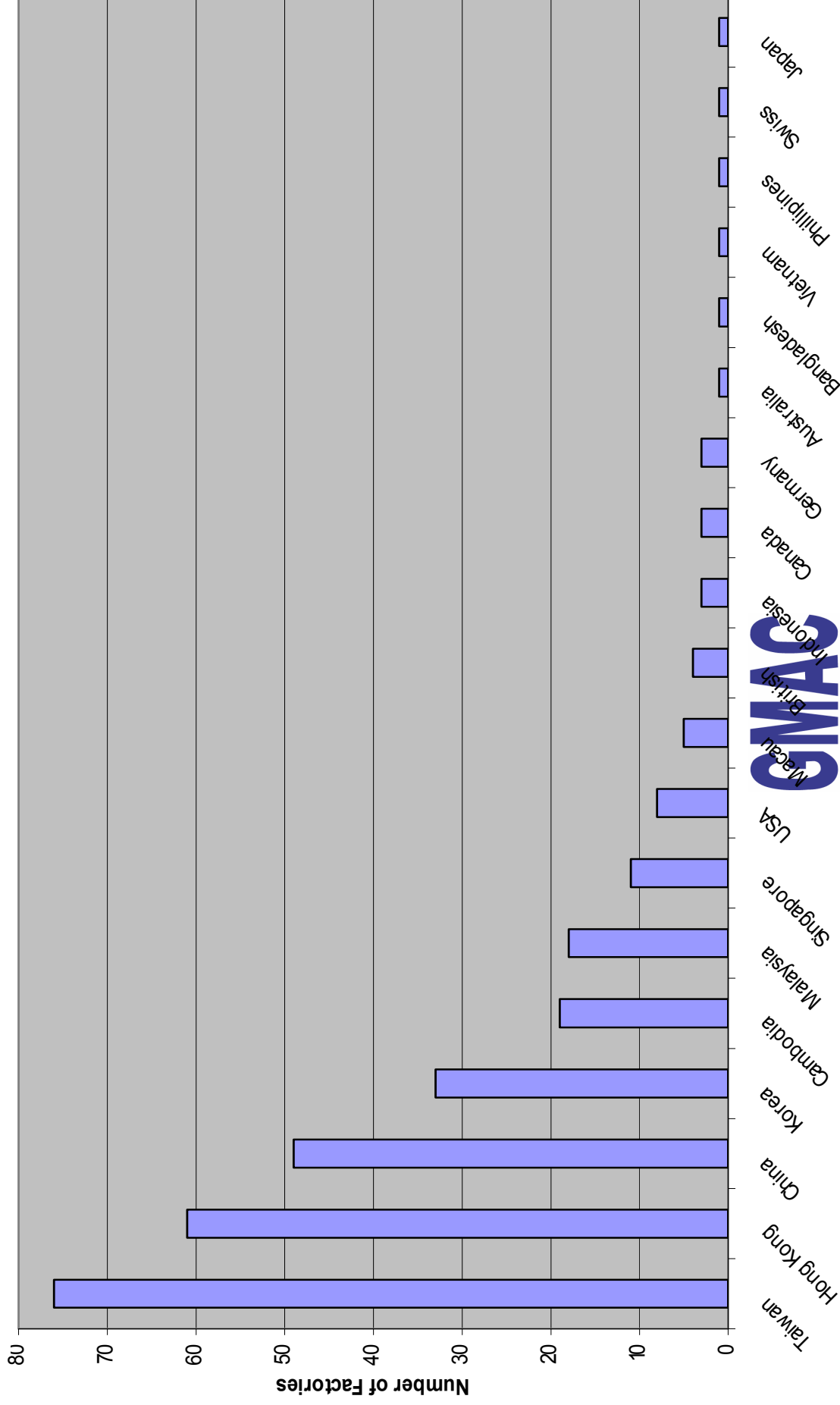
I. The Cambodian garment sector

The Cambodian Garment Sector

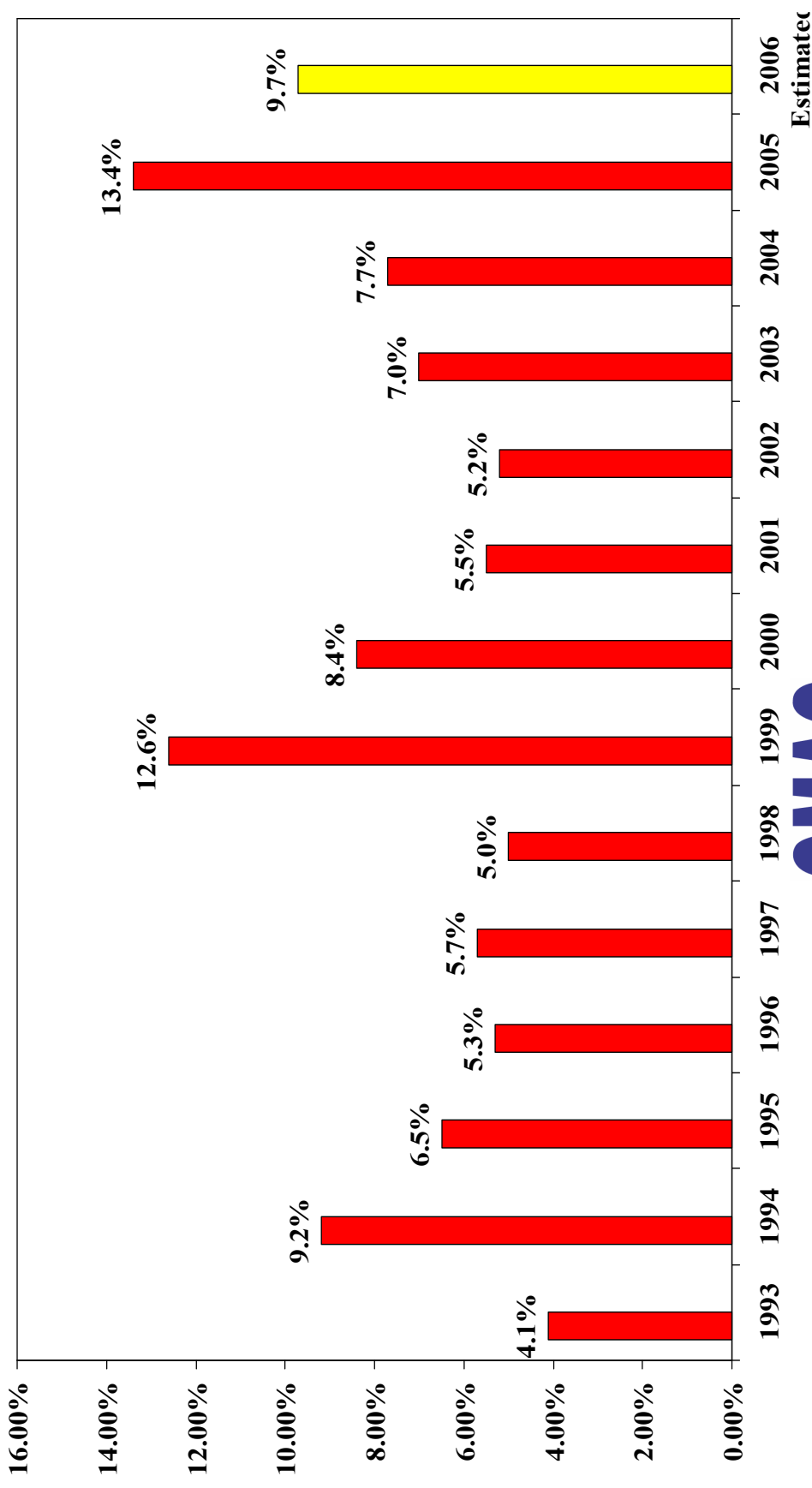
- Gross value of garment exports : \$2.75 billion in 2007
 - 78% of total exports
 - 1.2% of world total by volume
 - Driven by foreign investment
 - 21.8% of GDP
- 350,000 jobs → 70% of employment in the formal manufacturing sector
- 70% of exports go to US, 25% to the EU
- Small group of buyers dominated by Gap inc (~18.5 %)

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Investors' Country of Origin for Garment Factories in Cambodia

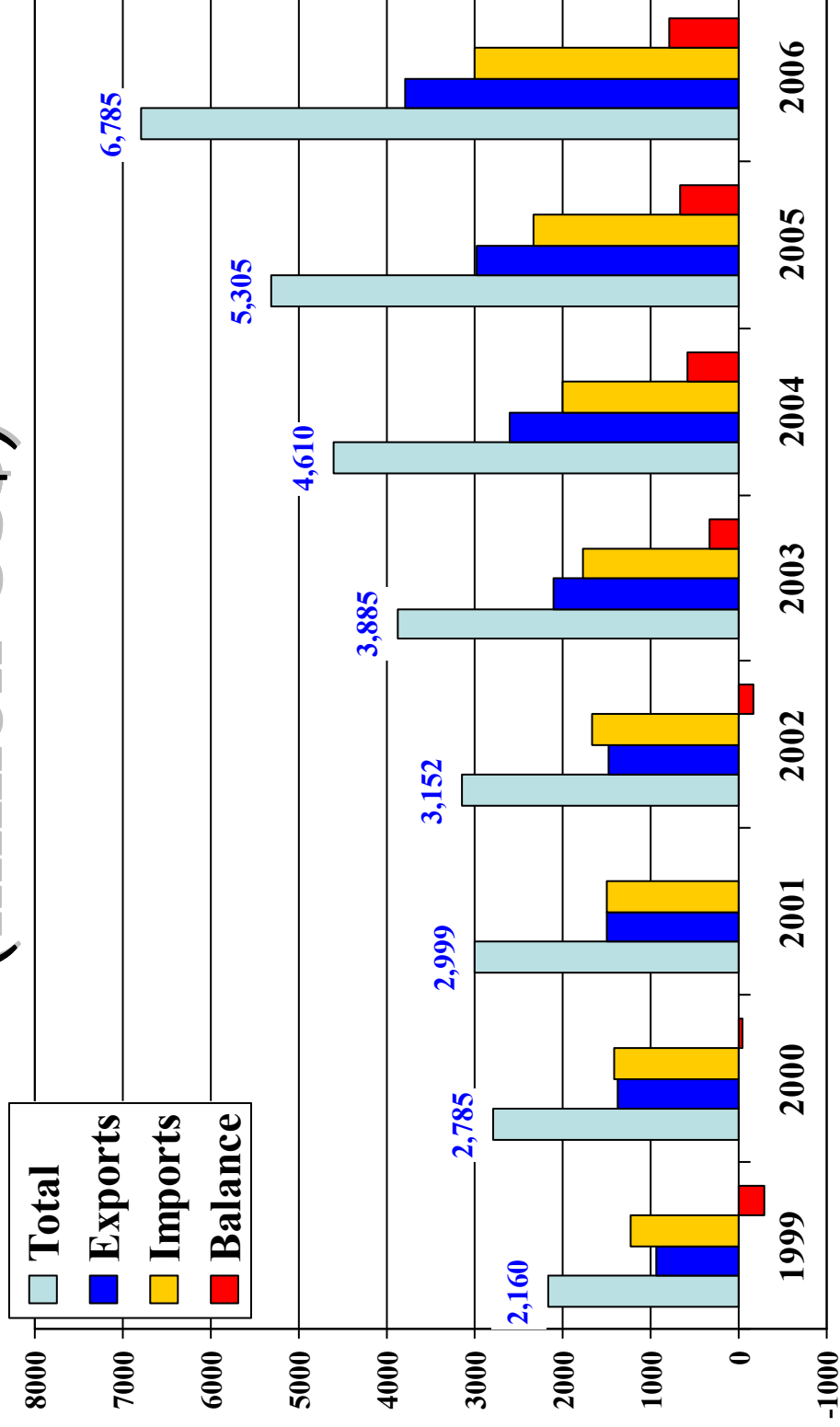


Real GDP Growth (%)



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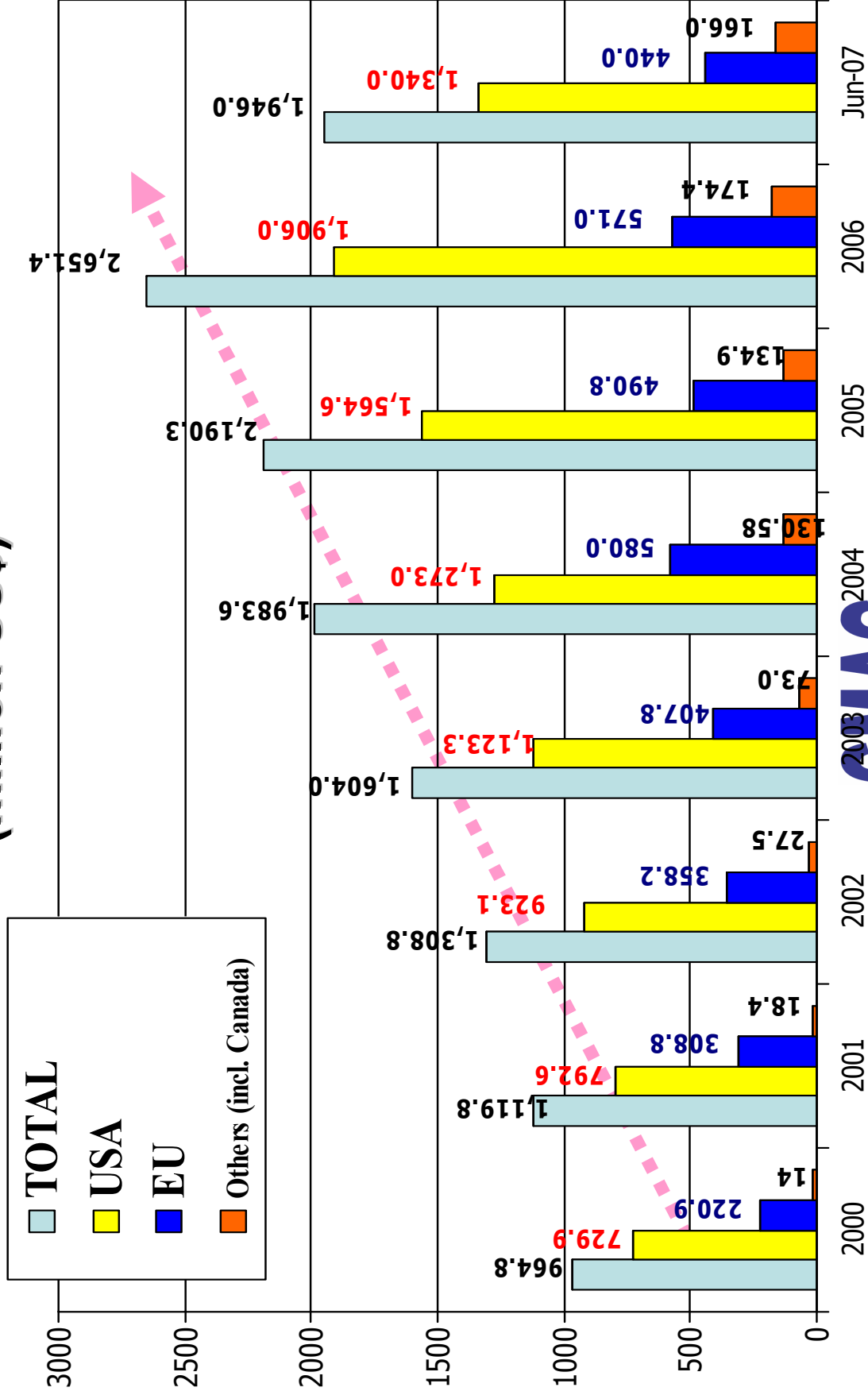
Cambodia's Foreign Trade 1999 – 2006 (million US\$)



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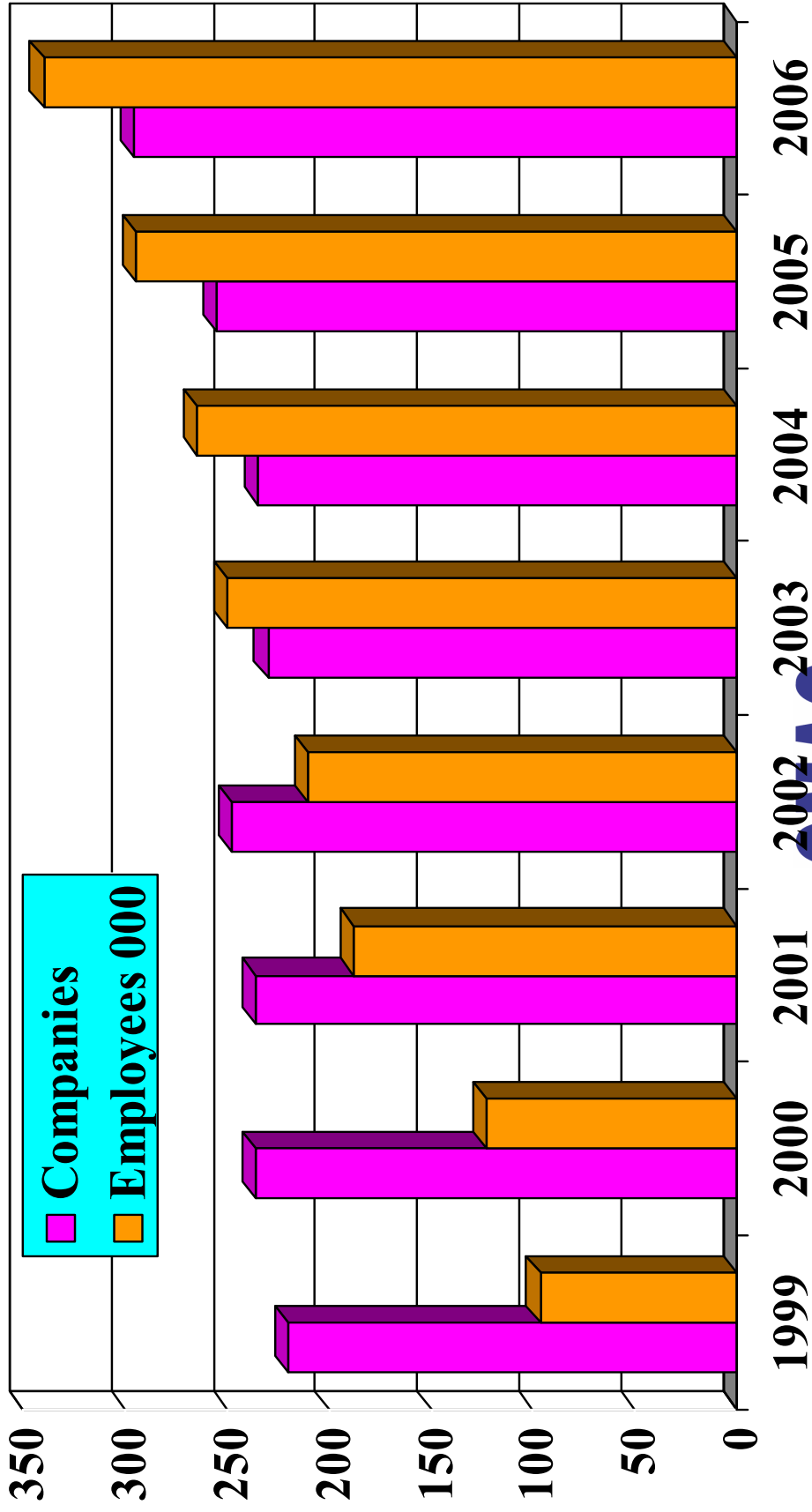
Cambodia's Garment exports

(million US\$)



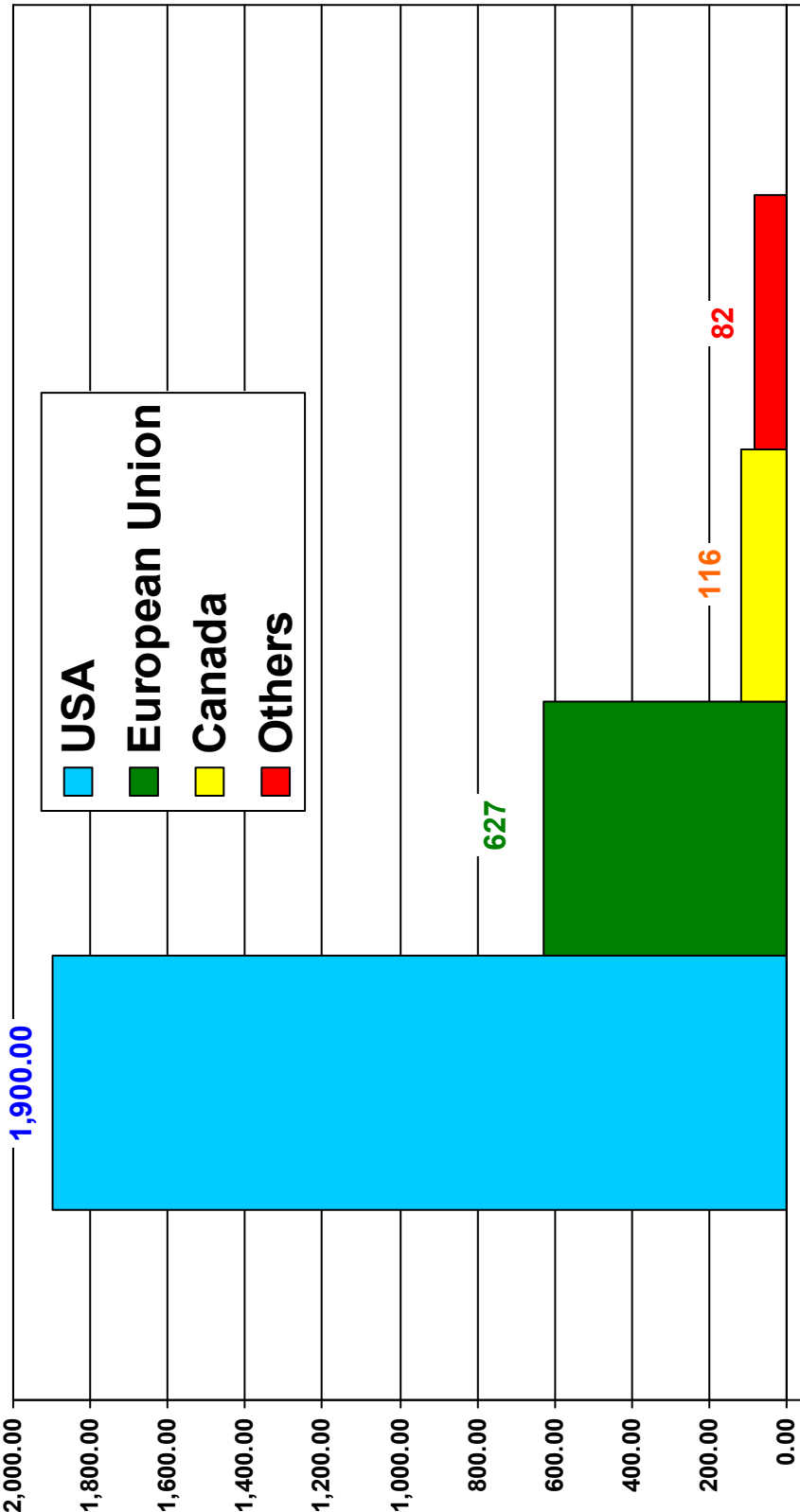
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Cambodian Garment Industry: Companies and Employment



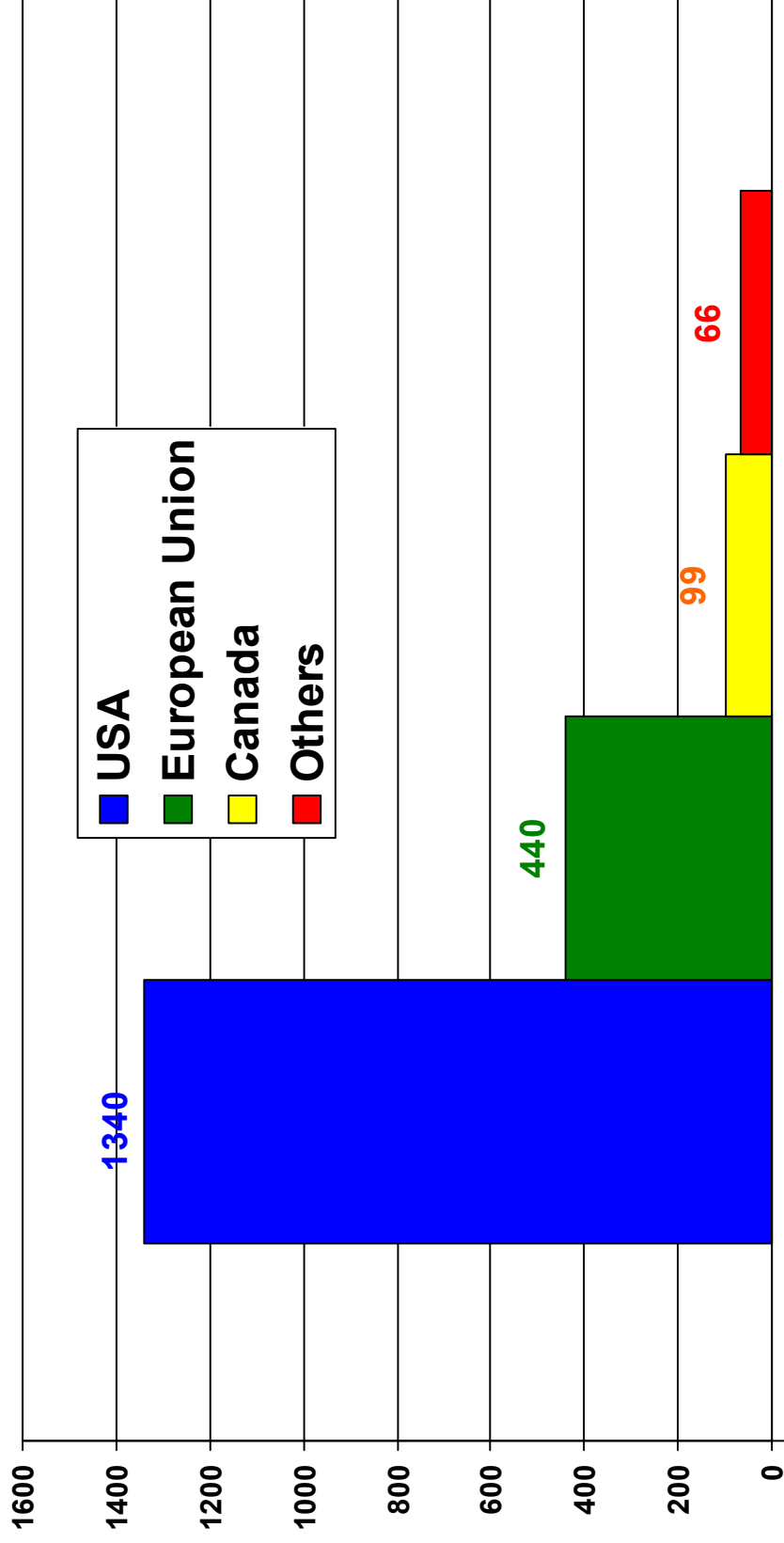
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Cambodia's total textiles and garment exports to the various markets in 2006



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Cambodia's total textiles and garment exports to the various markets in 2007



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End of MFA and compliance

Uniqueness of the Cambodian monitoring system

- Industry-wide
- Reporting to a shared governance structure
- Completely transparent with publication of results
- Law enforcement
- ILO name
- Can be balanced with new focus on market response, and with buyers removing duplicate monitoring systems

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Who are the Retailers Buying from Cambodia?

- GAP
- M&S
- H&M
- LEVI
- PVH
- SEARS
- TARGET
- KOHL'S
- WATNAMAD
- VF
- DISNEY
- JCP
- CHILDREN'S PLACE
- LL BEAN
- ADIDAS
- NIKE
- REEBOK
- A&F
- PUMA
- HANES
- ZARA
- AMERICAN EAGLE
- COLUMBIA SPORTS
- GMAC

What are the competitive advantage for investing in Cambodia?

- Low corporate tax
- Low labor cost
- Low social security costs
- Tax Holidays
- Good labor conditions
- Low costs in training

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Labor Compliance and Textiles Export to the US



**With compliments from
New Island Clothing,
Cambodia**

Labor Compliance and Textiles Export to the US

- In 1999, the US government imposed quotas on 12 items, but committed to increase the size of Cambodia's quota by 6% per annum if the country improved labor standards.
- Plus quota bonus for substantial labor compliance (a maximum 18%)
- Cambodia was the first LDC to have signed such a textile agreement with the US linking trade and labour conditions.

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The Political circumstances:

- The United States was looking to promote its goal of incorporating labor standards in trade agreements
- With the extra quota bonus, Cambodia could secure larger market access for Cambodian products so that it could attract more FDI's flow into the country and thus create more job opportunities for Cambodians.

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The enforcement mechanism:

- the Cambodian Government, the GMAC, the US Government and the ILO agreed to a highly innovative US\$1.4 million project designed to improve labor standards, monitor improvements, and report.

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The ILO project was responsible for the following:

- To provide assistance in drafting new laws and regulations as a basis for improved working conditions;
- To build the capacity of government officials to ensure greater compliance with core labor standards and Cambodian labor laws;
- To train Government officials, labour inspectors, employers and trade unions on the content of the law and on the role they can play in implementing it;
- To undertake monitoring visits to garment factories, and produce quarterly public reports on their findings, the results of which the U.S. Government considers when making its annual decision regarding whether to grant Cambodia a quota increase.

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Why Cambodia agreed to the labour standards linkage?

- Cambodia has already signed and ratified all the core ILO conventions and it has also adopted the most comprehensive labor law.
- The Cambodian society was still very open to democratization. Strikes and street demonstration occurred frequently and tolerated.
- Cambodia started from scratch, with little vested interests from any sphere of influence.

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Why Cambodia agreed to the labour standards linkage?

- The linkage of trade issues with labor issues was not a "stick" with which the US could use to bar entry of Cambodian exports to the US market. It was a "carrot" to reward Cambodia when working conditions improved in the textile and apparel sector.
- Cambodia believed that linking trade with the implementation of labor standards would be the most efficient internal mechanism for a developing country to secure that foreign investors are not exploiting our local workers..

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Why Cambodia agreed to the labour standards linkage?

- The monitoring system using ILO offered enough assurances that it would not be biased or used for hidden political agendas.
- Cambodia was also very confident that American buyers would certainly set up their own rules (Code of vendor Conduct) to ensure that they were not buying from any "sweatshop".
- The Government wants this reward incentive because it constituted Cambodia's competitive edge vis-a-vis other textile exporting countries.

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Labour linkage – a double-edged sword:

SWORD:

- ☹️ in practice, the occurrence of too many strikes.
- ☹️ Labor compliance inevitably resulted in higher cost structures.
- ☹️ Compulsory program for all apparel exporters.
- 😊 Establishment of arbitration council and collective bargaining agreement.
- 😊 ILO continues to work with GMAC to address the various issues.
- 😊 Reduction in duplication of compliance audits.

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Thank You

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