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A Fair Model of Globalisation? Labour and Global Production in Cambodia

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ABSTRACT *The expansion of the global economy and the governance deficit it has generated raise questions about the possibilities for regulating the practices of participants in global production networks. This paper focuses on the regulation of industrial relations in Cambodia's textile and garment industry – a unique ensemble of state, trade union, private sector and international institutions that is promoted as a “fair model of globalisation.” We track the trajectory of Cambodia's industrialisation and insertion into the global economy over three interrelated phases: first, the beginnings of export-orientated garment production in the mid- to late 1990s; secondly, the promotion of Cambodia as an “ethical producer” from 1999; and, thirdly, privileging “competitiveness” in global production networks over labour compliance for its advantage. In doing so we centre our analysis on the complex intertwining of global production, the genesis of the unique ensemble of actors in Cambodia and the anomaly of Cambodia's labour movement.*

KEY WORDS: Better Factories Cambodia, informal labour, global production networks, industrialisation, governance, textile and garment industry

Governance of Cambodia's textile and garment industry is quite distinct. Workers rights are discursively prominent, international buyers use it as a showcase for their ethical commitments, the USA, International Labour Organisation (ILO) and World Bank promote it as a new model of export-led development, and the government is disciplined on the workings of the global economy. For much of the period under discussion in this paper, the model has been dependent upon annual increases in quotas that gave Cambodia access to the US market, effectively sheltering the industry from the vagaries of the global economy and also facilitating its expansion. A transition to open competition in global markets could alter much of this, raising the question of the sustainability of the “ethical niche” Cambodia has been promoting, regardless of the validity of its claims.

Though it employs a small proportion of the labour force, the garment industry has been a major focal point of Cambodia's economic transition. There are several reasons for this, including: income generated in the industry supports an estimated 20% of the population; its workforce is roughly 85% women and this is changing

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Cambodia's patriarchal society; it is a focal point for the labour movement; and it is the mainstay industry of Cambodia's export-orientated industrialisation process, accounting for roughly 70% of exports volume, 90% of export revenue and 16% of gross domestic product (GDP) in 2008.

The regulation of industrial relations in Cambodia's textile and garment industry has evidenced a unique ensemble of state, trade unions, private sector and international institutions. A prominent aspect of the industry was the US-Cambodia Textile and Apparel Trade Agreement (TATA, 1999-2004). TATA bound increasing quotas to the US market with improvements in labour standards and, from 2001, the ILO began monitoring factories to inform these decisions. TATA and the ILO's Better Factories Cambodia programme are significant political-economic experiments for several reasons. Perhaps, most importantly, they promote Cambodia's textile and garment industry's niche as an "ethical producer" in a highly competitive global industry. Secondly, it is the first ILO factory monitoring programme of its kind. The ILO's Better Factories Cambodia led to an expanded Better Work Program in Vietnam, Jordan and Haiti in 2008, and is set to expand to 12-14 countries over its first three to four years of activity, including China, Egypt and Bangladesh (Interview, Conor Boyle, ILO Better Work Programme, 24 February 2009).

In analysing the industry, we examine its three interrelated and overlapping phases of development: first, the beginnings of export-orientated garment production in the mid- to late 1990s; secondly, the promotion of Cambodia as an "ethical producer" from 1999; and, thirdly, the construction of a globally competitive textile and garment export platform that became prominent from about 2004. We contextualise Cambodia's position in global production networks to understand pressures that workers, trade unions, producers and the state are experiencing in the post-quota environment. Our findings challenge popular contentions that Cambodia is a "Post-MFA success story" that is taking the "high road" to improving work conditions (ILO, 2005a; World Bank, 2007; World Bank, 2009).

Cambodia's Insertion into the Global Economy

A prominent aspect of Cambodia's post-socialist transition has been its export-orientated textile and garment industry. Textile and garment exports comprised about 70-75% of Cambodia's annual export volume from 2001 to 2008. Roughly 70% of these exports are destined for the US market, making Cambodia the USA's eighth-largest apparel supplier in 2008 measured by import value.¹ The garment industry directly employed 350,000 workers in 2008 (Table 1). The Economic Institute of Cambodia (2007) estimates that direct production-related employment accounts for only 53% of employment generated, meaning total employment related to this sector may exceed 600,000, significant for a country of some 14 million people.² Over 80% of textile and garment workers are rural-urban migrant women who contribute a significant proportion of their earnings to their families in rural areas. In 2003 the informal economy accounted for 62% of GDP and 85% of the total workforce. The remaining 15% of the workforce was employed by "formal" sectors, especially in the garment industry (230,000), the tourism sector, which employed 70,000, and public administration with 350,000 employees (Economic Institute of Cambodia, 2006).

Table 1. Statistics on Cambodia's garment industry

	1995	1997	1999	2001	2003	2005	2006	2007
Exports to the USA (US\$ million)	0.1	106.8	512.2	792.6	953.3	1548.0	1873.0	1978.0
Exports to the EU (US\$ million)	25.6	112.3	137.8	308.8	407.0	489.0	571.0	630.0
Other exports (US\$ million)	0.6	4.8	0.0	18.4	72.0	132.0	177.0	231.0
Total garment exports (US\$ million)	26.2	223.9	653.0	1198.8	1601.0	2169.0	2622.0	2839.0
% of total visible export	3.0	23.9	57.9	71.2	76.7	74.5	70.9	69.4
US market as a % of exports	0.2	47.7	78.4	66.1	59.5	71.4	71.4	69.7
Job generation	18,703	51,578	96,574	188,061	233,969	283,906	334,063	349,367
Operational factories	20	67	152	188	188	224	289	291

Source: US Embassy (2008).

Currently, Cambodia's four economic "growth pillars" are textiles and garments, tourism, construction and agriculture (World Bank, 2009). In recent years Cambodia has experienced significant economic growth coupled with income disparity among the highest in Asia. In 2007 GDP growth stood at 9.6%, which is below the average of about 11% in the three previous years. Lower levels of growth in 2007 were largely due to decreases in garment exports (Asian Development Bank, 2008). Cambodia's lack of economic diversification and heavy dependence on the garments sector for export earnings has made it particularly vulnerable to external shocks or fluctuations. For instance, garment exports dropped 26% in the first quarter of 2009, with 50 factories closing and 60,000 workers laid off (Green, 2009). As discussed in detail below, this is due to a combination of factors, including changing sourcing patterns in the global garment industry and the global recession beginning in late 2008.

Historical Context

The Cambodian state and private sector are struggling to maintain investment in basic nodes of the textile and garment industry despite rapid growth over the past decade. Historical circumstances are central factors when considering the relative weakness of Cambodia's position in global production networks. Social disintegration in Cambodia following the US War in Indochina and the legacy of the Khmer Rouge regime have led to a society and state faced with the task of rebuilding from near total devastation. This section briefly outlines how Cambodia came to be in this situation, indicating that Cambodia's state and society have had few options beyond engaging the global economy in ways suggested by donor/lending organisations and nations. However, as state reconstruction progresses and memories of the wars fade, the Cambodian state is increasingly making its presence felt in industrial and labour relations policies.

Under the US-backed Lon Nol regime Cambodia was increasingly drawn into the US Wars in Indochina. One result was the Nixon administration's carpet bombing of Cambodia from 1965 to 1973 (Owen and Kiernan, 2006). This bombing left much of rural Cambodia devastated and galvanised popular support for the ultra-nationalist Maoist Khmer Rouge who, prior to the bombings, had little popular support (Chandler, 1991). The Khmer Rouge victory saw them rule from April 1975 to December 1978, a period that left an estimated 1 to 1.7 million, or one-eighth to a third of the population, dead from execution, torture, starvation and hard labour (Chandler, 1991; Owen and Kiernan, 2006). This period saw an already shattered economy and infrastructure further devastated and the state was disabled in the Khmer Rouge's disastrous experiment in national self-reliance and self-styled Maoist transformation.

Vietnam invaded and occupied Cambodia from December 1978 to 1989 in response to repeated Khmer Rouge border incursions. A pro-Vietnam government, the People's Republic of Kampuchea (PRK) led by the Khmer People's Revolutionary Party (to become the Cambodian People's Party, or CPP in 1991) began rebuilding the country through the 1980s (Gottesman, 2003). This was hindered by international sanctions backed primarily by the USA, the Association of South East Asian Nations (ASEAN), Western European countries and China, who

condemned Vietnam's invasion. At the same time, the PRK was also fighting a civil war with the Khmer Rouge, which received substantial political and material support from these same Asian and Western countries (Robinson, 2001).

In 1991 negotiations led to the Comprehensive Political Settlement for Cambodia, with four Cambodian factions signing the Settlement, which called for the creation of the United Nations Transitional Authority in Cambodia, the largest operation in UN history. This signalled the beginning of the last phase of civil war and decades of armed conflict in Cambodia. The Khmer Rouge dropped out of the agreement and continued a declining guerrilla warfare through the late 1990s. Multi-party, UN-supervised elections were conducted in 1993, with the royalist National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia (FUNCINPEC) winning the largest vote and an uneasy coalition. Following a *coup* in 1997, the CPP came to power, led by Hun Sen. The CPP and Hun Sen have remained in power, winning disputed elections, in on-again, off-again coalitions with FUNCINPEC through the 2003 elections. In the 2008 National Assembly elections the CPP consolidated its power, winning 90 of 123 seats.

Following the Settlement and elections, bilateral aid and loans from governments, including Japan, the USA, China and Australia, in addition to funding from the World Bank, Asian Development Bank, UNDP and others increased dramatically.³ Since the early 1990s development aid has been the economic foundation of Cambodia's state; the US Department of State (2009) reported that about half of the central government's budget depended on donor assistance, with US\$698.2 million in grants and concessional loans pledged for calendar year 2007. Due to this heavy reliance on foreign aid, Cambodia is subject to donor requirements, which to varying degrees are deemed as fostering the development of the circulation of capital and Western notions of development.⁴

These and historical factors briefly described above left Cambodia's state and society uniquely eviscerated and without a clear centre of political gravity or an autonomous development agenda throughout much of the 1990s. Cambodia's specific history of social struggles, war and political disintegration is a key factor in understanding why Cambodia entered the global economy from a position of abject weakness. Cambodia had few domestic sources of resistance to international and/or neo-liberal policies that can hold sway in pushing for a selective insertion in the global economy. In fact, it may have been in the interests of political elites to go along with many of these policies. However, with the consolidation of the CPP's power in 2003 and the increasing investment and foreign relations with China, the Cambodian state is better positioned to put forward an economic development agenda that reflects the interests of domestic elites. These are often in line with international demands tied to aid and loan packages, in many cases international and domestic interests conflict with the latter holding sway.

Phase 1: Initiating Cambodia's Textile and Garment Industry

The first factories producing textiles and garments for export opened in Cambodia around 1994, with investors from Hong Kong, Taiwan, Malaysia and Singapore. The industry remains dominated by foreign investors, with Cambodian investors accounting for only 7% of ownership in 2008. The largest investors are from Taiwan

(accounting for 25% of factory ownership), Hong Kong (20%), China (15%) and Korea (12%) (Kang et al., 2009: 12). Management can also be imported, often from the investors' home country or mainland China. This means Cambodians are generally employed in the lowest wage, least skilled aspects of the production process (Yamagata, 2006). Initial investors were attracted to Cambodia for several reasons. Primarily, Cambodia's lack of quota restrictions in the US market, combined with the quota constraints that other producing nations in the region experienced, led to a significant expansion of the industry. Since Cambodia was not a party to the quota system under the Multi-fibre Arrangement (MFA) it was free to sell into the US and EU markets, although these market countries were free to limit or cut access at will (Polaski, 2004). Contributing to the industry's boom was the granting of Most-Favoured Nation status by the USA, and the framework for co-operation with the EU under the Generalised System of Preferences (GSP), both in 1997. Of course, investment was also attracted by the abundance of cheap, unregulated labour and low-cost land.

Employment in the industry grew from about 19,000 in 1995 to nearly 100,000 by 1999 and the USA quickly became the primary importing country for garments (Table 1). This is due to two factors. First, rules of origin clauses under the EU's "Everything but Arms" programme limits EU exports since nearly 100% of Cambodia's garment inputs are imported. This is also a factor for the Japanese market. Secondly, Cambodian-produced garments are of lower quality than generally required by EU buyers, and this is even more pronounced for the Japanese market (interview, Larry Kao, GM, Manhattan Textile and Garment Corp., 19 May 2009).

In the early days of Cambodia's garment industry, working conditions were dire. Workers had to pay brokers' fees to get jobs, a practice which remains pervasive, and were then kept in a form of debt bondage (Pastor, 2005). Forced overtime, illegal pay deductions and child labour were common, and many workers were paid below the minimum wage (Pastor, 2005; Polaski, 2004). However, from the late 1990s garment workers became part of a new social force emerging from the process of economic change in Cambodia. They were also a prominent part of the upsurge of protest of discontented groups in the city (Hughes, 2003). The immediate causes of most demonstrations and walk-outs were to do with violence or threats of violence against individuals, forced overtime, or, most commonly, racist slurs uttered by foreign managers (particularly ethnic Chinese), not issues of pay (Hughes, 2007: 842).

Trade unions not linked to the CPP were stifled and, though the Cambodian Labour Code was passed in 1996, enforcement was limited. In 1996 the first independent and opposition-orientated textile and garment sector union was formed, the Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC, or FTU).⁵ The FTU not only began organising heavily exploited workers, but also communication with the international labour movement. This, among a number of other factors, led to a more widespread understanding of the often abusive nature of employment in Cambodia's nascent textile and garment industry, leading to anti-sweatshop campaigns in the USA and EU targeting prominent brands and retailers whose suppliers were found to be violating basic labour standards in Cambodian factories (Polaski, 2004; Wells, 2007).

Phase 2: US-Cambodia Trade Agreement and “Ethical Production”

The question of why the USA is interested in pursuing a bilateral trade agreement with Cambodia is an important question with political implications. As discussed above, Cambodia is a unique political, economic and social context conducive to such “experiments,” following years of war and destruction, and with the opening to massive aid and technical assistance to rebuild the country. Given that Cambodia’s economy was a relative blank canvas, foreign governments, international organisations and non-governmental organisations were granted wide latitude to operate. This created much dependency and lack of autonomy in the socio-economic development process, a situation few other countries have been willing to accept.

In June 1998, labour groups in the USA petitioned their government to review the alleged abuse of workers’ rights in Cambodian factories (Polaski, 2004). Cambodia provided an opportunity for the Clinton administration to prove that trade and export-orientated policies could reduce poverty and play a central role in the development process. Cambodia became a “showcase” for other least-developed countries entering the global economy. Bilateral quota negotiations became an avenue for this approach. The negotiations were concluded in 1999 and the three-year US-Cambodia TATA was signed. It was extended for another three years, ending on the same day as the phase-out of the MFA on 31 December 2004. The agreement specified that if the USA made a positive determination that working conditions in Cambodia’s textile and garment sector “substantially comply” with international labour standards, then annual quota limits could increase by 14% through 2001 and up to 18% annually through 2004. The TATA was unique in that it linked annual increases in market access to improvements in labour rights. This policy was an experiment creating positive incentives for such improvements, rather than negative incentives which are the norm under the GSP and free trade agreements (Wells, 2007). Also in 1999, a 42-month EU-Cambodia Textile Agreement was signed, which gave Cambodia duty- and quota-free access to EU markets for textile and garment products subject to rules of origin requirements being met under the EU’s Everything But Arms GSP (Bargawi, 2005). Quota restrictions to Canada were also removed in 2002.

Along with TATA, an independent but complementary factory monitoring project, later named “Better Factories Cambodia,” was established in 2001 involving the ILO, the Cambodian government, garment manufacturers (through the Garment Manufacturers’ Association of Cambodia or GMAC) and trade unions. Its initial purpose was to inform ongoing US quota allocation decisions. This was deemed necessary, as Miller and colleagues (2007) point out, since in the early years of TATA, US decisions on quota allocation were based on very limited data and reporting. This leads to the conclusion that implementation of the labour rights component of the project was secondary to the politics of ensuring continuation of the programme (Miller et al., 2007; also see Kolben, 2004).⁶ The ILO leads the project and it has been funded by the US Department of Labour, USAID, Agence Française de Développement, the GMAC, the Cambodian government and international buyers, including Gap and H&M. The ILO Better Factories Cambodia monitoring programme is the first and only project of its kind. The scope of the ILO project has expanded beyond monitoring to creating services to help the industry

improve working conditions, whilst at the same time enhancing quality and productivity. A range of trainings and resources are offered, from simple good practice sheets to an intensive 12-month modular training programme. The topics covered include workplace co-operation and dispute resolution, occupational health and safety, working conditions, globalisation and change processes (ILO, 2005b).⁷

Since the implementation of TATA it has been upheld as a model of sustainable development via trade and garment manufacturing (see Chiu, 2007; Polaski, 2004; Polaski, 2009; Wells, 2007; World Bank, 2009) and it is a model, as noted above, expanding to other countries under the ILO's global Better Work programme from 2008. Sally Paxton of the ILO notes that, "The experience of Cambodia is one example of a successful strategy, the underlying principles of which could provide inspiration for the elaboration of a global strategy to promote fair globalization in the post-MFA environment" (ILO, 2005a). Our purpose is not to affirm or deny positions that the model extends to other countries, but we do contend that the ILO-TATA model and any subsequent gains for workers are vulnerable after the lifting of the MFA in 2005 and US-China safeguard quotas in 2008. Furthermore, the Cambodia context provided a space for the "experiment" to function and become a defining factor of the nation's industrialisation process for over five years. But, with more direct exposure to the demands of mobile capital in the textile and garment industry a more pronounced layering of interests is occurring, in which Cambodia's discursive "labour advantage," in terms of compliance with international standards, loses its lustre.

Under TATA and the Better Factories Cambodia model the competitive edge for Cambodia is its gradual implementation and compliance with international labour standards. This is a unique arrangement in at least two ways. First, the Cambodian state defers regulation of labour relations to international institutions, particularly the ILO, to attract international investors as a competitive advantage. As such, Cambodia is promoted as an "ethical sourcing option" for global buyers and consumers. In many countries basic labour rights are regularly suppressed in order to increase competitiveness and investment, for example through regulations prohibiting rights to freedom of association in export processing zones. Another example is China's and Vietnam's restricting trade union activity to a single, state-controlled organisation to promote political stability (see below).

Secondly, the initiation of TATA promotes a transition to deregulation of export and import barriers, while at the same time the model promotes the regulation of production under tripartite functions – engaging government, employers and trade unions. Although some analysts argue that the Fordist modality has finished in the production of commodities (Negri, 2008), in the case of Cambodia this "neo-Fordist" TATA-ILO arrangement is being implemented as a hegemonic mode of social organisation. Accordingly, TATA opened the opportunity to foster economic trade unionism based on Western models that discourage political or social movement unionism in favour of co-operative economic arrangements between capital and labour. Under this arrangement, formal employment in the factory became the dominant form of work in Cambodia under the labour law. Furthermore, the terminology of industrial relations, such as collective bargaining, collective agreement, workers' council, arbitration council and tripartite committee, developed on the basis of the particular historical arrangement of capitalist-labour

relations in the West, were embedded in Cambodia's newly formed industrial relations system (Chang, 2009).

These initiatives can also be seen as contradictory to neo-liberal trends of the 1990s; the ILO-led Better Factories Cambodia programme could be an instance of creating rigidities in labour relations which capital has reduced or eliminated in numerous other countries' co-operation with numerous states under the pressure of neo-liberal reform (see Harvey, 2003). Despite this, we find that promoting trade unions and state involvement in regulating labour relations does not necessarily entail empowered workers. Rather, textile and garment firms are embedded in structures and institutions which allow much flexibility in terms of labour relations, largely due to co-opted trade unions which struggle against independent workers' movements. In addition, there are numerous legal loopholes that facilitate union busting and other efforts that reduce the potential for a united labour movement promoting social interests both inside and outside of the factory. This process is enhanced by the informalisation of labour through the use of fixed duration work contracts (see below). Hence, within the "neo-Fordist" structures established in the Better Factories programme and the TATA are highly atomised trade unions and disempowered workers with low wages and insecure jobs. These contradictions have important implications for the impacts of this experiment linking trade and labour rights. We now turn to post-MFA trade trends and the implications for Cambodia's position in global production networks.

Phase 3: Post-MFA Pressures

From 1999 through 2004 Cambodia's garment exports were largely shielded from direct international competition due to quotas that restricted exports to major markets from China, Vietnam and other major producing countries. Cambodia's textile and garment industry is not deemed highly competitive in terms of price, quality and speed to market (USAID, 2007), and China and Vietnam are considered primary competitive threats to Cambodia's industry. The outcome is that Cambodia is relying less on its labour monitoring for a competitive advantage and increasingly on managing more generalised competitive factors, such as productivity, reducing transaction time and cost, streamlining regulatory burdens and the like (Amin, 2004; EIC, 2007; USAID, 2005; USAID, 2007). This we categorise as Phase 3 of Cambodia's insertion into the global economy.

Textile and Garment Trade Trends Post-MFA

Following the lifting of MFA quotas in 2005 it was expected that major producers, including China, India and Turkey, would dominate global exports to the USA and EU at the expense of less competitive exporters, including Cambodia and Bangladesh. However, Cambodia's garment industry exports actually expanded from 2005 through 2007. There appear to be two reasons for this. First, the imposition of US safeguard quotas against China in 2005, effective through 2008, aided Cambodian exports. Secondly, Cambodia has been a part of a post-MFA regional trend that has seen Asia-based suppliers increasing exports, while Mexican and Caribbean suppliers have generally seen significant declines (Table 2; Lau, 2007;

Textile Outlook International, 2009). Overall Cambodia has been a part of a growing concentration of US suppliers; in 2008 roughly 71% of US textile and clothing imports in value terms came from the leading ten supplying countries, compared with only 54% five years earlier (Textile Outlook International, 2009). Despite this initial “success,” Cambodia’s exports declined in 2008 and 2009. This is due in part to the global recession beginning in 2008, yet it is important to note that apparel exports to the US by Cambodia’s “competitors,” particularly Vietnam and Bangladesh, expanded during this period (Table 2), meaning the recession is not the only explanation.

It is important to note at the outset that aggregate apparel prices in the USA have increased since 2005. From 2001 to 2004, after China’s WTO accession in 2001 and the removal of many quotas, average prices of US textile and apparel imports from China fell by an average of 25% per annum, from US\$2.96 per square metre equivalents (sme) to US\$1.25 per sme (Textile Outlook International, 2009: 131). This price depression forced producers from other countries, particularly in Asia, to lower their prices to compete. With the lifting of quotas in 2005 this pattern changed. In the four years to 2008, imports from China increased by an average of 22.4% per year in value, but only 15.3% per year in volume, with the average import prices rising by 6.2% per year. Overall, the average price of US textile and clothing imports rose by 2.0% in 2008, from US\$1.81 per sme to \$1.85 per sme (Textile Outlook International, 2009: 143).

Table 3 shows the heavy concentration of Cambodia’s exports to the USA in six product categories: Men’s and boys’ and women’s and girls’ cotton knit shirts (MFA product category 338 and 339); men’s and boys’ and women’s and girls’ cotton trousers (347 and 348); and cotton and synthetic nightwear and pyjamas (351 and 651). Concentration of exports in a limited number of product categories leads to vulnerability to external shocks and buyers’ changing sourcing patterns.

The cotton shirt and trouser categories were part of the US-China safeguard quotas from January 2006 through December 2008, meaning producers in Cambodia

Table 2. US garment import value, top ten (US\$ million)

Country	2002	2004	2005	2006	2007	2008	2009
World	56,963	64,768	68,713	71,630	73,923	71,568	63,105
China	5594	8928	15,143	18,518	22,745	22,923	23,503
Vietnam	895	2562	2725	3222	4359	5223	5068
Indonesia	2042	2403	2875	3670	3981	4028	3861
Mexico	7424	6685	6078	5297	4523	4015	3391
Bangladesh	1883	1978	2372	2914	3103	3442	3410
India	1902	2217	2976	3187	3170	3073	2846
Honduras	2440	2673	2622	2440	2511	2604	2032
Cambodia	1042	1429	1713	2136	2425	2376	1871
Thailand	1719	1799	1808	1840	1766	1668	1219
El Salvador	1675	1720	1619	1408	1486	1534	1298

Figures are for “Notional Category 1: Total Apparel Imports (MFA).” Figures including textiles differ significantly.

Source: Compiled from US OTEXA (2010).

enjoyed a further transitional period before quotas were completely removed. Cotton and synthetic nightwear and pyjamas became quota-free in 2005 and were not subject to US-China safeguards. Table 3 demonstrates a clear increase in proportion of safeguard items and a decline of non-safeguard items from 2005 to 2008. Cotton and synthetic nightwear and pyjamas have been significant products for Cambodia, accounting for roughly 20% of exports in 2004, falling significantly to about 7% of exports in 2008. The following two sub-sections compare US import trends for quota and quota-free products.

Quota-safeguard items.

Figure 1 shows the top five US sources of women’s and girls’ cotton shirts. This is the largest apparel product category in Cambodia from 2006 to 2009, and is the largest single category of US clothing imports in 2008 and 2009. It demonstrates a dramatic increase in China’s and Vietnam’s exports from 2003 to 2009. Figure 2 shows US

Table 3. Shirts and trousers and nightwear and pyjamas as a percentage of Cambodia’s exports to the USA, value

Garment category	2004	2005	2006	2007	2008
Men’s/Boys’ cotton shirts	6.4	7.1	9.4	10.6	10.3
Women’s/Girls’ cotton shirts	10.6	14.4	21.0	22.4	22.4
Men’s/Boys’ cotton trousers	7.8	7.7	8.2	8.6	9.6
Women’s/Girls’ cotton trousers	18.3	20.3	17.8	19.6	19.6
Cotton nightwear/PJs	12.0	7.5	5.5	3.7	3.2
Synthetic nightwear/PJs	7.5	7.3	5.7	3.9	3.9
Totals	62.6	64.3	67.6	68.7	68.9

Source: Compiled from US OTEXA (2009).

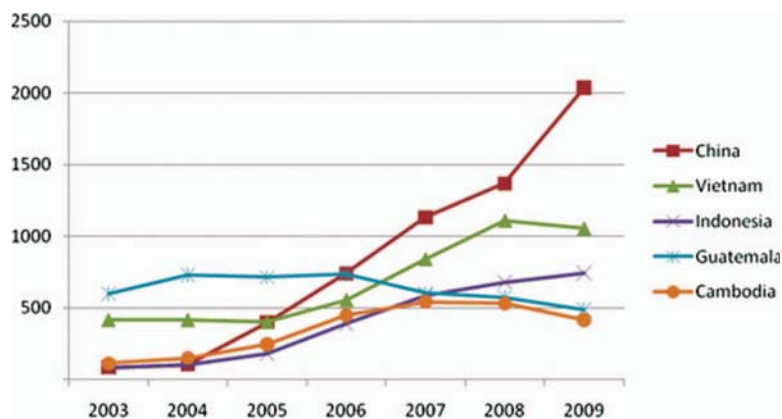


Figure 1. US imports of women’s and girls’ cotton knit shirts (US\$ million). Source: Compiled from US OTEXA (2009).

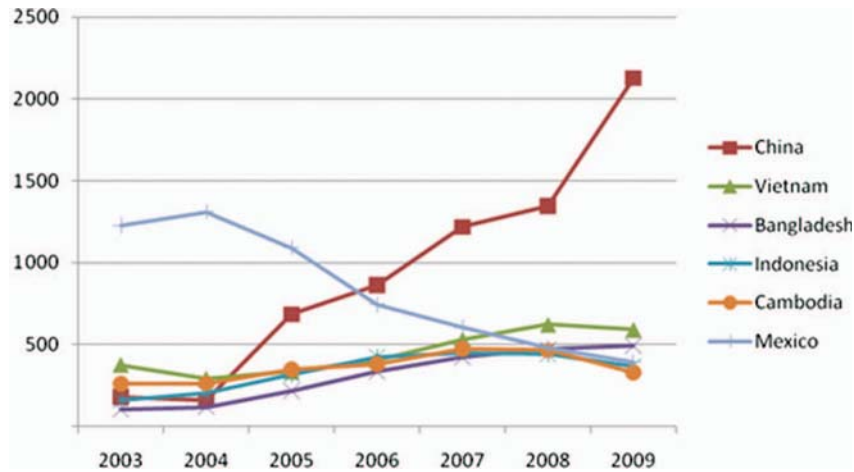


Figure 2. US imports of women's and girls' cotton trousers (US\$ million). *Source:* Compiled from US OTEXA (2010).

imports of women's and girls' cotton trousers – top five plus Mexico. This is the second largest apparel export item from Cambodia, and the second largest aggregate import item in the USA. This demonstrates a more pronounced distance between China and other Asian exporters, yet like women's and girls' shirts, it does not point to major losses by other Asian producers. Both product categories demonstrate a levelling then decline of Cambodia's exports from 2006 to 2009. Globally, the decreases are primarily concentrated in Mexico and the Caribbean for these categories.

Figure 3 shows the unit value of the top five US sources of women's and girls' cotton shirts. It demonstrates that China's unit values are relatively high, women's and girls' cotton trousers follow similar patterns. These figures also suggest a safeguard impact on the unit value, as China's unit values dropped dramatically in 2005, followed by a rise and levelling from 2006 to 2008, and a decline in 2009 after safeguard quotas were lifted. As we find below, two items not restricted by safeguards saw unit values from China drop in 2005 without a rebound. Figure 3 also shows that Cambodia's unit values in this particular item have declined steadily since MFA phase out, yet, as addressed in more detail below, prices in Cambodia are still considered high compared with Vietnam, Bangladesh and other supplying countries (see USAID, 2007).

Quota-free items.

Product 651 – synthetic nightwear and pyjamas – became quota-free in 2005 and was not subject to safeguard quotas. China's dramatic increase in production of these items began in 2005 (Figure 4), with the value of synthetic nightwear and pyjamas increasing by 146% from 2004 to 2005, and volume rising by 308%. From 2004 to 2008 China's volume increased by 767%, while value increased by 371%. From 2004 to 2005 Cambodia's volume rose by roughly 15%, but, from 2004 to 2008, total volume decreased by 11%. Cambodia's value over the two periods increased by 16%

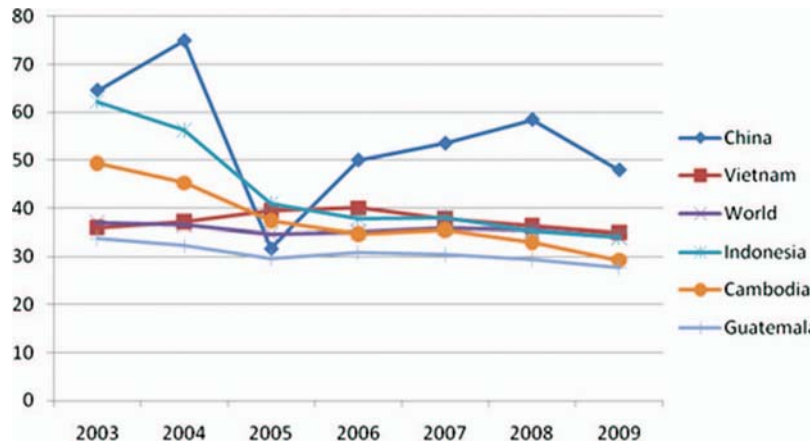


Figure 3. Unit value, US imports of women's and girls' cotton knit shirts (US\$ per dozen). Source: Compiled from US OTEXA (2010).

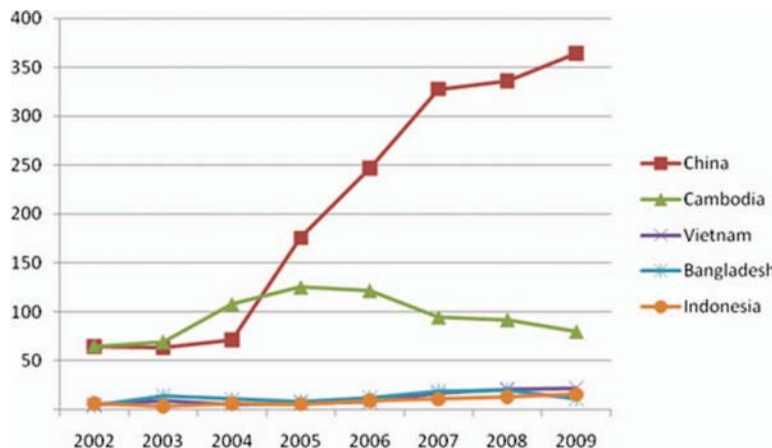


Figure 4. US imports of synthetic nightwear and pyjamas (US\$ million). Source: Compiled from US OTEXA (2010).

and dropped by 15%, respectively. The trends for cotton nightwear and pyjamas follow a similar pattern, though Cambodia's exports have steadily declined from 2004 to 2009 (Figure 5). These data are also indicative of regional shifts in production, with all top Latin American exports decreasing. Figure 6 shows a steep decrease in the unit value of China's exports of synthetic nightwear and pyjamas to the USA, though it does not appear to have significantly altered aggregate unit values. These data demonstrate that producers in China have significantly reduced unit values in order to gain market share.

The global recession that began in late 2008 hit Cambodia's garment industry particularly hard (Table 2). The Cambodian Commerce Ministry's Trade Preferences

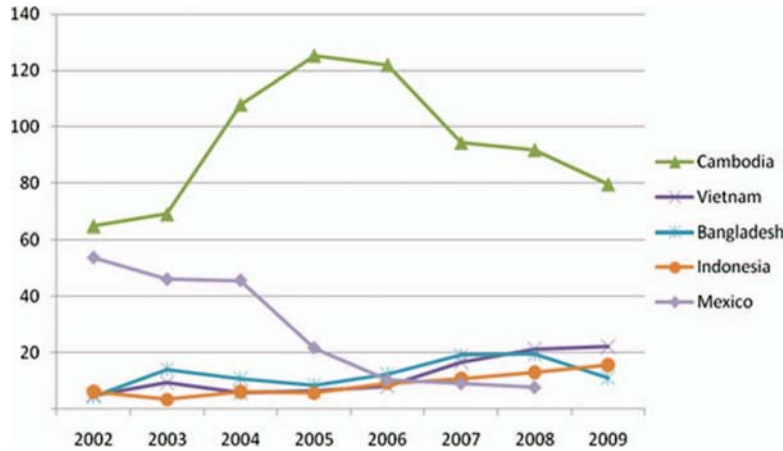


Figure 5. US imports of synthetic nightwear and pyjamas, excluding China (US\$ million).
Source: Compiled from US OTEXA (2010).

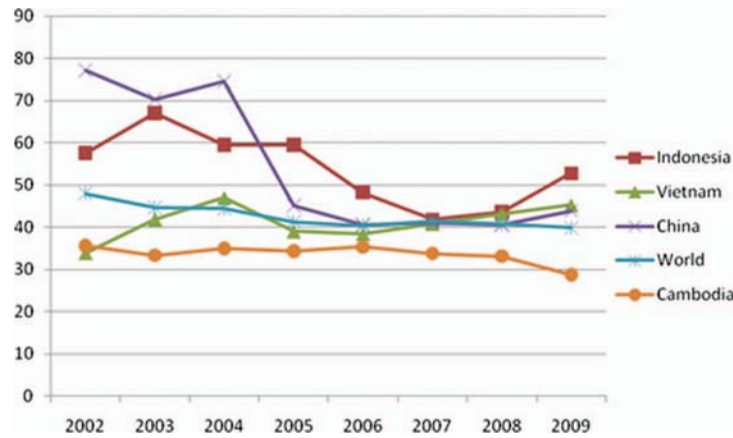


Figure 6. Unit value, US imports of synthetic nightwear and pyjamas (US\$ per dozen).
Source: Compiled from US OTEXA (2010).

Systems show garment exports fell 26.41% year-on-year in the first quarter of 2009 to US\$534.6 million, and the World Bank office in Phnom Penh estimates that there has been a net employment decline of at least 63,000 (Green, 2009). Commonly cited reasons for Cambodia’s export downturn are not different from the so-called non-competitive factors regularly discussed since the end of quotas, including: poor infrastructure, low workforce productivity, high frequency of strikes, high utility costs, high costs at customs and other “administrative” costs (usually referring to corruption), a small domestic market (meaning nearly 100% of garment products are exported), insufficient trade facilitation and access to credit, and “dollarisation,”

where a rising US dollar hurts competitiveness. Cambodia's garment factories also have a structural disadvantage as 60% are cut-make-trim (CMT) or assembly factories, usually as subsidiaries of corporations with operations in other countries (Kang et al., 2009; Yamagata, 2006). This means that nearly all inputs must be imported and factories do not engage in higher value-added nodes of value chains. Combined, these factors lead to higher prices in Cambodia. Table 4 shows that average prices for Cambodia's exports to the USA are significantly higher than "competitors" relying on CMT orders, including Bangladesh and Honduras. Together with the heavy concentration on the US market in a few product categories, these factors mean declining orders during the end of the safeguard period and into the global economic crisis.

The data presented demonstrate intense competition in post-MFA production, heightened by the global recession. It casts doubt on contentions that Cambodia is a "Post-MFA success story" (ILO, 2005a; BFC, 2006a; World Bank 2007; World Bank, 2009), primarily because global textile and apparel shifts following quota elimination have not fully played out. A further factor that could negatively impact Cambodian garment exports and the industry is the significant changes occurring in the sourcing strategies of major buyers since quota phase out in 2005. This involves a shift toward strategic partnerships with major producers in key exporting countries. For example, Nike estimates that 20% of its suppliers account for 80% of the long-term, strategic impact to the company (Nike, 2007). A key aspect of this strategy is one in which divisions must strive to ensure that price, delivery, quality, and labour and environmental compliance are met in the shortest time possible and at the highest possible margin (Pickles et al., 2010). This trend does not bode well for Cambodia, where producers are generally lagging in price, delivery time and quality. Labour compliance problems are also becoming more pronounced, particularly with the increasing use of fixed duration contract workers and prevalence of strikes and other industrial disputes. Combined, these factors complicate notions that Cambodia is taking the "high road" to improving work conditions and applying labour standards post-MFA (ILO, 2005a). It is to these issues that we now turn.

Workers and Unions: Implications of a "Fair" Model

One of the results of the TATA and ILO programme is a proliferation of trade unions. While the GMAC counted 892 trade unions in 270 GMAC-member factories in mid-2006, the ILO statistics count 440 active unions in 314 factories in 2008.⁸ The ILO figure equates to 1.4 unions per factory, with total membership accounting for

Table 4. Three tiers of US textile and apparel suppliers, US\$ per square metre equivalent (sme), 2008

High price (over \$4)	Italy (\$7.96)
Medium price (between \$2.50 and \$4.00)	Vietnam (\$2.99), Indonesia (\$2.63), Cambodia (\$2.62)
Low price (under \$2.50)	Pakistan (\$1.05), China (\$1.59), Honduras (\$1.93), Bangladesh (\$2.13)

Source: Textile Outlook International (2009: 143).

roughly 60% of the workers in the industry; roughly 84% of factories have at least one union. In 2008 there were 24 union federations in the sector for its 350,000 workers. The number of unions and federations increased sharply after TATA was initiated, a majority of them considered aligned with the ruling CPP. Sixty percent union membership is usually considered to demonstrate high levels of worker representation. However, in the Cambodian context the effectiveness of having so many unions is questionable, leaving many unions weak, under-funded, competing with one another, and subject to corruption and political interference by the CPP.

From the perspective of the handful of independent federations – the Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU) and FTU the most prominent – their activities promoting workers rights are inhibited by three factors: first, government (which often directly or indirectly supports “friendly” unions); secondly, employers and the GMAC; and thirdly, the numerous pro-business or corrupt unions that contend with independent (and other pro-business unions) for representation in factories.⁹

There are several implications of this situation. First, despite high union membership, basic rights are neglected or abused. For example, pay is often not transparent and below the official minimum wage, set at US\$56 per month in 2009, freedom of association is regularly denied and, since 2005, employers more regularly use daily or short-term labour, who are reluctant or unable to promote their rights, whether individually or as union members (Arnold, 2008). Secondly, and related, the high number of federations and plant-level unions makes it difficult for genuine unions to promote the rights of their members. Competition and conflict among the unions and the national federations limit their effectiveness. Thirdly, the proliferation of unions and federations is associated with the rise of unions as businesses. Running a union can be lucrative as corrupt unions can seek kick-backs from employers and “fundraise” in other ways. Fourthly, an atomised and corrupted labour movement loses political effectiveness. Such unions and federations do not pose a serious challenge to the ruling CPP; an important consideration as textile and garments is the most highly organised sector in Cambodia. CCAWDU, a prominent independent union, has claimed that the CPP is also encouraging the formation of friendly federations to prove that opposition/independent federations are a minority and do not represent the workers (interview, CCAWDU, May 2006). In addition, unions are used during elections to garner support for political parties.

For activist workers and trade unionists, there are several other problems faced that inhibit their daily activities. Most serious has been the murders of three FTU trade union leaders, including FTU President Chea Vichea, since 2004. Activists also face violence, including assault and intimidation. Such threats are often associated with collective bargaining. For example, in June 2007 the president of a union federation was threatened by thugs during high-profile negotiations over labour rights violations at a factory producing for a major European buyer (interviews, June 2007). Employers will also use legal threats against unions. For example, in 2007, an employer pressed criminal charges against CCAWDU for “inciting workers to go on strike” (Gregoratti and Miller, 2009).

Hence, despite a high level of unionisation, trade unions largely struggle to maintain representation at the factory level. This is a critical factor preventing them from dedicating time and resources toward becoming more prominent social and

political forces representing the interests of their members at the national level. In cases where union activists become prominent opposition forces they are more susceptible to violence or even death, as was the case with Chea Vichea. To be clear, we are not implicating the TATA-ILO programme for all the problems trade unionists and workers face, yet the “neo-Fordist” model is linked to many facets of labour politics and labour relations in Cambodia.

*Informalising Work*¹⁰

Under Cambodian labour law there are two main categories of employment contract: undetermined duration contracts (UDCs) or fixed duration contracts (FDCs) (BFC, 2006b). As their names suggest, UDCs are valid for an unlimited time, while FDCs are valid for a specific period of time, usually 3-6 months, which can legally extend indefinitely if workers and employers “agree” on the terms. Kang and colleagues (2009: 18) find that FDC terms have shortened since the onset of the global recession in 2008, generally from 6 to 3 months. CCAWDU stated in an interview (June 2007) that from 2001 until 2005, a majority of workers in registered textile and garment factories were UDC workers with associated benefits, such as sick leave and maternity leave, regular wages, holidays and the like. Implementing this was a central aspect of the ILO-TATA’s legitimacy. Since the end of the quotas one of the significant changes in factories has been the increased use of FDCs. According to an unpublished preliminary investigation conducted by the Workers’ Rights Consortium in 2009, only one of 60 factories surveyed exclusively used UDC workers, while most of the remaining 60 factories surveyed either exclusively use FDCs or since 2005 employ all new workers on FDCs. This indicates a rising tendency for work and workers to become increasingly “informalised.” In this sense work and labour relations in Cambodia are converging with trends in much of Asia after a period in which, at least discursively, Cambodia was an exception to trends breaking down the rigidities of organised labour (Arnold and Pickles, 2010; Chang, 2009).

According to CCAWDU, the use of flexible labour began in larger knitting factories, employing 3000 to 10,000 workers, primarily in Kandal Province where unionisation rates were highest. FDCs have now spread to both smaller knitting factories and garment assembly factories of all sizes (interview, CCAWDU, January 2009). CCAWDU reports that if these workers on FDCs are hired as regular employees their time as temporary workers is not factored into their seniority and benefits. FDCs have become the biggest challenge for trade union organising and workers’ livelihoods, exacerbated by unions that are close to factory management that encourage workers to be on FDCs. They do so to maintain the union’s good relations with employers to maintain “competitiveness” in garment sourcing networks (interview, Chea Sophal, Better Factories Cambodia, 12 November 2009). Many workers wish to be on FDCs because it is a way to get cash in hand. For instance, FDCs are entitled to 5% severance pay on completion of contracts. Also, if a six-month contract is terminated prior to the end of the contract, workers are entitled to the basic wage for the duration of the contract.

Employers are increasingly using informal/flexible short-term and daily labour as part of efforts to maintain or increase profits and, not coincidentally, to avoid the

demands of organised workers. Commenting on this trend to FDCs, Anne Ziebarth, legal advisor for Better Factories Cambodia stated that this was "... troubling because it may indicate that they [employers] misunderstand the appropriate use of the different types of contracts, or that they are using FDCs to undermine workers' employment security" (BFC, 2006b).

The ILO confirms that employers prefer workers on FDCs to those on UDCs "... because they believe that it is easier to terminate workers" (BFC, 2006b). Employers are under no obligation to renew a flexible worker's contract after it has expired, but they are prohibited from firing FDC workers for illegitimate reasons, including anti-union discrimination. Cambodia's labour law is clear that all workers have the right to join and form a union, regardless of the type of contract (Arnold, 2008). Employers are expected to have a valid reason based on the worker's aptitude in deciding whether to terminate a flexible worker's contract. Without a valid reason an employer is liable to pay damages to the worker in addition to legally mandated 5% compensation. Many factories will not allow male workers to become regular, out of fear that they will become union leaders, as men are perceived to be more likely to be union activists. Some only allow workers to become regular if they fulfil certain requirements, such as not asking for leave during their first three months of work or being unmarried (interview Womyn's Agenda for Change, March 2009).

The expansion of FDCs is a major factor in the increase in plant-level strikes in Cambodia since 2005 (Figure 7). In 2006 the ILO confirmed that, "We are seeing more disputes arising over the type of contract used to employ permanent workers, with workers in some factories complaining that they lack security of employment because they are working under repeating short-term FDCs" (BFC, 2006b). Other factors prompting strikes include disputes over wage and entitlement payments, non-discrimination against union activists, firing and rehiring retrenched workers and sexual harassment.¹¹ Increasing frequency of strikes is, as noted above, considered a detriment to Cambodia's "competitiveness" *vis-à-vis* China and Vietnam. These claims overlook fairly widespread and often large-scale strikes in China and Vietnam

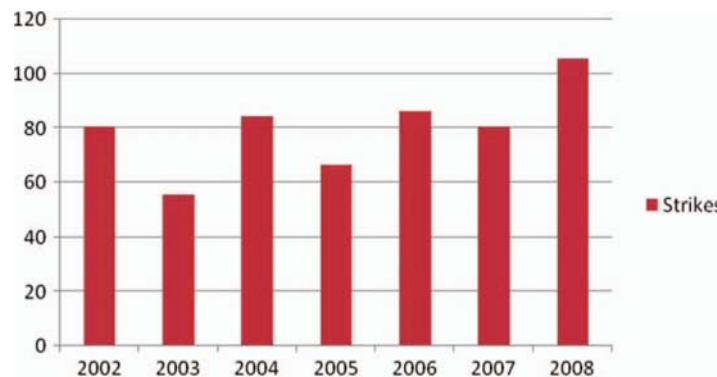


Figure 7. Number of strikes in Cambodia, 2002-08. *Source:* Compiled from GMAC Labour Support Office (2006) and Kang et al. (2009).

over the past five years (Clarke, 2006; Lee, 2006; Lee, 2007), which do not appear to have negatively affected investment.

These patterns embed – for Cambodia, this may be seen as a re-embedding – the informal nature of labour and changes its social form in Cambodia as mobile capital requires flexible and disposable forms of labour (Chang, 2009). The increasing prevalence of FDC workers signifies a break from the “decent work” principles of the Better Factories Program, such as job security, benefits and rights to freedom of association, and is one of many factors throwing the sustainability of the “ethical niche” into question. In particular, an objective of the ILO programme is to encourage bureaucratic solutions attained by professional negotiators to decrease the likelihood of disputes disrupting industrial production (Hughes, 2007). Use of FDC workers appears to be a strategy by employers to compete in global markets, yet it produces discontent among workers and independent trade unions who increasingly take to the streets to make demands not met through institutionalised channels.

The textile and garment programme in Cambodia entails the spread of the disciplinary regime of the factory in the social spheres of production and reproduction. The TATA and Better Factories programme are parts of a larger disciplinary process whereby Cambodia is pulled onto the global assembly line. Going forward, this process must be broadened and deepened with enhanced “reforms” in order for Cambodia to maintain its position in global production networks. This is being addressed in the third phase of the integration of Cambodia’s textile and garment sector’s development. The medium- and longer-term implications of these processes are not clear, yet it is apparent that categorisations of Cambodia as a “success story” for a fair or more equitable globalisation are premature.

Conclusions

Initially the US-Cambodia Textile and Apparel Trade Agreement (TATA)-ILO programme was seen as a means for Cambodia’s economy to be favourably inserted into the global economy and to overcome Cambodia’s past social and economic problems. Coming from a position of abject weakness *vis-à-vis* regional and global economies, the policy options were limited to those suggested by major lending organisations, international organisations and foreign governments. However, this situation appears to be changing. By 2008 the CPP consolidated political power, placing Cambodia in the category of “electoral authoritarianism” (Hughes, 2007: 835). This, combined with the phase out of TATA in 2005 and the ILO’s lead in the Better Factories programme in 2010, means Cambodia’s government has more power to direct and autonomously govern its industrial policy and labour relations as it is further integrated with the global economy. Indeed, governance and industrial policy provide the means for the Cambodian state to favourably insert its national economy into the emerging global economy (Mayer and Pickles, 2008). Yet it is clear that this insertion can fragment the national economy and society and create alternative foci of identity and political legitimacy (Jessop and Sum, 2006). Maintaining a divided and largely co-opted labour movement is an important means to ensure alternative or opposition social and political movements are

marginalised. It is not yet clear how trade unions, whose growth has been largely fostered by the TATA-ILO “neo-Fordist” model, will advance the interests of their members in the context of a weak position in global production networks, combined with a state exerting downward pressure on both opposition forces and labour rights.

We have argued that the TATA and the ILO’s Better Factories programme is a contradictory initiative in many respects. At one level it is an attempt to embed “mature” or professionalised industrial relations systems in a country with little history of industry and, perhaps more importantly, is in the process of recovering from the traumas of decades of war. At another level, the ideological model of the programme consists of “neo-Fordist” labour relations, Taylorist methods of organising work and fostering a state that protects its population from the excesses of the global economy, through social security, tripartitism and the like. Discursively this approach appears to counter certain tendencies of neo-liberal globalisation, particularly those associated with breaking down of the rigidities of organised labour and reducing or bypassing social barriers that impede the smooth and global production and enhanced circulation of capital (De Angelis, 2000).

Not surprisingly, the GMAC is clear that they do not see the benefit of continuing the programme. According to Ken Loo, the General Secretary, the benefit of the ILO programme was its relation to the allocation of quotas under the TATA (interview, June 2007). In other words, exporters were required to take part in ILO monitoring to obtain quota allocation; without that incentive the programme essentially becomes voluntary. He added that almost all buyers do their own audits; some have high standards and others do not, so from this perspective there is often no benefit for producers to go beyond the necessary standards and, in this sense, the ILO programme is losing some of its appeal. At the end of the day, Loo concludes, buyers do not pay more for high labour compliance; it is a pass/fail system and a cost that suppliers must bear. In other words, buyers may require labour compliance but the cost of implementation is generally passed on to suppliers. While claims of a causal link between high labour standards and increased costs have not been proven (Birnbaum, 2005), this industry comment suggests a perspective that associates compliance, or implementation of labour standards, with increased costs.

This is, from a different perspective, reinforced by recent comments of the Minister of Commerce, Cham Prasidh, who warned buyers that the government could revisit its labour-linked trade policy “if the result of the support of ILO labour compliance means less purchasing orders and less business for Cambodia.” The minister acknowledged that the country had seen commitment from a number of customers, but he urged others to embrace the labour-linked trade policy initiative more fully and to “resist the temptation” to source from countries who could make cheaper garments as a result of poor labour standards. He concluded by stating that with falling prices “CSR [corporate social responsibility] could be relegated to the backstage” (cited in Green, 2009).

Cambodia’s textile and garment industry is portrayed as a beneficiary of US-backed development measures linking trade with labour rights and the recent loss of orders is often blamed on low labour standards in China, Vietnam and elsewhere. The minister makes the assumption that Cambodia still has (or had)

“good” labour standards. However, it is not clear that the demands of Cambodia’s workers are more readily addressed than in some of these “low standard” countries, presumably Vietnam, Bangladesh and China. In Cambodia the increasing use of fixed duration contract workers is an example of government-mandated lowering of labour standards to maintain competitiveness with lower cost sourcing options in the region. We have demonstrated that this policy is resisted to varying degrees and for different reasons by many workers, trade unions and the ILO, yet at the time of writing it is still implemented by the Cambodian government, backed by lobbying efforts of the GMAC. The extent to which organisations mandated to protect and promote workers’ rights, particularly trade unions and the ILO, can effectively address the broader informalisation of labour in global production networks is an open question for further research.

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Notes

- ¹ Total exports increased from US\$1.5 billion in 2001 to US\$4.1 billion in 2007, including garments, shoes, cigarettes, natural rubber, rice, pepper, wood and fish.
- ² Food sellers represent almost 40% of indirect jobs, housing 25% and transportation 5%. Another 30% include small traders, clothing shops and other supporting businesses (Economic Institute of Cambodia, 2007: 16).
- ³ On 3 January 1992, the USA lifted its embargo against Cambodia, thus normalising economic relations. The USA also ended blanket opposition to lending to Cambodia by international financial institutions (US Department of State, 2009).
- ⁴ The focus of these international interventions derives primarily from neo-liberal approaches favoured by dominant actors in the international system, such as the World Bank and International Monetary Fund, as well as Western donor nations. Hughes (2007: 836) contends that these actors espouse an agenda of poverty reduction and economic progress, tied *a priori* to a model that regards economic growth as the key to development, and privatisation and liberalisation as the *sine qua non* of economic growth. This “opening” fostered the introduction of export-oriented garment production.
- ⁵ Chea Vichea was the union’s president. He was murdered in 2004, and the FTU continues to call for a thorough investigation of the case (see the FTU’s website, <http://www.ftuwkc.org/>).
- ⁶ For a more thorough analysis of the Better Factories Program, see Polaski (2004; 2009), Miller et al. (2007) and Wells (2007). However, the analysis cited does not consider Cambodia’s labour standards and implementation from a comparative perspective, which is a potentially insightful means to analyse the difference it has made.
- ⁷ See the Better Factories Cambodia website at <http://www.betterfactories.org/ilo> for details.
- ⁸ Conor Boyle from the ILO points out that this discrepancy results from GMAC statistics that tally every union, active or inactive, from the date factories open operations, while the ILO counts active unions (interview, 24 February 2009).
- ⁹ The ILO has categorised unions as “A” and “B.” A unions are pro-CPP while the B category are considered opposition unions, even though most of the B unions are not active supporters of the

opposition Sam Rainsy Party. In reality, however, there is another two categories of unions: the truly independent unions and unions that are mafia or mafia-like organisations. In 2006 the ILO recognised four federations as B group, while a majority are considered “A-oriented.” In other words, despite large numbers of unions and federations, few are independent, even by the ILO’s rather loose standards.

¹⁰ Portions of this section draw on Arnold (2008).

¹¹ It is worth noting that “cultural issues” or racist slurs uttered by foreign managers, identified as a common reason for strikes in the late 1990s and early 2000s, have become less pronounced.

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