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Trade union strategies
towards global
production systems

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Contents

5

Foreword

7

Editorial

9

*Business as usual? Governing the supply chain in clothing –
Post MFA phase-out: The case of Cambodia*

Doug Miller

35

*Feeding the financial markets: Food corporations and the financialization
of global production systems* Hidayat Greenfield

49

*At loggerheads? Global production chains and sustainable
development in the forestry industry*

Olfa Khazri, Peter Poschen, Bob Ramsay

73

*Attracting foreign investment at all costs? The case of export processing
zones (EPZs) and Ramatex in Namibia* Herbert Jauch

85

Digital reorganization Susan Hayter

97

Organizing the high-tech ghettos of globalization Jenny Holdcroft

Foreword

Dan Cunniah

Director,
Bureau for Workers' Activities

I am pleased to provide you with the first issue of a new ACTRAV journal, the *International Journal of Labour Research*. The aim of this journal is to present an overview of recent research on labour and social policies from trade union researchers and academics around the world. The *International Journal of Labour Research* is multidisciplinary and will be of interest to trade union researchers, labour ministries and academics of all relevant disciplines – industrial relations, sociology, law, economics and political science. It will be published twice a year in English, French and Spanish. Each issue will focus on a specific theme.

You are receiving this journal because you are a subscriber to ACTRAV's *Labour Education*. *Labour Education* will continue to exist and will be published once a year. It will analyse trends and strategies within labour education. *Labour Education* will draw on the expertise of ACTRAV labour education specialists in the field and will be edited by the ACTRAV's Labour Education Programme in Turin.

The launch of the *International Journal of Labour Research* is based on the feedback from a questionnaire distributed among readers of *Labour Education* in 2005–06. The conclusion drawn from this questionnaire was that readers were interested in a journal focused on labour education and were also interested in a research journal.

I hope you will find this journal useful for your work and look forward to your feedback.

Editorial

Dan Cunniah

Director,
Bureau for Workers' Activities

One of the most profound features of the globalization process in recent years has been the increased coordination of productive activity across national borders. The global interdependencies of production have become painfully obvious in the financial and economic crisis which began in 2008. This poses one of the most substantial challenges to employment that we have faced during the past decades.

In the 1980s, globalization was often characterized by the liberalization and expansion of foreign direct investments, increase in cross-border trade and international financial flows. Today, globalization is also defined by the global organization of production or, in other words, global production systems.

From the 1990s onwards, cheaper transport and rapid technological advancements enabled the breaking up of the production processes into distinct stages and locating these in different countries in order to make use of lower social and environmental standards, the availability of raw materials and energy and more favourable policy environments.

Global production systems began to emerge in high-tech industries, such as electronics, and in labour-intensive goods, like textile clothing and footwear. They are also becoming increasingly important in services where financial services, customer care and software development can be supplied from various parts of the world.¹

The increasing integration of national economies in a single global market and the appearance of new world production systems are demanding a convergence of national and international trade union agendas.

1. Hayter, S. 2005. *The social dimension of global production systems: A review of the issues* (Geneva, ILO).

This is a big challenge for trade unions, which traditionally organize within a national context but now find themselves facing increasingly international challenges resulting from globalization.

The production of goods and services is not only more dispersed but also more coordinated by international producers, buyers and retailers. Unions have to deal with sophisticated, imported and often anti-union human resources management strategies. In some instances this is a mere phenomenon at the local level within a global production system while in others it is a deliberate strategy designed and enforced by company headquarters. They also face the question of how to respond to more difficult representational situations arising from sourcing decisions.

Unions are facing many challenges as a result of the development of these new global production systems, including the increasing informalization of labour and declining membership within trade unions. This suggests a need to redefine established conceptions of labour relations and workplaces. Strategies are needed to counter employers who attempt to divide the workforce by employing migrant labour or young or female workers, who are seen as particularly vulnerable.

However, the concept of global production systems also presents some opportunities. To benefit from these opportunities, unions should develop strategies with a view to organizing and to bargaining collectively along the global production systems. One way to get access to the company level might be by means of international framework agreements. Most of the articles in this issue are from representatives of global union federations who are experts on this question.

These contributions are the fruit of a workshop held in May 2006 on “Global Production Systems and the Role of Trade Unions” organized jointly by ILO–ACTRAV, the Global Union Research Network and the Institute for Social Studies in The Hague.

Finally, as of this writing in early 2009, the global economic crisis triggered by the equity market meltdowns of late 2008 is now in full flight. What began as a financial crisis in the United States has already transformed into a global economic crisis and recession, leaving massive lay-offs, painful restructuring, and public indebtedness in its wake. In turn, these developments threaten further to undermine labour movements, social welfare and gender equality.

Business as usual?

*Governing the supply chain in clothing –
Post MFA phase-out:
The case of Cambodia*

Doug Miller

University of Northumbria
International Textile, Garment and Leather Workers' Federation

with

Veasna Nuon

National Independent Federation of Textile Unions of Cambodia,
Cambodia Global Labour University

Charlene Aprill

SACTWU, South Africa Global Labour University

Ramon Certeza

Confederation of Labor and Allied Social Services,
Philippines Global Labour University

Introduction

On 20 January 1999, the Governments of Cambodia and the United States entered into a three-year trade agreement on textile and apparel¹ which set an export quota of up to 14 per cent for garments from Cambodia to the United States, contingent on improvements in working conditions and adherence both to Cambodia's labour code and to internationally recognized core labour standards. In this unprecedented step, the Governments of the United States and Cambodia agreed to jointly request ILO technical assistance to implement this "social clause". Following extensive consultation with the major stakeholders – Cambodia's Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation (MOSALVY), the Garment Manufacturers Association in Cambodia (GMAC), the Cambodian trade union movement and the Government of the United States – the ILO began to implement the Garment Sector Working Conditions Improvement Project in January 2001.

As its title suggests, the principal objective of the project was to improve working conditions in Cambodia's textile and apparel sector via the establishment of an independent system for monitoring working conditions, assist in drafting new laws and regulations where necessary, and develop awareness and capacity for employers, workers and government officials to ensure greater compliance with core labour standards and Cambodian labour laws.

With that, the growth of the garment industry and in turn the Cambodian economy became contingent on quota awards based on favourable reports from the ILO Better Factories Cambodia's monitoring team. Quite remarkably, the value of Cambodia's textile exports rose rapidly from US\$26 million in 1995 to US\$1.6 billion by 2004, and to over US\$2 billion by 2006, with around two-thirds going to the United States (US) and the remainder to the European Union (EU) (Better Factories Cambodia, 2006). By any stretch this might appear a success story. With total employment in the sector numbering 265,811 (ILO, 2006a), some 65 per cent of manufacturing employment, analysts have hailed Cambodia as a model for linking development with improvements in labour standards (Asian Development Bank, 2004; UNCTAD, 2005; ILO, 2005; Wells, 2006; Frost and Ho, 2005; Polaski 2003; and Prasso, 2004).

These claims were, however, severely put to the test on 31 December 2004, when the Multifibre Arrangement (MFA) and the Cambodian-US

1. See Cambodia Bilateral Textile Trade Agreement, 20 January 1999, US-Cambodia. This agreement was extended to 31 December 2004 by the Memorandum of Understanding dated 31 December 2001; see Press release, Office of the United States Trade Representative, US-Cambodian Textile Agreement Links Increasing Trade with Improving Workers' Rights (7 January 2002), at www.tdctrade.com/alert/us0201.htm.

trade agreement expired, thus exposing the Cambodian garment industry to global competition. As a smaller producing country, Cambodia now had to distinguish itself in the market to remain competitive and bank on “its adherence to international labor standards to carry it through these turbulent times”. Significantly, data from Better Factories Cambodia shows that the total value of exports of Cambodian garment and textile increased almost 10 per cent to US\$2.175 billion in 2005, revealing that Cambodia is more than holding its own in the post-MFA world. Exports to the US grew by just over 10 per cent in quantity and almost 20 per cent in value. From 1 January 2005 to 30 April 2006, nearly 30,000 new jobs were created, and the number of establishments increased by 13 per cent (Better Factories Cambodia, 2006). However, this growth has to be viewed in the context of the re-imposition of quotas on certain categories of clothing from China – the so-called China safeguards – which has increased buyer dependency on alternative sources of supply. Consequently, it cannot yet be argued that Cambodia’s “social label” has been the motor for growth in the sector – categorical answers may become apparent in the coming years when the China safeguards are removed under the terms of the Agreement on Textiles and Clothing.

This article briefly outlines the structure of the Cambodian garment industry in the context of these trade agreements and examines in detail the relationship between the findings of the ILO Better Factories Cambodia’s monitoring team and the awards of quota. It will then assess the extent to which the stated project objective – the improvement of working conditions in the garment sector – has in fact been achieved and evaluate whether the Cambodian “social model” will succeed in attracting future buyers.

The Cambodian garment industry

Cambodia’s garment export industry was born in the mid-1990s. Two factors preceded this. First was the resumption of peace, normal political and economic relations between the country and the global community, and the first democratic election. The second was a process of neo-liberal restructuring driven by the IMF and the World Bank, including the privatization of a few state-owned textile and apparel plants. Not yet a WTO member, Cambodia was a rather late entrant to the global export market with garment export sales first recorded in the mid-1990s. Between 1995 and 2004 garment exports grew dramatically from US\$26 million to almost US\$2 billion, and apparel now accounts for nearly 80 per cent of the country’s merchandise exports to the United States and the European Union. The small but gradually growing industry was then boosted when the United States granted Cambodia “Most Favored Nation Status” (MFN) in 1996, and further still in 1997 when special trade privileges under the US Generalized System of Preferences (GSP) were awarded. In 2001, Cambodia’s access to the

EU market became quota-free and duty-free under the “Everything But Arms Generalized System of Preferences” for the least developed countries.

However, as can be seen from table 1, the major take-off of the industry did not occur until after the US–Cambodia textile negotiations were initiated and finalized in 1999.

This was mirrored by increasing foreign direct investment (FDI) as foreign capital began to realize the market potential in exporting textile products with expanded quota possibilities. Figures from the Garment Manufacturers Association of Cambodia reveal the relative importance of Chinese, Korean and Taiwanese ownership and, with that, their imported managerial style (see table 2).

Cambodian garment production, while critical to the economy of Cambodia, remains relatively small in global terms, representing about 0.3 per cent of garment production worldwide and 0.7 per cent of global foreign trade by value, based on World Trade Organization (WTO) data (Asian Development Bank, 2004). Yet the clothing industry has been important for the country’s economic and social development, as it accounts for 80 per cent of its exports, 12 per cent of its GDP, and directly employs 65 per cent of the industrial labour force. Consequently, Cambodia has become one of the few countries in the world whose economies are most dependent on textile exports.

Most of the garment labour force is made up of young women, employed directly by some 292 factories located in Phnom Penh, Kandal, Kampong Province and Sihanouk Ville (Better Factories Cambodia, 2006). Without

Table 1. Evolution of Cambodia's garment industry

Indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Factories (number)	20	24	67	129	152	190	186	188	197	206
Total employment (thousand)	18.7	24.0	51.6	79.2	96.6	122.6	188.1	210.4	234.0	245.6
Garment exports (US\$ million)	26.2	106.4	223.9	355.3	653	965	1119.8	1338.4	1581.5	1987

Source: US Embassy in Cambodia, “Economic significance of the garment sector in Cambodia”, January 2006.

Table 2. Garment industry by owner's nationality

Nationality	General factory population	
	Number	Percentage (%)
Cambodia	13	5
China and Hong Kong (China)	66	28
Taiwan	41	17
Rep. of Korea	12	5
Other	59	25
Joint venture	47	20
Total	238	100

Source: GMAC, 18 January 2005.

doubt, work in the garment industry offers women higher income and better working conditions than other available jobs. Sizeable remittances from garment workers support up to 1 million people in rural areas, reducing food insecurity (FIAS, 2005).

The garment industry is dependent almost completely on imported yarns (for knitwear), finished wovens and circular knitted fabrics (for woven and knitted cut-and-sew garments), and all accessories and almost all packing and presentation materials. The domestic material content is limited to some cardboard cartons and poly bags. This places the country’s industry very much within Gereffi’s archetypal buyer-driven “Asia production network” (Gereffi and Memedovic, 2003; and Gereffi and Korzeniewicz, 1994) and dominated by large, predominantly US apparel retailers and branded merchandisers. The top 25 buyers based on volume of production are listed in table 3.

Asian multinational suppliers seeking to access business in the global market are dependent, as Sturgeon (cited in Gereffi et al., 2005) points out, “on participating in global production networks led by firms in developed countries”. Individual supply factories in Cambodia may thus be wholly dependent on single clients or multiple buyers, or sell through agents in Hong Kong (China), or may contract work out to local factories (Salinger et al., 2005).

Gereffi’s (1994) global commodity chains framework stresses the importance of “triangle manufacturing” in the global dispersion of production which began in the 1970s, wherein overseas buyers placed their orders to East Asian manufacturers who in turn reallocated most if not all of the orders to affiliated offshore factories in newly industrializing countries. These new production relations between overseas buyers and the manufacturers from newly industrialized countries, which have involved large volumes of business, have

Table 3. Top 25 of Cambodia’s textile export buyers

Position	Buyer	Position	Buyer
1	GAP	14	PVH
2	H&M	15	C & A
3	Levi Strauss	16	Walmart
4	Adidas	17	Kohl’s
5	Target	18	MGT
6	Sears Holdings Corp (Sears, Kmart)	19	American Marketing
7	Children’s Place	20	J.C. Penney
8	Charles Komar	21	C.S.I.
9	The William Carter Company	22	Fruit of the Loom
10	VF Jeanswear Ltd	23	Puma
11	Matalan	24	Roga
12	Blue Star	25	Paceman
13	Nike		

Source: Ministry of Commerce.

contributed to the growing number of Asian manufacturers which have, themselves, evolved into large multinationals. Table 1 clearly shows how investment in new factories accelerated in tandem with quota allocation. The central thesis of this article is that the magnet for buyer and supplier multinationals was largely the preferential access to major markets afforded by quota and the prevalence of relatively low wage costs stemming from the country's large labour surplus (Bargawi, 2005; Asian Development Bank, 2004:56). It will also be argued that the ILO monitoring project proved the perfect foil not only for those multinational buyers which already factored corporate social responsibility into their business policy, but also for those which did not.

The ILO factory monitoring project: Better Factories Cambodia

The ILO factory monitoring project in Cambodia (previously named the ILO Garment Sector Project and renamed in 2001 as Better Factories Cambodia) is arguably the most comprehensive and systematic monitoring effort² governing any national garment supply base in the world.³ Virtually all factories in the sector (with the exception of a number of subcontractors) are registered with the scheme and a team of 12 (originally eight) Khmer-speaking inspectors are engaged in a constant ten-month cycle of monitoring visits to ensure that all factories undergo an inspection visit, culminating in a factory report for the registered supplier and a publicly available Synthesis Report which distils the findings from the factories in the sample or cohort. The process is now streamlined via a computerized information management system which buyers and suppliers can access.⁴

Notwithstanding critiques of the monitoring methodology (Pandita, 2002; Womyn's Agenda for Change, 2002) supplier factories would appear to be subjected to a rigorous examination of every main aspect of the Cambodian labour code (initially on a two-year, now ten-month cycle), and a requisite public disclosure on the Internet. The monitors' checklist, based on Cambodian labour law and core ILO standards, covers more than 500 items. Monitors, who work in pairs and arrive unannounced, interview workers and management separately and confidentially. Interviews with workers usually take place away from the factory. The monitors also talk with factory worker representatives and union leaders. Management is requested to

2. www.betterfactories.org/ILO/aboutBFC.aspx?z=2&c=1, accessed 12 July 2006.

3. The United States agreed to pay the bulk of the costs of monitoring, contributing an initial US\$1 million to a US\$1.4 million fund to task the ILO with setting up the monitoring system. (The remainder was split between the Garment Manufacturers Association in Cambodia and the Cambodian Government.)

4. www.betterfactories.org/ILO/infosystem.aspx?z=13&c=1, accessed 12 July 2006.

provide relevant documents (payroll, sample contracts, leave records, etc.) as evidence of working conditions and terms of employment.

Polaski (2003) has argued that Better Factories Cambodia has led to “significant and widespread improvements in wages, working conditions and respect for workers’ rights” (25). We will return to this claim later. In the meantime it is important to critically assess the reasons Polaski advances for this being the case. First, it is argued that there was a close temporal connection between the improved behaviour of firms and the rewards in the form of increased quota. Second, because the quota increase depended upon sector-wide performance, non-compliant firms faced peer pressure from the rest of the industry and would be more likely to comply voluntarily with labour laws and accord labour rights to their workers. Third, the improvement in the availability of monitoring information allowed buyers (often multinational apparel firms that are concerned about their reputations) to direct orders towards firms that have complied with labour laws and away from those that have violated them.

Let us look at each of Polaski’s claims in turn. If we consider the temporal link between the award of quota to the degree of factory/sectoral improvement, then one might be drawn to the conclusion that the will to make it appear that the monitoring project was effective was far greater than the will to exact change in Cambodian garment factories. Under the terms of the agreement, the US Government was to “make a determination by December 1 of each agreement period, beginning on December 1, 1999, whether working conditions in the Cambodian textile and apparel sector substantially cope with such labour law standards”. Information from the ILO⁵ reveals that there were two annual meetings in this respect: a mid-year consultation and a year-end determination/negotiation. The first ILO report, based on a sample of 30 out of 190 factories was published in November 2001 (ILO, 2001). Implementation of the provisions was extremely slow. It had taken more than a year for the ILO even to begin entering Cambodian factories to get the process under way. Significantly, then, the first tranche of quota was awarded on the basis of one report which had not been followed up and consisted of a 16 per cent sample of the existing supply base. This somewhat rash allocation of quota may have been caused by intense lobbying by the GMAC.

According to one academic commentator:

Cambodians were frustrated with the slow pace of the process, complaining publicly that they had improved factory conditions and had suffered serious labor unrest from emboldened unions without the promised results of an increase in the U.S. textile quotas. Cambodia’s textile quotas for 2002 were increased by a bonus of 9 per cent (out of a possible 14 per cent) on top of

5. Personal correspondence from Ros Harvey, Global Programme Manager, Better Work, ILO, 19 July 2006.

the minimum 6 per cent annual increase as required by the agreement. Previous annual quota increases had been 9 per cent. By 2002, Cambodia's quotas had exceeded its ability to meet capacity, and it left part of its quota partially unfilled for that year. (Prasso, 2004)

On the basis of this, the agreement was extended for a further three years and quota progressively increased. By the time of the second determination (December 2002), a further two cohorts of companies had been monitored and a second inspection of Cohort A had occurred, as reported in Synthesis Report No. 3 (ILO, 2002). Thus the second determination (a 12 per cent quota award) was made by the Government of the United States on the basis of *one* cohort of factories which had undergone a follow-up inspection. The third allocation of quota (14 per cent) was made on the basis of two follow-up reports – Cohort A (third report) and Cohort B (first follow-up). Finally, the 18 per cent quota allocation was made on the basis of one follow-up report on 65 of 225 factories in Cohort C (ILO, 2004).

Let us now consider the issue of incentive to improve. Here we have to consider the elements of a “stick” versus “carrot” approach. In Cambodia, the Ministry of Commerce's Trade Preferences Department (TPD) managed and sub-allocated quota to local manufacturers. A “stick” approach would have involved threat of withdrawal of an export licence based on evidence from the ILO monitoring project of a repeated failure to improve conditions suggested by the ILO factory inspectors. However, the model chosen was an industry-wide incentive system rather than a factory-specific, punitive system. Quota was therefore awarded for general improvements in the sector as measured by the ILO reports, and the mechanism for access to quota for garment employers was the process of registration and participation in the ILO monitoring programme (ILO, 2006c).

Although registration with the ILO scheme was compulsory to attract quota, the industry-wide model of quota allocation meant it was easy for companies to hide and/or do very little (see column 6, table 4). This is of course entirely separate from the “black hole” of government corruption in relation to the allocation of actual quota to each factory. A study by the Cambodian Development Research Institute found that 7 per cent of garment factory operators' costs were attributable to so-called “bureaucracy costs”, the euphemism for bribes paid to government officials up and down the line in the clothing industry (2001).⁶ This was also highlighted in a World Bank survey of buyer views in respect of sourcing from Cambodia (FIAS, 2004).

6. Corruption in recruitment practices is an issue monitored by the ILO team, although a CDRI survey revealed that about 50 per cent of garment industry workers had paid an average of US\$38 (about one month's wages) to obtain jobs in the garment industry. This “fee” is paid to a number of people, i.e. factory security guards, interpreters, labour brokers, etc. (Maclean, 1999) and appears to be officially tolerated as bona fide management practice (ADB, 2004:61).

There is also the question of buyer and, by implication, consumer sensitivity to the transparency generated by the ILO monitoring programme. It is important to note that factories were only named in follow-up report(s) after they had been given a grace period to make improvements based on the suggestions made by the inspectors (ILO, 2003). As can be seen from table 4, by the time a third cohort had been publicly disclosed, totalling about 50 per cent of the total registered factories, the final quota allocation was about to be made.

Significantly for the brands and their reputation, the ILO Synthesis Reports named factories but did not in any way link them to buyers; it has thus remained impossible for consumers and other interested parties (shareholders, trade unions, governments, NGOs) to know what is being produced for whom and under which conditions. As has been pointed out by Pandita (2002), Cambodia was a great low-cost umbrella from a corporate social responsibility point of view, since the pressure was ostensibly placed on the Government of Cambodia and suppliers to improve, whereas the buying multinationals appeared to be taking little or no share in the responsibility to improve the conditions. As Prasso (2004) states:

... the international certification from the ILO that Cambodia’s garments are produced under fair labor practices – in a kind of “safe haven” – gives a certain degree of reassurance and cover to retailers concerned about their brand images among consumers, particularly those stung by allegations of sweatshop practices in the 1990s. Gap, The Limited, Abercrombie & Fitch, Adidas, Ann Taylor, Kmart, Wal-Mart, Nike, OshKosh B’Gosh and Reebok are just some of the retailers who buy garments manufactured in Cambodia.

Table 4. Acknowledgements of monitoring reports and challenges to findings

Synthesis Report No.	Status	Date of publication	Suggestions not implemented*	Supplier factory response**	Quota awarded
1	Initial	Nov. 2001	No data	15/30 8 agreed	–
2	Initial	April 2002	No data	8/34 6 agreed	9%
3	Follow-up	June 2002	57%	6/29 4 agreed	–
4	Initial	Sep. 2002	No data	9/65 4 agreed	–
5	Follow-up	June 2003	55%	5/30 3 agreed	12%
6	Follow-up	June 2003	53%	3/29 all agreed	–
7	Initial	Oct. 2003	No data	6/58 3 agreed	–
8	Follow-up	Feb. 2004	51%	9/62 3 agreed	14%

* From Report No. 5 onwards, reports referred back to the cohort of factories which were originally inspected, for example, the factories covered in Report No. 3 were followed up in Report No. 5. ** Indicates the number of monitoring reports returned and acknowledged by companies compared with the total number of factories in the cohort and the number of returns which agreed with the findings.

This still leaves the question concerning buyer sensitivity to ILO report findings. We have no information on buyer access to ILO reports prior to the introduction of their computerized information management system in 2006. However, the FIAS buyer survey in 2004, which was based on a sample of 15 out of 69 buyers revealed that 43 per cent considered ILO standards to be of major to critical importance and a further 43 per cent considered them of “moderate importance” to consumers. In the sample there appeared to be a discrepancy between US and European companies, where a majority of European companies felt standards to be of critical importance to consumers, while for US buyers there was an opposite response. Similarly, it was reported that the majority of respondents were either somewhat or not familiar with Better Factories Cambodia and did not know enough about it to rate its ability (FIAS, 2004). Indeed, in a follow-up aide-memoire, the FIAS noted a major problem with duplication of effort.⁷ The situation does seem to be improving, since the introduction of the information management system in 2006. This reveals that 13 buyers, representing 40 per cent of buyer volume (but only 19 per cent of buyers),⁸ are accessing monitoring reports for sourcing purposes. Also, 178 third-party access forms have been signed by supplier firms, giving buyers access to ILO monitoring reports via the information management system. Nine major international buyers are relying exclusively on ILO monitoring reports and have stopped their own monitoring. Others have given a commitment to reduce their own monitoring. Third-party access to reports has been granted to 11 buyers by factories with whom there is currently no relationship, and in the first quarter of 2006 a further three major brands conducted shadow monitoring visits to improve their understanding of ILO monitoring processes with a view to decreasing or eliminating their own monitoring.⁹

Did working conditions improve?

The most enduring question is, of course, the extent to which the ILO project has contributed to a sustainable improvement in working conditions and

7. Despite the achievements of the project, there is considerable inefficiency because of duplicate compliance systems from individual buyers, as well as inspections from the Ministry of Labour. All overseas buyers still undertake their own monitoring: some is undertaken by buyers' compliance staff with the cost covered by the buyer (typically the case with premium brands); and some by external providers as a requirement of the buyer but financed by the supplier factory (typically the case with retailers), with the prices the suppliers negotiate taking account of the cost of audits that their buyers make them pay for. Some factories with multiple buyers report up to 60 labour inspections a year, each lasting between one half to two days and each costing approximately US\$2,000, as well as significant opportunity cost to factory management (FIAS, 2005:3).

8. Buyer figures supplied by the Cambodian Department of Commerce.

9. Personal correspondence from Ros Harvey, Global Programme Manager, Better Work, ILO, Cambodia, 9 May 2006.

industrial relations in the Cambodian garment industry. It is important at this juncture to remind ourselves of the status of the ILO and this project. The ILO was at pains to state in its Synthesis Reports that the monitoring of factories is *not* an objective in itself, but part of a process aimed at improving working conditions in Cambodia's garment sector as a whole. It is generally accepted that it is not the role of the ILO to bring about those improvements – this being the responsibility of factory management, government and the trade unions. From the Third Synthesis Report onwards, a retrospective section was included in which the tripartite partners – MOSALVY, GMAC, individual factories and the trade unions – were invited to report on steps they had taken to address shortcomings highlighted in the previous one (First Synthesis Report). It could be argued that this section in the report should have been the main point of reference for making quota determinations. However, after the initial statements in the Third Synthesis Report the Government and GMAC refrained from tendering any further information, and the summary report items for individual factories (which described AIDS awareness initiatives) and trade unions (which commented on efforts to address the incidence of strikes) had become so repetitive that by Synthesis Report No. 8, the item had been dropped. Nevertheless, the substance of follow-up Synthesis Reports Nos 3, 5, 6, 8, 9, 10 and 12–16, consisted of a detailed summary of working conditions and of discrepancies in the implementation of labour standards and Cambodian law. Although Synthesis Reports Nos 3, 5, 8, 9 and 16 refer back to the original baseline data, Synthesis Reports Nos 6, 10, 12, 13, 14 and 15 were not cumulative, only measuring against the previous cohort report. This meant that improvement could be understated.

It is not our intention to present a detailed analysis of all the 500 items monitored by Better Factories Cambodia. Instead, we will focus on those core labour standards which were featured in the report summaries: child labour, forced labour, discrimination/harassment, excessive working hours, correct payment of wages, freedom of association and collective bargaining, and the prevalence of strikes. A comparison of the findings in Synthesis Report No. 3 on these issues as measured against the baseline data contained in Synthesis Report No. 1 is summarized in table 5. Since the same cohort was inspected on two further occasions and covers the life of the ILO project to date, we include these findings in table 5.

As one would expect in most export-oriented supplier factories, there were no cases of forced labour¹⁰ or child labour, although in ILO Synthesis Report No. 16 some instances of under-age recruitment were cited

10. The US Department of State (2006) was prompted to question this claim, although this was based on a relaxed general definition of forced labour which includes involuntary overtime.

(ILO, 2006i:6).¹¹ Of harassment, a notoriously difficult issue to audit, the monitors found limited reported cases. In 2006, the ILO commissioned CARE International to undertake a survey of 1,000 workers on gender and workplace cooperation issues. Included in this was the issue of sexual harassment. Preliminary results have been released to allow for consultation with stakeholders. The research has found that 25 per cent of workers experience derogatory words about women. This occurs equally from management and co-workers. Nearly 5 per cent of workers report having experienced

Table 5. Tracked changes in working conditions and implementation of labour standards in the same cohort of factories between 2001–05

Synthesis Report No.	1	3	6	12
Date	November 2001	June 2002	June 2003	August 2005**
Number of factories monitored*	30	29	28	26
Child labour	No evidence	No evidence	No evidence	No evidence
Forced labour	No evidence	No evidence	No evidence	No evidence
Sexual harassment	No evidence	No evidence	No evidence	No evidence
Non-correct payment of wages	Occurs in 15 of the factories	Statement of some improvement but 15 factories still failing to address the issue in some way	18 factories still problematic on this issue	Substantial range of non-correct payment of wages in at least 50% of the factories
Forced overtime	Overtime not undertaken voluntarily in 13 of the factories	Statement of some improvement but 12 factories still have not implemented suggestions here	14 factories still problematic on this issue	More than two-thirds of the factories monitored ensure that overtime work is voluntary
Excessive overtime	Beyond the legal limits in 27 of the 30 factories	Statement of some improvement but 17 factories still reveal problems	Beyond the legal limits in 15 of the 30 factories	However, in most of the factories monitored, overtime work is not exceptional or limited to two hours per day
Freedom of association	Unions present in only 15 factories but eight instances of breaches of FOA	Statement of improvement but difficult to assess from the report; 18 factories not providing facility time to shop stewards	Statement of some improvement but difficult to assess from the report; 19 factories not providing facility time to shop stewards	Statement of some improvement but difficult to assess from the report; 11 factories not providing facility time to shop stewards
Collective bargaining	24 factories had no collective agreement	No data on collective bargaining agreements	No data on collective bargaining agreements	No data on collective bargaining agreements
Strikes	Unofficial and unconstitutional but peaceful in 14 of the 30 factories	Unofficial and unconstitutional but peaceful in four of the 29 factories	Unofficial and unconstitutional but peaceful in seven of the 28 factories	Unofficial and unconstitutional but peaceful in four of the 26 factories
* Number of companies changed due to factory closures. ** Incorporating new monitoring methodology.				

11. This being due to some laxity in enforcing the requirement on workers to provide reliable age-verifying documents prior to hiring (Synthesis Reports Nos 13–14).

unwanted touching of a sexual nature by supervisors.¹² The failure to pay correct wages – a persistent problem in garment supply chains – was undoubtedly an issue, occurring in half of the factories inspected and remaining a problem to Synthesis Report No. 12. Data from Synthesis Report No. 16, however, reveals that some improvements (albeit in a different cohort of factories) have been achieved on this issue. All but one of the monitored factories pay regular workers the minimum wage for ordinary hours of work and 84 per cent of the factories pay regular workers (including probationary workers and workers paid by piece rate) correct wages for normal overtime work. Similarly, for casual workers, about 61 per cent of the factories comply with minimum wage requirements, and 86 per cent pay the correct rate for normal overtime work (ILO, 2006i:57).

On overtime, if the factory cohort in Synthesis Report No. 1 is representative, then forced and excessive overtime was endemic in the industry at the time of the implementation of the terms of the trade agreement. Virtually all were working excessive overtime and, in half the sample, workers were engaging in involuntary overtime.

If we look at the findings of Synthesis Report No. 16, which again represents a picture from a different and larger cohort of factories measured against a baseline, we see that the issue of forced overtime has not changed but that there has been a slight improvement in terms of excessive overtime work with more than two-thirds of monitored factories failing to limit overtime to two hours per day (ILO, 2006i:6).

On freedom of association, although the First Synthesis Report commented on the existence of some 200 factory unions in the sector (page 28), many of these were rival unions existing alongside each other in a single factory. Tellingly, the First Synthesis Report gives a flavour of industrial relations at the time the Better Factories Cambodia Programme was launched. Out of a small sample of 30, there had been strikes at 16 factories.

The reasons for the strikes held were the dismissal of a union leader(s)/shop stewards allegedly without a valid reason (4 factories), the dismissal of a union leader with a valid reason (2 factories), the dismissal of (individual) workers (2 factories), the dismissal of worker activists (non-elected) during a strike (1 factory), non-compliance with various provisions of the law (6 factories), solidarity action with striking workers at another factory (2 factories), partial payment of wages with deferment of the remaining wage payment to next month (1 factory), demand for payment of 45 US\$ minimum wage following the issuing of the relevant regulation (2 factories), non-payment of overtime and meal allowance (1 factory), and to ensure that an agreement concerning wages when the factory had no work would be honoured by new management (1 factory). (ILO, 2001:24–5).

12. Information provided by Ros Harvey, Global Programme Manager, Better Work, ILO.

Likewise, an analysis of urgent appeals handled by the ITGLWF¹³ reveals a similar pattern of trade union victimization. Although trade union density is comparatively high at 43 per cent,¹⁴ numerous factory unions exist and although workers, according to survey data, consider unions to be treated fairly in general by larger enterprises, there is still no bona fide collective bargaining. ILO data reveals that by mid-2003 there were only some 23 collective bargaining agreements (CBAs). However, these are largely restatements of the Cambodian labour code and lend weight to the observation by the US Government that the practice of collective bargaining has not yet begun in Cambodia on a meaningful scale (US Department of Labor, 2003:11). In 2006, the US Department of State commented that the 15 collective bargaining agreements registered with the Ministry of Labour and Vocational Training (MOLVT) were essentially conciliation agreements, and did not meet international collective bargaining standards. In only five cases did they constitute genuine collective bargaining agreements (US Department of State, 2006).

Let us now turn to those issues of most concern to garment workers – wages and working hours. The issue of a “living wage” is not an item in the ILO monitoring schedule, yet the demand for a substantial wage increase lies at the heart of much of the unrest which has dogged the sector since the ILO project began. In 2000, the Labour Advisory Committee approved a minimum wage for the garment sector at \$45¹⁵ for regular workers, with \$40 for workers on probation and \$30 for apprentices. If a piece rate worker’s output falls below \$45 the employer is obliged to make up the difference. Workers are entitled to a \$5 bonus for regular attendance. Normal overtime is paid at 1.5 times the normal rate. Work on Sunday and on a public holiday is paid at twice the normal rate and night working, set by MOSALVY as the period between 10 p.m. and 5 a.m. is paid at double time. Workers are entitled to a 1,000 riels (\$0.26) meal allowance, or a meal, when working two hours overtime.¹⁶

In an economy where the monthly living wage is estimated at \$82,¹⁷ garment workers earned an average wage equivalent to \$65 per month in 2005, including overtime and bonuses. This prompted the US Department of State (2006) to report that prevailing monthly wages in the garment sector and many other professions were insufficient to provide a worker and

13. International Textile, Garment and Leather Workers’ Federation.

14. ILO Better Factories Cambodia, The World Bank Justice for the Poor Program, CARE International and UNIFEM (2006) Cambodia: Women and Work in the Garment Industry, available at: [www.betterfactories.org/content/documents/1/Women%20and%20Work%20in%20the%20Garment%20Industry%20\(en\).pdf](http://www.betterfactories.org/content/documents/1/Women%20and%20Work%20in%20the%20Garment%20Industry%20(en).pdf), last accessed 8 May 2007.

15. All dollar references are to US dollars.

16. ILO Synthesis Reports.

17. Wage claim equivalent in US\$ submitted in 2006 by the Trade Union Inter-Federation Council.

family with a decent standard of living. Understandably, there has been a build-up of worker frustration around wages – in the first six months of 2006 there were 181,556 days lost.¹⁸ In an unprecedented move in 2006, an Inter-Trade Union Federation Council was formed to meet with the Garment Manufacturers of Cambodia and attempt to hammer out a new minimum wage. However, in these negotiations the Government – probably mindful of wage levels in neighbouring Viet Nam – intervened in this first ever national bargaining round for the sector. Once the two sides had reached \$50 a month from the previous \$45, the Government promulgated a new minimum at \$50, even though the parties were still very much engaged in the bargaining process.¹⁹

Overall it can perhaps be said that the outcomes of the monitoring process of Better Factories Cambodia reveal a correlation with the findings of Pruett (2005:29) that social audits have the propensity to impact on child labour, forced labour and health and safety²⁰ but have limited or no impact on freedom of association and collective bargaining, wages and working hours. In short, poverty wages and excessive working hours have prevailed for the whole duration of the ILO project and Better Factories Cambodia and attempts by workers to address these issues through the formation of trade unions intent on bargaining in the workplace have been and continue to be systematically quashed. It comes as no surprise that these are the industrial relations issues which have figured markedly in a persistently high incidence of strikes in the Cambodian garment sector since the inception of the trade agreement in 1999. This has certainly been one factor which has prompted Better Factories Cambodia to become very much more “hands on” during recent years. The project has devoted 60 per cent of resources to engage in capacity building,²¹ to build on the earlier establishment in 2001 of an Arbitration Council to assist in disputes resolution, and to support a tripartite review of labour law, as well as aiding the parties in the negotiation of an industry-wide agreement to cover increases in the minimum wage and the enforcement of labour law.

18. American Center for International Labor Solidarity (ACILS) Cambodia Office, *A Proposal for Industry Stability*, 2006 (unpublished document).

19. The workers demanded that the bilateral negotiations continue between the Inter-Federation Council (IFC) and the Garment Manufacturers Association of Cambodia (GMAC) regarding the IFC’s proposed minimum wage of at least \$55 per month, a meal allowance of 1,000 riels per hour, a seniority bonus of \$2 per year, and an attendance bonus of \$7 per month. (www.tieasia.org/).

20. Progress in meeting health and safety standards was mixed. Nearly half of the factories provided some personal protective equipment to workers. However, about 70 per cent of the factories failed to install safety guards on all machines. Synthesis Report No. 16:6.

21. Currently the project is spending more than 60 per cent of resources on remediation and capacity building having delivered almost 1,000 training days and facilitated over 90 factory-level union/management consultative committees in the first half of 2006 (personal correspondence from Ros Harvey, Global Programme Manager, Better Work, ILO, 19 July 2006).

The future – Post MFA

In its assessment of the Cambodian garment industry, the Asian Development Bank predicted an almost three-fold increase in trade between Cambodia and the rest of the world by 2010. Undoubtedly now the major question hanging over the Cambodian apparel industry is whether it can remain competitive by social responsibility alone in a post-quota world. This question appears to have been answered by a 14.6 per cent increase in textile imports to the United States during 2005, putting the country on track to fulfil the Asian Development Bank prediction. Despite a series of gloomy predictions and factory closures, there has been job growth – indeed, from 1 January 2005 to 30 April 2006, nearly 30,000 new jobs were created. The total number of garment workers was 293,600 in April 2006 and the number of factories increased by approximately 13 per cent in 2005 (Better Factories Cambodia, 2006). A series of qualifications, however, are necessary here.

Structuring for the future

First, the boost in exports, we would argue, is due in no small part to the substitution effect: buyers searching for alternative sources of supply as the so-called China safeguards²² began to bite during 2005. Industry estimates a 50 per cent impact on the sector (see table 6).

Conversely this implies that Cambodia is competing in the absence of quota restrictions in about 50 per cent of its product. Cambodia's textile structure is very particular and specializes in certain segments – high volume, mid-range quality and cost – making it compete alongside other Asian and Arab supplying countries (Bangladesh, Viet Nam, Jordan). Hence the industry has had to embark, with some degree of success, on a series of initiatives to improve competitiveness by reducing the cost of trade processing and the time taken for clearance and inspections (Asian Development Bank, 2006).

22. On 18 November 2005 the US Committee for the Implementation of Textile Agreements (CITA) approved the textile/fibre coalition's China safeguard petitions on knit fabric, brassieres and dressing gowns. CITA: Entry of Shipments of Cotton, Wool and Man-Made Fibre Textiles and Apparel in Excess of China Textile Safeguard Limits, 29 November 2005. (<http://otexa.ita.doc.gov/fr2005/os06sta.htm>).

Safeguard limits on textile and apparel goods from China have been placed as follows: Limits for categories 338/339, cotton knit shirts and blouses; 347/348, cotton trousers; 352/652, cotton and man-made fibre underwear have been in place since 23 May 2005; (limits for categories 638/639, man-made fibre knit shirts and blouses; 647/648, man-made fibre trousers; 301, combed cotton yarn; 340/640, men's and boys' cotton and man-made fibre shirts, not knit, have been in place since 27 May 2005; and limits for categories 349/649, cotton and man-made fibre brassieres and other body-supporting garments; 620, other synthetic filament fabric have been in place since 31 August 2005.

Table 6. Potential export loss from expiration of China safeguard quota removals

Developing country	Loss of exports (million \$)
Turkey	-6051
CBI* countries	-4829
Mexico	-3070
Indonesia	-2264
Thailand	-1575
Cambodia	-1313
Sub-Saharan Africa	-1327
Sri Lanka	-1328
Romania	-1246
Pakistan	-1159
Philippines	-1210
Tunisia	-849
Morocco	-836
Andean countries	-715
Malaysia	-550
Jordan	-546
Egypt	-483
Bulgaria	-374

*CBI: Caribbean Basin Initiative.

Source: Quoted in Johnson (2006).

As ever, buyer sourcing strategies base their requirements on the contract manufacturer’s ability to meet demanding needs, particularly “full package” services – which include interpreting designs, making samples, sourcing inputs, monitoring product quality, meeting buyer’s price, and guaranteeing on-time delivery (Gereffi et al., 2005). This implies that lead firms in the sector will focus in a smaller number of countries on large factories which have the capacity to meet these services. The rise of “full package” suppliers also means that the competency of suppliers (in complex coordination and information exchange) will have to be continuously enhanced to remain competitive, making “industrial upgrading” a key survival strategy in the post-quota world (Tam and Gereffi, 1999).

In 2004, a survey was conducted by the Foreign Investment Advisory Services (FIAS), a joint service of the International Finance Corporation (IFC) and the World Bank, in response to the request by the Royal Government of Cambodia to assist in determining current buyers’ sourcing decisions post MFA. Senior sourcing staff from 15 of the largest US and EU buyers²³ (see table 1), accounting for 45 per cent of Cambodia’s garment export (see table 3), were interviewed in the survey.

23. Senior sourcing staff: from the United States – GAP, Levis Strauss, VF Jeanswear, Kellwood, Sears Roebuck, Children’s Place, Alpha Garment, Nike; from the European Union – H&M, Inditex, Matalan, Charles Vogele, Esprit, Tapestry Design, Reebok.

Tellingly, all of the buyers interviewed in the survey indicated that they prefer to *source* rather than to *invest* in Cambodia, suggesting ominously that there is little prospect for external assistance to develop the industry and to upgrade into the full-package production which is essential in a globally competitive sector.

Labour conditions

Second, most buyers considered labour standards observance to be of critical importance when sourcing from a *country*, ranking labour standards higher than preferential tariffs/quota. Yet, when asked to rank the importance of *factory-specific* factors in their decision to source from or invest in a country, they placed price and production costs ahead of “human resource practices”. Undoubtedly buyer estimation of the Cambodian labour standards programme varies considerably. GAP Inc., which accounts for some 45 per cent of Cambodian production by volume, is quoted as being committed to sourcing there as long as Better Factories Cambodia maintains its presence (Becker, 2005). Another buyer surveyed by the FIAS admitted: “The reason we did business in Cambodia is strictly the quota” (FIAS, 2004). The majority are adopting a wait and see stance – also, obviously, true for the multinational suppliers who accept compliance as a necessary condition, although clearly this was not the reason for investing there in the first place; the FIAS (2004) survey cited motivations as being price, quota and ease of hiring temporary labour.

And what of improvements in working conditions post MFA? Average monthly earnings now stand at \$72 (Better Factories Cambodia, 2006). However this remains \$10 short of the Cambodian living wage figure, and masks the excessive amounts of overtime necessary to attain that level and a 6 per cent real reduction due to cost of living increases. Social pressure to introduce a living wage is unlikely to have abated following government intervention in the bargaining process over a new minimum wage. Tellingly, Better Factories Cambodia reported in May 2006 that prices per piece in the industry had fallen by 4.47 per cent during the post-MFA period. The impact of such trends on working conditions is something which the ILO inspection is unlikely to pick up:

Before the MFA phase-out I had to finish 300 pieces per 8 hours and worked only on one machine. But now I am assigned 550-600 pieces to finish in 8 hours work and operate two machines. They said I have to accept this.

Worker from a Phnom Penh factory producing for Old Navy brand (Womyn’s Agenda for Change, 2005).²⁴ See also Tola et al. (2004).

24. Ongoing case studies and data collected by six Phnom Penh drop-in centres operated by garment workers in collaboration with Womyn’s Agenda for Change indicate that in the context of these worsening working conditions, many factories are employing new

This phenomenon is of course nothing new, as suppliers globally intensify work in their efforts to meet tighter deadlines and lower prices (ETI, 2005; Oxfam, 2004, Responsible Purchasing, 2006). As trade unions seek to address the issue of a living wage their efforts to establish collective bargaining in the workplace continue to meet heavy resistance: in its worst form – the murder of trade union leaders (ITGLWF, 2005); and in its more frequent form – the dismissal of trade union activists (see Appendix). It is a sobering observation that the very real impact which Better Factories Cambodia has had on wages has been to ensure that Cambodian garment workers in the main are now paid what they are entitled to!

Conclusion

It is worth restating – the ILO factory monitoring project in Cambodia (which in 2001 became known as “Better Factories Cambodia”) is arguably the most comprehensive and systematic monitoring effort governing any national garment supply base in the world. By devoting 50 per cent of resources to remediation it has clearly identified the nature of industrial relations problems in the country and is still viewed by all stakeholders as a key component in Cambodia’s efforts to brand itself as a competitive player in the global garment industry. However, a critical assessment of the *impact* of the ILO project suggests that it has been a project which needs to be assessed very much in two phases. We would argue that the original “social clause” needed to be seen to work and that quota awards were made prematurely and on somewhat shaky evidence of improvement. Significantly, however, the re-branded Better Factories Cambodia has heralded changes in methodology, both in monitoring and reporting, and a greater hands-on involvement in capacity building. This latter point is important as the sector seeks to make labour standards part of its strategy for competing against China and other Asian countries once the safeguards are lifted on certain categories of clothing. There is little doubt that this has been accompanied by real changes in working conditions and working environments, as results from the Synthesis Reports and independent surveys indicate.

Despite the unprecedented nature of this model, in a number of key respects, however, the garment sector in Cambodia still remains essentially no different from the industry in other parts of the world: factory owners continue to mount dogged resistance to the establishment of collective bargaining in the workplace and demand excessive overtime from their workers for less than a living wage.

management tactics whereby workers are subject to increased threats of dismissal, increased competition between individual workers and a decline in workers’ rights because union activity is being stifled (Womyn’s Agenda for Change, 2005).

We would suggest the need for carefully designed programmes combining trade opportunities (with incentives for compliance with labour rights or penalties for non-compliance) and targeted technical assistance. These might carry greater promise for sustainable industrial relations if and when the multinational buyers are fully integrated into the process, and when they are disclosed in publicly accessible monitoring reports along with offending suppliers, thus confronting buyers with the impact their buying practices have on workers' capacity to make real headway on wages and working hours. Focusing on buying practices would also lend greater transparency to decisions by multinational brand owners and retailers to withdraw from or maintain their business as usual in Cambodia. This is most certainly the commitment the Cambodian people will be seeking after 2008.

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Appendix

Urgent appeals dealt with by the ITGLWF on violations of workers' rights in Cambodia

Date	Company	Headquarters	Country	Buyer
29 September 1999	China Key			
14 December 2000	Khmer Lady Garment		Belgium	
15 January 2001	Luen Thai	Hong Kong (China)	Hong Kong (China)	Calvin Klein
4 July 2001			Cambodia	
29 May 2002	Gold Fame Enterprises Ltd			Dagenham
24 June 2003			Cambodia	
27 November 2003			Cambodia	
July 2004			Cambodia	
Spring 2004	Sam-Han Cambodia Fabrics Ltd		Cambodia	Gap Inc.
May 2005	Fortune Garment and Woollen Knitting Factory			Debenhams, Belk, Fred Meyer, Kellwood, (Next, Bhs, Asda and Littlewoods)
April 2005	Wear Well Garment Factory			Levis Strauss & Co.
12 January 2006			Cambodia	
3 February 2006	Trinunggtal Komara Factory			Gap Inc.
Autumn 2005	Fortune Garment and Woollen Knitting Factory			
December 2005	City New Garment (Cambodia) Co. Ltd			Target

Union	Issue
	Company suspended three workers due to trade union activities.
KLGWDU	Anti-union behaviour from the factory management, by trying to replace long-term workers with union membership with non-organized temporary workers, with support from the Cambodian Government.
FTUWKC	Anti-union behaviour by falsely accusing the President of FTUWKC of having a criminal record, which resulted in a strike when the management threatened to dismiss the President.
	ILO complaint towards the Cambodian Government due to legislation regarding trade union representation that is in breach with ILO Convention No. 87.
	Violating ILO Convention No. 87 by firing two workers for attempting to organize. There have also been cases of harassment, bribery and other illegal firing due to trade unionization. They also failed to pay the workers their legitimate bonuses and compensation.
	Demand for investigation regarding police violence and arrests of protesting workers outside Terratex Knitting and Garment Factory.
	Demanded that the Cambodian Government take action in the case of police violence against some 400 workers during a march to protest against poor wages and forced overtime at the Won Rex factory.
	A formal complaint was lodged to the ILO against the Government of Cambodia following the killing of Ros Sovannareth, President of the Trinonga Komara Garment Factory Union and a top leader of the FTUWKC.
FTUWKC	Closed down in February leaving the workers with unpaid wages and severance compensation. The Government paid the outstanding wages but the severance compensation remain unpaid. ITG has requested assistance from its Korean affiliate, the Korean Government and the retailer sourcing from them, Gap Inc.
C.CAWDU	Suspension and firing of workers' representatives as well as filing criminal charges against them.
FTUWKC	Workers went on strike due to late payment of wages, excessive overtime, not having a weekly day off and the firing of two trade union leaders.
FTUWKC	Protests against arrests of trade union and human rights' activists.
	Strike due to delayed payment of wages as well as protests against harassment from one of the supervisors.
C.CAWDU	Repeated suspension and firing of workers' representatives (C.CAWDU) trying to negotiate on behalf of the workers.
	Company filed charges against trade union representatives on various occasions.