

INTERNATIONAL COMPETITIVENESS AND LABOR STANDARDS IN THE TEXTILE INDUSTRY

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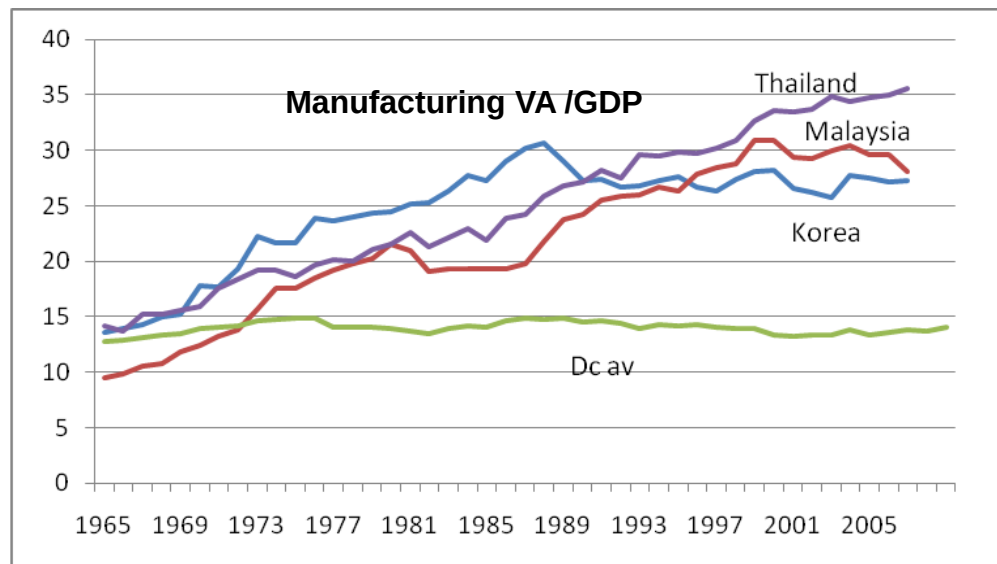
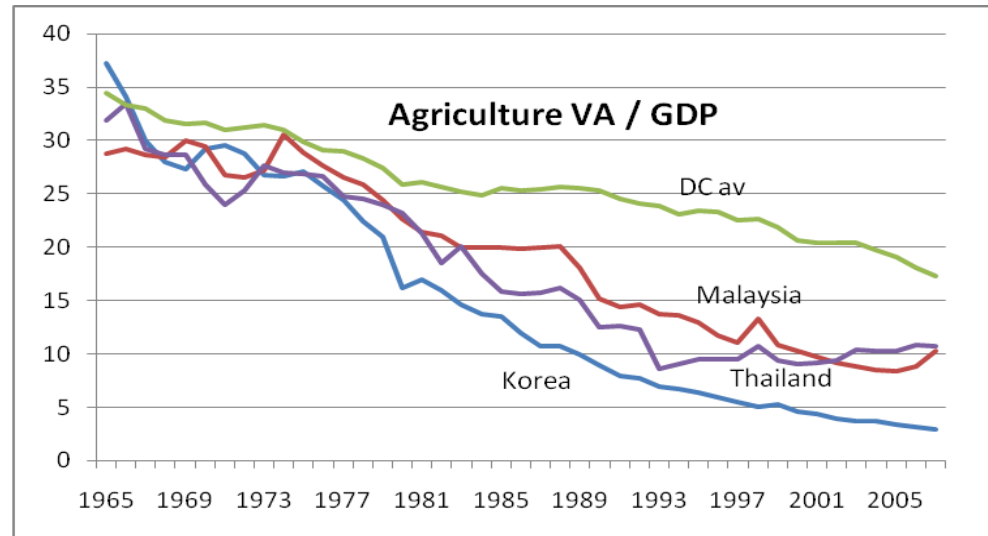


Workshop RULE-Rennes University,
Phnom Penh, May 18 2022

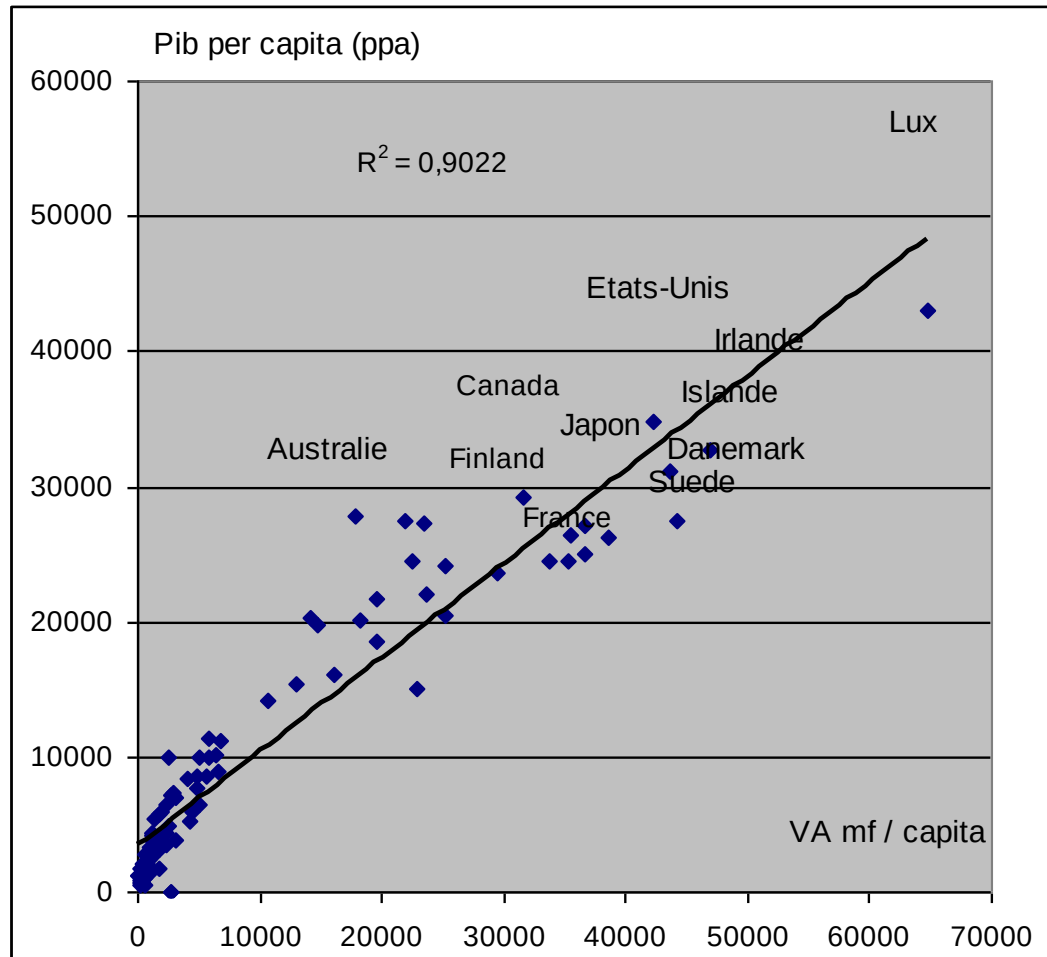


1/ INDUSTRIALISATION, ECONOMIC DEVELOPMENT AND THE TEXTILE-GARMENT INDUSTRY.

Structural change from
Agriculture to Manufacturing
Industry leads Economic
Development

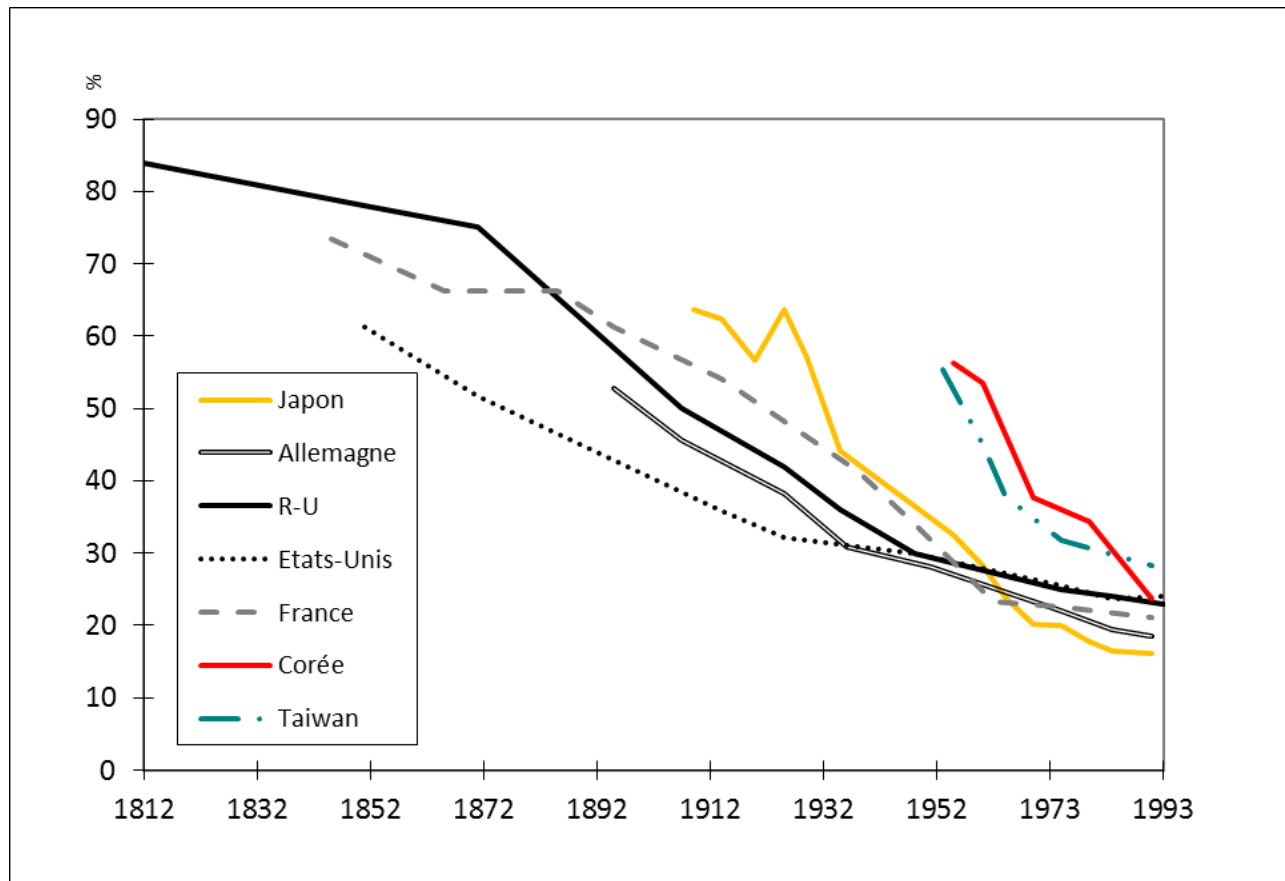


Strong correlation between Industrialisation & Income levels



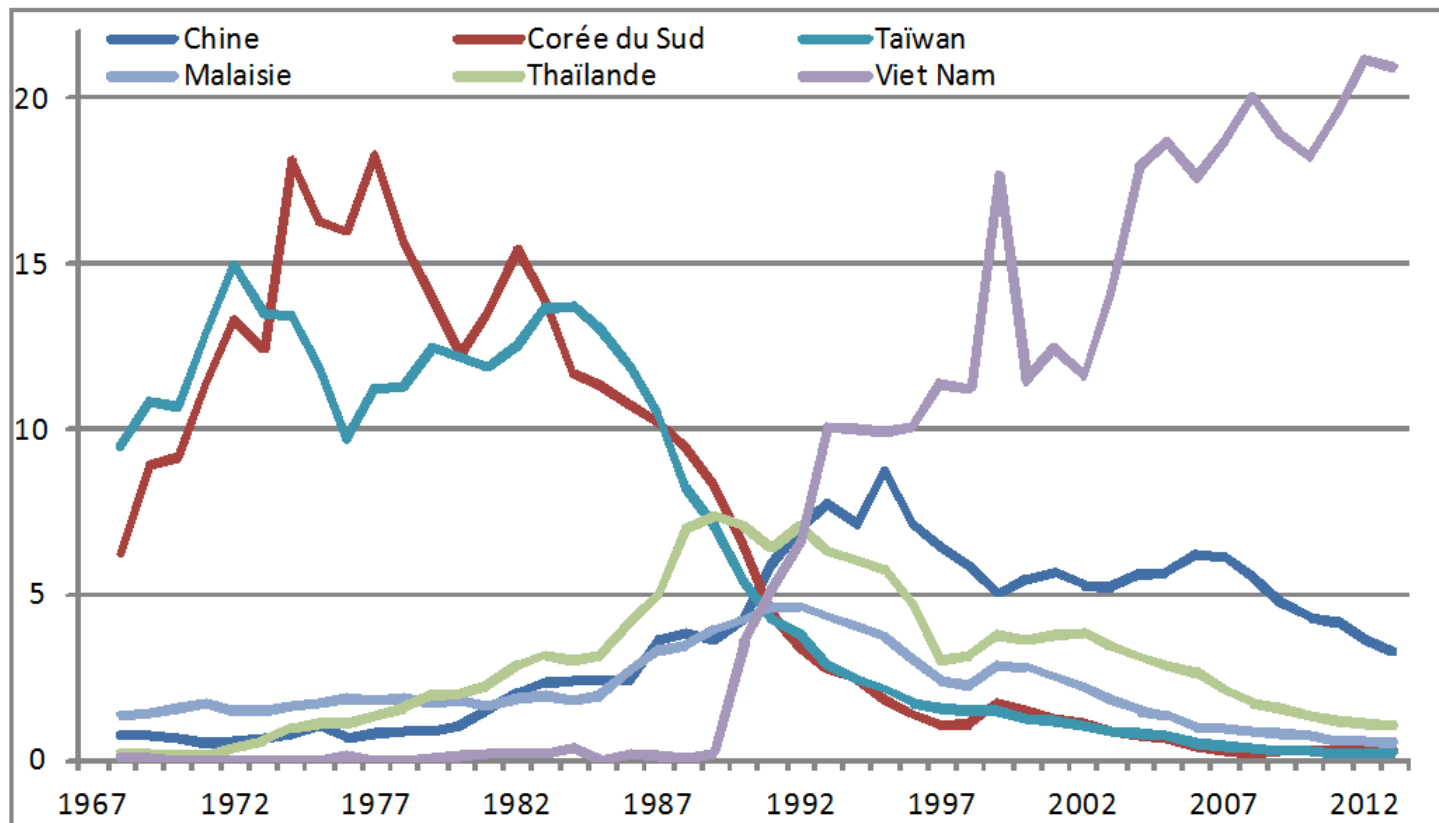
Textile industrialisation in historical perspective

Share of the Textile-Garment and related industries in the manufacturing production



Textile industrialisation in Asia : The waves of comparative advantages (after Japan)

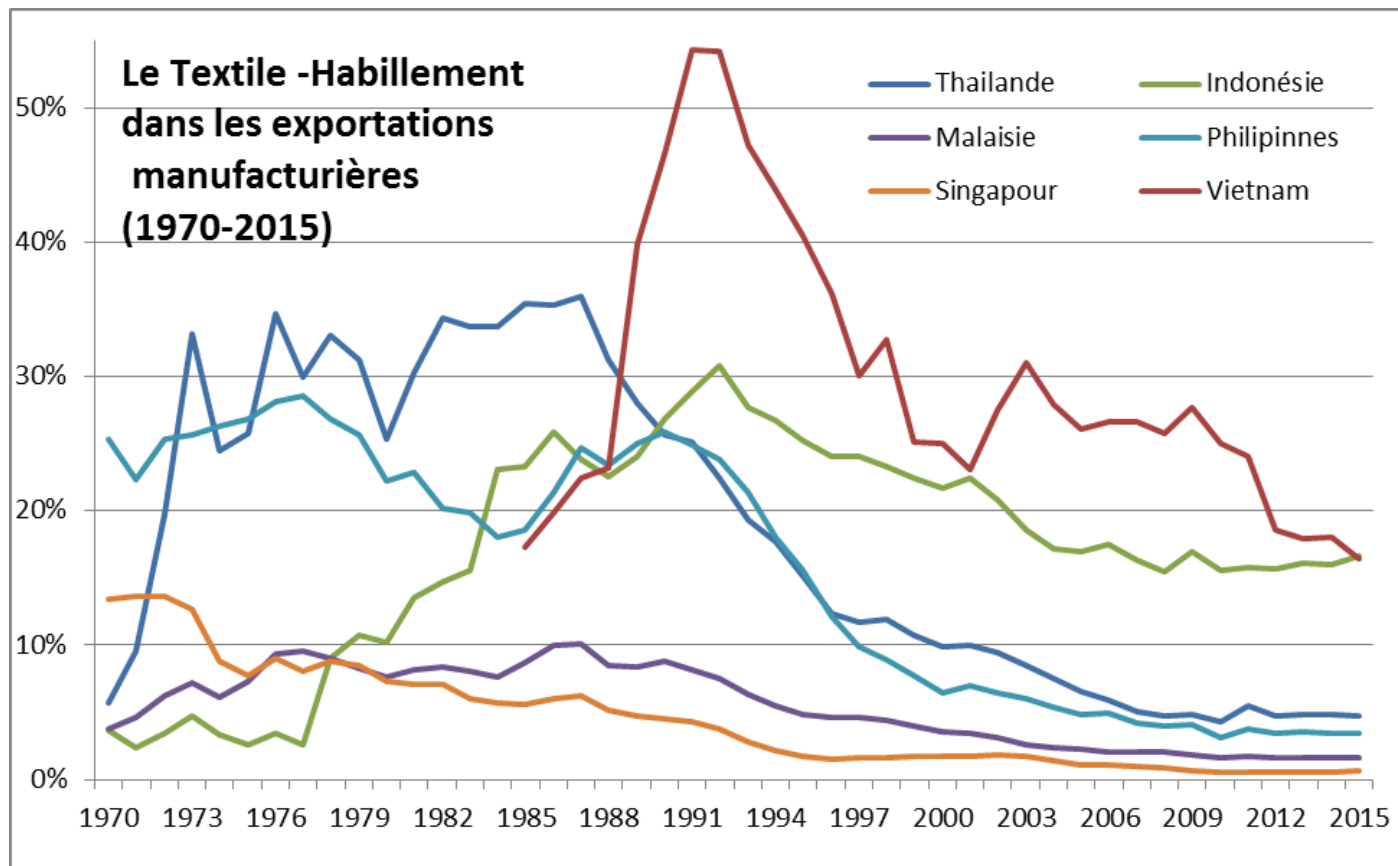
Les avantages comparatifs dans la confection



$(X_i/X_w)/(PIB_i/PIB_w)$, avec X_i exportations du pays, X_w exportations mondiales, PIB_i PIB du pays, PIB_w PIB monde. Construits à partir de données Chelem-CEPII.

Textile industrialisation in South-East Asia Emerging countries

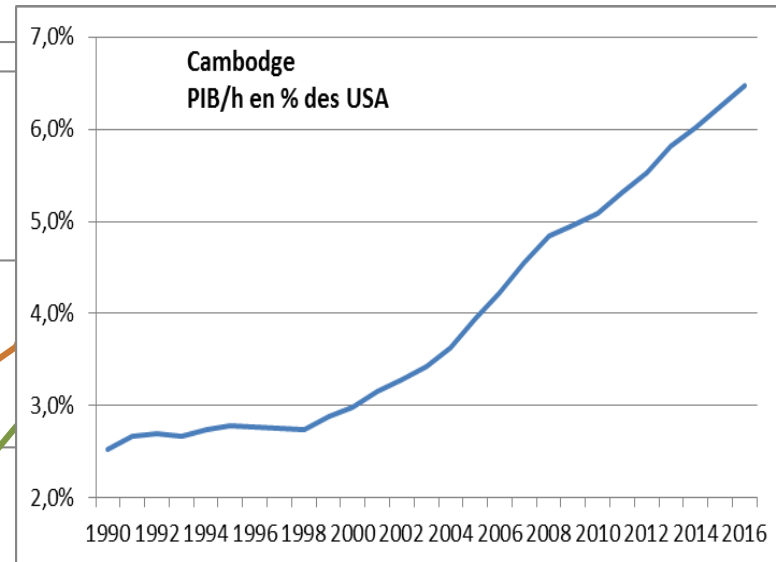
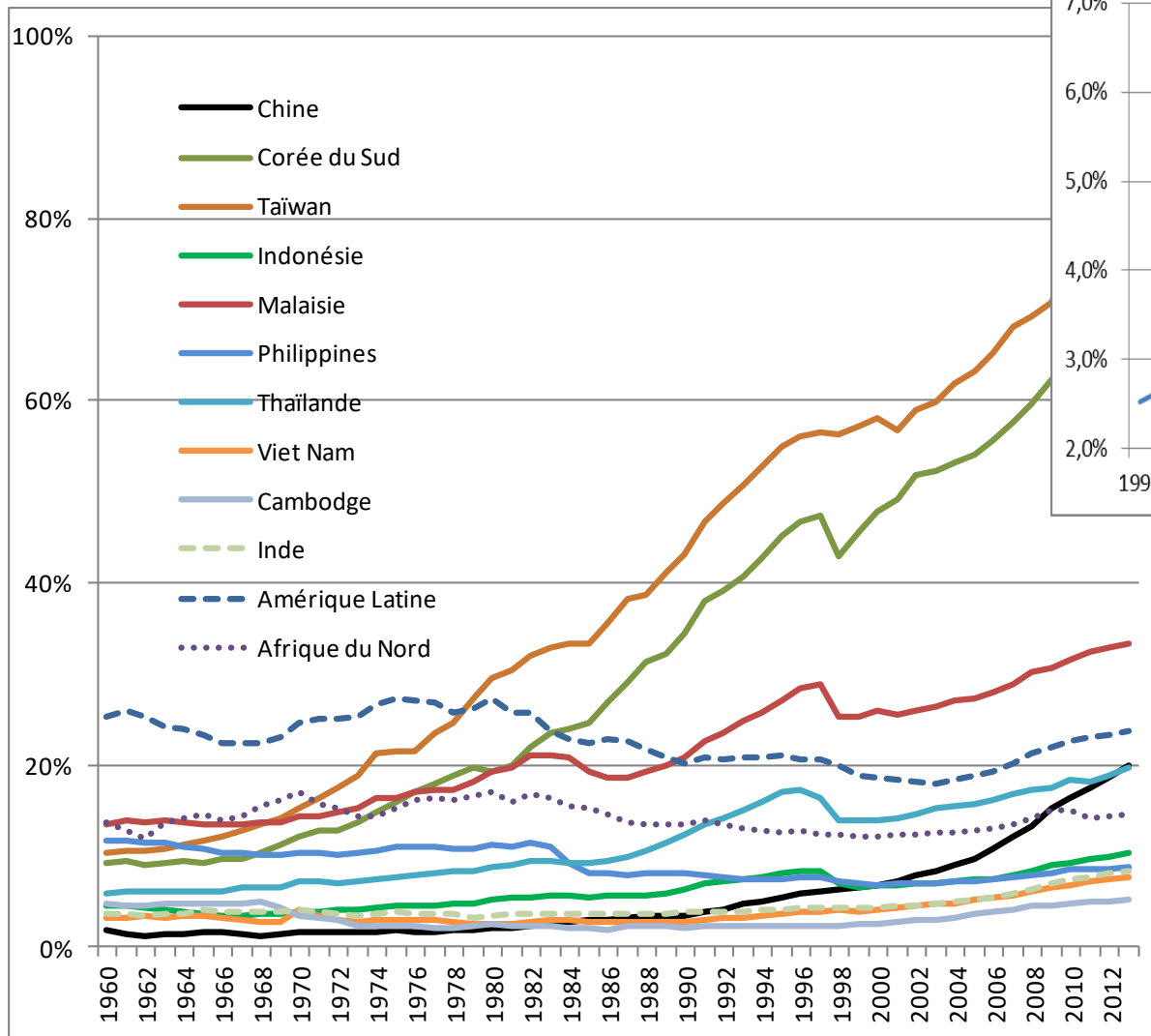
Textile-Garment / Manufacturing exports



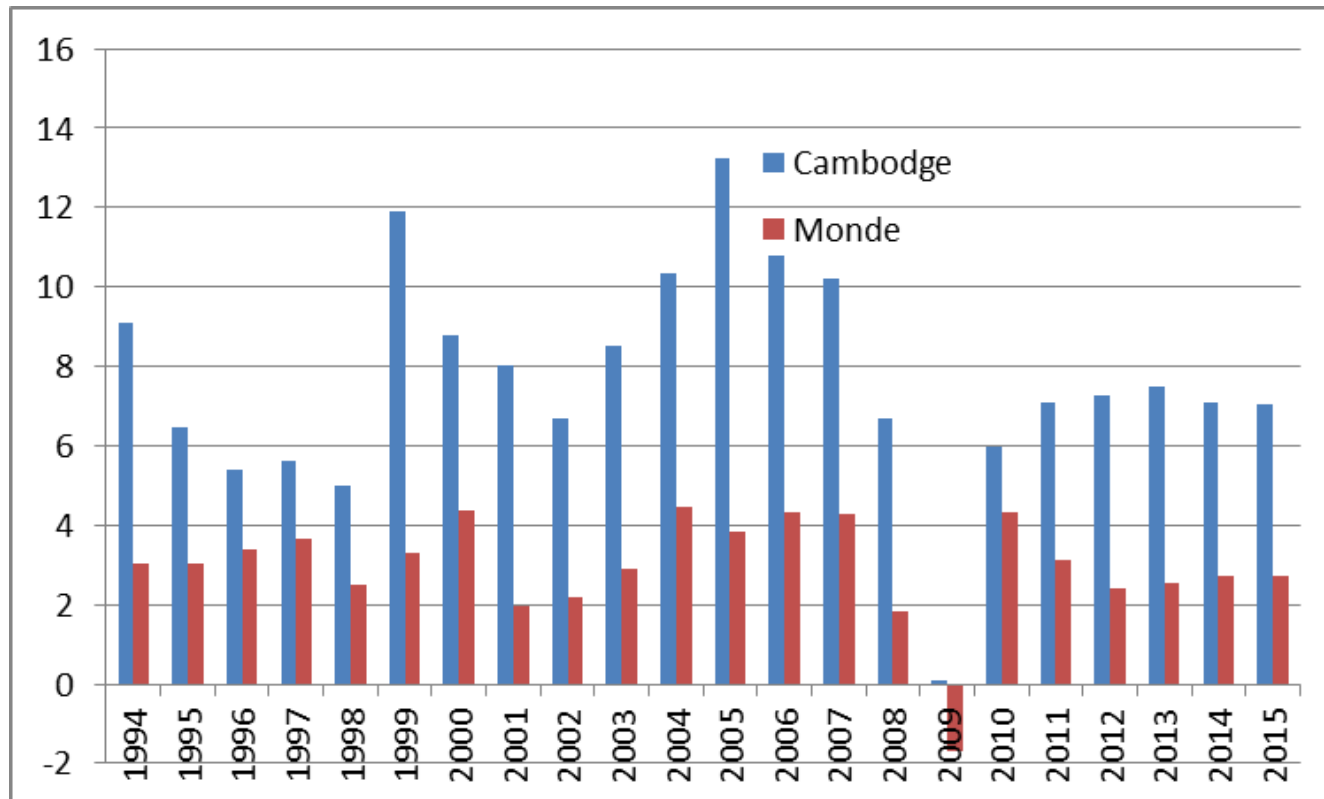
Source : Chaponnière, Lautier, *Economie de l'Asie du Sud Est*, Bréal Paris, 2019

2/ CAMBODIA : A LATE, LATE-COMER

GDP per capita (% USA)



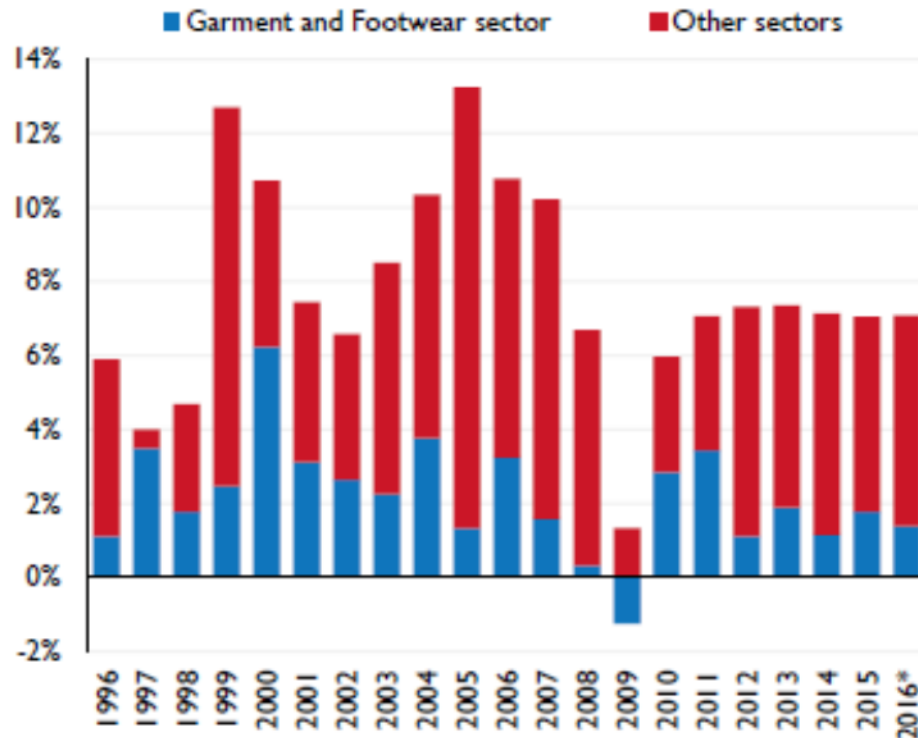
CAMBODIA VERY FAST GROWTH (1994-2015)



Sources of growth in Cambodia

Manufacturing Take off based on ...

Figure 1: Sectoral composition of Cambodia's real GDP growth (per cent)



* IMF Projection (IMF Article IV Report No. 16/340, November 2016) and Cambodia's National Institute of Statistics (NIS)

Source: Cambodia's National Institute of Statistics, IMF and the Ministry of Economy and Finance

Textile-Garment share of Manufacturing export in Cambodia

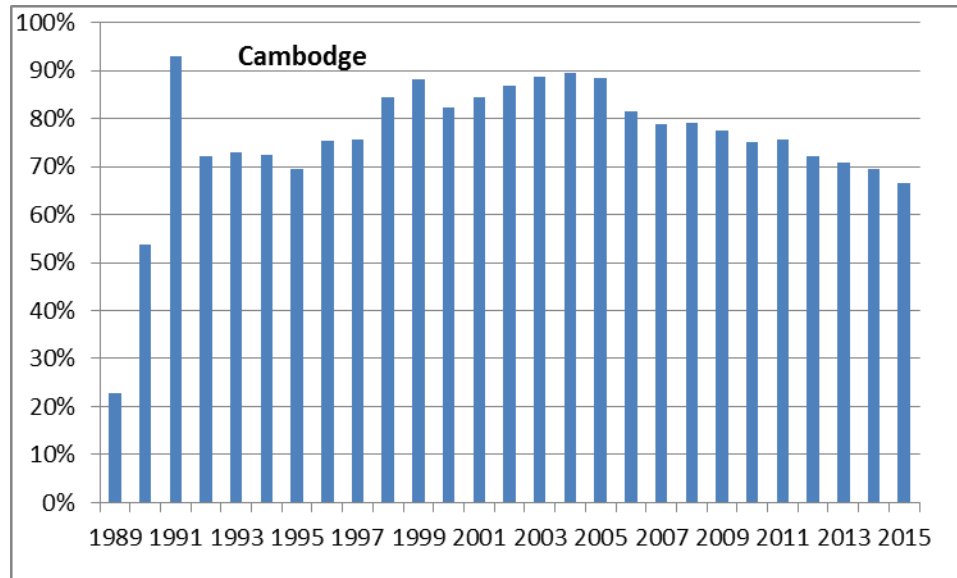
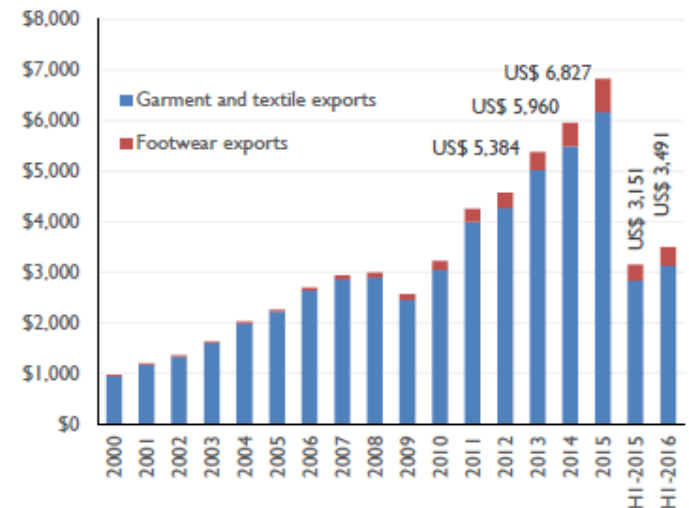


Figure 4: Cambodia's garment and footwear exports, 2000–2016 (US\$ million)

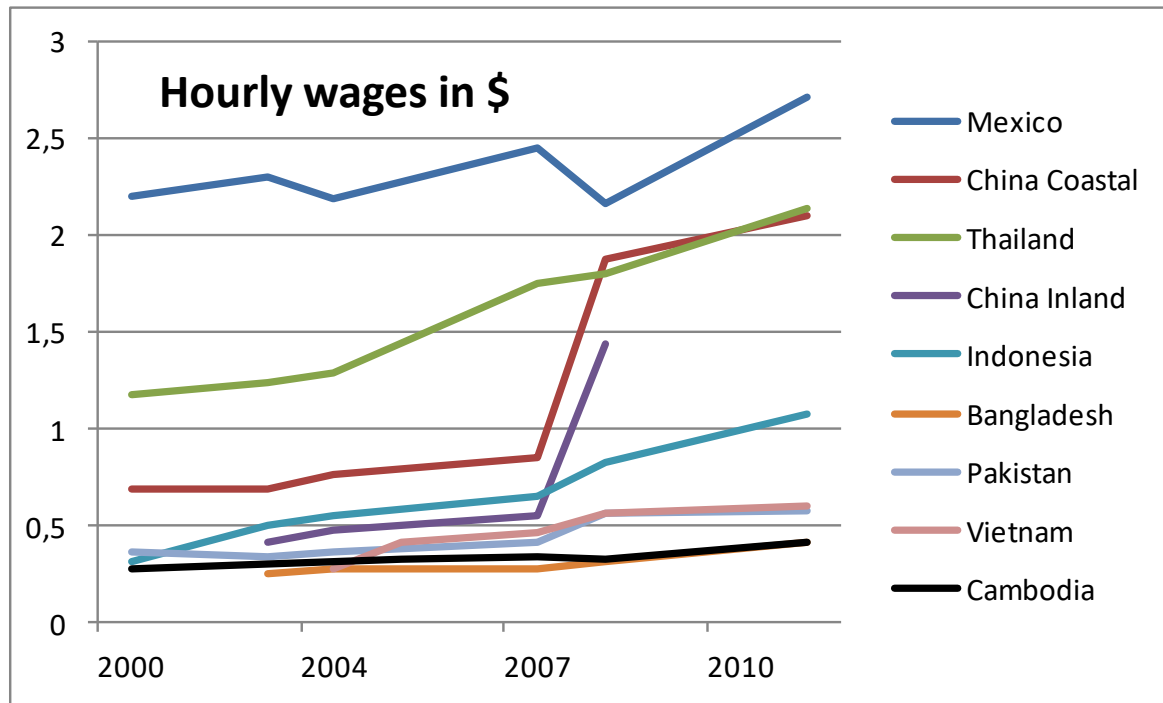


Source: Cambodia's General Department of Customs and Excise

3/ CAMBODIA'S EXPORTS : FACTORS OF INTERNATIONAL COMPETITIVENESS

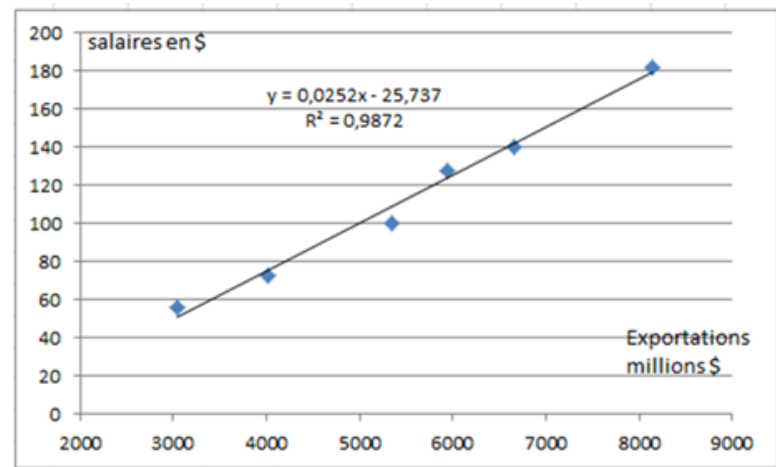
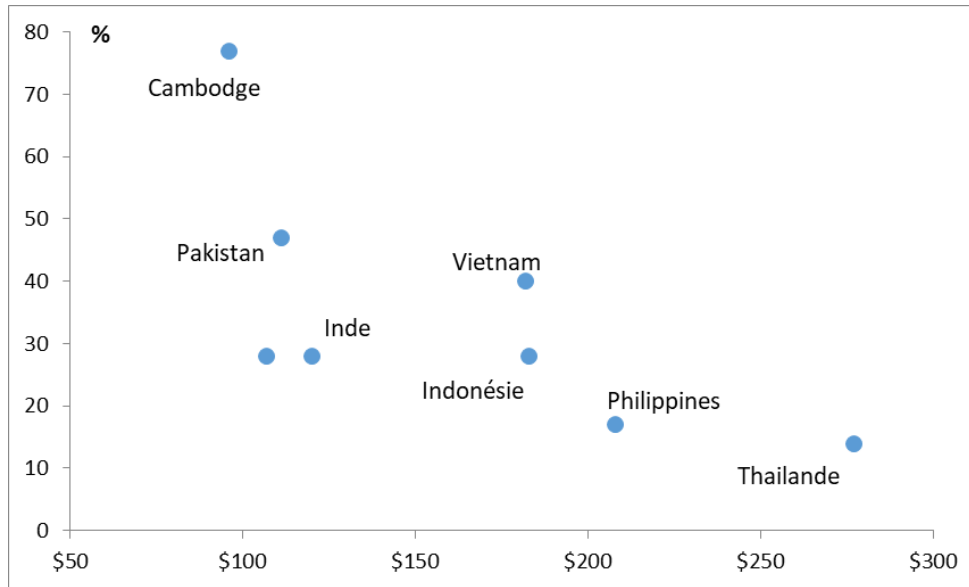
An industry competitive and profitable

3.1/ low initial wages



Salaire horaire. Source : Author's estimate based on Werner international and O'Rourke 2011.

Monthly wages / Share of the Garment industry in manuf. Employment (2012)



But growing

Figure 6: Employment, nominal and real average monthly wage (garment and footwear)

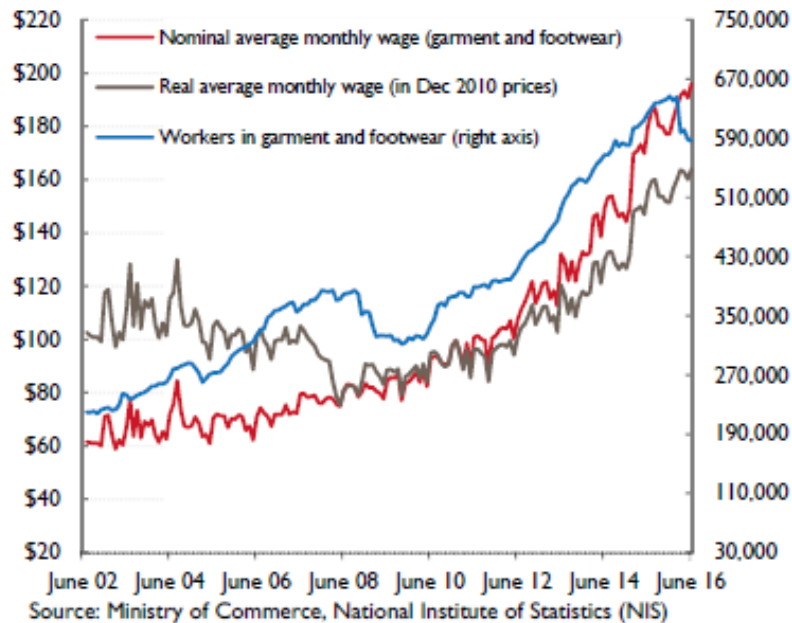


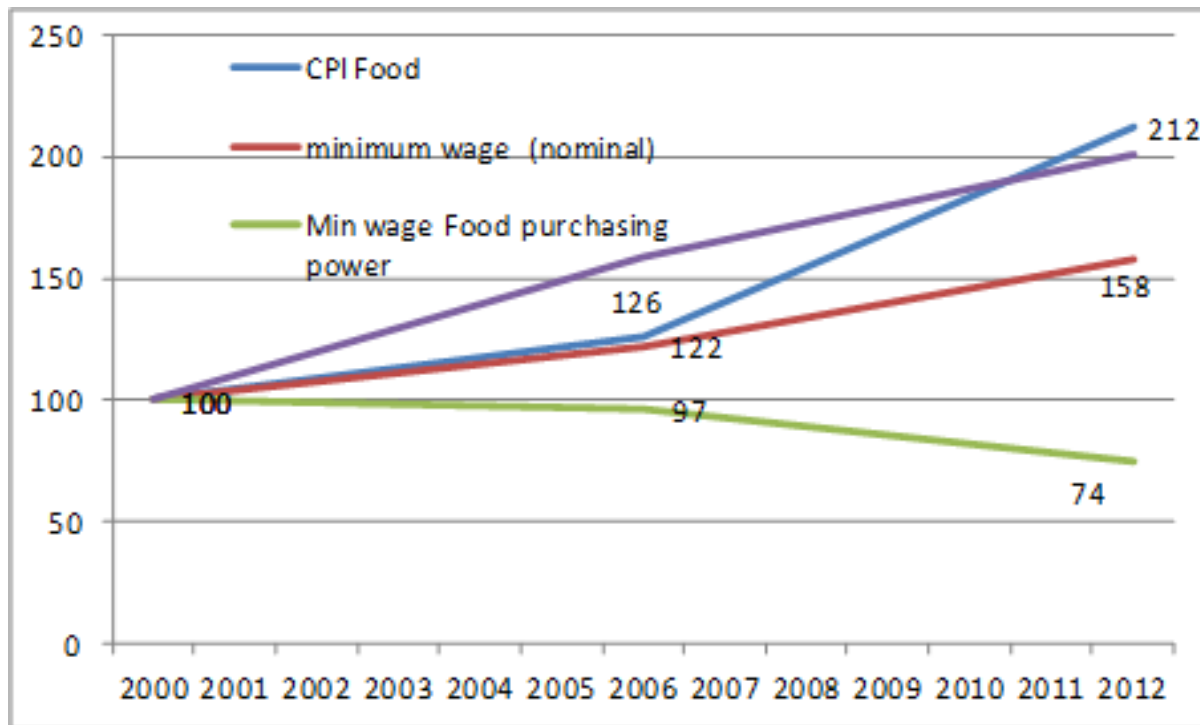
Table 1: History of Cambodia's minimum wage and mandatory allowances (all figures in US\$ per month)

Date	Minimum wage		Mandatory allowances and bonuses					
	Probation	Regular	Transport & accomm.	Health care	Attendance	Living support	OT meal	Seniority
1997	-	40	-	-	-	-	-	-
Aug 2000	40	45	-	-	5	-	0.25	2 to 5
Jan 2007	45	50	-	-	5	-	0.25	2 to 5
Apr 2008	45	50	-	-	5	6	0.25	2 to 5
Oct 2010	56	61	-	-	5	-	0.25	2 to 5
Mar 2011	56	61	-	-	7	-	0.50	2 to 11
Jan 2012	56	61	-	5	7	-	0.50	2 to 11
Sept 2012	56	61	7	5	10	-	0.50	2 to 11
May 2013	75	80	7	-	10	-	0.50	2 to 11
Feb 2014	95	100	7	-	10	-	0.50	2 to 11
Jan 2015	123	128	7	-	10	-	0.50	2 to 11
Jan 2016	135	140	7	-	10	-	0.50	2 to 11

But not fast enough; real wages remain low

Real wage and available income of workers remain low because

- The high rate of inflation : between 2000 et 2012 food prices increased by 112 %, and the minimum wage by 58 %;
- The high cost of living (housing, transports, food) in the urban area where the factories are located
- Income transfer to the families : 20 to 40% of the wage



3.2/ Diffusion of Labor standards

Cambodia has benefited from Specific Trade Preferences, first granted by the USA.

« Better Factories Cambodia » , a trade agreement between the United States and Cambodia (2001) :

- No quota, no tariff, free access on the US Market
- In exchange for/ under the condition of decent working conditions in the garment sector:

Minimum wage

Safety and Sanitary measures

Union's rights

...

+ Monitoring by ILO

- Cambodia was ranked at the highest level of labor standards among garment producing countries in a 2004 World Bank Survey

(Survey auprès des principaux donneurs d'ordre mené par le Foreign Investment Advisory Service in 2004 (World Bank, 2005).

- Diffused and promoted by ILO worldwide : The Decent Work Agenda

Not always fully implemented, but checked !

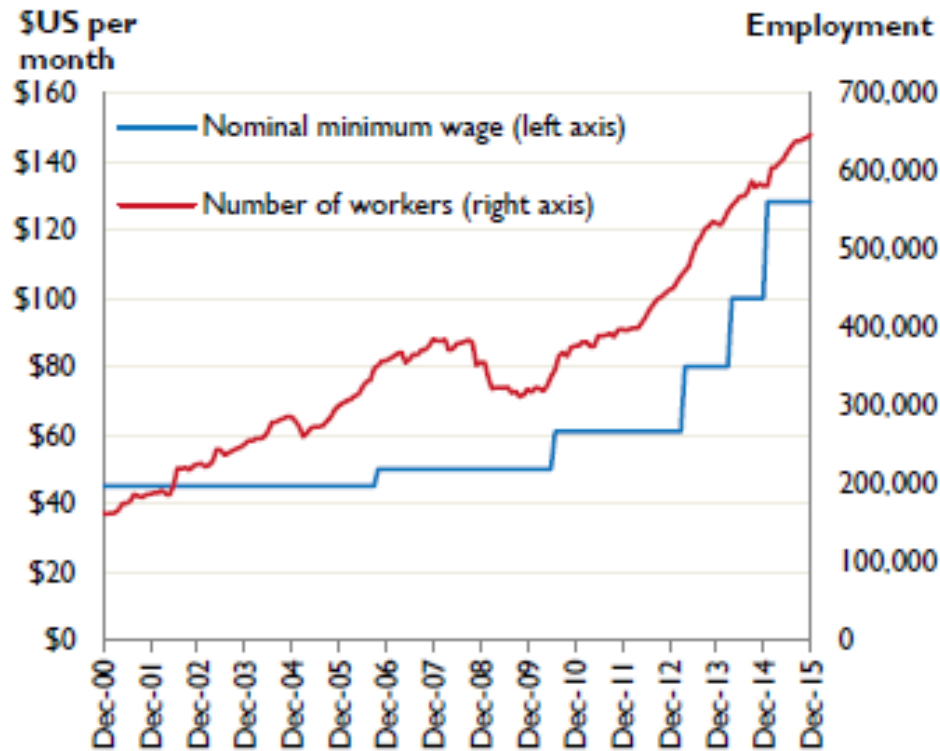
Table 5: Non-Compliance with Fundamental Rights, 2011-2015

	Current Report	June 2015	Apr 2014	May 2013	Nov 2012	May 2012
Child Labour (factories with confirmed underage workers)	2%	3%	4%	2%	1%	7%
Forced Labour (coercion)	0.3 ^{8%}	0%	0%	0%	0%	0%
Forced overtime ⁹	1.3%	N/A	N/A	N/A	N/A	N/A
Discrimination (factories engaged in discrimination)	12%	13%	20%	16%	18%	19%
Freedom of Association – Interference and discrimination (factories interfered with FOA) ¹⁰	8%	N/A	N/A	N/A	N/A	N/A
Freedom to associate (freely forming or joining a union, federation or confederation)	7%	N/A	N/A	N/A	N/A	N/A

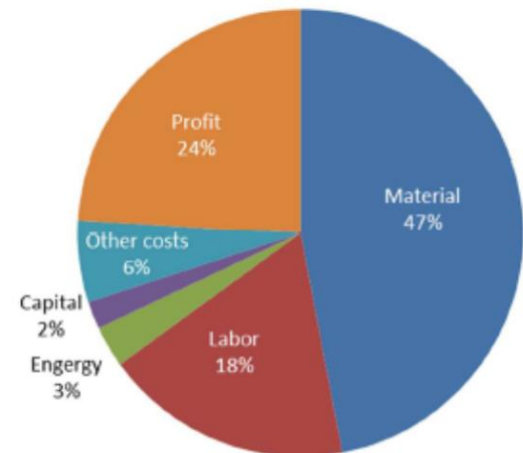
	May 2015 – April 2016	May 2014 – April 2015	May 2013 – April 2014
	# of confirmed child labour cases (< 15 yrs)	# of confirmed child labour cases (< 15 yrs)	# of confirmed child labour cases (< 15 yrs)
Footwear	0	2	9
Garment	16	28	65
Total	16	30	74

Create jobs and profits

Figure 4: Statutory minimum wage and employment in the garment and footwear sector



Source: Ministry of Labour and Vocational Training (statutory minimum wages) and Ministry of Commerce (number of workers). Note that the number of workers refers to the exporting (factories) sector only.

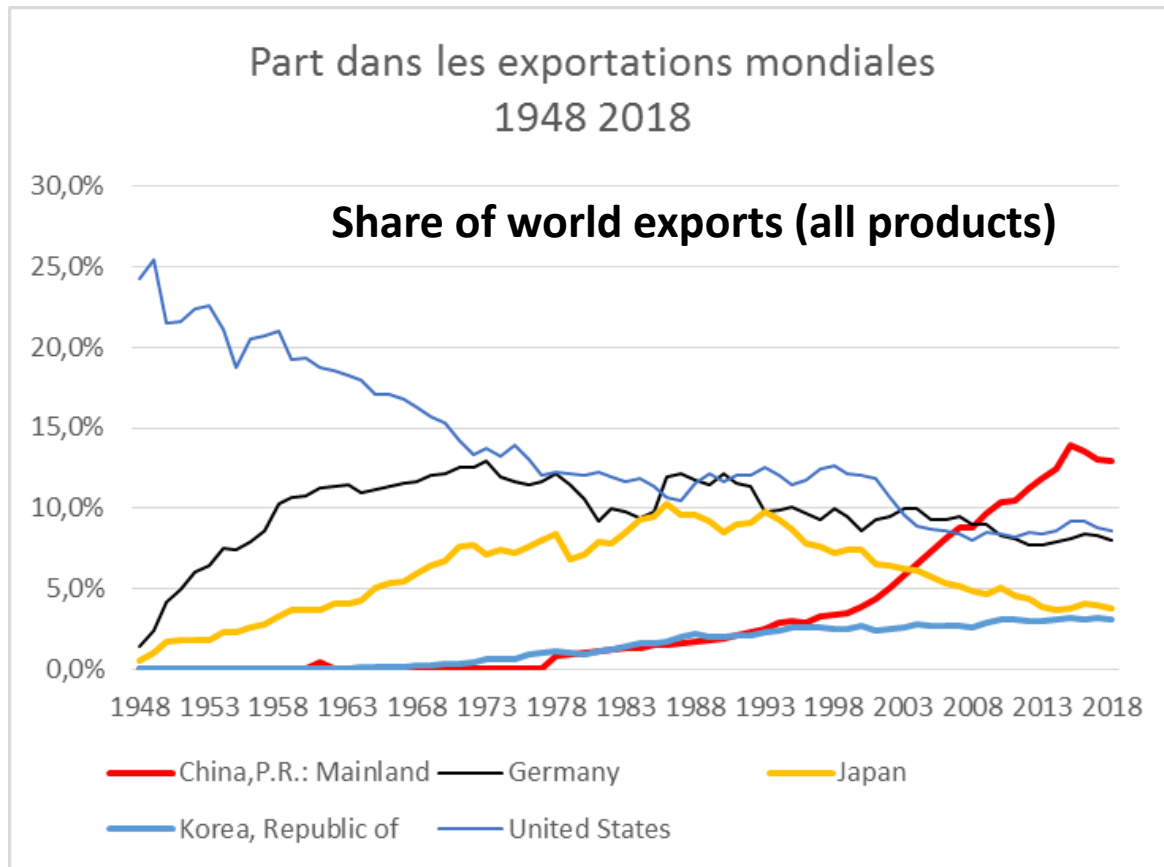


Source: EuroCham, Market Survey: The Textile Industry in Cambodia (2014)

4/ AN INDUSTRY IN TRANSITION

➤ 2 DIVERGING FORCES

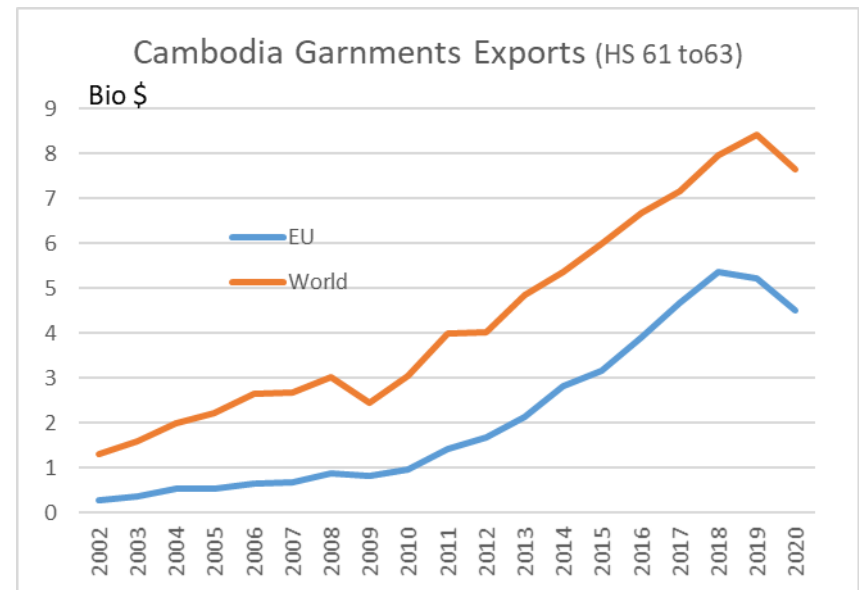
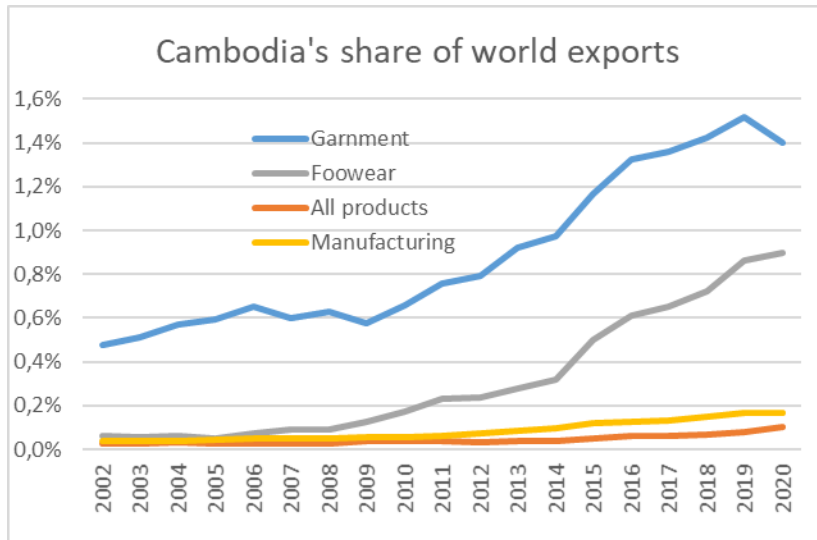
4.1 Geographical diffusion : The « Post-China » phasis, new competitive exporters, and location change prospects



China Garment Exports (HS 61+62)



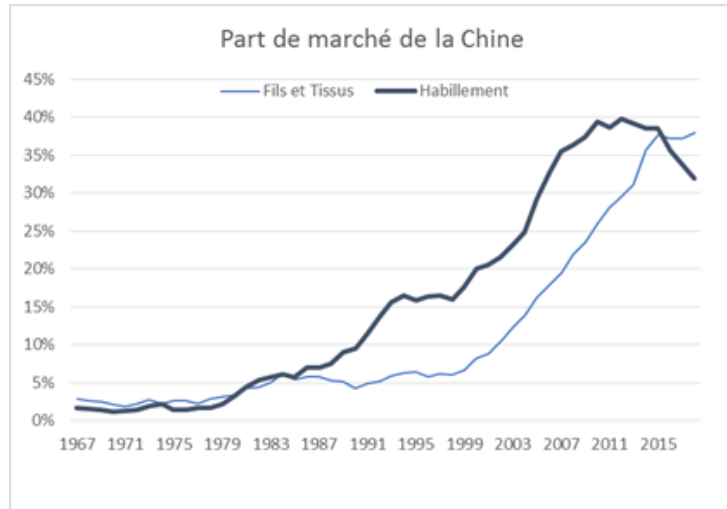
A transition in Cambodia ?



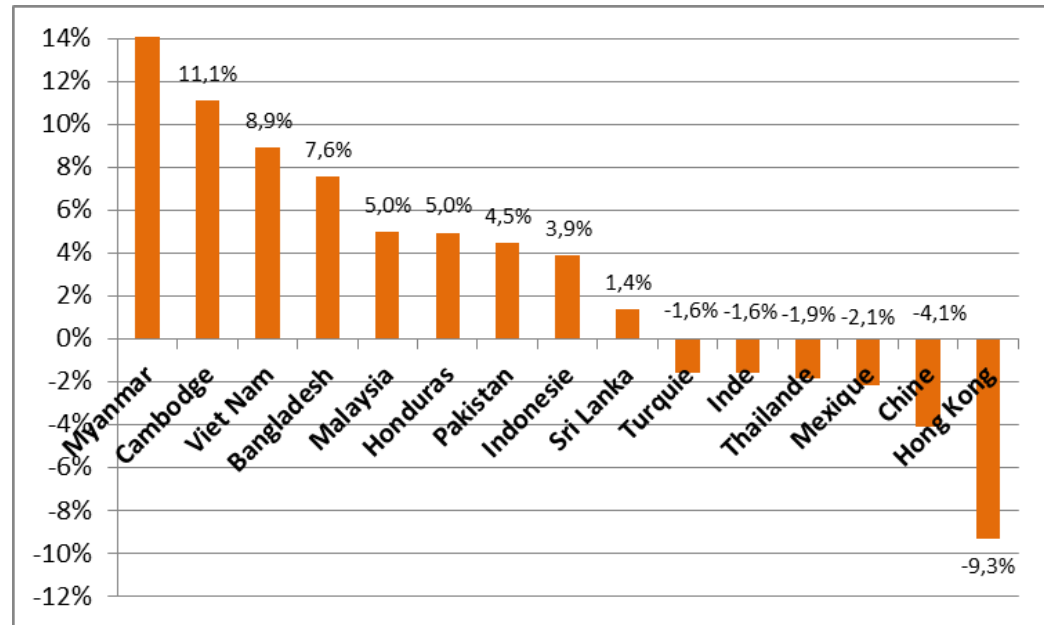
Source : données Intracen

New competitive exporters of Textiles products

China's share of world exports : Textile and Garnment



% change of exports, annual, Garnment (2014-18)



Wages increase in East Asia



Source: JETRO Survey on Investment Related Cost in Asia and Oceania for 2013 and

4.2/ Consolidation / concentration forces in the industry:

Labor and Environment Standards in international trade : A forthcoming competitive advantage or a new entry barrier ?

Survey

- Labor standards and norms :
 - International diffusion
 - Becomes a necessary condition for being competitive in Labor-int industries
 - But no differentiation, no up-grading strategies (a « floor », a minimum level)

- Environment Standards : a strong but still abstract constraint (NE) :
 - « *Les normes environnement sont ultra-prioritaires depuis trois ans (...). « On ne sait pas encore bien quoi faire »...*
 - By default : Multiple « green-looking » initiatives from producers and buyers such as water-saving, green energy use, trees plantation, etc...
 - No Regulation ; Work in process

- For producers: becoming entry barriers
- For buyers: risk aversion behaviour, no real priorities change (Cost first !)

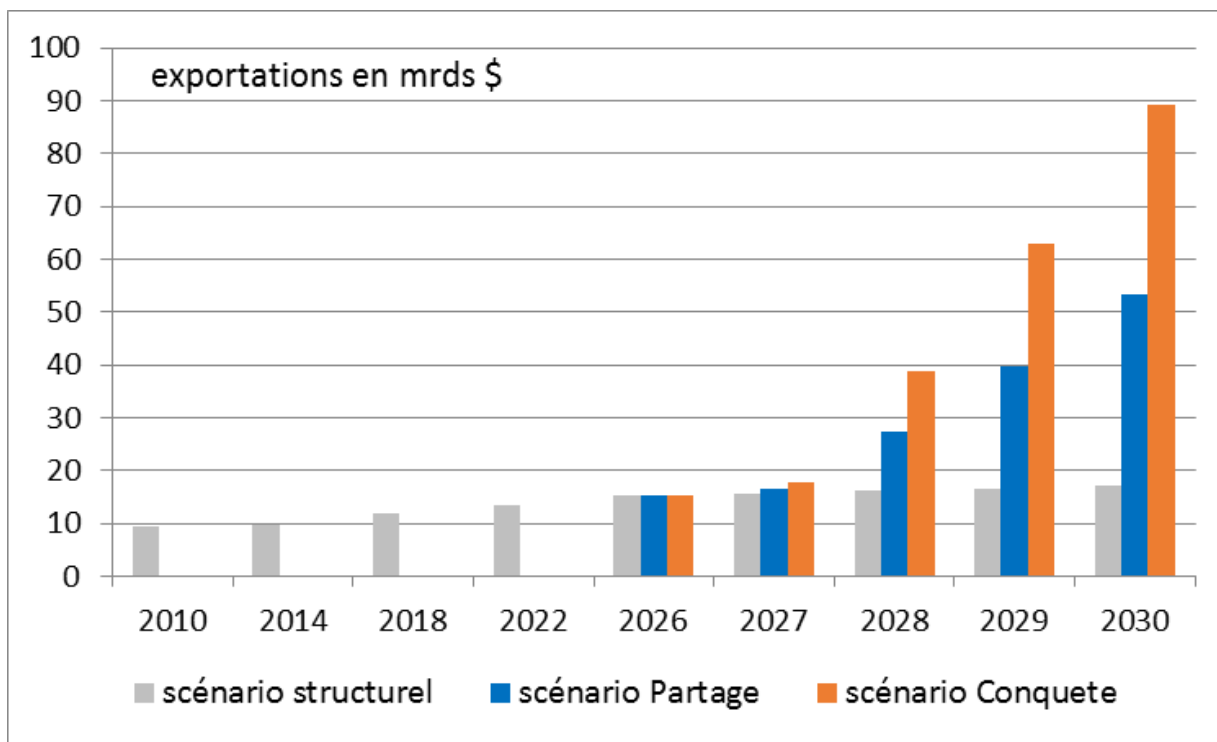
5/ NEXT PHASIS :

LOCATION OF THE NEW TEXTILE-GARNMENT VA AND EMPLOYMENT OUTSIDE
EAST-ASIA IN ... SSA OR INDIA

Garnment exports, SS Africa d'Afrique, Bio \$ (2010-2030); 3 scenarios

Because of the weakness of L & E constraints in the mid-term

➤ Location change end of 2020s



A flock of birds, possibly swans or geese, is flying in a V-formation against a solid red background. The birds are white with dark wings and are arranged in a diagonal line from the top left towards the bottom right. The text "THANK YOU !" is centered in the middle of the image.

THANK YOU !