

THE SEARCHLIGHT

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Searchlight Photo: Prak Chan Thul

Sunlight sends a shaft of light into the Top-One Garments factory, six kilometers outside Phnom Penh.

By Dang Thi Thu Huong
and Huynh Thuc Minh Thuc

Many less-developed countries, and even some fairly prosperous ones, depend on a single commodity like oil, coffee or cocoa for the vast bulk of their exports. But few nations on Earth can match Cambodia's addiction to a single export - and it's a manufactured product not a raw material. Last year garments accounted for a whopping 96.5% of the country's official exports. The labor-intensive item also managed to account for 36% of gross domestic product. All this is in spite of the fact that the 220,000 people employed by the industry — whose salaries help feed more than a million — account for just 4% of the total workforce. Less than a decade since the first brave investors moved their sewing machines into Cambodia, the garment sector holds the country's economic future in its hands.

That dominance is in doubt. The Multifibre Arrangement (MFA), which provides the basis on which many industrial countries established quotas on garment imports from developing coun-

With the expiry of its U.S. garment quota, Cambodia's garment industry must overcome many obstacles to be able to compete with its neighbors.

tries, will expire at the end of 2004.

Garment-dependent Cambodia will no longer have to worry about quotas on its exports, but it will soon face fierce competition from other countries, notably China. With high infrastructure costs and unskilled workers, its biggest competitive strength could be its International Labor Organization (ILO)-recognized labor standards. Says Minister of Commerce Cham Prasidh, "The special things that make Cambodia able to sell and continue to sell is this linkage between trade and labor standards." But many fear that being able to guarantee foreign brands that garments have not been produced in sweatshops will not be enough to counter the low prices offered by Cambodia's neighbors.

they would accept as little as \$10-15 per month. The country's first freely-elected government also offered generous incentives such as nine-year tax holidays, tariff exemptions, free repatriation of profits and only minimal controls on foreign exchange transactions.

But the most compelling reason for producers to come was the policies of the United States and the European Union towards Cambodian garments. Growth of the industry accelerated after Cambodia signed the normalized trade relationship with the two giants in 1996 and 1997. Explains Roger Tan, the Singaporean co-vice chairman of the Garment Manufacturers Association of Cambodia (GMAC), "This was very

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Can Cambodia Compete?

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important for the industry at the time because [neighboring countries were] facing quota problems.”

This meant that investors were searching for new locations. As a result, the number of garment factories flocking to Cambodia tripled, from about 60 in 1996 to 190 in 2000. Garment exports to the U.S. shot up to \$751 million during the same period. To curb the boom, in 1999, the U.S. imposed quota restrictions on a dozen categories under a bilateral textile agreement that links improved labor standards to increased quota. The agreement was so generous, said Tan, that, “Even if they give us more and more quota, it’s no use. We cannot produce the goods... Sometimes you are overfed, some countries are underfed.”

Meanwhile, the E.U. was even more open-handed and made Cambodian products quota-free while also offering preferential tariff treatment. Today more than 220 garment factories operate in Cambodia with total exports of \$1.35 billion in 2002.

But this year Cambodia was invited to join the World Trade Organization (WTO), and the quota system will be phased out to its members on the first day of 2005 when the MFA expires. Cambodia will lose its advantage of abundant quota since every country in the WTO will get free access to the huge American garment market that accounted for 70% of export volume in 2002. The good news is that as a least-developed member, at least Cambodia can receive a reduced tariff under the WTO’s Generalized System of Preferences.

Even preferential tariffs won’t be enough for the Cambodian garment industry to survive if it cannot improve its competitiveness. The International Monetary Fund (IMF) has pointed out in its 2003 country report for Cambodia: “Improving competitiveness is an immediate challenge for Cambodia’s garment industry.... Future market shares will be contingent on the competitiveness of individual exporting countries.”

The primary means for improving competitiveness at present is for the country to take advantage of its acceptance in 2001 of ILO-recognized labor standards. This attracts some buyers,



Searchlight Photo: Ko Jay

Dai Young Cambodia Co., Ltd workers demand their rights in a mass demonstration outside the company’s factory.

particularly high cost brands which worry about their image. It is like brand insurance because, as a high-ranking U.S. diplomat in Cambodia put it, “[Buyers] don’t have the problem of consumers protesting that their products are made in countries that have sweatshop conditions.”

He and other western advisers believe that Cambodia could carve out for itself a semi-permanent niche in the high-end market, leaving low-end products to producers in places like China. Under the quota system, Cambodia’s efforts to improve working conditions and labor rights earned it a 12% quota bonus for 2003. The U.S. government also will decide in December Cambodia’s quota bonus for 2004.

That decision is based in large part upon the information the U.S. government receives during its twice-yearly labor consultations with the Cambodian government and other key sources such as the ILO garment industry monitoring project. Said Robert Hagen, director of international labor affairs at the U.S. Department of State, “Starting in 2005, Cambodia will no longer enjoy special access to American markets, and it must compete directly with large producers.”

But, said Jason Judd from the AFL-CIO sponsored American Center for International Labor Solidarity in Phnom Penh, “If the Cambodian government goes to Washington, Los Angeles, New York ... and says, ‘we are really doing a good job and workers in Cambodia work in paradise,’ no one will believe

them. They have to do something that the ILO can verify and the big buyers like The GAP, Nike and Reebok will believe.” The government has yet to provide the kind of concrete proof that the big brands will demand.

Some Cambodian officials hope that the U.S. will lower tariffs on Cambodian exports. But Cambodia could do a great deal to help itself. A high-ranking U.S. diplomat says, “A lot of necessary reforms, administrative and legal, have not been put into place to provide the motivation for these companies to become competitive.” And, added Sok Hach, director of the Economic Institute of Cambodia, “Though labor costs are competitive with other countries my country is generally not competitive because of high utility and corruption costs.”

Endemic corruption, a shambolic legal system and mind-boggling amounts of red tape raise the cost of doing business. According to GMAC, garment manufacturers spend more than 16% of their management time on bureaucratic matters and about 12% more than Bangladesh, a close competitor. In comparison to Bangladesh, shipments in Cambodia take twice as long to clear customs and garment producers pay public officials twice as much money.

Cambodia faces many challenges, but Cham Prasidh remains confident the future of its garment industry: “We hope that through our policies reformed, we are going to survive. And we will try to climb the ladder, from the middle to higher class.”

As difficult as conditions are, factory work offers the hope of a better life for thousands of young Cambodians

A New Beginning

By Prak Chan Thul

If you want to know what the growth of the garment industry has meant to Cambodians, make a visit to Kraper Haah village in Kandal province, just 12Km south of Phnom Penh.

Making clothing for people who live thousands of kilometers away has produced more than just higher incomes. Ny Chanreasey, 22, and his wife, Chuor Savdy, 22, met in a factory two years ago, and just last month they had their first child, a healthy baby girl. Their jobs have changed their lives, and they are a part of the first generation of Cambodians in three decades who can be optimistic about their future.

"I plan to have three children," Savdy said with a giggle. "My husband also agrees."

Village chief Sann Tonn, 65, said that about a third of the 900 residents are now employed by garment factories, and this has helped change the look and feel of the place. Most of the residents now live in large wooden houses with red-tile roofs instead of rickety huts covered with corrugated metal. In the late afternoon, the streets are crowded with garment workers riding on trailers pulled by motor bikes.

With its location near the popular Takhmao market, some village residents also make money by raising vegetables for nearby villages and beyond. The increased incomes mean that the village now has reasonably well-equipped public schools, and the growing thirst for education has led to a boom in private schools that teach English to ambitious young people.

The village chief said that the economic impact has been greatest for young women: "Now, they have a

chance to to earn a living. Some even earn enough to afford a new Dream Honda 100 motorbike" (that costs more than \$1,000).

For Chanreasey and Savdy, their two incomes made it possible for them to start a family. "I like my job, and I am

business. Chanreasey, who has only a 9th grade education worries that, "I don't have any skills yet." But the young couple is confident both about their future and that of their daughter. Says Chanreasey, "I want her to graduate from university."



Searchlight Photos: Prak Chan Thul

Chuor Sandy and her husband Ny Chanreasey gather around their new baby while his mother and family members look on.



Chuor Sandy, 22, with her new baby daughter.

happy that I have a job and money," said the young mother.

Traditionally, Cambodian women were expected to stay at home and take care of their families. "Now women in the village are more highly valued," said Tonn. But old prejudices die hard. "Some people say that that men should not marry women who work in the factories," said Chanreasey.

He and his wife don't want to work in the garment factory for long, but have no intention of going back to farm work. They will work for few more years to save enough money to start a

Cambodian garment workers put in long hours but often have little to show for it.

Wrong Numbers

By Xuan Danh, Moul Sophorn and Soudalath Phonpachith

November 10 was payday for the workers at the Chinese-owned Dai Young Cambodia Co., Ltd garment factory. Most only make \$45 a month, and they have to make each dollar count just to survive. But this time their pay packets came up light. Instead of \$45, most only received \$30. What's more, they didn't get overtime pay for the three days worked during the King's birthday holiday. The workers had other grievances about pay. Sem Chantha, a 22-year-old worker complained that sometimes she is forced to work 12 hours per day without payment for overtime. With little discussion, the majority of workers decided that the only thing to do was to strike. It worked. After two days, according to Kampuchea Thmey Newspaper, the factory owner paid all of the missing wages.

Pay disputes such as those at Dai Young are not isolated. In fact, non-payment of correct wages is the biggest stain on the working conditions record of the Cambodian garment industry. And it is not just a problem for the workers. Non-payment and mis-payment of wages are besmirching the entire industry's reputation, and an ability to point to high labor standards will be one of Cambodia's few competitive advantages once the U.S. quota system ends in 2005.

This was the first strike at Dai Young, but in seven reports over the last three years on working conditions in Cambodia's garment factories, the ILO has found that non-pay-



Keo Simon, Top-One's factory administrator.

ment of correct wages is the most persistent problem. The latest ILO report said that in a sample of 61 of more than 200 garment factories, workers in 57 establishments got less pay than they earned.

In many factories, the unions manage to get satisfaction from management over pay disputes without resorting to strikes. Some factories face cash-flow problems and don't always have

the funds to meet their payrolls. Keo Simon, an administrator of Top-One Garments factory on the outskirts of Phnom Penh with 765 workers, admitted that sometimes her factory delayed payment but insisted that, "We can solve the problem." Ms. Meas Marakat, a union leader at Top-One, said if the



A group of workers express their grievances at Dai Young Cambodia Co., Ltd.

management had a valid reason for delaying payment, the workers would understand.

But the problem is far too widespread to be solved on a case by case basis. One of the main causes, according to Lejo Sibbel, chief technical adviser of the ILO in Cambodia, is that most factories have poor management systems and lack experienced managers. Supervisors tend to focus only on production, not on areas like human resources. Sibbel also says that the current labor law is inadequate, so that even when a factory violates labor standards there is no punishment. Finally, although trade unions in Cambodia are free, they tend to be weak.

And there is a general lack of concern on the part of both government officials and industry managers. When asked why wage payment problems are so persistent, a high-ranking official of GMAC shrugged his shoulders and said, "I don't know."

Such apathy may become costly. After 2004, when U.S. garment quotas expire, Cambodia will have to compete in a much tougher world. With high operating costs and largely unskilled labor, one possible competitive advantage would be to develop the niche market in the U.S. and Europe for

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Searchlight Photo: Prak Chan Thul

Living it up

Miss Tith Ratha, 18, with her younger sister, Tith Thavy, 16, in their rented room in Phnom Penh. They are from Prey Veng Province.

Labor Pains

By Ky Soklim

Although better government enforcement of rules protecting workers would help solve some of the problems faced in Cambodian factories, in theory, employees should also be able to turn to the country's fledgling trade union movement. Unlike many countries in the region, Cambodia generally protects the rights of workers to organize into unions.

The Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC) was established in 1996 and to date a total of 14 trade unions have been established. Unfortunately, most of the unions do little if anything to protect their members. Many are in fact supported by the government or by factory owners. Most unions don't even bother trying to collect dues from their members because they get so much outside support.

Says Mu Sochua, Minister of Women's and Veteran's affairs, "Sometime, workers hold the demonstration against their union, because [the union] gets money from factory and they don't do any thing for the worker." Chea Vichea, president of the FTUWKC, says that since 1996, his union has organized more than

200 demonstrations to force recalcitrant factory managers to respect labor standards. "I'm teaching the [idea of a] strike in Cambodia. Before 1996, there were no strikes, because the country was communist", says Vichea.

The FTUWKC gets higher marks for independence than most other unions, but it, too, has a political affiliation with the opposition Sam Rainsy Party. On the other side of the fence is Yun Rithy, president of Khmer Youth Union Federation. He denies that his union is pro-government, but he admits that his union sympathizes with the government position on labor realtions. "We defend workers," says Rithy, "but we do not organize demonstrations. Demonstrations mean the losses for both sides : factories and workers."

Lejo Sibbel, Chief Technical Adviser of the International Labor organization in Cambodia, says that trade unions in all countries have links to political parties: "The question is whether they can maintain their independence" so that they can protect their members. In Cambodia, the answer for now is no.

Wrong Numbers

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garments produced in well-regulated workplaces – that is, to be able to guarantee that the clothes have not been made by exploited workers toiling in sweatshops. Because of the original U.S. quota agreement, Cambodia is already different from other countries in the region in that it has an ILO labor standards monitoring system in place. The question is will Cambodia exploit that advantage. Given its track record on mispayment of wages, the answer for now is uncertain at best.

In spite of a relatively neutral- assessment from a recent delegation from the U.S. State Department, there are no signs of improvement in sight. The country's labor unions must become more effective defenders of their members' rights. And the garment manufacturers have to demonstrate a real commitment to improving working standards across the industry.

The real challenge, however, is for the government to put in place more comprehensive labor legislation and then show the will to enforce those rules. ILO monitoring carries no weight with manufacturers without government enforcement. The ILO has offered to stay on after, but says the government hasn't made a commitment so far. A failure by the Cambodian government to renew the ILO monitoring project would send a very negative signal to foreign investors and customers of the Cambodian garment industry.



Searchlight Photo: Ko Jay

Strikers march and shout their grievances outside Dai Young factory in Phnom Penh. Left: the outside of Top-One factory.



Searchlight Photo: Prak Chan Thul

THE SEARCHLIGHT was reported and written by participants in the 11th Class of Advanced Journalism at the Independent Journalism Foundation's Southeast Asia Media Center in Phnom Penh. The journalists are from Laos, Myanmar, Cambodia and Vietnam. Instructors: Richard Hornik, Peter Starr, Robert S. Mellis

Neither the government nor the garment industry has addressed the impact of poor health conditions on workers



Searchlight Photo: Prak Chan Thul

Low salaries lead workers to eat their meals at substandard and unhygienic food stalls around the factories in which they toil. Bad food causes many health problems.

Warning Symptoms

By Vu Thi Binh Chau, Tran Thi Mai Chi and Ky Soklim

Ung Srey Len quietly ate her dinner in a six-square meter boarding room dimly lit by a small red bulb. Her meager meal consisted of some pieces of green cabbage and a boiled egg. She was hungry but the tasteless food which had cost just 500 riels (about 12 cents) and a persistent stomach ache destroyed her appetite. After nearly four years working in Luen Thai Garment Co. Ltd, Ung Srey Len has lost five kg and is now down to only 45 kg. She still looks gentle and beautiful but very thin, tired and much older than 22 years.

Safety and health problems have become serious issues for Cambodian garment factories. Workers face exhaustion and suffer from physical complaints such as diarrhea, typhoid, vertigo or backache due to overwork, inadequate and unhygienic food and poor working conditions. Len and other workers have no choice as their poverty forces them

to earn money to support their families in the countryside. But according to the ILO's latest report on the working conditions in Cambodia's garment sector, released on September 19, most garment factories don't have safety and health policies to address this growing problem.

The Cambodian garment industry has been getting busier and busier thanks to the increase of quota it has got from the U.S. This has created more jobs but also created more overtime demands on garment workers. Most workers have to work 11-12 hours a day during seasonal rushes such as in April to make summer clothes or from August to December to prepare products for Christmas. In some factories, workers put in 14-16 hours a day in order to fill orders on time. "They even have to work 18 hours or all night," said Jason Judd, the representative of American Center for International Labor Solidarity in Cambodia. In its latest report, the ILO said that overwork was second only to incorrect payment of

wages in terms of persistent violations of workers' rights.

With an average salary of \$45, workers have to minimize their daily expenses as much as possible in order to be able to save about \$10-15 for their families in the countryside. For lunch they often buy cheap and inadequate food sold on the street or in the market, spending 1500-2000 riels (37-50 cents) per day. Except for a few large factories, most employers don't provide meals for workers, as this is not a compulsory requirement in Cambodian laws.

Workers often cook dinner and breakfast for themselves but their own food is not much better than the lunch they have outside because they try to save every last cent in order to have more money to send home. "A lot of workers feel tired, dizzy and get headaches because of having not enough food, not enough nutrition," said Ping Chutema, the director of clinical services of the Reproductive Health Association of Cambodia. She added that

“My workers are the most important part of my business. Without workers I am zero. I invested more than \$2 million in this business so why should I cheat my workers over small salary amounts of \$5 to \$10.”

-- Roger Tan, co-vice chairman of the Garment Manufacturers Association in Cambodia, who owns a large garment factory in Phnom Penh

many workers often get diarrhea because of cheap and unhygienic food.

Mu Sochua, Minister of Women's and Veterans' Affairs, said that poor working conditions in many factories were also damaging their workers' health. "Many factories are too dark, too stuffy and too hot...In some factories, workers have to stand all day...Sometimes, workers cannot go to the toilet often enough and long enough," she complained. In its report based on a survey conducted in 61 factories, the ILO found that 60 factories did not arrange appropriate seating for workers. Fifty-three workplaces did not provide enough cups or other sanitary means for drinking water. And the same number of factories did not have appropriate ventilation and air circulation systems. Finally, the condition and maintenance of machines and wiring systems were not up to the necessary standard from a health and safety point of view in 22 factories.

One of the main causes of such shortcomings, according to the ILO report, is the lack of specific laws requiring the development and implementation of a safety and health conditions policy in each workplace. As a result, 58 out of 61 factories in the ILO report did not have a such a policy.

Law enforcement is another challenge. Mann Senghak, deputy general secretary of the Free Trade Union of Workers of the Kingdom of Cambodia, said that laws require every factory to have its own clinic with adequate health care staffs and medicines for the workers. In fact, all factories do have clinics but most of them have only some simple medicines and many of them have no doctors. "They are clinics only in name," Senghak said. He added that trade

unions including his own are fighting to improve the quality of the clinics but they have made little progress.

Sochua said that the most garment factories were not concerned about how the poor working conditions affect their

Encouraging signs have, however, begun to appear. Some factories have made progress in improving conditions in a relatively short time.

While problems still remain, there has been improvement in ensuring freedom of association, the correct payment of wages, and making overtime both voluntary and within legal limits.

It is evident that many factories have made serious efforts to implement suggestions. Should these efforts continue, there is room for optimism that the health and safety conditions in those factories will also improve.

Roger Tan, the co-vice chairman of GMAC, is also a Singapore investor who owns a large garment factory in Phnom Penh. From his office, he pointed to his well-lit and airy

factory and said, "Whenever workers get sick we send them to factory's clinic for medical treatment."

Tan even provides a small bread roll to his workers every afternoon so that they don't get too weak to work well. "My workers are the most important part of my business. Without workers I am zero. I invested more than \$2 million in this business so why should I cheat my workers over a small salary amount of \$5 to \$10," he said.

If more factory owners understood the relationship between worker productivity and worker health and safety, there would be less need for government intervention in this sector. But for now, such examples of enlightened investors remain in the minority.

If Cambodia wants to improve its competitive position on the basis of its respect for worker welfare, the government will have to take the lead...and soon.



Searchlight Photo: Prak Chan Thul

Miss Tith Ratha cleans her dishes outside her room while neighbors wander by in the evening.

workers' health unless the companies make products for U.S. buyers and get quota from the American government.

Perhaps more importantly, famous brands like The GAP and Nike might avoid Cambodian factories that have substandard conditions because the they fear buying products from such firms "will badly affect their names and reputation."

The garment industry has a great deal of work to do in this area. As the latest ILO report put it, "Many problems remain and these can only be solved if all parties involved take seriously their obligations under the law and work together to create a climate of mutual respect." According to Mu Sochua, in addition to specific acts to protect worker health and safety, the Cambodian government must take a much stronger stand against corruption. Otherwise even if new laws are passed, they will not be effectively enforced.

While some factory owners chafe at the labor standards imposed by outsiders, an Irish investor sees the rules as an opportunity for profit.

Fashion Model

By Nguyen Khanh Chi
and Nguyen Thi Ngoc Mai

For many foreign investors, Cambodia's sometimes half-hearted efforts to maintain high labor standards are an unwarranted interference in their daily dealings with workers they view as being stubborn and often lazy. Adrian Ross sees things differently: "From my own experience in the garment industry I can tell you that there are no bad workers, there are only bad managers."

In his late fifties, with over 42 years of experience in the global garment industry, Ross is showing his competitors how to meet a buyer's demand for improved working conditions while still keeping prices down. That is the trick that Cambodia's garment manufacturers must master if they are to compete after 2004.

Ross has been practicing this art since he arrived here four years ago from the U.K. as the general manager of New Island Clothing (Cambodia) Ltd. With the total output from the factory destined for the UK market, he does not try to export to the quota-limited U.S. market. New Island makes shirts exclusively for the British retailer Marks and Spencer.

The factory prides itself on fair management, good labor relations, modern infrastructure ... and its pristine white hygienic facilities. For this manager, all those attributes go together. But he stresses that the key to success is communication. The majority of 15 managers of the factory's 342 employees are Khmer and whenever problems arise they can call upon his knowledge or the skills of the other four expatriate managers.

When Ross's intervention is required, he says he tries to put himself in the shoes of the party who feels aggrieved, and to make them understand management's point of view. "I need workers and workers need us. We are both necessary evils to each other's survival," said Ross. He has tried to estab-



Searchlight Photos: Ko Jay

Women workers at the New Island Clothing (Cambodia) Ltd factory in Phnom Penh.



Adrian Ross, general manager of New Island Clothing (Cambodia) Ltd.

lish a unique "culture" in his factory in which everyone understands the need to increase the factory's quality and quantity. Workers are not forced to work overtime, but they know their jobs depend on the factory's success.

Profit margins are tight. The 342 employees work almost 10 hours a day, five days a week, with Saturday being used to balance the production lines. The employees produce around 22,000 shirts per week, which are shipped to Britain. Once in the shops, a long-sleeve M & S shirt will be priced at around \$16 and a short-sleeve one at \$14. The basic wage level for New Island Clothing operators is set at \$45 per month, but with additional incentives and allowances, the average monthly earnings are around \$95. Some of the highest skilled operators

can earn as much as \$150 a month.

The relatively generous working conditions foster higher productivity, but training is also important. Ross's wife, Gladys, serves as special training supervisor. She said that it took her much more time to bring the skills of Cambodian garment workers up to international standards than it has in developed countries. Many of the workers had "no experience at all," she said, so "they are required to undergo a 12-week technical training program." During that time they are expected to achieve a 60% level of performance.

From random interviews with workers, New Island Clothing seems to be a happy workplace. "This is a very good job for a girl from a poverty-hit rural area like me. I now can earn over \$100 each month," said 21-year-old Sokny Sek as she placed the back yokes of the shirts with the neat Marks and Spencer label cleanly attached on her sewing machine. This long-haired girl's income has proven to be a lifeline for her nine-member family.

"It is not a business of hiring and firing but of hiring and keeping," Ross said. "Because we look after our staff, a lot of people want to come and work here." And in the past three years, the factory has not suffered any strikes - a rare claim in a country prone to sudden walkouts. The solution to Cambodia's competitiveness challenge may be closer to home than anyone imagined.