

## Trade Agreements and Labour Rights:

# the **Cambodia** Experiment

The ILO Garment Sector Working Conditions Improvement Project came into being in May 4, 2000 as a result of the US-Cambodia Textile Agreement. That agreement provided increased access to the US market in the form of a quota bonus for textile and apparel products made in Cambodia in exchange for industry and government efforts to improve compliance with ILO Core Conventions and national labour law.

Under this unique program, the ILO, in consultation with a Project Advisory Committee made up of representatives of the Cambodia government, manufacturers and trade unions, carried out monitoring of registered factories. The actual factory inspections were done by local people contracted and trained by the ILO.

While participation in the project was voluntary, the Cambodia government encouraged participation by passing regulations limiting access to the quota bonus to those companies taking part in the factory monitoring program.

A major incentive for employers to improve

working conditions and labour practices was the ILO's decision to release public reports on audit findings. This was done in two stages. Reports on the first round of audits were released in composite form, without naming the specific factories. However, reports from the second round of audits of the same factories, which were carried out after employers had sufficient time to take corrective action, identified the factories where the violations took place.

In September 2002, the ILO released its fourth synthesis report on labour practices in 65 factories employing close to 76,000 workers. The composite audit finding included the following information:

- No incidents of forced labour or child labour;
- Some evidence of sexual discrimination, including sexual harassment;
- Frequent incorrect payment of wages;
- Overtime not always voluntary in a substantial number of factories;
- Overtime beyond the legal limit in a substantial number of factories;
- Anti-union discrimination in some factories.

In April 2004, the ILO released its eighth synthesis report, assessing changes in labour practices in 62 of 65 factories that were profiled in

### fact sheet

**4** A series on  
trade and  
labour rights in  
the garment  
industry.

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the fourth synthesis report. (Two of the factories had since closed, and one was covered in the fifth synthesis report.) The report includes the following findings:

- Two incidents of gender discrimination, one of which was a minor incident of sexual harassment;
- Four minor incidents of child labour, and two more serious incidents;
- Some improvements in correct payment of wages;
- Some improvements in ensuring overtime is voluntary and that overtime hours are within legal limits;
- Some improvements in ensuring respect for freedom of association; and

The factories monitored are named in the report, as are the ILO's recommendations for corrective action and whether or not specific factories implemented the recommended corrective action.

### **Issues and Limitations of the Project**

While assessments of the ILO Project have been generally positive, some critics have pointed to the difficulties in achieving sustainable change in the Cambodian context, and have raised questions about some of the audit findings.

A January 2004 report by the International Confederation of Free

Trade Unions (ICFTU) raises some of these issues. While generally supportive of the project, the ICFTU report points to underlying problems that make it difficult for Cambodian garment workers to make significant advances on wages, working conditions and respect for their rights. These include:

- the legacy of war and terror under the Khmers Rouges;
- lack of access to land or employment in rural areas that drives desperate young people to the cities where they must compete for a limited number of factory jobs;
- few authentic unions that defend workers' interests;
- lack of resources and corruption of government labour inspectors, and;
- gender discrimination and the stigmatization of young women who work in the garment industry.

The ICFTU report points to the recent assassination of Chea Vichea, a union leader who had been fired for defending garment workers' rights, as an example of the political climate that continues to hinder union activity in Cambodia.

Although the report praises the work of the ILO inspectors, it calls "astonishing" the claim in one ILO report that there was no evidence of discrimination in the 61 factories audited, except for two isolated cases of sexual harassment. It notes that sexual harassment is a taboo

subject in Cambodia, and that the recent increase in the number of women on the ILO monitoring team may result in different findings in the future.

The report concludes, ... "[I]t is critically important that the ILO inspections are pursued after 2005 when the 'carrot' now offered, increased export quotas, is completely withdrawn."

### **The Project will continue**

Although the elimination of quotas on January 1, 2005 removed a key incentive for employer participation in the project, the various actors involved have lobbied to continue the project in order to keep and attract brand-name buyers that view labour standards compliance as an important factor in their sourcing decisions.

New features of the project will include a web-based reporting system with information on the majority of Cambodia's factories to be available in six months, new resource materials and a diverse range of training opportunities. Cambodia's post-quota chances of survival may also be enhanced by a year-long Gap/World Bank capacity-building project worth US\$80,000 to train 650 supervisors at seven different factories.

Despite the elimination of import quotas, the Cambodia experiment could also be replicated in other trade agreements, since tariff reductions could just as easily be substituted for quota bonuses as an incentive to labour standards compliance.

Whatever its limitations, the US-Cambodia Textile Agreement remains one of the few examples of a trade agreement that provides positive incentives for labour standards compliance.

**The ILO reports are available in English and Spanish at:**  
[www.ilo.org/public/english/dialogue/index.htm](http://www.ilo.org/public/english/dialogue/index.htm).

**The ICFTU report is available at:** [www.icftu.org/www/pdf/CambodiaEN.pdf](http://www.icftu.org/www/pdf/CambodiaEN.pdf).