

Cambodia Garment, Footwear and Travel Goods Sector Brief

Issue No. 1
November 2022



“COVID-19 caused significant challenges to obtaining accurate data on Cambodia’s Garment, Footwear, Accessories and Travel Goods exports over the last 2 years. We had to rely on sporadic newspaper articles to inform our headquarters. For this reason, it is great to see the sector brief...”

Member of EuroCham Garment & Manufacturing Committee

Responsible Business Hub (RBH)

About

In the post-COVID 19 era, the Cambodian economy is on a recovery path with the aim of revitalizing sustainable economic growth and seizing new emerging opportunities. This mainly affects the exporting industries in Cambodia, foremost the textile and garment sector, which are confronted, among others, with sustainability demands to remain competitive in the “new normal”. This brings the need to mitigate negative social and environmental impacts in the production.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ FABRIC), in collaboration also with Textile Apparel Footwear and Travel Goods Association in Cambodia (TAFTAC), supported the European Chamber of Commerce (EuroCham) to create the Cambodia’s first Responsible Business Hub (RBH).

The RBH is a free service help desk for local businesses. It provides tailor-made, free of charge information and advisory services about sustainable business practices. Another RBH’s mission is to **enhance data transparency across the sector by making visible the sustainability progresses so far achieved in Cambodia.**

In the last two years, data related to the Garment, Footwear and Travel Goods (GFT) sector in Cambodia has often been presented in a scattered form or gathered from multiple sources. This Sector Brief aims to concisely fill that data gap with official statistics for Cambodia’s GFT sector (Annex 1).

The brief sheds light on the latest publicly available, and official statistics, presenting the general trends, development, and performance of the GFT sector in Cambodia with a special focus on Travel Goods (TG). Moreover, the document illustrates the post-Covid-19 development of the GFT sector. The brief concludes with remarks on the likely challenges Cambodia’s GFT sector must address to remain competitive in the coming years.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the European Chamber of Commerce in Cambodia (EuroCham), the International Labour Organization (ILO) and Textile Apparel Footwear and Travel Goods Association in Cambodia (TAFTAC, formerly Garment Manufacturers Association in Cambodia) wish to acknowledge all relevant authorities for providing the statistics used for this Sector Brief.¹

1. Introduction

The GFT sector has been the backbone of the Cambodian economy for more than two decades. It is labour-intensive, and traditionally attracts a large number of female workers: 75.9% of the employed population in “Wearing Apparel” manufacturing activities are women². In 2019, the sector represented about 13.8% of Cambodia’s total employed population of 5.18 million³. The agriculture and services sectors represented 44% and 27% of the total.

In the decade of 2010-2019 (before the Covid-19 pandemic), the GFT sector represented an average of 10% p.a. of Cambodia’s GDP. During this period, Cambodia’s GDP grew at an average rate of 7% per year. Of that 7% growth, roughly a quarter came from the GFT sector.⁴

Preliminary 2021 figures from the National Institute of Statistics of Cambodia (NIS) suggest the GFT sector was also crucial during the pandemic. The sector accounted for 11% of the economy and contributed around 50% of Cambodia’s real GDP growth in 2021 (the real GDP growth of Cambodia was estimated at 3% in 2021). Though not operating at full capacity, these high figures demonstrate that the GFT sector had been functioning relatively well throughout the Covid-19 pandemic, whilst other sectors such as tourism suffered greater impacts.

In March 2022, the Royal Government of Cambodia launched its “GFT Sector Development Strategy 2022–2027”, which underlines the sector’s important role as a major economic growth pillar, with GFT exports averaging over 70% of Cambodia’s total merchandise exports over the past decade.⁵ The strategy also emphasizes the sector’s direct and indirect contributions to the livelihoods of between 2.5 to 3 million Cambodians.

Despite being one of the key drivers of the Cambodian economy, the GFT sector still faces challenges related to its competitiveness and long-term sustainability. The sector’s current exports are reliant on preferential market access granted by the United States (U.S.) and the European Union (EU) which makes it highly vulnerable to the potential withdrawal of such agreements, or to other external shocks. Therefore, the government’s GFT Sector Development Strategy serves as a roadmap to upgrade the sector, such that it produces higher

value-add products, is more sustainable, and is more competitive on a global scale. These upgrades are crucial to improve Cambodia's economic diversification by 2027.⁶

In addition, Cambodia recently promulgated its new Law on Investment (in effect since October 2021), replacing the 1994 Investment Law and the 2003 Amended Investment Law.

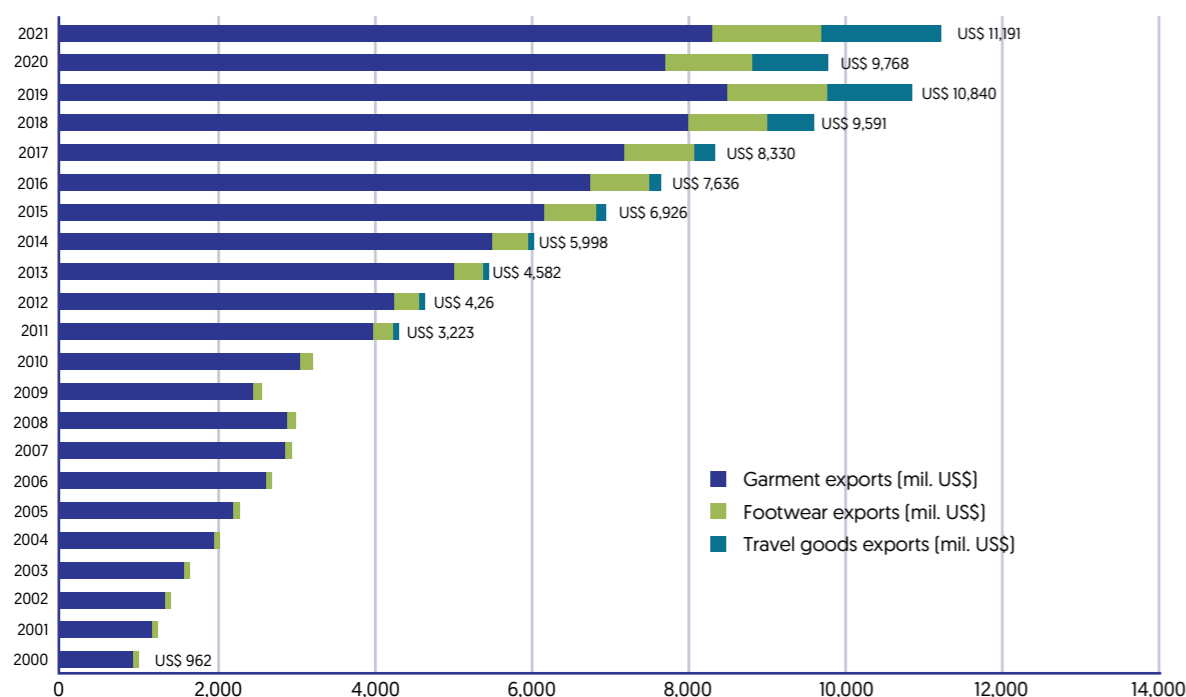
The new 2021 Law was developed to promote foreign investment in key sectors⁷. In particular, it offers incentives to projects that support industrial diversification, and in high-tech, high-value-added, innovative, digital industries, such as green energy. Thus, the incentives offered in the Law also contribute to Cambodia's overall aim of developing the GFT sector.

2. Exports and market destinations for Cambodia's GFT sector

a. GFT exports

Over the past two decades, the GFT sector in Cambodia has made impressive strides. As illustrated in Figure 1, exports have risen from just US\$ 962 million in 2000 (of which 97% are garments) to US\$ 11.191 million in 2021 (of which 74% are garments).

Figure 1: Cambodia's Garment, Footwear and Travel Goods exports, 2000–2021 (US\$ million)



Sources: National Institute of Statistics (NIS) and the General Department of Customs and Excise (GDCE).

Perhaps unsurprisingly, Covid-19 impacted Cambodia's GFT exports, though not as dramatically as might have been expected. GFT exports fell 10% in 2020 (compared to 2019), thus constituting the first negative growth rate since the global financial crisis of 2009.

Nevertheless, according to official statistics⁸, 2021 witnessed a recovery in GFT exports, with exported value increasing by 15% to US\$ 11.2 billion. This positive trend has continued in the first 8 months of 2022, which saw a 28.79% growth in exports of "articles of apparel and clothing accessories" when compared to the same period in 2021⁹. Despite the growth, the Manufacturers Association in Cambodia (TAFTAC) urged caution, expressing concerns over a decline in purchase orders from Western countries from August 2022 onwards, and referring to "global economic uncertainty and a slew of other hurdles ... which may prolong until the end of the year or longer"¹⁰.

The share of Cambodian exports coming from the GFT sector is still relatively high, underlining that the Cambodian economy is not yet

sufficiently diversified. Over the decade of 2012-2021, the sector's exports accounted for an average of 71% of Cambodia's total merchandized exports. Although a declining ratio has been witnessed in recent years (GFT exports dropped to only 57% of total merchandised exports in 2021), the sector's exports remain the largest source of foreign currency for the country.¹¹

Table 1 shows the composition of Cambodia's GFT exports. It reveals that the share made up of garments, has been declining, while the share of travel goods has steadily grown. This trend was particularly clear in the last 5 years. Nevertheless, it should be noted that the absolute value of garment exports was still growing in 2021, and that the decreased share of exports from garments is explained simply by the much faster growth seen with travel goods and footwear exports.

Overall, out of the US\$11.2 billion of GFT exports in 2021, garment products contributed 74%, footwear products 13%, and travel goods also 13%.

Table 1: Respective composition of Garment, Footwear and Travel Goods exports (2016-2021)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------|-------|-------|-------|-------|-------|
| Garment (incl. textiles) Industry | | | | | | |
| Exports (mil. US\$) | 6,722 | 7,182 | 7,995 | 8,497 | 7,687 | 8,304 |
| Growth (%) | 9% | 7% | 11% | 6% | -10% | 8% |
| Share (%) | 88% | 86% | 83% | 78% | 79% | 74% |
| Footwear Industry | | | | | | |
| Exports (mil. US\$) | 774 | 880 | 1,040 | 1,265 | 1,117 | 1,392 |
| Growth (%) | 17% | 14% | 18% | 22% | -12% | 25% |
| Share (%) | 10% | 11% | 11% | 12% | 11% | 13% |
| Travel Goods Industry | | | | | | |
| Exports (mil. US\$) | 140 | 268 | 556 | 1,079 | 965 | 1,495 |
| Growth (%) | 41% | 91% | 108% | 94% | -11% | 55% |
| Share (%) | 2% | 3% | 6% | 10% | 10% | 13% |

| Total Garment, Footwear and Travel Goods Industry | | | | | | |
|---|-------|-------|-------|--------|-------|--------|
| Exports (mil. US\$) | 7,636 | 8,330 | 9,591 | 10,840 | 9,768 | 11,191 |
| Growth [%] | 10% | 9% | 15% | 13% | -10% | 15% |
| Share [%] | 100% | 100% | 100% | 100% | 100% | 100% |

Sources: NIS and GDCE
Note: Garment includes textiles.

b. Main GFT export destinations

As evidenced in table 2, the US is the largest importer of Cambodian GFT products, accounting for 43% of total exports in 2021, an increase from just 25% in 2016. The EU (and Europe as a whole) remain important trade partners of Cambodia. The share of GFT sector exports to the EU market has declined, though this is mostly explained by the United Kingdom having left the EU single market in 2020. Exports to markets such as Japan are growing.

Table 2: Cambodia's Garment, Footwear and Travel Goods exports (in million US\$), growth (in%) and main market share (in%)

| Cambodia's GFT exports (in million US\$) | | | | | |
|--|--------------|--------------|---------------|--------------|---------------|
| | 2012 | 2016 | 2019 | 2020 | 2021 |
| To US | 1,960 | 1,914 | 3,462 | 3,585 | 4,827 |
| To EU | 1,565 | 3,425 | 4,257 | 3,410 | 2,726 |
| To ROW | 1,057 | 2,298 | 3,121 | 2,773 | 3,638 |
| ow Ja-pan | - | - | 988 | 869 | 898 |
| ow China | - | - | 348 | 310 | 303 |
| ow UK | - | - | - | - | 641 |
| Total | 4,582 | 7,636 | 10,840 | 9,768 | 11,191 |

| Main market destinations (in %) | | | | | |
|---------------------------------|------|-------------|-------------|-------------|-------------|
| | 2012 | 2016 | 2019 | 2020 | 2021 |
| To US | - | 25% | 32% | 37% | 43% |
| To EU | - | 45% | 39% | 35% | 24% |
| To ROW | - | 30% | 29% | 28% | 33% |
| ow Ja-pan | - | - | 9% | 9% | 8% |
| ow China | - | - | 3% | 3% | 3% |
| ow UK | - | - | - | - | 6% |
| Total | | 100% | 100% | 100% | 100% |

| Growth rate of GFT exports (Y-o-Y %Δ) | | | | | |
|---------------------------------------|----------|------------|------------|-------------|------------|
| | 2012 | 2016 | 2019 | 2020 | 2021 |
| To US | - | -6% | 36% | 4% | 35% |
| To EU | - | 17% | 1% | -20% | -20% |
| To ROW | - | 17% | 10% | -11% | 31% |
| ow Ja-pan | - | - | 6% | -12% | 3% |
| ow China | - | - | 11% | -11% | -2% |
| Total | - | 10% | 13% | -10% | 15% |

Sources: United Nations Conference on Trade and Development (UNCTAD) Database and GDCE/NIS.

ROW refers to the rest of the world.

Note: On 31 January 2020, the UK left the EU and entered a transition period. By 31 December 2020, the transition period ended, and the UK officially left the EU single market and customs union. Therefore, EU markets over the 2012-2020 period refers to EU-28 member states but from 2021 onwards, EU markets refers to EU-27 member states (without the UK).

An important point to note is that GFT exports to the EU market dropped by 20% in 2020 and further declined by another 20% in 2021, which is an apparent indication of being negatively exposed to the effects of:

- i. The Covid-19 pandemic.
- ii. The partial withdrawal of Cambodia's duty-free and quota-free access to the EU market under the Everything but Arms (EBA) initiative (announced by the EU in August 2020).¹² The partial withdrawal concerned approximately 20% of Cambodia's exports to the EU market, affecting 64 tariff lines. Of the 64 affected tariff lines, 5 relate to travel goods, 13 to footwear products and 46 to garment products¹³. Cambodia may still export those affected products to the EU market, but they will be subject to general tariffs applicable to any other member of the World Trade Organization (WTO). The remaining 80% of Cambodia's exports still have preferential (duty-free, quota-free) access to the EU market.¹⁴

As a result of the above, Cambodia's GFT exports to the EU declined from US\$ 4,257 million in 2019 to US\$ 3,410 million in 2020 (-20%) and reduced further to US\$ 2,726 in 2021 (another -20%). As indicated earlier, it should be noted that the drop in exports to the EU in 2021 was largely due to the exit of the UK from the EU bloc in 2021 (28 EU member states in 2020 vs. 27 EU member states in 2021).¹⁵ Hence, the actual drop in GFT exports to the EU market, subtracting the UK's withdrawal from the EU, was just 1.26% in 2021.

Cambodia was able to overcome some of these challenges by diverting its GFT exports to other markets, particularly the US. Here, the share of exports rose to 43% in 2021, up from 37% in 2020, thus making the US the largest single nation market for Cambodia's GFT exports. At the same time, the share of Cambodia's GFT exports to other markets outside the US and the EU increased to 33% in 2021, from just 28% in 2020. This development can again be attributed to the "Brexit effect". If the UK was included in the 2021 comparison, the share of the sector's exports to the "Rest of World (ROW)" markets remains almost the

same as in 2020. It should also be noted that from 1 January 2021, Cambodia (and other Developing and Least Developed-Countries) can still enjoy preferential access to the UK market (under the UK Generalized Scheme of Preferences).¹⁶

Cambodia's overall GFT exports rose by 15% in 2021, reaching US\$ 11.2 billion. They then increased another 25% during Q1 2022 (relative to Q1 2021)¹⁷. Given the global challenges that occurred during 2020 and 2021, this should be considered a very positive development.

Some of the reasons behind this growth are:

- i. Myanmar has been seriously affected as a sourcing destination; with some orders shifting to Cambodia;
- ii. Cambodia's capable management of Covid-19;
- iii. The fact there were no major interruptions in logistic services for the supply of raw materials from China during the pandemic.

There is still the foreseeable and positive prospect that Cambodia can expand and diversify its export markets by taking advantage of recently implemented Free Trade Agreements (FTA). This includes the Cambodia-China FTA (CCFTA) and the Regional Comprehensive Economic Partnership (RCEP)¹⁸ which both came into effect in January 2022. In addition, the Cambodia-Korea FTA (CKFTA) will come into force on December 1st, 2022, after being signed on October 26th, 2022.

With several FTAs signed, Cambodia is now conducting feasibility studies for additional agreements, such as the Cambodia-Japan FTA (CJFTA), the Cambodia-India FTA (CIFTA), and the Cambodia-Bangladesh FTA (CBFTA). If ratified, these are expected to further open opportunities for Cambodia's GFT sector exports, as well as other export commodities.

Regarding the RCEP, a recent World Bank study placed Cambodia among the top three member countries (Vietnam, Japan, Cambodia) likely to experience a strong increase in exports due to the RCEP, across several sectors. That

said, the impact of RCEP on the GFT sector may be limited, amongst other reasons because GFT exports are, for the moment, predominantly destined for the US and EU.¹⁹

c. Cambodia's GFT exports as a share of the global GFT markets

As evidenced in table 3 below, China remains the top exporter of GFT goods globally, representing 32.8% of exports in 2021. It is followed by Vietnam, at 8.5%, and Bangladesh, representing 4.7% of the global GFT market.

Table 3. Top 15 exporters of GFT Goods (among the Top 15 exporting countries) as share of the world's GFT Goods market (in %) – Cambodia stands in 9th position in 2021

| | 1995 | 2005 | 2015 | 2018 | 2019 | 2020 | 2021 |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|
| Exporting countries | 57.1 | 63.9 | 71.7 | 66.8 | 66.2 | 65.7 | 67.3 |
| 1. China | 14.7 | 26.1 | 39.2 | 33.1 | 32.0 | 31.8 | 32.8 |
| 2. Vietnam | 0.7 | 2.1 | 5.6 | 6.9 | 7.5 | 7.6 | 8.5 |
| 3. Bangladesh | 1.0 | 1.9 | 4.3 | 4.8 | 4.8 | 4.5 | 4.7 |
| 4. Turkey | 2.7 | 3.1 | 2.5 | 2.5 | 2.5 | 2.6 | 2.6 |
| 5. India | 2.2 | 2.7 | 3.4 | 3.0 | 3.0 | 2.5 | 2.5 |
| 6. Indonesia | 2.4 | 1.7 | 1.9 | 2.1 | 1.9 | 2.1 | 2.0 |
| 7. Malaysia | 1.1 | 0.7 | 0.8 | 0.9 | 0.8 | 1.6 | 1.9 |
| 8. Hong Kong, SAR, China | 14.7 | 9.9 | 4.1 | 3.0 | 2.7 | 2.2 | 1.8 |
| 9. Cambodia | 0.1 | 0.7 | 1.0 | 1.4 | 1.4 | 1.7 | 1.3 |
| 10. Pakistan | 0.7 | 1.0 | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 |
| 11. Sri Lanka | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.7 | 0.7 |
| 12. Thailand | 3.3 | 1.3 | 0.7 | 0.7 | 0.7 | 0.9 | 0.7 |
| 13. Mexico | 1.3 | 2.0 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| 14. Morocco | 0.8 | 0.8 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| 15. Myanmar | 0.0 | 0.2 | 0.1 | 0.7 | 0.8 | 0.9 | 0.6 |
| Others | 42.9 | 36.1 | 28.3 | 33.2 | 33.8 | 34.3 | 32.7 |
| World | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: UNCTAD database [accessed on 16 July 2022]. The percentage share is calculated based on the country's export values. Note: Based on the latest UNCTAD-updated country classification [released on 12 April 2022].

Cambodia ranked 9th among the top 15 exporters of GFT goods, representing 1.3% of global GFT exports in 2021. However, according to statistics published by local newspapers, that appear to come from the General Department of Customs and Excise (GDCE), Cambodia's global export share is believed to be higher compared to the figures of UNCTAD. Consequently, Cambodia's GFT exports may also have been underestimated by this ranking.

Asia remains the main garment manufacturing region of the world (largely driven by China). In 2019, the region accounted for 55% of global textile and clothing exports. The garment (including textiles) and footwear sectors remain key contributors to many Asian economies, employing approximately 60 million workers in the region and providing indirect employment to millions more.²⁰

3. Newly approved Foreign Direct Investment (FDI) into the GFT sector

a. New investment

FDI is crucial for Cambodia's development. This has been particularly true for FDI in the GFT sector, which has been a core driver of job creation and GDP growth.

Covid-19 slowed the inflow of FDI into Cambodia. According to the Cambodian Investment Board (CIB), 2020 saw 154 new investment projects approved across all sectors²¹, worth US\$ 7.5 billion in fixed assets, which marks an 8.0% decline compared to 2019. Of the 154 investment projects approved in 2020, 80 were in the GFT sector, worth US\$ 371 million in fixed assets, a decline of 34% compared to 2019.

Similarly, 108 new investment projects were approved across all sectors in 2021, worth US\$ 1.7 billion in fixed assets, representing a reduction of 77% compared to 2020. Of 108 projects approved in 2021, 63 were within the GFT sector, worth US\$ 291 million in fixed assets, a 21% decline relative to 2020.

Despite these declines, CIB statistics now hint

at a recovery. Q1 2022 saw 24 GFT investment projects approved, worth US\$114 million in fixed assets, thus marking a 110% increase relative to Q1 2021.

To promote healthy inflows of FDI, Cambodia launched its new Investment Law (in effect since October 2021)²², offering an improved legal framework for foreign investors²³. The Law promotes industrial diversification and offers fiscal incentives in priority sectors. The Law is in part a response to Cambodia's changing geopolitical and economic context - and was designed to help Cambodia capitalize on Industrial Revolution 4.0, and other trends related to digital transformation.

Incentivised investment sectors include:

- i. high tech, high value-added, innovative and highly competitive industries;
- ii. electrical, electronic, mechanical and machinery industries, digital industries;
- iii. green energy; and,
- iv. industrial parks/science, technology and innovation parks.²⁴

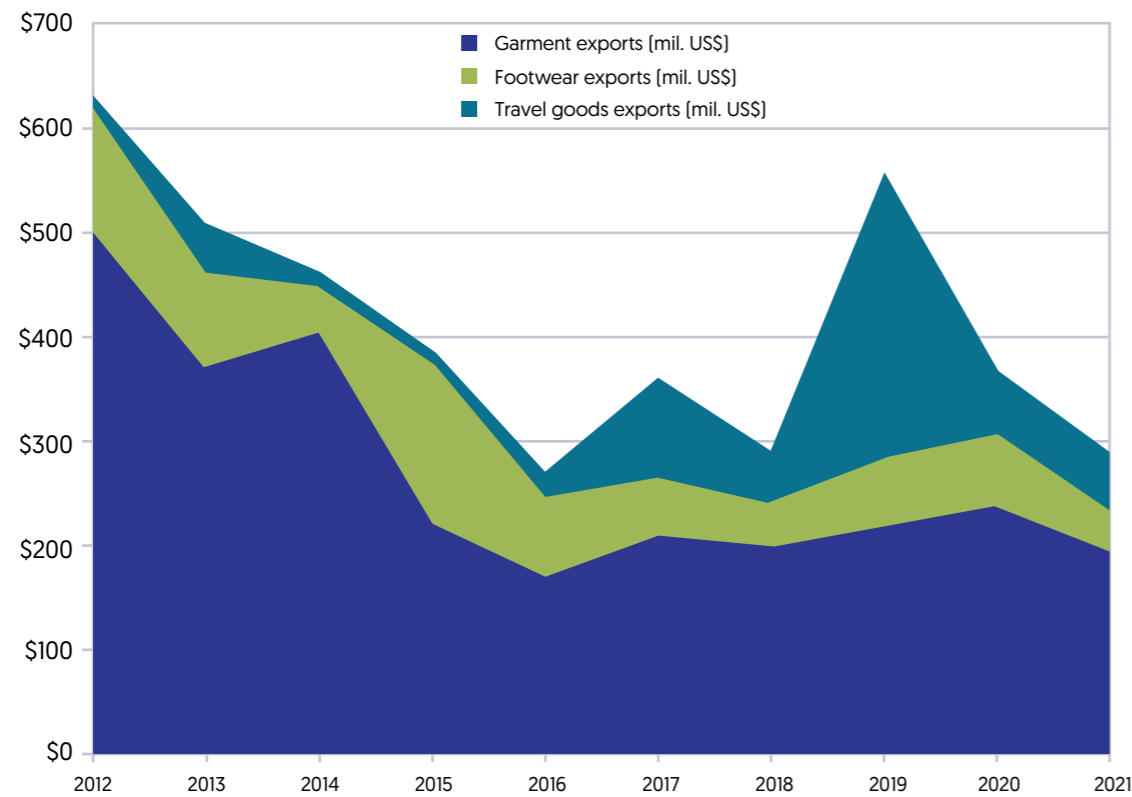
The incentives for Qualified Investment Projects (QIP) include:

- i. Income tax exemption for up to 9 years (depending on the sector and investment activities).
- ii. QIP for export industries, and QIP that support export-oriented industries are entitled to exemptions (of customs duty, special tax, and value-added tax) for importing construction material, construction equipment, production equipment and production inputs.
- iii. Value-added tax (VAT) exemption for purchasing locally made inputs for the implementation of their qualified investment projects.

QIP investors will also enjoy a faster registration process. applications for investment registrations will be approved within 20 working days (if the proposed project is not on the negative list).²⁵ The provincial/municipality administration is authorized to approve

investment projects worth up to US\$ 5 million through its “Sub-Committee of Provincial/ Municipality Investment”. The respective provincial governor/ municipality mayor is usually the chairperson of the sub-committee.²⁶

Figure 2: Approved FDI in Cambodia’s GFT sector, 2012–2021 (in fixed assets, mil. US\$)



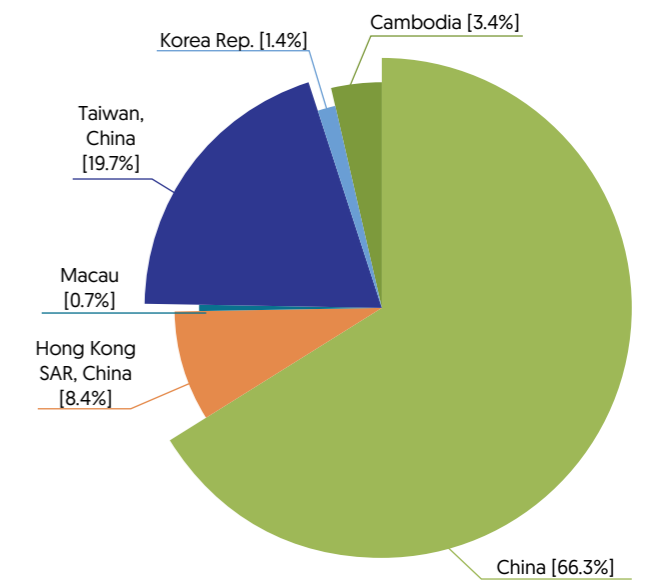
Source: Council for the Development of Cambodia (CDC) / Cambodian Investment Board (CIB).

b. Country of origin for FDI in the GFT sector

Cambodia’s GFT assets are overwhelmingly owned by foreigners. The ILO observed that from 2017-2018, 97% of established GFT factories in Cambodia had foreign ownership. This share was only 54% in Vietnam, 45% in Indonesia and the Philippines, 34% in Thailand, 20% in Bangladesh, 20% in China, 17% in Sri Lanka and 12% in Malaysia.²⁷ The lower share of foreign ownership in other countries may be attributed to the fact that those countries have stricter regulations on accessing property rights when compared to the more liberal approach used in Cambodia.²⁸

As seen in Figure 3, China remains the leading source of foreign investment in Cambodia’s GFT sector, accounting for 66.3% of approved new investments in 2021. Mainland China was followed by Taiwan (19.7%) and Hong Kong (8.4%). Cambodia is expected to attract further FDI in the future. The investment climate and political situation remain stable, and labour costs remain relatively competitive. These private investments into the labour-intensive GFT sector will continue to play a vital role in Cambodia’s job market, particularly for Cambodian women. By the end of 2021, female workers accounted for 82% of the total GFT workforce in Cambodia.²⁹

Figure 3: Newly approved investment in the GFT sector by country of origin (in 2021, in%)



Source: Council for the Development of Cambodia (CDC)/ Cambodian Investment Board (CIB)
 * Note to Figure 3 - CDC not only approves FDI but also private Cambodian investments

4. Employment and wages

a. Status of employment and wages

According to MoC statistics, formally registered GFT factories employed 715,121 workers³⁰ in 2019. By 2021, that number had dropped to 671,509. Thus, almost 45,000 workers lost their jobs between 2020 and 2021 as a result of pandemic-related closures or suspensions³¹.

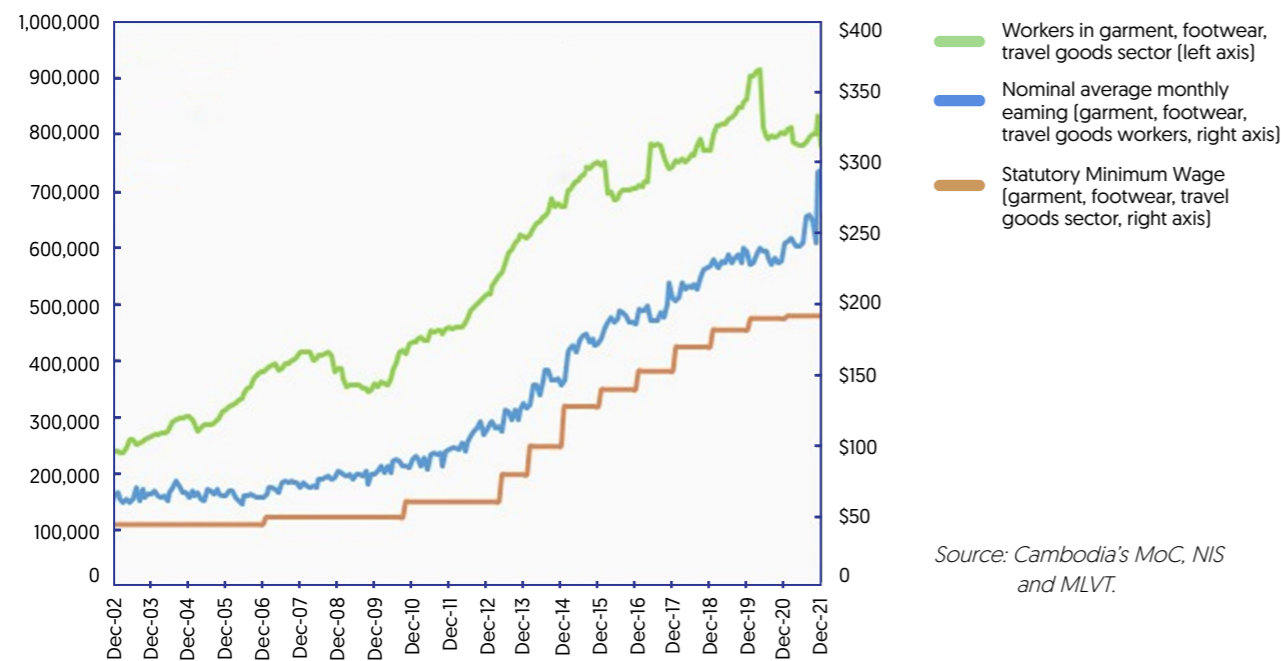
Some of these 45,000 workers may never return to the GFT workforce. In early 2022, the President of the Cambodia Footwear Association observed that while “production at existing factories has ramped up, and new factories have opened, there is a shortage of factory workers, and workers with specific skills, especially in the outskirts of urban areas”³². The suggestion was that a portion of workers furloughed, or terminated during the pandemic had not returned, moving to other sectors or seeking employment elsewhere.

The average monthly earning (net take-home

pay) of GFT workers has been relatively stable - even increasing from US\$ 232 per month [2019] to US\$ 234 [2020] to US\$ 256 [2021]³³. A GFT worker, therefore, earned 9.7% more per month in 2021, compared to 2020.

The stability in monthly earnings can be attributed to continued increases in the statutory minimum monthly wage set for the GFT industry. This was set at US\$ 190/192/194/200 respectively for 2020/21/22/23³⁴. As seen in Figure 4, the statutory minimum wage, currently only applied to the GFT sector, has been increasing every year since 2003, growing by 12.7% [avg.] every year between 2003-2022. The increases are based on tripartite consultations, which are coordinated by the National Council of Minimum Wage and MLVT, alongside representatives of workers, employers, and the government.

Figure 4: Employment, statutory minimum wage and nominal average monthly wage (net take-home pay) of the GFT sector.



Source: Cambodia's MoC, NIS and MLVT.

Adjusted for inflation, the growth rate in real average earnings is for now, still stable. The real average monthly earning of GFT workers was only US\$ 217³⁵ in 2020 and rose to US\$ 232 per month in 2021. The increase in real earnings can be attributed to the lower inflation rate in Cambodia in that period.

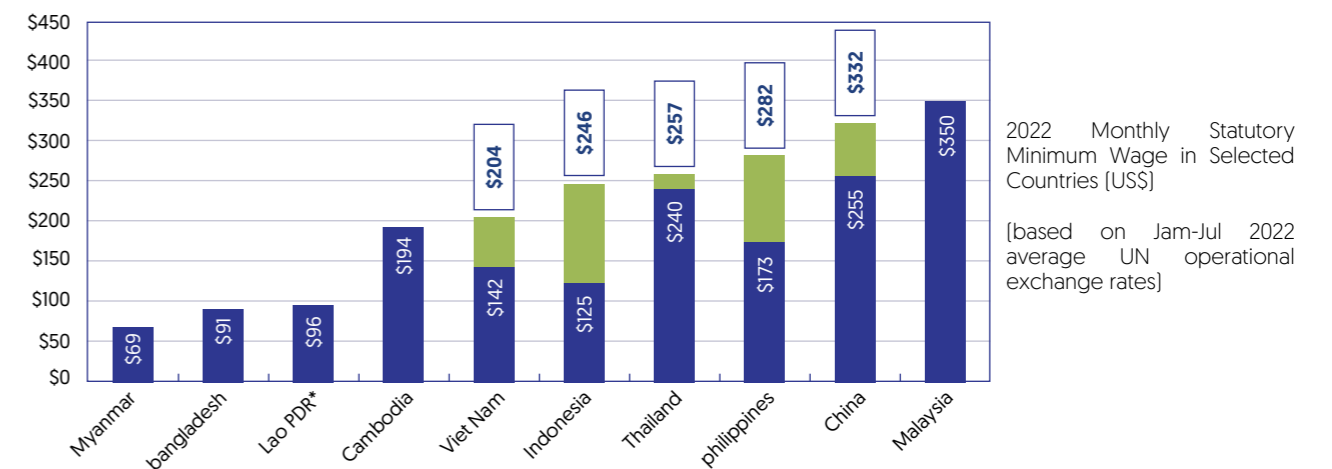
Inflation has been rising since early 2022, however, and recently hit a 10-year-record

high. Official statistics from the NIS suggest the Consumer Price Index (CPI) in Cambodia had increased by 5.9% in Q1 2022 compared to Q1 2021. The erosive effect of inflation on real GFT worker earnings has yet to be verified, though provisional calculations based on official statistics suggest a 1.5% decrease in real monthly earnings in Q1 2022 [US\$ 228], compared to Q1 2021 [US\$ 232].

b. Comparison of monthly statutory minimum wage in selected GFT exporting countries (US\$ per month)

Figure 5 compares different statutory minimum wages across selected GFT exporting countries in Asia. The comparison provides insight into the basic labour costs and corresponding competitiveness of each respective country³⁶.

Figure 5: Statutory minimum wage of selected Asian countries in 2022 (US\$ per month)



*Lao PDR statutory minimum wage will take effect from 1 August 2022.

Note: Some countries have more than one statutory minimum wage [applicable to their different geographical regions], in that case, the lowest rate and the highest rate are presented in the table in green.

Sources: www.aseanbriefing.com, wageindicator.org, Dezan Shira & Associates [Vietnam Briefing, Article, China Brief, Article] and respective country's authorities.

The frequency of minimum wage setting varies across countries. There is no regulatory clause stipulating the frequency of statutory minimum wage reviews in the Cambodian Minimum Wage Law, but even without such stipulations, the statutory minimum wage has been reviewed and increased every year since 2013 in Cambodia, now for 10 consecutive years. Other countries in the region have regulations to review their statutory minimum wage at least once a year [Vietnam], every two years [Myanmar or Malaysia], and every five years [Bangladesh]. The Covid-19 pandemic led to

exceptions to these review cycles in certain countries.

In 2021, Cambodia's monthly statutory minimum wage was set at US\$ 194. It is currently only applicable to the GFT sector. If compared to its GFT exporting competitors, Cambodia's statutory minimum wage is higher than that of Myanmar, Lao PDR, as well as certain regions of

Vietnam and Indonesia. Cambodia's statutory minimum wage review for 2023 is currently underway. The timeline for discussions was from July to September 2022, and in early October, the government agreed to increase the minimum wage to US\$ 200 per month (from US\$ 194). The agreed-new wage will be applied from 1 January 2023.³⁷

5. Working conditions in Cambodia's GFT sector

While there is evidence that the development of export-oriented industries such as garments can contribute to economic growth, their potential to deliver positive social outcomes remains dependent on the quality of jobs and the realities of working conditions at individual workplaces. The industry, as a whole, should also have sufficient resiliency to withstand shocks. The COVID-19 pandemic and associated supply and demand disruptions demonstrated in stark terms the lack of full resilience in the sector (not only in Cambodia) to ensure it can be a vehicle for decent work and sustainable development.³⁸

The growth of the export garment sector in Cambodia was enabled through an innovative 1999 bilateral trade agreement between Cambodia and the United States, which conditioned export access to the US market on improvements in the working conditions of the sector. The International Labour Organization, together with the government of Cambodia and Cambodian garment manufacturers, launched a monitoring initiative to track such improvements, which became the ILO-IFC Better Factories Cambodia (BFC) programme. The initiative continues to serve³⁹ a critical role in highlighting decent work improvements and deficits in the sector, and facilitating dialogue and strategic planning among sector stakeholders representing the government, and workers' and employers' associations. Better Factories Cambodia engages individual

firms in the sector through annual compliance assessments, based on national legislation and international labour standards. All exporting garment and travel goods factories receive these unannounced assessments, with a subset electing to receive a combination of specialized training and advisory services. The programme reports on findings from compliance assessments in aggregate. Supply chain actors such as apparel brands can access individual factory reports for a fee. Better Factories also reports compliance results publicly at the firm level on a subset of compliance issues.

The most recent and comprehensive data available for assessing working conditions in aggregate in Cambodia comes from the years leading up to the COVID-19 pandemic. This was a time when disruptions in the sector forced the programme to deviate from its standard model of assessment. This data presents a nuanced picture of the current state of working conditions in the sector. For example, non-compliance in paying minimum wages as required by law (among the 404 factories assessed) in that period stood at 21%. Although one out of five firms were not found to comply with these regulations, this also represents a significant improvement from earlier assessment periods. In the cluster of Working Time, while just 23% of firms are non-compliant with regular hours, 77% of firms are non-compliant with some aspect of overtime hours regulation.⁴⁰

Non-compliance in most areas of core labour standards of the ILO – child labour, discrimination, forced labour, and freedom of association/collective bargaining – are consistently found to be low, but these can also be more difficult for BFC staff to detect.

As of 2022, a new, fifth core labour standard of the ILO covers workplace occupational safety and health (OSH). Nearly one-quarter of the questions on the BFC Compliance Assessment Tool focus on OSH, and the latest sector-wide data available shows ongoing challenges with achieving compliance with national regulations, ranging from emergency preparedness (68% of firms non-compliant) to health services and first aid (92% of firms non-compliant).⁴¹

In addition, working conditions in the Cambodian garment sector are frequently studied by local and international researchers.⁴² BFC encourages and facilitates independent research on the state of the industry and working conditions in the sector. Such research has contributed to a body of knowledge on what works to encourage improvements in working conditions, as well as the challenges that remain. Firms with links to international and reputationally sensitive brands are more likely

to have better working conditions, and firms committed to improving working conditions are more likely to survive negative economic shocks. The process of publicly reporting compliance assessment results is also likely to drive continuous improvement in a subset of firms, and BFC's overall intervention is supportive of productivity improvements in workplaces.

Specialized research can also pick up on challenges for workers that regular compliance assessments cannot. Sexual harassment, for example, is an issue notoriously difficult to detect from compliance assessments but consistently reported in research among workers. BFC training and advising on the topics, as well as advisory services are making sure wage management systems are fair and transparent which can help address this endemic issue.⁴³ Other research demonstrates continued hardship for workers during and after the COVID-19 pandemic, when job insecurity, lack of full social protection, and livelihoods vulnerabilities were exposed and linked to unsustainable business models along the supply chain of the global garment sector.⁴⁴

6. The GFT sector during Covid-19 and support received from the government

Cambodia's economy suffered severely during 2020 and 2021. Cambodia's GDP contracted by 3.1% in 2020 (a 27-year low), as the economy was buffeted by pandemic-induced supply and demand shocks. GFT exports declined by 10% in 2020 (compared to 2019).

Subsequently, while Covid-19 became more manageable due to the highly successful

vaccination program, the Cambodian economy began to recover, enjoying a 3% growth in GDP in 2021. Contrary to most GFT production countries, Cambodia never fully shut down the entirety of its factories at once, which likely contributed to the relatively low impact the pandemic had on the sector compared to other production countries.

Cambodia is currently (October 2022) ranked 4th among 121 countries in the Nikkei Global Covid-19 Recovery Index⁴⁵, reflecting its competent management of the Covid-19 pandemic. Official statistics from the Ministry of Commerce (MoC) do suggest the GFT sector has borne some scars, however. 134 factory closures or suspensions were recorded,

with nearly 45,000 workers losing their jobs between 2020 and 2021.⁴⁶ The majority of these workers are women who, according to a Rapid Gender Analysis by CARE Cambodia, have been disproportionately impacted by Covid-19. The biggest problems these women faced were i) a lack of income/job loss and ii) increased anxiety and mental pressure.⁴⁷

The Government of Cambodia took action to support the sector and its affected workers. Employers received:

- i. A tax holiday (of their corporate income tax).
- ii. Exemption from paying their national social security contribution (covering workers' healthcare, work-related illness/injuries, and travel-related accidents), to the National Social Security Fund (NSSF)⁴⁸.
- iii. Reduced electricity tariffs for industries/companies in four key sectors - manufacturing, agriculture, commerce, and services (June to October 2020).⁴⁹

GFT workers received specific support such as:

- i. The government financial support (cash-handout) scheme The scheme was paid to GFT workers based on the number of workdays suspended. 61,500 riels (approx. US\$ 15.5) was paid to those whose contract was suspended for 7 to 10 days, 123,000 riels (approx. US\$ 30.5) for those suspended from 11 to 20 days, and 164,000 riels (approx. US\$ 41) for those suspended from 21 days to a month. 329,541 GFT workers benefited from the scheme over its two-year implementation (June 2020-June 2022).⁴⁹
- ii. The government cash-handout support program for GFT workers. This was a one-off payment of US\$ 40, offered to workers unable to work due to government lockdowns. It was offered only in three high-incidence areas, namely (1) Phnom Penh city, (2) Takmao city of Kandal province and (3) Sihanouk province.⁵⁰
- iii. Government social assistance. GFT workers infected with Covid-19 (from the outbreak incident of 20 February 2021) received a one-off cash payment of US\$ 40 per worker. This was only for workers living outside Phnom Penh, Takmao city of Kandal province and Sihanouk province.⁵¹
- iv. Support for bereaved families. The families of those GFT workers who died due to Covid-19 (during the 20 February 2021 outbreak) received a one-off cash and in-kind equivalent of between US\$ 110 and US\$ 190, depending on the size of the family.⁵²
- v. Soft skills training program for suspended (or temporarily laid-off) employees. This was provided by the Ministry of Labour and Vocational Training (MLVT) to re-train and upskill suspended workers. Workers who voluntarily enrolled in the soft skills training program received an additional 20% of their statutory minimum wage (equivalent to US\$ 38 per worker/month). 68,000 GFT workers benefited from the program over its 2-year implementation (June 2020-June 2022).⁵³

7. Policy developments relating to the GFT sector

The Cambodian GFT sector has been subject to a variety of different policy developments in the past few years. The following list only highlights some of the most impactful developments and is thus non-exhaustive:

1. On 21 March 2022, Cambodia officially launched its "GFT Development Strategy 2022-2027" aiming to upgrade the sector into an industry that is environmentally sustainable and resilient, with high value-added and unique products. The strategy also aims to increase the sector's independence and strengthen its predictability and stability. To achieve this vision, Cambodia intends to implement the following measures:
 - a) Strengthen human resources to increase productivity and create career paths for Cambodian workers/employees,
 - b) Continue to improve working conditions and welfare for workers/employees,
 - c) Promote domestic and foreign investment in the industry, focusing on high-value-added, high-end, and unique products,
 - d) Attract investment in supporting industries, and
 - e) Promote market diversification for exports of garments, footwear, and travel goods.⁵⁴

To promote the further sustainable and inclusive development of the sector, the strategy aims at maintaining and tapping new market opportunities both in existing preferential markets and in new Free Trade Agreement markets (FTAs),⁵⁵ as already explained in detail in section 2b.

2. In September 2022, Cambodia raised the threshold of monthly salary that would be subject to salary tax to 1,500,001 riels (approx. US\$ 375)⁵⁶ to improve the living standards of Cambodian low-paid workers as well as civil servants of the government. Non-salary allowances/benefits (such as transportation/accommodation allowances etc.) of workers are not included in their monthly salary tax calculations.⁵⁷ Most GFT workers do not have to pay income tax as their average net monthly wage is just US\$ 263 (first quarter of 2022). Moreover, considering the new minimum wage for 2023 and other benefits, the threshold has been further increased to 1,500,001 riels (approx. US\$ 375) as of 22nd September 2022⁵⁸.
3. Other developments relating to workers' benefits (in the GFT sector) include:⁵⁹
 - Guaranteed statutory minimum wage to be paid to GFT workers: penalty/fine for non-compliance.
 - Female GFT workers with 90-day maternity leave receive 120% of their monthly salary, of which 70% is to be paid by the National Social Security Fund (NSSF) and 50% is to be paid by their employers. This applies to NSSF-registered workers only.⁶⁰
 - Employment seniority bonus of workers to be paid every 6 months.
4. Effective from 1 January 2018, female GFT workers receive government support of 400,000 riels (approx. US\$ 100) when giving birth to one child, 800,000 riels (approx. US\$ 200) for twins and 1,200,000 riels (approx. US\$ 300) for triplets.
5. On 27 May 2022, the MLVT issued an ordering letter⁶¹ to the owners and managers of all

GFT factories and enterprises in Cambodia requiring them to comply with 31 requirements in five main fields, namely a) formality of enterprise rules and regulations (wide and open dissemination etc.), b) working conditions (proper payments of the approved minimum wage and over-time works, working/labour law conditions etc.), c) health and occupational safety conditions (hygiene, ventilation system, first aid etc.), d) conditions of social security schemes (registration and payment of occupational risks and health care schemes of the NSSF etc.), e) industrial relation conditions (involving trade union/unionization, labour disputes etc.).

- NSSF, a government-run insurance scheme under the MLVT has so far launched three social security schemes applicable to those who are working/operating under the provisions of Cambodia's Labour Law (including GFT workers). **The 1st social security** scheme covering workers' injuries, work-related illness and travel-related accidents was implemented in mid-2008, **the 2nd social security scheme** covering healthcare services⁶² of workers was implemented in May 2016, and **the 3rd social security scheme** covering workers' pension was launched in July 2022 with actual financial contributions from employers and workers commencing on 1 October 2022.⁶³ According to the government's sub-decree (#32, signed by the Prime Minister on 4 March 2021) the pension scheme will be applied to all individuals who are working and operating under the provisions of Cambodia's Labour Law which includes employees/workers of the GFT sector. During the first five years of implementation (1st phase), the financial contribution rate to the scheme is 4% of the employee gross wages (shared equally between employers and workers). After the first implementation phase ends, the financial contribution rate to the scheme will increase to 8% of employees' gross wage (2nd phase), which will be applied for another 5 years.⁶⁴

Deep-Dive: The Travel Goods (TG) sector in Cambodia

Within a span of just a decade, exports of Cambodia's TG Sector goods have jumped from only about US\$ 10.5 million⁶⁵ in 2012 to US\$ 1,495 million in 2021.⁶⁶ Cambodia has gone from being barely visible on the world's TG market (0.02% export share in 2012) to now ranking 6th among the top exporting countries (1.6% share

in 2021). Cambodia is now one of the leading TG exporters among its ASEAN peers (Table 4). Recognising its potential, in the GFT Goods Sector Development Strategy 2022-2027, the Cambodian government highlighted travel goods as a priority subsector contributing significantly to socio-economic development.

Table 4. Top 15 Travel Goods exporters as share of the world's Travel Goods markets (in per cent) – Cambodia stands in 6th position in 2021

| | 1995 | 2005 | 2015 | 2018 | 2019 | 2020 | 2021 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Travel goods exporting countries | 63.9 | 59.9 | 65.6 | 59.2 | 57.7 | 55.3 | 56.9 |
| 1. China | 19.2 | 31.1 | 46.6 | 40.1 | 37.6 | 35.2 | 37.2 |
| 2. Vietnam | 0.7 | 1.3 | 4.2 | 4.3 | 4.5 | 4.4 | 5.2 |
| 3. Hong Kong, SAR, China | 31.0 | 20.3 | 7.8 | 6.0 | 5.5 | 5.6 | 4.5 |
| 4. India | 2.1 | 2.2 | 2.0 | 2.1 | 2.0 | 1.8 | 1.8 |
| 5. Singapore | 0.4 | 0.7 | 0.9 | 1.4 | 1.4 | 1.5 | 1.7 |
| 6. Cambodia | 0.0 | 0.0 | 0.2 | 0.8 | 1.3 | 1.8 | 1.6 |
| 7. Indonesia | 0.6 | 0.3 | 0.4 | 0.7 | 0.9 | 1.0 | 0.9 |
| 8. Philippines | 0.7 | 0.3 | 0.7 | 0.8 | 1.0 | 0.7 | 0.9 |
| 9. Thailand | 3.0 | 0.9 | 0.5 | 0.5 | 0.6 | 0.4 | 0.5 |
| 10. U.A.E | 0.1 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| 11. Myanmar | 0.0 | 0.0 | 0.0 | 0.2 | 0.5 | 0.6 | 0.4 |
| 12. Turkey | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 13. Mexico | 0.6 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 |
| 14. Bangladesh | 0.0 | 0.0 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 |
| 15. Taiwan, China | 3.0 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Others | 36.1 | 40.1 | 34.4 | 40.8 | 42.3 | 44.7 | 43.1 |
| World | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: UNCTAD database [accessed on 16 July 2022]. The percentage share is calculated based on the country's export values.
Note: U.A.E refers to the United Arab Emirates

The exponential growth of the TG sector largely originates from the US government's decision to expand its Generalized System of Preferences (GSP). The expansion to the GSP came into force on 1 July 2016 and grants Cambodia, amongst other countries, duty-free exports of TG to the US. It, therefore, comes as little surprise that the share of exports to the US market has grown constantly. Official statistics from Cambodia's GDCE show that in 2021, 80% of Cambodia's overall TG exports were shipped to the US, compared to only 20% in 2012. This equates to an average growth rate of 102% per year to the US over the 2017-2021 period. Meanwhile, only 6% of TG exports were

destined for the EU in 2021, with the remaining 14% exported to other markets (Table 5).

Thanks to the comparably low export share of Cambodian TG to the EU, the partial withdrawal of the EU Everything but Arms initiative in 2020⁶⁷ had a relatively small impact on Cambodia's TG sector as a whole. However, it did decrease the share of Cambodian TG products destined for the EU. With 5 product tariff lines affected by the partial withdrawal, the EU went from being the destination of 12% of Cambodia's TG exports in 2019, to just 6% in 2021 (or 7% when including the UK).

Table 5: Cambodia's Travel Goods exports (in mil. US\$), growth (in per cent) and market share composition (in per cent)

| Cambodia's GFT exports (in million US\$) | | | | | |
|--|-------------|------------|--------------|------------|--------------|
| | 2012 | 2016 | 2019 | 2020 | 2021 |
| To the US | 2 | 52 | 792 | 740 | 1,192 |
| To the EU | 1 | 33 | 130 | 91 | 93 |
| To ROW | 7 | 56 | 157 | 134 | 210 |
| ow Ja-pan | - | - | 59 | 48 | 54 |
| ow China | - | - | 28 | 24 | 41 |
| ow UK | - | - | - | - | 9 |
| Total | 10.5 | 140 | 1,079 | 965 | 1,495 |

| Main market destinations (in %) | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2012 | 2016 | 2019 | 2020 | 2021 |
| To the US | 20% | 37% | 73% | 77% | 80% |
| To the EU | 10% | 23% | 12% | 9% | 6% |
| To ROW | 70% | 40% | 15% | 14% | 14% |
| ow Ja-pan | - | - | 5% | 5% | 4% |
| ow China | - | - | 3% | 3% | 3% |
| ow UK | - | - | - | - | 1% |
| Total | 100% | 100% | 100% | 100% | 100% |

Overall, Cambodia's TG exports fell by 11% in 2020, mostly due to the pandemic. That same year:

- Exports to the US declined by 7% (compared to an average annual growth rate of 129% between 2016 and 2019);
- Exports to other markets decreased by 14% (compared to an average annual growth rate of 37% between 2016-2019); and;
- Exports to the EU fell 30% (compared to an average annual growth rate of 67% between 2016-2019).

Despite the lows of 2020, the TG sector recovered in 2021, with a 55% year-on-year increase in total exports. Total exports rose from US\$ 965 m in 2020 to US\$ 1,495 in

| Growth rate of GFT exports (Y-o-Y %) | | | | | |
|---------------------------------------|----------|------------|------------|-------------|------------|
| | 2012 | 2016 | 2019 | 2020 | 2021 |
| To the US | - | 62% | 131% | -7% | 61% |
| To the EU | - | 83% | 20% | -30% | 2% |
| To ROW | - | 13% | 49% | -14% | 56% |
| ow Ja-pan | - | - | 19% | -19% | 13% |
| ow China | - | - | 83% | -14% | 69% |
| Total | - | 41% | 94% | -11% | 55% |

Sources: UNCTAD Database and GDCE/NIS.
 Note: UNCTAD compiles, validates and processes a wide range of data collected from national and international sources.
 Note: ROW refers to the rest of the world.
 Note: On 31 January 2020, the UK left the EU and entered a transition period. By 31 December 2020, the transition period ended, and the UK officially left the EU single market and customs union. Therefore, EU markets over the 2012-2020 period refers to the EU-28 member states, but from 2021 onwards EU markets refer to the EU-27 member states only (without the UK).

2021, exceeding the pre-pandemic export value, and comfortably absorbing any losses in exports previously destined for the EU. This positive trend seems to have continued in 2022, with TG exports increasing by 46% in Q1 2022, relative to Q1 2021.

The strong growth of TG sector exports corresponds with equally strong growth in approved TG-focused FDI projects. Such projects grew both in number and investment value following the 2016 expansion of the US GSP. According to the Cambodian Investment Board (CIB) and the Council for the Development of Cambodia (CDC), some 131 travel goods related-FDI projects have been approved over the past 10 years (2012–2021), worth US\$650 million in fixed assets. Of those

131 projects, 109 were approved in the second half (2017-2021) of the 10 years, and thus after the US GSP expansion.

Most of these projects were for bags, bag accessories and leather processing productions. There were very few luggage production projects approved over the indicated period. To take 2021 as an example, there were 16 travel-goods-related FDI projects approved, of which only one was a luggage production project. This suggests that the level of sophistication in the Cambodian travel goods sector remains relatively low, as luggage production is typically regarded as a higher value-added activity. As in all sectors, Cambodia now looks to move further up the global value chains, and will likely look to increase the number of luggage production projects in the future.

TG sector growth was of course accompanied by an expansion in the number of officially registered travel goods factories, as well as an increase in the number of workers employed. In 2019, 46,207 TG workers worked in 91 factories. In 2021, that number had increased to 84,686 workers across 121 registered factories.

8. Conclusion

The Covid-19 pandemic led to the first decline in GFT exports from Cambodia since the 2009 Financial Crisis. Real GDP plunged by 3.1% in 2020, and almost 45,000 GFT workers lost their jobs and primary source of income between 2020 and 2021. The country's dependency on the GFT sector as both a primary contributor to economic growth, as well as to private household income, meant that any decline in GFT exports was likely to have a deep impact. The partial withdrawal of the EU Everything but Arms initiative did not ease the situation, though the negative impacts of the partial withdrawal were not as dramatic as many feared, with

2022 has seen somewhat of a consolidation period. Although there was a slight decline in the number of registered TG factories, to just 114 (compared to 121), the number of employees has increased to 98,282 (compared to 84,686).

TG factory payroll also increased in line with export value and the number of employees. The annual payroll of the travel goods sector rose from US\$ 130 million in 2019 to US\$ 285 million in 2021.

Both nominal and real average monthly earnings (including overtime and allowances) of workers in the TG sector have grown gradually over this period. The nominal monthly earnings of Cambodia's TG workers rose from US\$ 235 (2019), to US\$ 238 (2020) and further to US\$ 278 (2021). They decreased slightly to US\$ 276 in Q1 2022. In the meantime, the inflation-adjusted real monthly earnings of TG workers were lower; first falling from US\$ 225 (2019) to US\$ 222 (2020), rising to US\$ 251 (2021), before falling to US\$ 240 in Q1 2022.

exports to the EU mainly declining in the TG sector (and mostly in the share of exports, not total export volume).

Looking forward, the government's swift and competent management of the pandemic has undoubtedly supported a faster recovery than otherwise might have been expected. 2021 was already showing promising signs of recovery. In 2021, relative to 2020, overall GFT exports increased by 15%, and TG exports increased by 55%. Of the GFT subsectors (garments, footwear, travel goods), 2021 exports already exceed pre-pandemic (2019)

levels for footwear and travel goods. So far, these trends look to be continuing in 2022 (based on Q1 2022 data), and the garment (incl. textile) subsector looks set to exceed its pre-pandemic (2019) export value by the end of 2022.

Nevertheless, the GFT sector (and even more so the travel goods sector) remains heavily dependent on a small number of export destinations, the US and the EU, and the respective trade preferences these markets currently offer. For example, the expansion of the US GSP in 2016 has been a major contributor to the exponential growth of Cambodia's travel goods sector, as it rose from a 0.02% global market share in 2012 to a 1.6% share in 2021.

Although these preferential treatments may lead to short- and medium-term economic growth (and have indeed led to long-term economic growth in the past), they also leave Cambodia's GFT sector vulnerable to external shocks. For example, with 80% of Cambodian travel goods destined for the US market, a small change to the US GSP could be especially damaging to Cambodia's burgeoning travel goods sector.

The government's new GFT Sector Development Strategy 2022–2027 constitutes an important step toward addressing the challenges faced by the Cambodian GFT sector. Likewise, the new Law on Investment is hoped to stimulate further investment into Cambodia's travel goods sector, and into upgrading current manufacturing facilities and capabilities.

With the GFT Sector Development Strategy having identified the major risks and opportunities, the long-term sustainability and competitiveness of the sector now relies on implementing concrete strategies and measures. Policymakers, brands, and factory owners must be aware of upcoming trends (such as Human Rights Environmental Due Diligence Legislation, and Digitisation of Manufacturing), and the risks of overreliance on trade preferences with large trading partners.

It is clear from 2021 and 2022 figures that the GFT sector is rebounding fairly well and will remain important for Cambodia in the medium term. Appropriate planning, diversification, and skills upgrading can now ensure the Cambodian GFT sector is well-positioned, and able to maintain its relevance as a future-oriented manufacturing hub for years to come.

Annex 1. Cambodia's Garment, Footwear and Travel Goods sector – selected indicators

| | 2019 | | | | 2020 | | | | 2021 | | | | | | |
|--|-------|-------|-------|--------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|-------|
| | Q2 | Q3 | Q4 | 2019 | Q1 | Q2 | Q3 | Q4 | 2020 | Q1 | Q2 | Q3 | Q4 | 2021 | Q1 |
| 1. Economic output | | | | | | | | | | | | | | | |
| GDP (% real growth) | - | - | - | 7.1 | - | - | - | - | -3.1 | - | - | - | - | 3.0 | - |
| GDP (% nominal growth) | - | - | - | 15.5 | - | - | - | - | -3.7 | - | - | - | - | 4.4 | - |
| GDP (current prices, US\$ million) | - | - | - | 27 030 | - | - | - | - | 25 967 | - | - | - | - | 27 167 | - |
| Value added (garment and footwear, current prices, US\$ million) | - | - | - | 2 899 | - | - | - | - | 2 542 | - | - | - | - | 2 924 | - |
| Value added (garment and footwear, % of GDP) | - | - | - | 10.7 | - | - | - | - | 9.8 | - | - | - | - | 10.8 | - |
| Country's total merchandised exports (US\$ million) | - | - | - | 14,986 | - | - | - | - | 18,522 | - | - | - | - | 19,703 | - |
| 2. Garment, footwear, travel goods exports | | | | | | | | | | | | | | | |
| 2a. Garment, footwear, travel goods exports and growth | | | | | | | | | | | | | | | |
| Garment and footwear exports (US\$ million) ^v | 2,556 | 3,143 | 2,651 | 10,840 | 2,645 | 1,934 | 2,640 | 2,549 | 9,768 | 2,480 | 2,147 | 3,461 | 3,104 | 11,191 | 3,104 |
| % growth (year-on-year) | | | | | | -24.3 | -16.0 | -3.8 | -9.9 | -6.2 | 11.0 | 31.1 | 21.8 | 14.6 | 25.2 |
| Garment exports (US\$ million) | 1,975 | 2,529 | 2,025 | 8,497 | 1,964 | 1,536 | 2,164 | 2,023 | 7,687 | 1,843 | 1,521 | 2,682 | 2,259 | 8,304 | 2,214 |
| % growth (year-on-year) | | | | | | -22.2 | -14.4 | -0.1 | -9.5 | -6.1 | -1.0 | 24.0 | 11.6 | 8.0 | 20.1 |
| Footwear exports (US\$ million) | 319 | 316 | 353 | 1,265 | 341 | 263 | 243 | 270 | 1,117 | 317 | 322 | 360 | 394 | 1,392 | 421 |
| % growth (year-on-year) | | | | | | -17.5 | -23.1 | -23.6 | -11.7 | -7.3 | 22.4 | 48.2 | 46.1 | 24.7 | 33.2 |
| Travel goods exports (US\$ million) | 263 | 299 | 273 | 1,079 | 340 | 135 | 233 | 256 | 965 | 320 | 305 | 419 | 451 | 1,495 | 468 |
| % growth (year-on-year) | | | | | | -48.6 | -21.9 | -6.1 | -10.6 | -5.9 | 125.7 | 79.4 | 76.0 | 54.9 | 46.5 |
| Retained imports of garment materials (US\$ million) | 1,162 | 985 | 1,190 | 4,289 | 881 | 861 | 1,094 | 1,199 | 4,035 | 1,039 | 1,211 | 1,312 | 1,525 | 5,086 | n/a |
| 2b. Garment, footwear, travel goods exports by main destination | | | | | | | | | | | | | | | |
| Total exports (garment, footwear, travel goods) (US\$ million) | 2,556 | 3,143 | 2,651 | 10,840 | 2,645 | 1,934 | 2,640 | 2,549 | 9,768 | 2,480 | 2,147 | 3,461 | 3,104 | 11,191 | 3,104 |
| To United States (garment, footwear, travel goods) ^v | 820 | 1,017 | 875 | 3,462 | 956 | 674 | 999 | 957 | 3,585 | 1,008 | 949 | 1,510 | 1,360 | 4,827 | 1,346 |
| To European Union (garment, footwear, travel goods) ^v | 1,022 | 1,259 | 1,008 | 4,257 | 914 | 708 | 891 | 897 | 3,410 | 583 | 529 | 827 | 787 | 2,726 | 763 |
| To rest of the world (garment and footwear) ^v | 715 | 868 | 768 | 3,121 | 775 | 553 | 750 | 696 | 2,773 | 889 | 670 | 1,123 | 956 | 3,638 | 995 |
| o/w Japan | 180 | 293 | 247 | 988 | 265 | 154 | 230 | 220 | 869 | 240 | 144 | 297 | 217 | 898 | 247 |
| o/w China | 85 | 93 | 85 | 348 | 99 | 58 | 90 | 63 | 310 | 96 | 50 | 84 | 74 | 303 | 84 |
| o/w the UK | - | - | - | - | - | - | - | - | - | 144 | 107 | 211 | 179 | 641 | 172 |

| | | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total exports (garment only, US\$ million)^{1/} | 1,975 | 2,529 | 2,025 | 8,497 | 1,964 | 1,536 | 2,164 | 2,023 | 7,687 | 1,843 | 1,521 | 2,682 | 2,259 | 8,304 | 2,214 |
| To United States (garment) ^{1/} | 558 | 717 | 581 | 2,369 | 600 | 513 | 753 | 681 | 2,546 | 653 | 594 | 1,038 | 851 | 3,136 | 819 |
| To European Union (garment) ^{1/} | 831 | 1,078 | 826 | 3,541 | 739 | 570 | 779 | 777 | 2,865 | 477 | 419 | 709 | 646 | 2,250 | 613 |
| To rest of world (garment) ^{1/} | 586 | 734 | 618 | 2,586 | 625 | 454 | 632 | 565 | 2,275 | 714 | 507 | 934 | 762 | 2,917 | 782 |
| o/w Japan | 146 | 259 | 210 | 847 | 223 | 130 | 202 | 184 | 738 | 200 | 111 | 261 | 182 | 753 | 206 |
| o/w China | 65 | 74 | 62 | 268 | 71 | 40 | 65 | 44 | 220 | 68 | 30 | 51 | 50 | 199 | 53 |
| o/w the UK | - | - | - | - | - | - | - | - | - | 127 | 90 | 192 | 157 | 566 | 147 |
| Total exports (footwear only, US\$ million) | 319 | 316 | 353 | 1,265 | 341 | 263 | 243 | 270 | 1,117 | 317 | 322 | 360 | 394 | 1,392 | 421 |
| To United States (footwear) | 71 | 75 | 95 | 301 | 95 | 57 | 68 | 79 | 299 | 105 | 115 | 130 | 149 | 499 | 152 |
| To European Union (footwear) | 156 | 147 | 151 | 586 | 141 | 124 | 91 | 98 | 454 | 88 | 90 | 94 | 111 | 383 | 117 |
| To rest of the world (footwear) | 92 | 94 | 107 | 378 | 105 | 82 | 83 | 93 | 363 | 124 | 116 | 137 | 133 | 510 | 152 |
| o/w Japan | 20 | 19 | 21 | 82 | 25 | 18 | 17 | 22 | 83 | 26 | 19 | 24 | 22 | 90 | 29 |
| o/w China | 13 | 12 | 15 | 51 | 19 | 16 | 18 | 12 | 66 | 17 | 13 | 23 | 11 | 63 | 16 |
| o/w the UK | - | - | - | - | - | - | - | - | - | 16 | 15 | 17 | 20 | 67 | 23 |
| Total exports (travel goods only, US\$ million) | 263 | 299 | 273 | 1,079 | 340 | 135 | 233 | 256 | 965 | 320 | 305 | 419 | 451 | 1,495 | 468 |
| To United States (footwear) | 191 | 225 | 200 | 792 | 261 | 104 | 178 | 197 | 740 | 250 | 240 | 342 | 360 | 1,192 | 374 |
| To European Union (footwear) | 34 | 33 | 31 | 130 | 34 | 14 | 21 | 22 | 91 | 19 | 19 | 25 | 30 | 93 | 33 |
| To rest of the world (footwear) | 37 | 40 | 42 | 157 | 45 | 17 | 35 | 37 | 134 | 51 | 46 | 52 | 61 | 210 | 61 |
| o/w Japan | 14 | 15 | 16 | 59 | 17 | 6 | 11 | 14 | 48 | 14 | 15 | 12 | 13 | 54 | 12 |
| o/w China | 7 | 7 | 8 | 28 | 9 | 2 | 7 | 7 | 24 | 11 | 7 | 10 | 13 | 41 | 14 |
| o/w the UK | - | - | - | - | - | - | - | - | - | 2 | 2 | 2 | 3 | 9 | 3 |

3. New Investment, factory openings and closures

3a. New Investment Projects*

| | | | | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|--------------|--------------|
| Total CIB-approved investment projects | 37 | 49 | 48 | 197 | 45 | 55 | 21 | 33 | 154 | 28 | 25 | 30 | 25 | 108 | 40 |
| Thereof: Garment, footwear, travel goods projects^{1/} | 15 | 24 | 27 | 112 | 31 | 22 | 12 | 15 | 80 | 14 | 15 | 19 | 15 | 63 | 24 |
| Garment projects | 9 | 11 | 15 | 52 | 22 | 12 | 9 | 12 | 55 | 10 | 7 | 10 | 12 | 39 | 19 |
| Footwear projects | 2 | 2 | 2 | 9 | 3 | 5 | 1 | 2 | 11 | 2 | 2 | 3 | 1 | 8 | 1 |
| Travel goods projects | 4 | 11 | 10 | 51 | 6 | 5 | 2 | 1 | 14 | 2 | 6 | 6 | 2 | 16 | 4 |
| Total CIB-approved projects (US\$ million) | 2,687 | 1,153 | 2,385 | 8,160 | 916 | 1,254 | 3,696 | 1,663 | 7,529 | 680 | 262 | 194 | 583 | 1,719 | 2,107 |
| Thereof: Garment, footwear, travel goods projects (US\$ million)^{1/} | 84 | 105 | 134 | 562 | 142 | 104 | 51 | 74 | 371 | 55 | 61 | 112 | 63 | 291 | 114 |
| Garment projects (US\$ million) | 33 | 46 | 72 | 226 | 106 | 57 | 35 | 44 | 241 | 37 | 27 | 82 | 52 | 198 | 92 |
| Footwear projects (US\$ million) | 27 | 10 | 12 | 62 | 14 | 20 | 10 | 24 | 69 | 11 | 12 | 11 | 3 | 37 | 2 |
| Travel goods projects (US\$ million) | 24 | 49 | 50 | 274 | 22 | 27 | 6 | 6 | 61 | 6 | 22 | 20 | 8 | 56 | 20 |

3b. Factory openings and closures (registered factories)^{1/}

| | | | | | | | | | | | | | | | |
|--|------------|------------|------------|------------|------------|-------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|
| Total number of garment, footwear, travel goods factories (end of period) | 807 | 828 | 852 | 852 | 878 | 711 | 722 | 739 | 739 | 716 | 724 | 749 | 718 | 718 | 689 |
| Garment factories (e.o.p) | 648 | 661 | 675 | 675 | 688 | 535 | 543 | 556 | 556 | 536 | 542 | 550 | 530 | 530 | 507 |
| Footwear factories (e.o.p) | 83 | 84 | 86 | 86 | 88 | 75 | 77 | 79 | 79 | 71 | 73 | 77 | 67 | 67 | 68 |
| Travel goods factories (e.o.p) | 76 | 83 | 91 | 91 | 102 | 101 | 102 | 104 | 104 | 109 | 109 | 122 | 121 | 121 | 114 |
| Total net openings (garment, footwear, travel goods)^{1/} | 20 | 21 | 24 | 144 | 26 | -167 | 11 | 17 | -113 | -23 | 8 | 25 | -31 | -21 | -29 |
| Garment factories | 15 | 13 | 14 | 50 | 13 | -153 | 8 | 13 | -119 | -20 | 6 | 8 | -20 | -26 | -23 |
| Footwear factories | 0 | 1 | 2 | 3 | 2 | -13 | 2 | 2 | -7 | -8 | 2 | 4 | -10 | -12 | 1 |
| Travel goods factories | 5 | 7 | 8 | 91 | 11 | -1 | 1 | 2 | 13 | 5 | 0 | 13 | -1 | 17 | -7 |
| Openings (garment, footwear, travel goods)^{1/} | 20 | 25 | 24 | 154 | 26 | 23 | 11 | 18 | 78 | 22 | 8 | 25 | 15 | 70 | 10 |
| Garment factories | 15 | 13 | 14 | 50 | 13 | 18 | 8 | 14 | 53 | 11 | 6 | 8 | 12 | 37 | 11 |
| Footwear factories | 0 | 2 | 2 | 4 | 2 | 2 | 2 | 2 | 8 | 4 | 2 | 4 | 1 | 11 | 1 |
| Travel goods factories | 5 | 10 | 8 | 100 | 11 | 3 | 1 | 2 | 17 | 7 | 0 | 13 | 2 | 22 | -2 |
| Closures (garment, footwear, travel goods)^{1/} | 0 | 4 | 0 | 10 | 0 | 190 | 0 | 1 | 191 | 45 | 0 | 0 | 46 | 91 | 39 |
| Garment factories | 0 | 0 | 0 | 0 | 0 | 171 | 0 | 1 | 172 | 31 | 0 | 0 | 32 | 63 | 34 |
| Footwear factories | 0 | 1 | 0 | 1 | 0 | 15 | 0 | 0 | 15 | 12 | 0 | 0 | 11 | 23 | 0 |
| Travel goods factories | 0 | 3 | 0 | 9 | 0 | 4 | 0 | 0 | 4 | 2 | 0 | 0 | 3 | 5 | 5 |

4. Employment in garment, footwear, travel goods sector

| | | | | | | | | | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|------------|------------|
| Total garment, footwear, travel goods workers (period av., '000)^{2/} | 708 | 721 | 732 | 715 | 769 | 708 | 670 | 673 | 705 | 679 | 661 | 667 | 680 | 672 | 663 |
| % change (year-on-year) | | | | | 0.0 | -7.1 | -8.1 | -1.4 | -11.8 | -6.7 | -0.4 | 1.0 | -4.7 | -2.3 | |
| Workers in garment sector (period average, '000) | 551 | 557 | 560 | 553 | 571 | 504 | 470 | 469 | 504 | 475 | 459 | 458 | 459 | 463 | 447 |
| Workers in footwear sector (period average, '000) | 113 | 117 | 123 | 116 | 136 | 133 | 126 | 128 | 131 | 124 | 121 | 126 | 126 | 124 | 117 |
| Workers in travel goods sector (period average, '000) | 45 | 47 | 49 | 46 | 62 | 71 | 75 | 75 | 71 | 79 | 81 | 84 | 95 | 85 | 98 |

| 5. Wages and prices | | | | | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Minimum wage (garment and footwear sector, US\$) | 182 | 182 | 182 | 182 | 190 | 190 | 190 | 190 | 190 | 192 | 192 | 192 | 192 | 192 | 194 |
| Average monthly wage (garment, footwear, travel goods US\$)^{2/3/} | 232 | 232 | 236 | 232 | 231 | 238 | 231 | 234 | 234 | 245 | 242 | 261 | 277 | 256 | 263 |
| Average monthly wage (garment workers, US\$) ^{2/} | 230 | 234 | 238 | 232 | 237 | 241 | 247 | 246 | 243 | 247 | 243 | 252 | 287 | 257 | 278 |
| Average monthly wage (footwear workers, US\$) ^{2/} | 226 | 227 | 234 | 228 | 216 | 227 | 214 | 221 | 219 | 235 | 234 | 234 | 233 | 234 | 234 |
| Average monthly wage (travel goods workers, US\$) ^{2/} | 239 | 236 | 234 | 235 | 240 | 246 | 232 | 236 | 238 | 254 | 247 | 298 | 311 | 278 | 276 |
| Real Ave. monthly wage (garment, footwear, travel goods constant 2017 Price, US\$)^{4/} | 222 | 221 | 224 | 222 | 217 | 223 | 214 | 215 | 217 | 225 | 220 | 235 | 246 | 232 | 228 |
| Real av. monthly wage (garment, 2017 US\$) ^{4/} | 221 | 223 | 226 | 222 | 223 | 226 | 230 | 226 | 226 | 227 | 221 | 226 | 254 | 232 | 241 |
| Real av. monthly wage (footwear, 2017 US\$) ^{4/} | 217 | 217 | 222 | 219 | 203 | 213 | 199 | 202 | 204 | 216 | 213 | 210 | 207 | 212 | 203 |
| Real av. monthly wage (travel goods, 2017 US\$) ^{4/} | 229 | 225 | 222 | 225 | 225 | 230 | 215 | 217 | 222 | 233 | 225 | 267 | 276 | 251 | 240 |
| Consumer Price Index (period average) rebased, 2017=100 | 104.2 | 104.9 | 105.3 | 104.4 | 106.5 | 106.8 | 107.8 | 108.9 | 107.5 | 108.8 | 109.8 | 111.3 | 112.7 | 110.7 | 115.2 |
| Inflation rate (period average, y-o-y growth) | 1.8% | 2.0% | 2.0% | 1.9% | 3.0% | 2.5% | 2.8% | 3.4% | 2.9% | 2.1% | 2.8% | 3.2% | 3.5% | 2.9% | 5.9% |

Note: GDP growth rate is from Cambodia's NIS and the Ministry of Economy and Finance

1. Includes textiles.
2. It is calculated based on the MoC's recorded officially recorded statistics of the effectively operating factories. The data excludes foreign office workers and foreign managers.
3. Referring to net average monthly wage.
4. Calculation based on the 2017 prices.

Sources: NIS, MoC, National Bank of Cambodia, General Department of Customs and Excise, the Ministry of Economy and Finance and Author's Calculation

* Investment project refers to a Qualified Investment Project, or an Expanded Qualified Investment Project (qualified for fiscal incentives) and a Guaranteed Investment Project (with no fiscal incentives).

Endnotes

1. See Annex 1: The analysis and presentation in this Sector Brief are based on official statistics from various official sources including the UNCTAD, the Eurostat, Cambodia's MoC, the MLVT, the Cambodia Investment Board/Council for the Development of Cambodia, the General Department of Customs and Excise, the National Institute of Statistics and the National Bank of Cambodia. The GIZ, EUROCHAM and ILO wish to acknowledge and thank all these institutions for their support and the data used in this publication.
2. As per definition described on Cambodia Labour Force Survey 2019 (CLFS 2019), page 99.
3. Based on Cambodia Labour Force Survey 2019 (CLFS 2019), pages 134-136 and MoC the period average employment number of the indicated year.
4. Based on Cambodia's National Accounts 2022 (from the National Institute of Statistics).
5. Launching Press Release (dated 21 March 2022) of Cambodia's Garment, Footwear and Travel Goods Sector Development Strategy 2022–2027.
6. Cambodia's Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2022–2027 (p. i and ii).
7. Special Briefing of the New Law on Investment (promulgated since October 2021), CDC in cooperation with the EuroCham.
8. The National Bank of Cambodia, NIS and the GDCE.
9. General Department of Customs and Excise (GDCE), September 2022.
10. The Phnom Penh Post, 13 September 2022, quoting GMAC (TAFTAC) representative.
11. Based on statistics from the National Bank of Cambodia, GDCE and NIS of Cambodia.
12. Press Release of the European Commission on Cambodia's EBA on 12 August 2020 (link to Article)
13. GMAC's (now TAFTAC) letter of 12 August 2020 on guidance for members and buyers on partial withdrawal of EBA for exports to the European Union. The 64 tariff lines affected are travel goods: 4201, 4202, 4203, 4205, 4206, footwear: 640319, 640320, 640340, 640351, 640359, 640391, 640399, 640510, 640520, 640590, 640610, 640620, 640690, garments: 610341, 610343, 610349, 610510, 610520, 610590, 610711, 610712, 610719, 610721, 610722, 610729, 610791, 610799, 610910, 610990, 611510, 611521, 611522, 611529, 611595, 611596, 611599, 620341, 620343, 620349, 620520, 620530, 620590, 620711, 620719, 620721, 620722, 620729, 620791, 620799, 621132, 621133, 621139, 621142, 621143, 621149, 621210, 621220, 621230, 621290.
14. Press Release of the European Commission on Cambodia's EBA on 12 August 2020 (link to the Press Release).
15. On 31 January 2020, the UK left the EU and entered a transition period. By 31 December 2020, the transition period ended, and the UK officially left the EU single market and customs union. Therefore, "EU market" over the 2012-2020 period refers to 28 EU member states. From 2021 onwards, "EU market" refers to only 27 EU member states.
16. Press Release of the Cambodia's Ministry of Foreign Affairs and International Cooperation (dated 17 December 2020) and Notification Letter of Cambodia's MoC (#3885, dated 24 December 2020).

17. GDCE, April 2022.
18. RCEP is a free trade agreement (FTA) between the 10 ASEAN member states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and its 5 FTA partners (China, Japan, Republic of Korea, Australia and New Zealand).- (link to source).
19. World Bank's policy research paper, February 2022 "Estimating the Economic and Distributional Impacts of the Regional Economic Comprehensive Partnership", page 18.
20. ILO, 2022, "Employment, Wages and Productivity Trends in the Asian Garment Sector", International Labour Organization, Thailand.
21. Investment project refers to a Qualified Investment Project, or an Expanded Qualified Investment Project (qualified for fiscal incentives) and a Guaranteed Investment Project (with no fiscal incentives).
22. Relevant implementing sub-decree to support the Law could be issued soon.
23. Special Briefing of the New Law on Investment (promulgated since October 2021), CDC in cooperation with the EuroCham
24. Cambodia's new Investment Law promulgated on 15 October 2021 (Article 24).
25. Cambodia's new Investment Law promulgated on 15 October 2021 (Article 12).
26. Government's sub-decree (#120, dated 20 June 2022) on "Organization and Procedure of Sub-committee of Provincial/Municipality Investment".
27. ILO, 2022, "Employment, Wages and Productivity Trends in the Asian Garment Sector", International Labour Organization, Thailand.
28. Business-In-Asia (link to Article).
29. Author calculation based on statistics from the MoC
30. Referring to the period average employment number of the indicated year.
31. 10,200 job losses in 2020 and 33,500 in 2021 = 43,600 job losses overall sector (net of job creations).
32. Phnom Penh Post (dated 10 January 2022), quoted from the President of Cambodia Footwear Association (Labour shortages in footwear, travel goods: Association).
33. Calculation based on the MoC's statistics.
34. As of announcement on 22nd September 2022. Workers will still receive other benefits: \$7 travel and housing allowance per month; \$10 regular attendance bonus per month; \$0.50 per day for food or free meals of at least that amount if they work overtime; \$11 seniority payment per month for workers who have been at their jobs from their 2nd to 11th year. The new 2023 minimum wage added up with other benefits means a worker receives between \$217 - \$228 per month in compensation on average.
35. Calculation by using 2017 Prices of the CPI from the Cambodia's NIS.
36. The respective minimum wages are converted into US\$ by using the United Nations operational exchange rates (average rate of January-July 2022 period).
37. According to the letter (#026/22, 23 June 2022) from MLVT to all concerned parties.
38. "The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific" Geneva: ILO, 2020
39. On 10th October 2022 MLVT, MoC, ILO and TAFTAFC (formerly GMAC) renewed the program until 2027.
40. Most recent compliance data available from: <https://annual-report.betterwork.org/2019/data-portal/ISO3/country/Cambodia>
41. Ibidem
42. See for example: Antolin, A. et al (2020) Is Social Compliance Win-Win for Workers and Firms? Evidence from Better Factories Cambodia. ILO-IFC: Better Work Discussion Paper 39; Brown, D. et al (2013) Is there an Efficiency Case for International Labour Standards? ILO-IFC: Better Work Discussion Paper 12; Lawreniuk, S., Brickell, K., & McCarthy, L. (2022) Building Forward Worse: How COVID-19 has accelerated the race to the bottom in the global garment industry. Royal Holloway, University of London; Robertson, R. (2019) Lights On: Transparency and Compliance - Evidence from Cambodia. ILO-IFC: Better Work Discussion Paper 29
43. Babbitt, L. Et al (2020) Sexual Harassment: Causes and Remediation. ILO-IFC: Better Work Discussion Paper 38. Available from: betterwork.org/portfolio/discussion-paper-38-sexual-harassment-causes-and-remediation/
44. Lawreniuk, S., Brickell, K., & McCarthy, L. (2022) Building Forward Worse: How COVID-19 has accelerated the race to the bottom in the global garment industry. Royal Holloway, University of London
45. Khmer Times (dated 10 August 2022), "Cambodia slips but second in Nikkei Covid-19 Recovery Index", (link to Article).
46. All referenced numbers refer to exporting factories that are officially registered with the MoC only. Some sub-contractor factories, which are not directly exporting nor officially registered, could not be included and/or properly recorded. The closure being referred here includes factories of temporarily close/suspension, on-going closure and definitely closed.
47. "Garment Worker Needs Assessment during COVID19", conducted by CARE International in Cambodia (July 2020).
48. Instructive Notice of the Ministry of Labour and Vocational Training (MLVT) #045/20, dated 17 April 2020 (Link) and Governments' Press Release (dated 29 June 2021) on additional measures to manage and mitigate impacts of Covid-19 on key economic sectors and to restore and promote Cambodia's economic growth during and after the Covid-19 crisis (9th Round).
49. Official statistics from the MLVT. The cash-handout scheme ended in January 2022, based on the joint letter of the MLVT and the NSSF (dated 18 January 2022).
50. Press Release of the Ministry of Economy and Finance (11 May 2021) on "Cash-handout Social Assistance during Covid-19 Lockdown" and for "Family with Covid-19 infected-victims and the deceased during the 20 February 2021 Covid-19 Outbreak Incident".
51. Ibidem
52. Ibidem
53. Official statistics from the MLVT. Vocational Training Program of Certificate Level 1 for 4 months.

54. Cambodia's Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2022–2027 [p. iv].
55. Cambodia's Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2022–2027 [the Supreme National Economic Council or SNEC, February 2022].
56. Cambodian General Department of Taxation, sub-decree #196 on Annual Income Tax and Monthly Salary Tax Threshold, 22 September 2022
57. Ministry of Economy and Finance's circular #002 [dated 20 January 2015] on "implementation of obligation of tax and fringe benefits" and Ministry of Economy and Finance Letter (#011 dated 6 October 2016) on "Circular on Implementation of Obligation to Withhold Tax on Fringe Benefits".
58. Sub-decree #196, dated 22 September 2022, will take effect 1st January 2023.
59. The Prime Minister's message during the 136th of International Labour Day 1st of May 2022.
60. Prime Minister announcement dated 6 September 2017 on a televised speech on TVK and NSSF's letter dated 12 June 2017 on "Right of Receiving Maternity Leave Money for NSSF's Registered Members Who Give Birth at Health Centers without Agreement with the NSSF".
61. Letter # 154/22, dated 27 May 2022
62. Government's sub-decree #01, dated 6 January 2016.
63. Prakas of the MLVT on "Commencement Date of Social Security Contributions to the Pension Scheme through Obligation and Volunteering Regime" [#170/22, date 5 July 2022] and on the "Implementation of Social Security Scheme on Pension for Persons under the Provisions of Cambodian Labour Law" [#165/22, dated 28 June 2022].
64. the Government's sub-decree [#32, dated 4 March 2021] of "Social Security on Pension for Individuals Who Are Under Provisions of the Labour Law".
65. Official figure from the United Nations Conference on Trade and Development (UNCTAD, retrieving on 16 July 2022).
66. Official figures from the General Department of Customs and Excise (GDEC) and the National Institute of Statistics of Cambodia.
67. Press Release of the European Commission on Cambodia's EBA on 12 August 2020 [link to the Press Release].



Cambodia Garment, Footwear and Travel Goods Sector Brief

Author: Huot Chea, Consultant

In collaboration with:

- FABRIC Cambodia, implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ] GmbH, commissioned by the German Federal Ministry for Economic Cooperation and Development [BMZ]
- ILO [International Labour Organization]
- TAFTAC [Textile, Apparel, Footwear And Travel Goods Association in Cambodia]

Published by: EuroCham Cambodia

Registered Office
Phnom Penh, Cambodia

#30 Preah Norodom Boulevard,
3rd floor BRED Bank Building,
Sangkat Phsar Thmey 3, Khan Daun Penh,
12210 Phnom Penh, Cambodia

+855 [0]23 96 41 41
info@eurocham-cambodia.org
www.eurocham-cambodia.org

Design by: Lim Sok Im

Date: November 2022