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Stitching Up Global Labor Rights

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The nation of Cambodia, which endured some of the worst tribulations of the past half-century, has managed in recent years to write at least one hopeful chapter. Cambodia has not only established itself as a competitive force in the textile and garment industry but has done so while also honoring a code of labor rights, a rarity among developing nations. The Cambodian labor compliance program is one of the most successful and widely regarded innovations in trade-related partnerships. Industry, government, unions and civil society are unanimous in their praise.

But there is apprehension about the future. Yung Vanna, one of 220,000 workers in Cambodian textile factories, has benefited from the global quota system that regulates textile and garment production, and from the labor provisions in the U.S.-Cambodia trade agreement. A 22-year-old seamstress, she has a decent job in a textile factory, with fair wages and overtime, bathroom breaks, workplace protections, and the right to join a union. But her future, like that of hundreds of thousands of Cambodian workers, will be uncertain when the global quota system expires at the end of this year.

With this expiration, the conventional wisdom is that the world's textile and garment production will shift to China, the global wage floor, where price, speed to market and quality have outpaced the competition -- and where bonded labor, corporal punishment, forced and unpaid overtime, and hazardous and abusive working conditions are commonplace.

For many impoverished countries such as Cambodia, the quota system has allowed garment industries to grow, providing jobs for thousands of workers. In Cambodia garments make up more than 80 percent of all exports. If factory production moves to China, Cambodia's economy will be devastated. Garment jobs will be eliminated, along with the economic opportunity they bring to workers such as Yung Vanna.

There is compelling evidence that Cambodia's labor compliance program, verified by the International Labor Organization (ILO), offers a key market advantage. In the past five years, positive ILO reports have led to U.S. quota increases for Cambodian garment exports.

The employment story is equally compelling. In 1994 Cambodia had no garment industry; by 2004 the garment industry employed more than 220,000 workers, whose wages support one in five Cambodians. The industry boomed with labor rights protections in place, making Cambodia's economic development a model for market-driven corporate social responsibility.

Although the expiration of the quota system will remove direct incentives for the Cambodian government to accept labor compliance, there are strong economic reasons the government should continue its compliance program. The increase in garment sector investment in Cambodia has been astonishing; the sharpest increase -- 300 percent between 1999 and 2002 -- has been for items that meet ILO standards with no quota-increase incentives.

What explains this unexpected increase? Evidence suggests that garment retailers see labor rights compliance as in their best interest. In part, they are looking to avoid the sweatshop scandals that have rocked the industry. Because of the anti-sweatshop movement and the campaign against child labor, many retailers are looking to buy goods in countries that can provide "brand security," affording protection against charges of social irresponsibility. For countries that are competitive in price, speed and quality, the ability to provide this security can determine where retailers will buy their goods.

Cambodia has built a reputation and the necessary infrastructure to provide brand security over competitors such as China. With this jump start, Cambodia could become the premier destination for reputation-conscious retailers.

But without quota increases and guaranteed production, continuing labor compliance will take a leap of faith. When negotiating the U.S.-Cambodian trade agreement, many Cambodian officials believed that labor compliance would raise the price of labor and cost Cambodia jobs. Though these fears proved unfounded, many of these same officials must now be convinced that maintaining this unique, justice-based market niche is worth the risk.

This means Cambodia needs support from Western retailers and consumers. It has staked its future on the belief that they care about labor rights and working conditions -- and that because of this, jeans and sweatshirts bearing the "Made in Cambodia" label will have a special appeal.

As *The Washington Post* reported on Nov. 17, Yung Vanna lost her job because orders shifted to Chinese competitors. She, like her factory director, Sok Hong, is hoping that when retailers and consumers learn about the benefits of producing garments in Cambodia, the retailers will be drawn back to her country.

This could be a watershed moment in free trade, producing an unexpectedly positive result from the expiration of the quota system. If Cambodia takes the risk, investing in its labor-rights market niche to counter China's cheap labor, other countries may follow suit. Instead of the quota system's expiration sparking a "race to the bottom," with each country marketing cheaper labor than the next, the Cambodian example could set an important precedent, strengthening labor standards for textile and garment workers worldwide.

The writer is president of Global Fairness Initiative, an organization that seeks solutions to problems encountered in international free trade and investment.