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Worker Rights and Global Trade: The U.S.-Cambodia Bilateral Textile Trade Agreement

A global consensus has been reaffirmed on core workers' rights. Now it's time to post those basic rights on the walls of every place of employment in the world. The moral force of this movement cannot be denied. It is profoundly threatening to the so-called Washington consensus—and profoundly promising for poor and working people across the globe.

—John Sweeney, President, AFL-CIO, United States[1]

Developing countries have a good argument that labor standards could become a new form of protectionism against poor countries—with the ironic effect of increasing poverty and hence child labor.

—Paul Collier and David Dollar, World Bank[2]

If we think in conventional ways, we'll never develop.

—Sok Siphana, Secretary of State for Commerce, Kingdom of Cambodia[3]

On January 20, 1999, Cambodia's Minister of Commerce, Cham Prasidh, sat down in Phnom Penh to sign the U.S.-Cambodia Bilateral Textile Trade Agreement. Witnesses to the event included U.S. government officials, major U.S. textile and apparel buyers and manufacturers, and U.S. labor interests, particularly the American textile and garment workers union, UNITE, and its parent organization, the AFL–CIO.[4]

Cambodia was making history on two fronts: international textile trade politics and the global campaign to improve worker rights around the world. The U.S.-Cambodia Bilateral Textile Trade Agreement brought these two strands together in a novel arrangement that turned the highly protectionist Multi-Fiber Arrangement (MFA) on its head. Created in 1974, the MFA restricted the free flow of goods through a complex quota system that allowed importing countries to decide in advance how much and what type of any given country's textile and apparel exports they would admit. Many observers considered the system unfavorable to developing countries, a significant portion of which depended heavily on textiles for export earnings and economic development.

Cambodia was among this group, having few resources beyond its abundant labor force. Unlike the MFA, however, the U.S.-Cambodia Bilateral Textile Trade Agreement did not aim to limit market access to the United States. It was geared instead to increase it, having been built on a promise of increased quota allocation in return for improved working conditions in Cambodia's apparel sector. This emphasis on reward, rather than sanction, broke new ground in the global campaign to encourage country compliance with international labor standards. It also meant that the Cambodian

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Professor Regina Abrami prepared this case with the assistance of Harold F. Hogan, Jr. and Sejica Kim. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

government had to become an advocate of worker rights, including the rights to organize, bargain collectively, and strike.

After suffering political instability, economic devastation, and the genocide of nearly two million of its citizens under the reign of the Khmer Rouge (1975–1979), Cambodia hardly seemed the ideal site for progressive trade and labor policies. But, in 1997, the country enacted one of the most advanced labor codes in Asia. Similar to the growth in U.S. unions that followed the 1935 National Labor Relations Act, Cambodia's guarantee of worker and union rights, buttressed by its 1999 pact with the United States, resulted in the formation of 11 national labor federations and over 300 registered factory-level unions by 2002—218 of them in the garment sector alone.

At the same time, the garment business boomed. By late 2002, over half of the industrial workforce was employed in that sector, and between 1999 and 2002 the total value of Cambodia's garment exports more than doubled, from $533 million to $1.3 billion (see **Exhibit 1**). In some categories, including women's nightwear, the country became one of the top 10 apparel exporters to the United States. Indeed, when the U.S.-Cambodia Bilateral Textile Trade Agreement was renewed for another three years on December 31, 2001, U.S. Trade Representative Robert Zoellick cited the pact as "an excellent example of the way trade agreements lead to economic growth and promote greater respect for workers' rights."[5]

Prasidh knew, however, that the long-term success of the agreement was far from guaranteed. Revolutionary changes were predicted for the global textile and apparel industry. Would being a "safe haven for production," he wondered, ensure Cambodia's continued economic development, especially once the international textile quota regime was overturned, as many expected, by the end of 2004?

Some observers warned of no comparative advantage in imposing labor standards on producers, fearing instead that the increased costs of doing so put Cambodia on the wrong path. For them, Cambodia's minimum wage of $45 per month was high, especially with garment workers earning on average $70–$80 per month with overtime. Others saw Cambodia on the cutting edge, arguing that the unique feature of the U.S.-Cambodia pact would become widespread, pushed by governments, and encouraged especially by international buyers under pressure to maintain socially responsible supply chains.

Still, Prasidh wondered whether Cambodia had gotten it right. Could the protection of human rights serve as a competitive advantage in the international marketplace? Or would Cambodia be abandoned after 2004 for more competitive textile and apparel markets?

Free Trade, Fair Trade, and Worker Rights in International Trade Politics

The idea of linking market access to compliance with human rights was not new (see **Exhibit 3**). Nor was the idea that goods produced in one market exerted broad economic, political, and moral impact on another. But with the advent of the World Trade Organization (WTO) in 1995, debate over the meaning of "fair trade" intensified. Tensions were especially high in discussions related to the inclusion of labor standards in trade agreements. At issue was whether labor standards facilitated international trade by setting terms for "fair competition" or ultimately restricted it by imposing rules on working conditions that few developing countries could meet.

Historically, most countries had agreed that the protection of human rights facilitated open markets and world peace. The Treaty of Versailles (1919), for example, explicitly connected worker rights with international stability. It also established the International Labor Organization (ILO) to protect workers' rights through a tripartite consensus-based structure composed of representatives from each member country's labor, business, and government sectors.[6]

Despite the ILO's weak enforcement mechanisms, some countries nevertheless expressed concern about compromising national sovereignty through membership. The United States, for example, despite its pivotal role in establishing the League of Nations and the ILO, was unable to secure immediate congressional approval to enter either organization. It never joined the League and only entered the ILO in 1934. Perhaps not coincidentally, this was the same year that the President and Congress enacted the Reciprocal Trade Agreements Act, a document that set the terms of modern U.S. trade policy. For the first time, beginning in 1934, the president was granted authority to negotiate trade agreements (within limits) without supporting legislation.[7]

In the wake of World War II, the international community once again linked the pursuit of trade, peace, and worker rights. In 1947, the United Nations Conference on Trade and Employment, held in Havana, Cuba, created a charter establishing the International Trade Organization (ITO).[8] Article 7, Chapter 2 of the Havana Charter focused explicitly on the creation of fair labor standards, requiring that any member's domestic labor policy "take fully into account the rights of workers under inter-governmental declarations, conventions and agreements," such as those enumerated by the ILO.[9] The goal was to eliminate protectionist barriers and facilitate postwar economic recovery.

At the conference, developing countries sought to address the possibility that substandard working conditions and low pay could serve as a form of unfair trade. Uruguay pushed for an amendment to grant member states the right to impose countervailing duties on goods produced under such conditions.[10] Colombia and Mexico joined in the campaign, but still the provision was not included in the Havana Charter. Countries instead were encouraged to take their claims to the ITO's proposed dispute settlement body.[11] Even so, it proved difficult for many countries to secure ratification of the Havana Charter. It was U.S. failure to ratify the charter that effectively killed the ITO, however.

In turn, what was meant to be a temporary trade arrangement, the Generalized Agreement on Tariffs and Trade (GATT), became the only multilateral institution overseeing international trade between 1947 and 1995. Among the initial 23 GATT "contracting parties" were countries that subsequently adopted very different views on the legitimacy of linking market access to compliance with international labor standards, including China, France, India, Myanmar (Burma), Pakistan, the United Kingdom, and the United States.[12]

The preamble of GATT recognized a relationship between the protection of human rights and the preservation of open markets. It also sought equity among member states, requiring all contracting parties to provide "most favored nation" (MFN) status to one another, meaning no discriminatory treatment, including preferential treatment, of one contracting party over another was allowed.[13] Article XX (e), however, allowed countries to refuse entry to goods produced by prison labor. This right was later transferred to the WTO. Subsequent efforts to incorporate broader labor rights into the GATT system was met with little success. Especially noteworthy, however, was the refusal to allow GATT members redress from *"social dumping"*—that is, protection against another country selling goods below the true cost of production, as measured by "appropriate" wage and welfare costs. Developing countries, whose membership in GATT increased markedly after 1960, insisted that such a provision was nothing but a ruse for rich-country protectionism.[14]

Trade as Aid or Protectionism?

Throughout the postwar period, the linkage between labor standards and market access occurred instead by way of various international agreements that worked around the GATT's, and later the WTO's, MFN rules. The most important programs were the Generalized System of Preferences (GSP) and the Multi-Fiber Arrangement (MFA). These programs offered opportunities and obstacles to economic development and ultimately set in motion the kinds of demands that found their fullest expression in debates over the rules of the WTO.

The Generalized System of Preferences (GSP)

First recommended at the 1968 United Nations Conference on Trade and Development, the GSP program ostensibly aimed to assist the developing world with preferential tariffs set below the MFN rate. It was implemented beginning in 1971, when the GATT contracting parties officially waived the MFN requirement through an "*enabling clause*" that created the legal framework for the GSP program. Each industrialized country, in turn, set its terms for GSP eligibility and preferential treatment of developing countries.

The U.S. GSP program was not instituted until January 1, 1976, even though authorized in the landmark 1974 U.S. Trade Act. This landmark decision required the U.S. President, for the first time, to consider the opinions of business, labor, and other groups when developing trade policy.[15] The formal private sector advisory system included a labor advisory committee comprised of the most important American labor unions.[16] These groups became important players in the campaign for international labor rights. In 1984, they supported changes in the U.S. GSP program to prohibit countries that did not "take steps to afford internationally recognized worker rights" from applying for GSP "beneficiary developing countries" (BDC) status. In addition, the terms of the 1984 GSP renewal allowed individuals and organizations to petition against a country's GSP status on the basis of its labor rights violations.[17]

Much like its European counterpart, the U.S. GSP program offered qualified countries duty-free market access. The benefit covered 4,650 "nonimport sensitive" tariff items and an additional 1,770 items from the "least developing beneficiary developing countries" (LDBDC).[18] As of April 2002, 125 countries enjoyed U.S. GSP benefits, of which 41 countries, including Cambodia, held LDBDC status. In 2001, they collectively exported nearly $16 billion worth of goods duty free into the U.S. market.

GSP benefits were negotiated through a series of bilateral agreements initiated by a developing country's application for BDC status.[19] As of 2002, only countries with per capita income of less than $9,266 could apply to the U.S. program, and only for products where at least 35% of the direct cost of merchandise value had been performed in the country and the commodity did not comprise more than 50% of U.S. market share.[20] The actual burden of claiming benefits fell to importers, who had to demonstrate eligibility status to U.S. customs officials. Moreover, the U.S. government retained the right to withdraw benefits at any time and to deny status to countries that were Communist, supported terrorism, or appeared to provide unequal treatment to American citizens and corporations.

The Multi-Fiber Arrangement (MFA)

In contrast with the GSP, which covered a wide range of goods, the Multi-Fiber Arrangement (MFA) was devoted exclusively to regulating textile and apparel trade through an elaborate international quota system that was controversial, historically significant, and politically charged.

Trade in textiles remained controversial because of its critical role in the economy of many countries, accounting (along with garments) for over 8.3% of world trade in manufactured goods, and more than 14% of world employment as of 2001.[21] In the early years of many countries' development, textiles and garments were particularly important, providing the low-wage, labor-intensive industries that helped spur growth. Because these industries were equally valuable to many countries, competition was both inevitable and intense. Indeed, responses to competitive threats had been historically quite harsh. India's 1757 defeat at British hands in the Battle of Plassey, for example, notoriously resulted in the destruction of its once globally dominant textile industry, partly through a deliberate ban of its products in the U.K. market.

In the postwar era, the first major international challenge came from Japan, which started in the 1940s to export substantial amounts of cotton textiles. Worried about an influx, U.S. and European manufacturers pressured their governments for help. Fearing boycott, Japan agreed in the 1950s to voluntary export restraints (VERs), limiting sales to a prearranged quota amount. The system worked for a while, but eventually led to an outflow of production to other, even less expensive sites. Taiwan, Hong Kong, and Korea, in turn, became major locations for garment production, prompting U.S. and European labor and apparel manufacturers to demand better measures against their international competitors.

Redress began in 1961, when some 30 countries signed the Short Term Cotton Arrangement, agreeing to a fixed system of cotton textile exports. Under the arrangement (followed in short order by the Long Term Cotton Arrangement, 1962–1973), cotton textile exporters restricted their bilateral sales to fixed amounts, in effect carving the global market into prearranged slices. Still, producers found ways around this provision, shifting production to synthetic and other fibers. The early 1970s boom in polyester fashion, for example, was driven partly by the demand to replace cotton with other textiles.[22] In response to the subsequent influx of non-cotton textiles, developed countries pushed for an agreement to cover a wider range of products. East Asian producers were not fully opposed to this development, fearing that VERs alone would leave them vulnerable to competition from lower-cost, new-market entrants.

In this context, the 1974 MFA was seen as the best compromise. Offered as a temporary measure, but renewed continually, it assured producers of market access through export quotas distributed on a country-by-country basis. Specifically, apparel and textile items were enumerated in bilateral textile trade agreements, negotiated annually in some cases. Importing countries often initiated these agreements in response to a country's surge in garment exports. Other times, exporting countries pursued an agreement. They did so to signal the prospect of easy negotiations and hopefully encourage favorable terms in return from the importing country. Manufacturers and international buyers also liked the guarantee of access to export markets through the quota system. In either case, exporting countries had to go along with negotiations, facing only an alternative of no quota allocation and, in turn, impossibly high tariff rates that limited their ability to compete internationally.

Importing countries also retained the right to alter quota allocation growth rates and amounts in response to "disruption" of home industries. Items not listed in bilateral agreements, however, were effectively "quota free," meaning that they could be imported without limit, and in some cases at favorable duty rates. Indeed, as with the introduction of synthetic fibers to avoid cotton textile restrictions, the explicit restriction against a country's export of particular types of garments could encourage innovations in fashion, including most recently the arrival of "cargo pants" to circumvent limitations on the import of conventionally designed trousers.

More broadly, the introduction of a global quota system meant that countries had unequal access to export markets, with some free of any quota restriction on particular apparel items and others effectively barred from producing certain goods owing to their low quota allocation. International manufacturers and buyers, in turn, were forced to distribute their bases of production and supply around the developing world to ensure continued access to major export markets (see **Exhibit 4**).[23] On these grounds, some observers have argued that the MFA played an important and positive role in economic development, spurring wave after wave of industrial development. Others argue that the MFA's decades of control over the degree and direction of textile and apparel trade has not only been unfair and largely protectionist, but also distorted the international market by shielding less competitive exporting countries from their more able neighbors.

In 1995, the MFA was replaced with the Agreement on Textiles and Clothing (ATC), a document that laid out a strategy for the complete elimination of *all* import quotas on textiles and clothing by January 1, 2005. The change allowed for the full integration of the global textile and apparel market sector into the WTO. The process of integration was planned in four stages over 10 years. It combined raising country quota allocations with removing items gradually from quota restriction. The only exception to full integration was the Chinese textile and apparel sector. As part of its WTO accession agreement, China agreed that countries could impose "safeguard measures" against surges in its textile and apparel exports until 2008. China also agreed to product-specific safeguards until 2013.[24]

Worker Rights in the WTO: A Mechanism for Open Markets?

The WTO guaranteed substantial tariff reductions, an end to quota restrictions, and fuller economic integration—the advent of genuine "free trade," argued some.[25] A debate quickly arose, however, over whether the protection of labor rights needed to be included as a rule governing membership, market access, and trade relations. At issue was whether labor rights helped or hindered the broad goal of preserving open markets and facilitating economic development.

The United States stood at the center of this debate over the need for a "social clause" in the WTO, and not without controversy. As of December 2002, it remained, along with Armenia and Oman, one of the three countries that had ratified only two of the ILO's eight core labor rights conventions.[26] Yet, beginning in the 1980s, the United States incorporated labor rights clauses into a variety of its preferential trade programs and economic policies, including, in some cases, the right to impose economic sanctions. As the linkage between worker rights and U.S. market access extended to regional and free trade agreements, including the North American Free Trade Agreement (NAFTA), the Caribbean Basin Initiative (CBI), and the African Growth and Opportunity Act (AGOA), U.S. motives were questioned. Similar efforts by the European Union to include labor standards in trade agreements, especially given the prominent role of European trade unions, further fueled suspicions that the drive for a social clause in the WTO was intended to restrict the developing world's access to some of the largest markets in the world.[27]

If approved, the social clause would have linked a country's entry into the WTO to its compliance with international labor standards. In addition, WTO members would acquire the right to use the organization's dispute mechanism to challenge an exporting country's substandard working conditions as a form of unfair competition. The social clause, in effect, demanded regulatory convergence, forcing countries to alter their domestic labor laws, something Asian countries, in particular, saw as a deliberate attempt to limit their competitiveness. In regional terms, they signed the fewest ILO core labor rights conventions (see **Exhibit 5**). Along with Brazil, India, and others, they argued that the WTO as an organization governing the rules of international trade was not the appropriate forum for encouraging worker rights. On this issue, they enjoyed considerable support from the leading international trade economist, Jagdish Bhagwati.

The matter was considered resolved with the 1996 Singapore Declaration closing the WTO ministerial meeting (see **Exhibit 6**). It stated that the ILO was the "competent body to set and deal" with international labor standards, while encouraging continued dialogue on this issue. At the next ministerial meeting, held in Seattle in 1999, countries in favor of a labor rights provision aimed to use the latter provision to push for a working group on trade and labor.[28] President Clinton's off-the-cuff suggestion to a Seattle journalist that sanctions could improve labor standards sent the working group's prospects, and that of a social clause in the WTO, into a tailspin, however.

Only weeks before the 1999 meeting, U.S. Trade Representative Charlene Barshefsky had assured numerous leaders from the developing world that the proposed working group only meant to study the issue of trade and labor linkages. Now, "the secret," as Murasoli Maran, India's Minister of Commerce and Industry, referred to it, was out. The social clause, he argued, "was a pernicious way of robbing our comparative advantage . . . a maneuver by wealthy nations to force our wages up [and] to undermine our competitiveness."[29] Others argued that the developing world was being held to standards that advanced industrial states themselves chose not to meet before their economies and societies reached a certain stage of development (see **Exhibits 8a** and **8b**).

In this climate, Cambodia's decision to embrace the labor clause in its bilateral textile trade agreement with the United States left many shaking their heads in bewilderment. With the prospect of the MFA ending in a few years, some observers wondered why Cambodia chose to squander its competitive advantage with an agreement that was likely to increase production costs. Asian neighbors in particular, fearing a precedent, advised Cambodia against the deal.[30]

Against Convention: Political Developments and Economic Change in Cambodia

Prasidh was well aware of the skeptics and critics. But, having served many years as the personal secretary to military strongman and Prime Minister Hun Sen, he knew that Cambodia's problems lay not only with the international trade system, but also in the country's complicated domestic economic and political situation (see **Exhibit 7**). The Khmer Rouge's traumatic legacy, the country's dire poverty, and, more recently, its contentious cycles of violence and coalition building accompanying each election cycle meant that the government had to devise a path for economic development that fostered national unity more than social conflict.

Cambodia emerged from decades of war deeply dependent on foreign aid and international markets for revenue, receiving on average $500 million per year from international lenders and donor countries (see **Exhibits 9 and 10**).[31] Other legacies of war included war widows, orphans, land mines, and a substantial disabled population. As of 2002, Cambodia had the highest proportion of amputees in the world. On other measures as well, Cambodia was considerably worse off than other developing countries (see **Exhibit 2)**. Over 70% of Cambodia's 13 million people worked in the agricultural sector, with 40% below the poverty line and nearly 15% without any land. Most adults had only a primary school education. And, with nearly half of the population under the age of 15, the government was under intense pressure to devise a strategy for rapid growth and political stability. Already, corruption and lax law enforcement had led to widespread gem and timber smuggling, while the country's highly dollarized economy and weak banking rules attracted international crime syndicates, money laundering, and drug trafficking.[32]

For all these reasons, Cambodia could ill afford status as a pariah state. Nevertheless, the country's nearly 185 international and 385 Cambodian non-governmental organizations (NGOs) strongly pressured multilateral organizations and governments to demand greater accountability from the Cambodian government in return for foreign aid.[33]

Making the Agreement: Divergent Goals as a Basis for Partnership?

Against this gloomy backdrop, the prospect of linking improved labor standards to increases in U.S. market access had appeal. The U.S.-Cambodia Bilateral Textile Trade Agreement was based, as Prasidh said, on "carrots, not sticks."[34] Specifically, in return for "substantial compliance" with international labor standards in its apparel sector, Cambodia was promised a 14% annual increase on each textile and apparel item under U.S. quota. No other country in the world received such favorable terms. Moreover, the "reward" came on top of the guaranteed 6% MFA growth rate available to all countries covered by textile and apparel quotas. Government officials were also confident that they could meet the demands of "substantial compliance," since the 1997 Labor Code already adhered to international labor standards.

Many in Cambodia also felt that the agreement, by virtue of its external review of worker rights and promise of increased U.S. market access, would offer incentives for cooperation among the country's contentious stakeholders. For years, Cambodia's garment industry had been plagued by corruption, violence, strikes, and allegations of human rights violations, including sexual harassment and targeted attacks against union representatives. If each of these problems was not solved, business, government, and labor stood to lose, something Cambodia's U.S.-educated Secretary of State for Commerce Sok Siphana described as "breaking our own cooking pot. At that point," he said, "it doesn't matter who broke it. We'll all go hungry." [35]

Cambodia's tragic past was also a significant factor behind government support of the agreement. According to Prasidh, "No other country in the world was as free to build its business environment from scratch, without the weight of vested domestic business interests."[36] Sok Siphana also noted that provisions of the 1997 labor code surpassed those of many advanced industrial economies. Garment factories were required, for example, to provide daycare centers and medical clinics, while government protection of worker rights had encouraged laborers to seek legal remedies for their problems. Moreover, the challenge of implementing the agreement forced dialogue across government ministries, including those concerned with labor, commerce, health, justice, and foreign investment matters. For that reason, insiders and outsiders alike hailed the U.S.-Cambodia pact as a positive development for Cambodia. More broadly, Prasidh argued that the agreement embodied his government's commitment to a "pro-poor" development strategy, one that encouraged open markets but not at the price of social well-being.

In the United States, the confluence of a very different set of factors encouraged the government to push for a worker rights clause in its bilateral textile agreement with Cambodia. Increasing globalization in the 1990s had brought greater awareness of working conditions around the world and heightened public scrutiny of major U.S. firms, such as Nike.[37] The sports equipment and rug industries, in particular, had come under severe attack for using child labor, prompting students and labor activists to establish new NGOs devoted exclusively to improving working conditions in overseas plants. The 1995 discovery of 72 Thai immigrants enslaved in a California sweatshop also made it seem that even the United States was not immune, lending credence to U.S. labor union charges that globalization, especially as structured under the rules of the WTO, was a bad deal for workers everywhere.

Throughout his term, President Clinton was in the awkward position of trying to satisfy a key constituent of the Democratic Party, organized labor, while at the same time trying to meet the demands of economic integration that came with WTO membership. Combined with frustration over the 1996 Singapore Declaration, that tension spurred the administration's push for a social clause at the next WTO ministerial meeting. To make its argument, the government needed a test case, one to prove to the world, especially the developing world, that the protection of worker rights did not come at the price of economic development.

Cambodia was chosen as the test site. At the time, it faced an outstanding GSP petition filed by the American labor organization, the AFL-CIO. If the petition were ruled against Cambodia, the country would lose its preferential tariffs. The U.S. government was also concerned that its demand for a social clause in the WTO would appear self-serving, and so decided to structure its agreement with Cambodia in terms of increased U.S. market access.

The AFL-CIO could not publicly reject such efforts to improve working conditions without appearing protectionist. Already, the labor organization was responsible for nearly three-quarters (73%) of all U.S. GSP petitions against countries suspected of worker rights violations between 1985 and 1996.[38] Now, frustrated with the results of the 1996 WTO ministerial meetings, newly elected AFL-CIO President John Sweeney promised "tens of thousands" of American union workers in Seattle in 1999.

With this context in mind, Ambassador C. Donald Johnson, the chief U.S. textile trade negotiator in the Clinton administration, started making phone calls in 1998 to the AFL-CIO, UNITE, and several textile and garment industry representatives.[39] All sides had to be considered before he contacted Prasidh with the proposal. Some months later, on January 20, 1999, Johnson and Prasidh signed a three-year agreement. For the first time, several Cambodian garment and apparel export items were placed under quota, but the restriction came with a promise of 14% annual increases in quota allocation as a reward for improved garment-sector working conditions.

The crucial details of how to fund, structure, and implement the monitoring system to prove compliance were oddly absent, however, even though Cambodia's first review was less than a year away. Prasidh nevertheless was confident that his country would be found in "substantial compliance."

The First Review of "Substantial Compliance"

In November 1999, Prasidh flew to Seattle for the WTO ministerial conference as an observer.[40] At month's end, while students, labor activists, and environmentalists agitated in the streets for a more equitable international trade regime, Prasidh sat inside the Sheraton Hotel waiting for his meeting with Ambassador Johnson.[41] The Ambassador did not have good news.

The bilateral agreement required consultations and, if certain conditions were met, Cambodia would be granted its additional textile export quota on December 1 each year the agreement was in effect.[42] In the first round, Ambassador Johnson was under tremendous pressure to reward nothing. On November 23, Jay Mazur, President of UNITE, sent a letter reporting that "violations of Cambodian labor law and internationally recognized core labor standards" remained (see **Exhibit 12**). Other national and transnational NGOs agreed, citing instances of forced and unpaid overtime, harassment of union organizers, and workers not receiving the legal minimum wage.

Prasidh nevertheless demanded the full reward, noting how the agreement said nothing about a partial reward. There were also several positive changes. At the end of 1998, the government finally registered the Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC), a labor federation often linked to the opposition candidate Sam Rainsy. In 1999, the Cambodian government had ratified the ILO core labor rights conventions, distinguishing itself from other countries in the region. Indeed, as part of its agreement with the United States, Cambodia welcomed the operation of an AFL-CIO American Center for International Labor Solidarity (ACILS) in Phnom Penh, managed by Jason Judd, a young American professional labor organizer whose main responsibilities included teaching workers about unions, collective bargaining, and how to negotiate with government and business.

Competing portraits of working conditions nevertheless left Ambassador Johnson in the awkward position of having both UNITE and the Cambodian government demanding all or nothing. Not even a year into the bilateral agreement, Johnson did not want the AFL-CIO or UNITE publicly "blasting" the agreement.[43] By late 1999, a vast network had coalesced around the issues of globalization and worker rights, linking together university students, NGOs, and U.S. labor unions. Moreover, rumors that President Clinton would push for permanent normal trade relations (PNTR) with China left U.S. labor unions in no mood to bargain. PNTR would end the annual review of China's human rights record and negotiation over U.S. market access. Conversely, not rewarding Cambodia did little to encourage its government to continue to improve working conditions.

In the end, the U.S. government gave Cambodia only 5% of its promised 14% reward for 1999. Cambodia's ambassador to the United States, Roland Eng, quickly expressed dismay, recalling that leaders from other developing countries "laughed at us when we signed," saying, "the Americans will never give you that increase, no matter what you do."[44] UNITE was also unhappy, believing that any quota increase before the monitoring system was in place compromised the principles of the agreement. But when the agreement was signed in early 1999, neither Cambodia nor the United States had earmarked funds to support "the implementation of a program to improve working conditions in the textile and apparel sector" (Article 10B, U.S.-Cambodia Bilateral Textile Trade Agreement).

Creating the Monitoring System

The credibility of the U.S.-Cambodia pact hinged crucially on third-party monitoring of labor conditions. Already, worker rights activists routinely publicized stories of social auditing firms misreporting information on behalf of the firm that retained them. Just the same, factory managers viewed these advocates with great suspicion. For this reason, the ILO was strongly favored as the agency to create and carry out a monitoring program in Cambodia.[45] As former Deputy Under Secretary of International Affairs Andrew Samet noted, "The tripartite nature of ILO membership," composed as it was of labor, government, and business, "made it a useful paradigm for what we were trying to achieve" in Cambodia.[46]

Still, the ILO remained divided over its mission. The organization historically had served in a capacity-building fashion, working to assist, and not replace or sanction, the work of governments. For that reason, the ILO debated internally its role in Cambodia for some time. The U.S. labor movement also had concerns, which led to nearly 18 months of meetings, memos, and faxes between UNITE, the AFL-CIO, the ILO, and the U.S. and Cambodian governments.

For Mark Barenberg, legal advisor to UNITE, the key issue was how to create a monitoring arrangement that "included Cambodian civil society" and brought about substantive change in industrial relations.[47] Another issue, according to Mark Levinson, chief policy advisor for UNITE, was the creation of concrete indicators of compliance. "For too long the language of compliance has been wide enough to drive a truck through," he said. "Vague phrases, such as 'taking steps,' leave it up to the U.S. government to decide on a case-by-case basis what constitutes progress in workers' rights. [But] if UNITE is going to support an increase in quota, it's got to be real progress."[48] Barenberg added that UNITE "didn't want a situation of, 'you've done well in these 30 minor areas, but not in these three major areas.' Quota increases had to be contingent on improvement in all areas of workers' rights, including rights of free association and collective bargaining."[49]

Others complained that Cambodian workers had little voice in designing the rules being created to aid them. By mid-1999, the Cambodian Labor Organization, a local NGO, forwarded a series of worker petitions to UNITE, the AFL-CIO, the Cambodian government, and other interested parties. Workers "signed" the petitions by affixing their thumbprints (see **Exhibit 13**).

Several observers also mentioned corruption among Cambodia's labor inspectors as a means to insist on a monitoring system outside their purview.[50] But Ambassador Johnson and others in the U.S. government found unacceptable any suggestion to build the "rule of law" in Cambodia by working around state institutions.[51] Their position dovetailed with the ILO and the Cambodian government, facilitating, in turn, the creation of a nine-person project advisory committee (PAC) with membership evenly split among trade union, business, and government representatives. Working with the ILO project's chief technical advisor, PAC members jointly approved a list of 156 items to monitor in each garment factory. In addition, a labor advisory committee, similarly comprised of tripartite membership, was created to work with the government on the development of national labor policy, including wage and overtime rates.

To facilitate the transparency of the monitoring process, the ILO signed a memorandum of understanding with each participating factory to ensure mutual protection of rights and obligations. In return, the ILO was guaranteed open access to factory sites, workers, and factory records, thus addressing a frequent criticism of most social auditing programs. The ILO assumed responsibility for recruiting labor monitors, often choosing individuals with training in law and prior experience as human rights monitors.[52]

With much fanfare, garment factory monitoring officially began on June 27, 2001, over two years into the three-year agreement. Program costs were split between the U.S. government ($1 million), the Cambodian government ($200,000), and the Garment Manufacturers Association of Cambodia (GMAC) ($200,000). International buyers did not contribute, although they benefited greatly and insisted that their suppliers submit to ILO monitoring.

To ensure fairness across the entire garment sector, the Ministry of Commerce issued a regulation stipulating that only firms registered with the ILO were allowed to bid for export quota to the United States.[53] The government also retained the right to suspend the issuance of certificates of origin, export visa stamps, and export licenses to any firm found in violation of workers' rights, no matter where they planned to export.

Clothes Encounters: Labor Monitoring, Trade Unionism, and Garment Manufacturers

After a rocky start, the ILO monitoring system proved to be a mechanism for changing attitudes and behavior. Initially, the largely overseas Chinese community of garment manufacturers was caught off guard by the full disclosure strategy of the ILO monitoring arrangement. Prior attempts to enforce labor laws had been weak in Cambodia.[54] Now, garment manufacturers who refused to comply with Cambodia's labor code were identified publicly in ILO reports, along with a description of uncorrected violations.[55] These reports came after an initial ILO factory inspection, a three-month grace period, and a follow-up visit.

According to Van Sou Ieng, President of GMAC, some managers were also unfamiliar with the concept of "safe sourcing," while others hailed from countries where free trade unions did not exist and were viewed as a threat to business and government. But, Van Sou Ieng added:

> Once we started talking to buyers, [and] looked at American consumer habits, we realized that we had a competitive advantage. Moreover, our only chance to survive in Cambodia was to build on the image of safe sourcing. Otherwise, we'd lose to price competition. In delivery time, we're not competitive. Our lead time is 60 days, with 45 days for most other places, and some places even managing a 30-day turnaround.[56]

As a business strategy, "safe sourcing" meant that Cambodian manufacturers depended heavily on international buyers keeping to the worker rights clauses in their corporate codes of conduct when making sourcing decisions. Even so, some manufacturers argued that a buyer's compliance and purchasing departments were at odds with each other, with the former adding to supplier production costs through demands for improved working conditions and the latter insisting on only buying from the cheapest source. "It is precisely this double standard," Van Sou Ieng commented, "which will kill the concept of linking trade and labor."[57]

Other observers felt that the monitoring arrangement could not have come soon enough to Cambodia. In 2000, strikes were ongoing, including a successful industrywide strike to push for an increase in the minimum wage from $40 to $45 per month. Workers carrying clothing produced for major American brands often made their way to the U.S. Embassy telling tales of dismal working conditions and unpaid wages. Accusations of child labor also aired on British media, putting companies such as June Textiles, a supplier of Nike sportswear, on the defensive. Suddenly, firms realized that transparency was their best defense. But the lesson came late. Nike quickly cancelled its contracts and left the country, costing Cambodia around $10 million for what the government and GMAC considered false charges. Another major buyer, the Gap, had far too many outstanding orders to leave quickly. Instead, it intensified efforts to conduct worker-management training through local NGOs.

As the number of labor federations increased, they began to compete with one another, often using strikes as opportunities to attract new members. Some leaders made promises they could not keep, driving garment workers to switch allegiance from one federation to another, while others seemed to have little control over when their workers walked off the job. Managers found the situation disruptive and intimidating, remaining ever leery of working with federation leaders. Indeed, Van Sou Ieng described some of them as little other than "mafioso . . . asking for a few thousand dollars a month—or they threaten to launch a strike."[58]

In this environment, Judd maintained that competition among labor federations should be applauded. "It allows workers to make choices, and" he added, "they are making better choices all the time."[59] Competition between unions had begun to change the culture of secrecy that earlier fed corruption and low levels of trust among government, managers, and workers. Judd, for example, told of one union representative who upon hearing that Poland's Solidarity union conducted its labor negotiations over a public speaker system on the Gdansk docks insisted that his factory manager do the same, but by "taking the table out under the mango tree" where workers could listen to their discussion.[60]

A number of garment manufacturers also came to appreciate the greater transparency in industrial relations fostered by the ILO monitoring arrangement, using favorable reports as a marketing tool to attract international buyers. GMAC, in turn, found its own role changed. It not only began to pressure firms to rehire illegally fired union leaders but also pushed for the government to develop policies and institutional practices more supportive of the garment sector. It was especially critical of bureaucratic costs, equal to nearly 7% of annual garment sales revenue, or $70 million in 2000.[61] With the sector heavily dependent on imported raw materials, GMAC also argued that transport, customs, and documentation costs needed to be reduced.[62]

As Cambodia's industrial relations gained greater visibility, labor federation leaders also changed their strategies. In 2002, many leaders publicly went on record opposing wildcat strikes and destruction of factory property.[63] Manufacturers nevertheless argued that work incentives still needed adjustment. They pointed, in particular, to the $5 monthly bonus award to workers with perfect attendance, short workdays on Saturday, and overtime restrictions limited to no more than two hours per day—all of which, they argued, hindered growth.

Others insisted that Cambodia's long-term competitiveness ultimately rested on pending entry into the WTO. Not only would membership force the government to carry out substantial reforms, but it would also place Cambodia on a comparable level with its neighbors. As a member of the WTO, Cambodia would immediately be made party to the Agreement on Textile and Clothing (ATC), thus no longer subject to export quota restrictions. It remained to be seen, however, whether being a "safe haven for production" was the right strategy for a post-quota world. Hard choices, hinged on forecasts for the apparel industry and the campaign for worker rights, lay ahead.

Buyer Beware? Prospects for "Free" and "Fair" Global Trade

By the dawn of the 21st century, with the end of international textile and apparel quotas apparently in sight, speculation was rampant over how the global industry would change after December 31, 2004. Some observers predicted fundamental restructuring, including the abandonment of less efficient operations in some of the world's poorest countries. Others argued that the political interests that gave rise to the international textile quota regime and the campaign for international labor standards remained powerful and indeed were only strengthened after the September 11 terrorist attack on the United States. The social dimensions of globalization, they argued, could no longer be ignored. The threat was real.

Industry expert David Birnbaum predicted a "Great Garment Massacre," with nearly half of the world's 250,000 export garment factories expected to disappear after 2004.[64] Countries with the smallest share of the world market, but the greatest dependency on garment trade for export earnings, economic development, and industrial employment, were predicted to take the hardest hit.

To be sure, few of these relatively small players were ready to meet the demands of the most sophisticated textile and apparel buyers. Quick-response supply chains and shorter lead times, for example, required advanced information technology capabilities, sound infrastructure, and a well-trained and educated population. "Floor-ready merchandise" (FRM), including UPC bar-code stickers, security tags, and "ready-to-hang" packing, had become part of the assembly process, with the most competitive firms able to ship directly from factory to department store. As one industry source succinctly described changing industry attitudes: "It's not just about the price. I want the whole package."[65]

The demand for full-service factories assumed increased geographic concentration of the apparel industry based in large, modern facilities. Analysts debated whether this change would appear along the southern border of the world's largest market, the United States, or in "Greater China" (China, Hong Kong, Macao, and Taiwan). Mexico's geographic location guaranteed lower transport costs to the United States, while its membership in NAFTA promised duty-free access to both the United States and Canada. But Greater China already held a 30% share of world apparel exports. By 2010, China alone was—by some estimates—predicted to capture 47% of the international apparel market.[66] Relatively low wages were part of the equation, but so too was the country's ability to meet increasingly sophisticated buyer demands while still reducing overhead and bureaucratic costs (see **Exhibits 14** and **16**). "If all you have to offer is cheap labor," Birnbaum argued, "you really have nothing to offer."[67] Indeed, direct wage costs were only a small share of any country's free-on-board (FOB) price and even less of a garment's final retail price.

Still, despite glowing appraisals of China's prospects, significant political challenges remained. Workers and manufacturers in the southern United States had been especially hard hit by a decade-long 47.4% decline in U.S. textile and apparel employment, and they made no secret of their belief that China was behind the fall (see **Exhibit 15**).[68] The phenomenal jump in China's export of items recently released from U.S. quota restriction prompted the creation of a new U.S. industry association, the American Textile Trade Action Coalition (ATTAC), in early 2002.[69] By September 2002, the American Textile Manufacturers Institute (ATMI) filed a petition requesting that the U.S. government reimpose quotas against China, citing a surge in Chinese imports over the first half of 2002 (see **Exhibit 17**).[70] In November, the National Chamber of the Mexican Textile Industry and the Canadian Textiles Institute sent letters supporting the petition to U.S. Commerce Secretary Donald Evans and U.S. Trade Representative Robert Zoellick.

Numerous textile and apparel exporters, meanwhile, had begun to complain loudly about the failed promise of the 1995 Agreement on Textile and Clothing (ATC). They argued that the United States and other large importers thus far had only lifted apparel and textile quotas on low value-added items, while simultaneously making changes in rules of origin that would hurt the developing world after 2005. The critics insisted that delaying quota removal on higher-end items until 2005 virtually ensured a "disruptive surge" in imports at the moment of transition, a phenomenon that allowed importing countries to re-create a protective wall under the rules of the WTO through emergency safeguard measures.[71]

There was also little indication that the U.S. government had given up its interest in tying market access to worker rights. The issue resurfaced in 2001 when Senate and House leaders made clear that their decision to grant President Bush "fast-track" authority was linked to his administration's following the "Jordan Standard." This provision required trade negotiators to include labor rights and environmental provisions in their discussions with counterparts. Each party was also expected to commit to the ILO's core labor standards and to enforce its own labor and environmental laws.[72] Failure to do so would allow the other party to invoke an agreement's dispute mechanism.

Noting how trade unions were often "the only mass-based organizations that stand against authoritarian regimes," Lorne Cramer, U.S. Assistant Secretary of State for the Bureau of Democracy, Human Rights and Labor, also renewed the government's commitment to fund research and programs related to developing free trade unions, especially in countries where they remained illegal. Speaking to State Department labor officers who worked in U.S. embassies around the world, Cramer reminded them, "free trade unions can help ensure that workers have a role in shaping change, which helps to dissipate resistance to change. Without free trade unions," he continued, "developing countries tend to enrich only narrowly based economic and political elites while the vast majority of their increasingly alienated citizens continue to be trapped in poverty."[73] On similar grounds, and with the hope of fostering civil society and democratic governance, the U.S. Agency for International Development (USAID) continued its financial support of the AFL-CIO American Centers for International Labor Solidarity around the world.

At the multilateral level, broad new initiatives, such as the U.N's Global Compact, were under way to push multinational corporations to take greater responsibility for the actions of their overseas suppliers and subsidiaries. Indeed, fleeing from trouble spots was no longer perceived by NGOs as an act of social responsibility, but of corporate cowardice. Firms were now under increased pressure to assume new responsibilities for their overseas workers, including programs in microfinance, healthcare, education, and housing, all features that reflected new, controversial ideas about how multinational corporations should protect shareholder value.

Conclusion

No country in the world had a labor monitoring system similar to what existed in Cambodia.[74] But it remained an experiment in progress. For this reason, when Prasidh opened the ILO project office in March 2001, he encouraged a broad definition of "substantial compliance," reminding his audience, "a clear and sunny sky with one small black cloud in the horizon still means fine weather."[75] The U.S. government did not always see things in a similar light. Cambodia was never granted the full extent of its eligible quota reward, which frustrated both local manufacturers and the Cambodian government. When the bilateral agreement was renewed in December 2001, the only concession seemed to be a decision to increase the possible reward amount from 14% to "up to 18%." The 2000 and 2001 compliance reviews brought the country only 9% of its promised 14% reward, leading Prasidh to bemoan the "virtual carrot" he was waiting for the Americans to deliver.

In December 2002, the United States granted Cambodia its largest quota increase ever, 12%, which was expected to translate into 50,000 new jobs in the garment sector. Nike also returned to Cambodia, crediting the ILO monitoring system as an important factor in its decision. There were still critics, most notably those eager to spotlight the many apparel goods exported to the United States from Cambodia that were not under quota. Problems in the country's industrial relations also remained.

Still, despite the added scrutiny and judgment, Prasidh defended the importance of the ILO monitoring arrangement and the linkage of market access to labor standards. He described both as fundamental to sustainable development and the country's "pro-poor" development strategy.[76] He also continued his efforts to change the rules for doing business in the global apparel industry, especially pressuring American and European buyers to lessen their demands for ever-lower purchasing prices. "Instead of spending a billion dollars on a publicity campaign," he argued, "why not use it to improve workers' rights by paying your suppliers a bit more. This way, they can afford to improve working conditions and no one will attack you in the press."[77] Prasidh did not want consumers to pay more for goods. Instead, he wanted buyers to find some other way to pay for the cost of their own reputations.

Exhibit 1 Cambodian Garment Sector, 1995–2002[a]

	1995	1996	1997	1998	1999	2000	2001	2002
I. Exports (in millions of U.S. $)								
To U.S.:	0.0	2.0	107.0	288.0	516.0	751.0	829.0	961.0
Quota items	-	-	-	-	433.0	524.0	502.0	627.0
Non-quota items	0.0	2.0	107.0	288.0	83.0	227.0	327.0	334.0
To E.U.:	26.0	74.8	112.3	63.0	138.0	221.0	309.0	361.0
Other:	0.0	4.0	5.0	4.0	7.0	14.0	18.0	28.0
Total (in millions of U.S. $)	**26.0**	**81.0**	**224.0**	**355.0**	**553.0**	**986.0**	**1,156.0**	**1,350.0**
II. Garment-Related:								
Garments as % Exports[b]	-	-	52.2	64.9	73.0	92.0	93.1	-
Employment Creation	18,703.0	24,015.0	51,578.0	79,231.0	96,574.0	122,644.0	188,061.0	223,200.0
Garment Factories	20.0	48.0	75.0	138.0	186.0	220.0	195.0	188.0
New Foreign Direct Investment (in millions of U.S. $)	30.0	46.0	97.0	123.6	66.5	37.2	19.5	36.3

Sources: Adapted from *Diagnostic Trade Integration Study for Cambodia* (Geneva, Switzerland: WTO, 2002); *IMF Country Report No. 03/59* (Washington, D.C.: IMF, 2003); Council for the Development of Cambodia; and *Cambodia: Integration and Competitiveness Study*, GMAC, Ministry of Commerce, 2003.

Notes: [a] Export figures vary 3%–5%, depending on source; missing data denoted by "-".

[b] Domestic export figures drawn from balance of payments (**Exhibit 10**).

Exhibit 2 Social Indicators, 2001 (Selected countries)[a]

	Brazil	Mexico	Ghana	Jordan	India	Cambodia	China	Malaysia	Philippines	Vietnam
GDP per capita (current U.S. $)	2,593	6,314	300	1,798	491	294	966	3,915	964	436
Population under Age 15 (1999)[b]	29	34	41	40	34	45	25	35	38	34
Urban population as % of total (1999)[b]	81	74	38	74	28	16	32	57	58	20
Life expectancy at birth (years)	69	74	55	72	63	54	71	73	70	70
Mortality rate, infant (per 1,000 live births)	30	25	55	25	68	90	30	7	29	26
Adult Illiteracy Rate (% population)	12	8	26	9	41	31	14	12	5	7
Access to improved sanitation facilities (% of urban population)[c]	84	88	74	100	61	56	68	-	93	82
Access to improved water source (% of population)[c]	87	88	73	96	84	30	75	-	86	77
Fixed or mobile phone lines / 1,000 people[c]	385	354	21	294	44	19	248	510	192	53
Personal computers / 1,000 people[c]	63	69	3	33	6	1	19	126	22	12
Internet users / 1,000 people[c]	46	37	2	42	7	1	26	273	26	13

Sources: Adapted from World Bank, World Development Indicators database, <http://www.worldbank.org/data/dataquery.html>, accessed August 20, 2003; and U.N. Human Development Report 2001.

Notes: [a] Missing data denoted by "-".

[b] 1999 data.

[c] If 2001 data unavailable, then most recent data used.

Exhibit 3 Selected Key Agreements, Programs, and Organizations with Worker Rights Clauses, United States and Other

Year	Title	Content
1890	U.S. McKinley Tariff Act	Prohibits import of goods produced with prison labor
1948	Universal Declaration of Human Rights	Includes a range of labor and social rights
1976	OECD Guidelines for Multinational Corporations	Voluntary government recommendations for enterprise behavior
1977	U.S. International Emergency Economic Powers Act	Presidential discretionary authority to resolve "extraordinary" threats to the U.S. economy and national security. Used against South Africa in 1985 for violation of workers rights
1985	U.S. Overseas Private Investment Corporation (OPIC)	Limits provision of insurance to projects in countries "taking steps" to improve working conditions
1988	Multilateral Investment Guarantee Agency (MIGA), World Bank Group	Limits provision of risk insurance to projects in countries "taking steps" to improve working conditions
1991	U.S. Andean Trade Preferences Act (ATPA)	Benefits conditional on country's compliance with international labor standards
1993	U.S. Foreign Aid Appropriations Bill, amended	Prohibits U.S. government aid for export processing zones where a country's national laws do not apply
1994	GSP Program, European Union	Incorporates a worker rights clause, but only with reference to ILO Conventions 87, 98, and 138
1998	Socio-Labor Declaration, MERCOSUR	Establishes socio-labor commission
1998	ILO Declaration of Fundamental Principles and Rights of Work	Establishes "Core" labor rights conventions
1998	GSP Program, European Union, revision	Extends worker rights clause to include all ILO core labor rights conventions
2000	World Bank Labor Standards "Toolkit"	Online educational tool for World Bank representatives
2001	Southern African Development Community (SADC), Social Charter of Fundamental Rights	Establishes commitment of SADC members to ratify ILO core conventions
2002	EU GSP Program	Promises to double tariff reductions for countries that protect core labor standards

Sources: Sandra Polaski, "Trade & Labor Standards," Trade, Equity & Development Project, Carnegie Endowment for International Peace, 2003; George Tsogas, *Labor Regulation in a Global Economy* (Armonk, NY: M.E. Sharpe, 2001); Robert C. Shelburne, "Labor Standards as a Trade Issue," in Khosrow Fatemi, *The New World Order: Internationalism, Regionalism, and the Multinational Corporations* (New York: Pergamon, 2000); and various program web sites.

Exhibit 4 Global Apparel Market, 1985–2000 (Selected countries)[a]

Region	Country	1985				1990				1995				2000			
		Share of U.S. Imports (%)	Share of Europe Imports (%)	Share of Country Exports (%)	Share of World Market Share (%)	Share of U.S. Imports (%)	Share of Europe Imports (%)	Share of Country Exports (%)	Share of World Market Share (%)	Share of U.S. Imports (%)	Share of Europe Imports (%)	Share of Country Exports (%)	Share of World Market Share (%)	Share of U.S. Imports (%)	Share of Europe Imports (%)	Share of Country Exports (%)	Share of World Market Share (%)
Asia																	
	Bangladesh	0.97	0.07	17.96	0.37	1.46	0.39	41.95	0.55	2.61	1.18	58.36	1.18	3.70	2.73	77.93	2.32
	Cambodia	0.00	0.00	4.43	0.00	0.00	0.00	2.09	0.00	0.00	0.07	16.31	0.04	1.40	0.28	92.00	0.56
	China	3.91	1.82	8.73	4.32	5.07	2.36	15.67	9.20	9.39	4.31	16.23	14.44	9.94	7.50	14.48	18.10
	Hong Kong	25.56	8.60	22.63	14.60	25.89	9.50	18.73	14.19	20.40	8.46	12.28	12.66	13.74	7.95	11.99	11.42
	India	1.87	1.66	10.24	2.02	2.44	2.46	14.18	2.38	3.46	2.60	13.05	2.46	3.51	2.85	11.66	2.58
	Indonesia	2.72	1.41	4.50	1.89	4.52	2.06	10.25	2.60	3.45	1.48	7.65	2.06	3.68	1.90	7.81	2.36
	Malaysia	1.45	0.37	2.12	0.72	2.35	0.94	4.49	1.24	3.08	0.91	3.08	1.35	2.10	0.72	2.31	1.12
	Myanmar	0.01	0.00	0.72	0.01	0.04	0.00	2.53	0.01	0.19	0.03	8.75	0.07	0.71	0.28	42.42	0.36
	Nepal	0.19	0.00	22.72	0.06	0.19	0.00	32.96	0.05	0.26	0.02	39.07	0.07	0.27	0.04	29.92	0.10
	Pakistan	0.53	0.52	9.50	0.56	1.20	1.03	18.53	0.96	1.74	1.03	20.58	0.99	1.84	1.01	24.10	1.08
	Philippines	1.03	0.35	5.77	0.59	1.64	0.31	8.39	0.64	1.82	0.29	6.29	0.65	3.42	0.37	6.80	1.27
	South Korea	16.24	3.96	0.90	9.65	14.23	2.56	8.43	7.47	5.18	0.78	18.79	2.97	4.23	0.95	8.28	2.46
	Sri Lanka	1.44	0.27	22.31	0.61	1.76	0.34	33.92	0.60	1.92	0.49	47.81	0.68	2.61	0.95	45.68	1.21
	Taiwan	15.73	1.37	11.41	7.66	10.70	1.07	5.83	3.76	6.26	0.59	2.78	2.08	3.71	0.66	2.01	1.56
	Thailand	1.70	0.75	8.16	1.26	2.37	1.89	12.24	2.63	3.60	1.45	8.94	3.02	3.58	1.09	5.54	1.86
	Vietnam	0.00	0.03	2.65	0.02	0.00	0.09	5.03	0.06	0.05	0.52	14.87	0.52	0.09	0.91	11.94	0.77
Europe																	
	France	1.60	5.95	1.98	4.22	1.04	5.94	2.23	4.27	0.71	4.83	1.98	3.49	0.52	4.43	1.80	2.66
	Germany	0.75	11.58	1.54	6.22	0.70	11.10	1.77	6.44	0.57	8.29	1.46	4.58	0.29	7.00	1.24	3.37
	Greece	0.31	2.59	13.88	1.38	0.49	2.68	21.25	1.56	0.14	2.19	16.93	1.14	0.14	1.31	12.84	0.68
	Italy	4.69	18.60	6.74	11.57	3.83	15.65	7.03	10.82	3.40	12.60	6.13	8.78	2.90	10.48	5.67	6.67
	Poland	0.11	0.59	2.81	0.62	0.14	0.45	2.97	0.33	0.14	2.87	10.07	1.43	0.06	2.11	6.10	0.94
	Romania	0.46	1.38	3.44	0.84	0.09	0.38	7.62	0.39	0.17	1.66	17.28	0.84	0.14	2.60	22.61	1.15
	United Kingdom	1.50	4.47	1.41	3.29	0.93	4.03	1.55	2.78	0.53	4.30	1.78	2.76	0.39	2.97	1.39	1.89
Other																	
	Canada	1.54	0.09	0.29	0.56	1.22	0.05	0.26	0.32	2.72	0.07	0.53	0.65	3.45	0.06	0.75	1.03
	Mauritius	0.33	0.50	37.66	0.37	0.53	0.83	50.95	0.58	0.00	0.97	52.61	0.48	0.48	0.73	63.65	0.46
	Mexico	1.04	0.01	0.63	0.33	0.33	0.03	0.38	0.10	7.92	0.03	3.46	1.74	14.31	0.10	5.18	4.28
	United States	0.03	0.56	0.34	1.66	0.03	0.86	0.65	2.44	0.05	0.81	1.14	4.23	0.05	0.45	1.16	4.32

Sources: Adapted from World Trade Analyzer (created from data reported by member countries to the United Nations Statistical Office, later compiled by Statistics Canada) and *Cambodia: Integration and Competitiveness Study* (Phnom Penh, January 10, 2002).

Note: [a] Based on SITC 84.

Exhibit 5 ILO Core Worker Rights Conventions

Countries That Have Not Ratified Core ILO Labor Conventions, 2002 (Type and Region)

Region	Number of Countries	Freedom of Association and Right to Organize (No. 87)	Right to Organize and Bargain Collectively (No. 98)	Forced Labor (No. 29)	Abolition of Forced Labor (No. 105)	Equal Renumeration (No. 100)	Discrimination (Employment & Occupation) (No. 111)	Minimum Wage (No. 138)	Prohibition and Immediate Elimination of Worst Forms of Child Labor (No. 182)
Africa	**52**	7	0	3	2	4	4	14	12
Americas	**22**	3	4	3	0	2	2	5	4
Brazil		-	+	+	+	+	+	+	+
Mexico		+	-	+	+	+	+	-	+
United States		-	-	-	+	-	-	-	+
Asia	**44**	21	17	7	12	6	8	19	14
China		-	-	-	-	+	-	+	+
Malaysia		-	+	+	+	+	-	+	+
Thailand		-	-	+	+	+	-	-	+
Caribbean	**13**	0	0	0	0	1	1	7	5
Europe	**38**	0	0	1	2	0	1	3	3
Oceania	**4**	1	1	0	0	1	1	4	2

Note: "+" denotes ratified convention, "-" denotes convention not ratified.

Number and Total Percentage of Ratifying Countries, 2002 (Sorted by Region)

Region	All 8 Conventions	7 or more	6 or more	5 or more	4 or more	3 or more	2 or more	At least 1 or more
Africa	29	40	43	50	52	52	52	52
Americas	12	16	19	20	21	21	22	22
Asia	6	20	26	32	36	41	44	44
Caribbean	4	9	12	13	13	13	13	13
Europe	32	35	37	38	38	38	38	38
Oceania	0	1	2	3	4	4	4	4
Total Percentage	**47.98**	**69.94**	**80.35**	**90.17**	**94.80**	**97.69**	**100.00**	**100.00**

Source: Adapted from ILOLEX, Database of International Labor Standards, <http://www.ilo.org/ilolex/english/convdisp1.htm>, accessed November 14, 2002.

Exhibit 6 WTO Singapore Ministerial Declaration, Adopted on December 13, 1996

Article IV: Core Labor Standards:

"We renew our commitment to the observance of internationally recognized core labor standards. The International Labor Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards. We reject the use of labor standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and the ILO Secretariats will continue their existing collaboration."

Source: World Trade Organization, <http://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec_e.htm>, accessed January 6, 2003.

Exhibit 7 Cambodia, Southeast Asia Regional Map

Source: University of Texas, Perry Castaneda Library Map Collection, <http://www.lib.utexas.edu/maps/middle_east_and_asia/southeast_asia_pol_2003.jpg>, accessed January 6, 2003.

Exhibit 8a Landmark Labor Legislation in Britain, Germany, France, and the United States

	Britain	Germany	France	United States
Child & Women's Labor	1802: Health and Morals of Apprentices Act 1844: Twelve Hour Law for Women	1839: Child Protective Act (Prussia) 1869: Regulations on child and woman labor	1841: First law limiting working hours for children	1830s-80s: Numerous states regulate working hours of children and women 1937: Federal legislation prohibits child labor
Factory Safety	1833, 1844, 1864, 1867, 1901: Factory Acts	1891: Workers' Protection Act	1883: Factory inspection laws	1870s-80s: Numerous states enact factory inspection laws
Right to Organize	1824-25: Right to form unions; strengthened in 1871, 1876, 1893	1862: Saxony is first German State to recognize freedom of trade associations	1884: Labor unions legalized	1914: Clayton Act legalizes peaceful picketing (very restricted) 1935: National Labor Relations Act, Rights to unionize, ban against firing union organizers 1959: Landrum-Griffin Act, prohibited collusion between employers and union officials
Maximum Hours / Minimum Wage	1908: Coal Mines Regulation Act, 8-hour day for coal miners	1918: Eight hour law	1919: Eight hour law	1937: Federal Fair Labor Standards Act mandates maximum hours and minimum wages
Social Insurance	1897: Workers' Compensation Enacted 1908: Old Age Pension Act 1911: National Insurance Act (mandates health and unemployment insurance)	1883: Health insurance enacted 1884: Workers' compensation enacted 1885: Old age and invalidity insurance enacted	1898: Workers' Compensation law covering factory workers 1905: Non-contributory old age pension enacted 1910: Contributory old age insurance enacted	1910s: Numerous states enact workers' compensation laws 1935: Social Security Act mandates unemployment and old age insurance

Source:

Data courtesy of David Moss.

Exhibit 8b Levels of GDP Per Capita, 1820–1989 (in 1985 U.S. Prices)[a]

	1820	1870	1913	1950	1973	1989
Britain	1,405	2,610	4,024	5,651	10,063	13,468
Canada	-	1,347	3,560	6,113	11,866	17,576
France	1,052	1,571	2,734	4,149	10,323	13,837
Germany	937	1,300	2,606	3,339	10,110	13,989
Japan[b]	588	618	1,114	1,563	9,237	15,101
U.S.	1,048	2,247	4,854	8,611	14,103	18,317

Source: Angus Maddison, *Dynamic Forces in Capitalist Development* (New York: Oxford University Press, 1991), pp. 6–7.

Notes: [a] Missing data denoted by "-".

[b] Data for 1820 and 1870 are rough estimates made by extrapolation or inference rather than hard evidence.

Exhibit 9 Government Budget Operations, 1991–2001 (in millions of U.S. dollars)[a]

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Domestic Revenue	**72**	**94**	**103**	**230**	**261**	**284**	**294**	**247**	**345**	**369**	**389**
Total Tax Revenue	38	66	78	142	181	202	199	179	250	270	279
Direct Taxes	2	5	3	3	8	10	15	16	21	35	36
Payroll Tax	-	-	-	-	0	1	2	2	3	3	5
Profit tax	2	5	3	3	8	7	12	11	15	30	29
Land and Property	-	-	-	0	0	2	2	2	3	2	2
Indirect Taxes	9	14	18	29	42	62	68	64	116	133	148
Turnover and Value Added Taxes	5	10	13	22	31	37	41	41	91	103	107
Excise Duties	-	-	-	1	4	21	25	20	24	29	39
Others	3	4	5	6	7	3	3	3	1	1	1
International Trade Taxes	27	48	57	109	130	130	116	99	113	101	95
Imports	26	46	55	98	121	125	112	98	109	97	93
Exports	1	2	1	7	7	3	3	1	4	4	3
Others	-	-	-	4	2	2	1	0	1	0	0
Non Tax Revenue	34	28	25	87	77	66	90	59	91	99	110
Forestry and Fishery	-	-	-	-	-	-	-	-	-	13	9
Tourism Related	-	-	-	-	-	-	-	-	-	13	21
Garment Quota and License	-	-	-	-	-	-	-	-	-	17	18
Telecommunication	-	-	-	-	-	-	-	-	-	24	31
Other non-taxes	-	-	-	-	-	-	-	-	-	32	31
Capital Revenue	-	-	-	-	3	15	4	9	4	8	2
Expenditures	**127**	**148**	**216**	**393**	**488**	**546**	**420**	**409**	**506**	**543**	**589**
Capital Expenditures	6	4	84	131	208	238	151	164	215	232	248
Locally financed	6	4	2	31	23	23	37	31	58	79	72
Foreign financed	-	-	82	100	185	215	114	133	157	154	176
Current Expenditures	121	143	133	262	280	308	269	245	291	311	341
Civil Administration	64	72	55	110	107	154	130	125	168	198	240
Defence and Security	57	71	78	152	173	154	140	119	123	114	106
Current deficit	-49	-50	-30	-33	-22	-39	20	-6	50	49	41
Overall deficit	-55	-54	-113	-163	-227	-262	-126	-162	-161	-175	-205
Financing	**55**	**54**	**113**	**163**	**227**	**262**	**126**	**162**	**161**	**175**	**205**
Foreign financing	7	1	85	168	227	257	149	134	160	183	194
Domestic financing	48	53	28	-5	-1	5	-22	28	1	-8	11

Source: Adapted from Sok Hach and Sarthi Acharya, *Cambodia's Annual Economic Review 2002* (Phnom Penh: Cambodia Development Resource Institute, 2002).

Note: [a] Missing data denoted by "-".

Exhibit 10 Cambodia Balance of Payments, 1995–2001 (in millions of U.S. dollars)[a]

	1995	1996	1997	1998	1999	2000	2001
Current account (including offficial transfers)	-168	-193	-37	-30	-61	-60	-83
Trade balance [b]	-446	-476	-263	-227	-259	-338	-328
Exports of goods[c]	798	618	786	867	971	1,396	1,498
Domestic exports	268	295	534	604	709	1,100	1,196
Forestry	-	-	224	178	111	49	43
Re-exports	530	322	252	263	261	296	302
Imports of goods	-1,244	-1,093	-1,050	-1,094	-1,230	-1,734	-1,826
Retained imports	-714	-771	-798	-831	-968	-1,438	-1,524
Garments sector	-	-	-195	-275	-363	-658	-724
Petroleum	-	-	-91	-111	-121	-299	-292
Other retained imports	-	-	-511	-445	-484	-481	-508
Imports for re-export	-	-	-252	-263	-261	-296	-302
Services and income (net)	-99	-63	-43	-57	-93	-63	-100
Services (net)	-67	-28	4	-9	-17	19	39
Of which, tourism	53	82	55	59	94	149	182
Income (net)	-32	-35	-47	-48	-76	-81	-139
Private transfers (net)	31	46	60	60	70	70	70
Official transfers (net)	346	299	210	194	220	271	274
Capital and financial account	88	123	-53	-75	-33	-11	88
Medium- and long-term loans	-40	-56	-77	-69	-63	-5	101
Disbursements	79	75	38	46	57	91	113
Amortization	-119	-131	-115	-115	-114	-114	-35
Foreign direct investment	151	294	168	121	146	110	110
Short-term flows and errors and omissions [d]	-23	-115	-144	-126	-115	-116	-123
Overall balance	-78	-70	-90	-105	-94	-70	5
Financing	78	70	90	105	94	70	-5
Change in gross official reserves	-82	-52	-28	-11	-32	-62	-47
Other:							
Current account balance							
Excluding official transfers (in percent of GDP)	-17	-16	-8	-8	-9	-10	-10
Including official transfers (in percent of GDP)	-5	-6	-1	-1	-2	-2	-2
Reserves in months of imports of goods and services	2	2	2	3	3	3	3
External debt (in percent of GDP)	18	19	61	68	69	68	66

Sources: Adapted from *IMF Country Report No. 02/24* (Washington, D.C.: IMF, 2002); *IMF Country Report No. 03/59* (Washington, D.C.: IMF, 2003); and *Diagnostic Trade Integration Study for Cambodia* (Geneva, Switzerland: WTO, 2002).

Notes: [a] Missing data denoted by "-".

[b] Includes estimates for unrecorded forestry exports and petroleum imports.

[c] Detailed import and export data for 1995 and 1996 unavailable.

[d] Believed to be primarily short-term capital and unrecorded imports.

Exhibit 11 Gross Domestic Product (GDP) by Expenditure and Sector, 1995–2001 (in billions)

	1995		1996		1997		1998		1999		2000		2001	
	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP
I. GDP							*(constant 1995 prices)*							
Cambodian Riels	8,294.0		8,705.9		9,299.4		9,644.0		10,683.6		11,434.2		12,082.7	
Annual % Change	6.9		5.0		6.8		3.7		10.8		7.0		5.7	
U.S. dollars	3.4		3.6		3.8		3.9		4.4		4.7		4.9	
II. GDP							*(current prices)*							
Riels	8,294.0		9,023.9		9,927.2		11,609.0		13,131.2		13,809.4		14,544.3	
U.S. dollars	3.4		3.4		3.4		3.1		3.4		3.6		3.7	
U.S. dollars per capita (in hundreds)	3.0		3.1		2.9		2.5		2.6		2.6		2.6	
III. GDP by Expenditure							*(constant 1995 riels)*							
Consumption	8,040.4	96.9	8,560.6	98.3	8,515.6	91.6	9,298.0	96.4	9,730.5	91.1	10,228.9	89.5	10,044.2	83.1
Investment	1,210.9	14.6	1,283.0	14.7	1,403.3	15.1	1,146.1	11.9	1,816.5	17.0	1,974.8	17.3	2,563.7	21.2
Gross Fixed Capital Formation	1,174.0	14.2	1,124.9	12.9	1,274.9	13.7	1,215.4	12.6	1,652.4	15.5	2,132.9	18.7	2,315.3	19.2
Changes in Inventory	36.9	0.4	158.1	1.8	128.3	1.4	-69.3	-0.7	164.1	1.5	-158.1	-1.4	248.4	2.1
Government	413.3	5.0	510.5	5.9	518.0	5.6	467.8	4.9	538.0	5.0	610.2	5.3	687.8	5.7
Exports of goods & services	2,629.9	31.7	2,251.7	25.9	3,194.8	34.4	3,096.4	32.1	4,062.8	38.0	5,819.5	50.9	6,575.2	54.4
Imports of goods & services	4,000.5	48.2	3,899.8	44.8	4,332.2	46.6	4,364.3	45.3	5,464.2	51.1	7,199.2	63.0	7,788.1	64.5
Net Exports	-1,370.6	-16.5	-1,648.1	-18.9	-1,137.4	-12.2	-1,267.9	-13.1	-1,401.4	-13.1	-1,379.7	-12.1	-1,213.0	-10.0
IV. GDP by Sector[a]							*(constant 1995 U.S. dollars)*							
Agriculture, *of which*	1.4	42.4	1.5	40.9	1.6	41.5	1.6	40.3	1.7	38.3	1.7	35.4	1.7	33.9
Forestry and logging	0.3	7.9	0.3	7.3	0.3	8.0	0.3	6.9	0.2	4.9	0.2	4.0	0.2	3.2
Industry, *of which*	0.5	15.0	0.6	16.7	0.6	16.7	0.7	19.0	0.9	20.0	1.0	22.1	1.2	23.4
Textile, apparel, and footwear	0.1	1.6	0.1	2.2	0.1	3.3	0.2	4.7	0.3	6.2	0.4	9.5	0.6	11.2
Services	1.4	42.6	1.5	42.4	1.6	41.8	1.6	40.7	1.8	41.7	2.0	42.5	2.1	42.8

Source: Adapted from World Bank, *World Development Indicators Online.*

Note: [a] GDP by "Expenditure" and "Sector" breakdowns are drawn from different sources and do not equal.

Exhibit 12 UNITE Letter to U.S. Trade Representative

UNITE! A MERGER OF THE AMALGAMATED CLOTHING & TEXTILE WORKERS UNION & THE INTERNATIONAL LADIES' GARMENT WORKERS' UNI

December 21, 1999

C. Donald Johnson
Ambassador
Chief Textile Negotiator
Executive Office of the President
USTR
600 17th Street, NW
Washington, DC 20508

Dear Don,

Your proposal to give Cambodia a 5% increase in their quote greatly disturbs me. UNITE's staff has worked closely and constructively with USTR and the Labor Department to develop an effective labor rights monitoring system as contemplated by the bilateral agreement. We consulted with the AFL-CIO to create the best monitoring and enforcement structure possible within the Cambodian legal and political environment. We sought in good faith to make the labor rights agreement work quickly and effectively.

However, no monitoring system is in place as yet and gross violations of Cambodian labor law remain unaddressed. A large number of independent observers have acknowledged that labor rights and working conditions in the Cambodian apparel industry do not substantially comply with Cambodian labor law nor most of the ILO's Core Labor Standards. To reward Cambodia because they are "taking steps toward" compliance is wrong and not what was contemplated when the agreement was negotiated. I still believe countries should be rewarded in the international trading system for observing and enforcing core labor standards along with basic human rights. But to increase Cambodia's quota now would undercut the very incentives the agreement was designed to encourage.

Setting up an effective and credible monitoring system through the ILO has been slow and difficult. But the US Government should not base its decision on selective anecdotal evidence, which is all we have today. It should work much more diligently on putting an independent monitoring system into place so that decisions regarding a quota increase will be credible and other countries will know clearly what it takes to receive tangible rewards for meeting minimal international working standards. Once a monitoring system is in place, and if they meet the standard, I can support Cambodia getting whatever quote that is due them under the agreement.

Sincerely,

Jay Mazur
President

1710 Broadway
New York, NY 10019-5299
Tel 212 265-7000
Fax 212 265-3415

UNION OF NEEDLETRADES, INDUSTRIAL AND TEXTILE EMPLOYEES, AFL-CIO, CLC

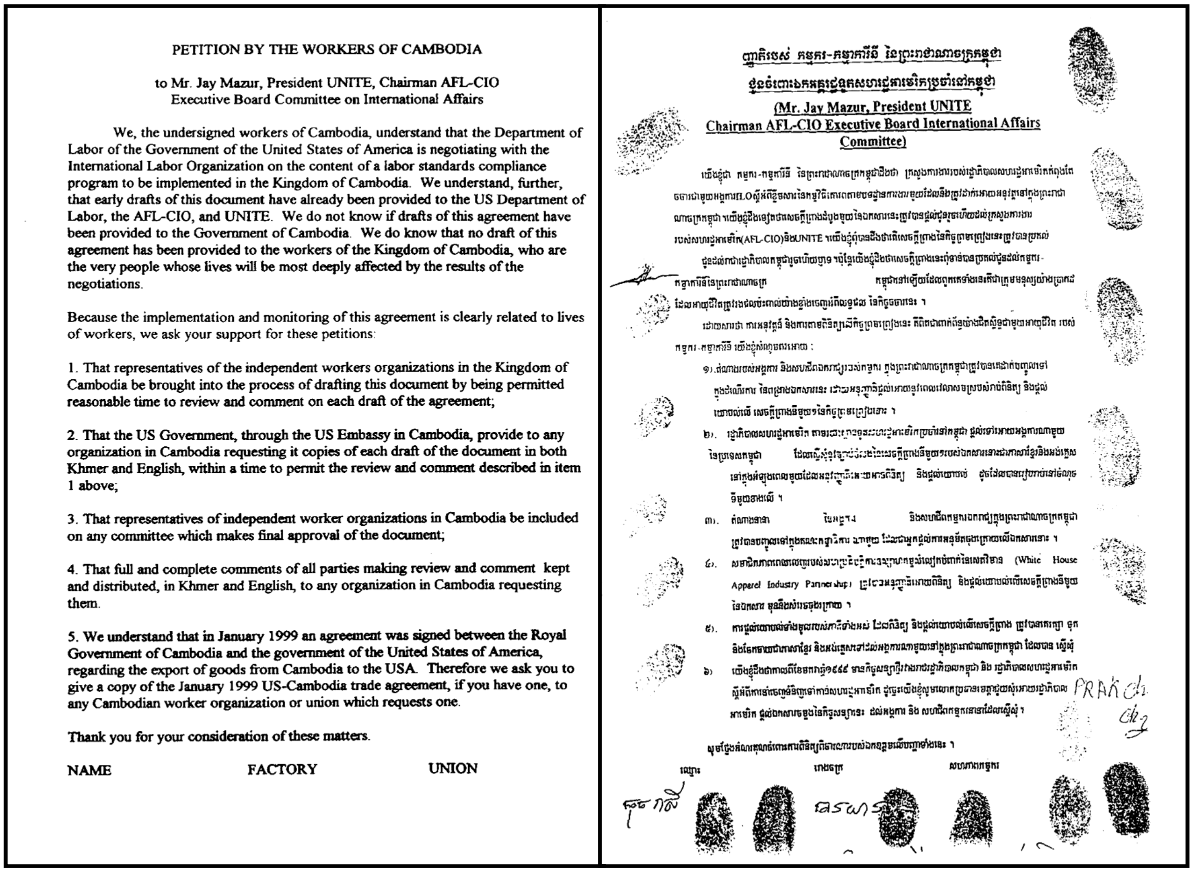
JAY MAZUR *President*
BRUCE RAYNOR *Secretary-Treasurer*
EDWARD W. CLARK, JR. *Executive Vice President*
EDGAR ROMNEY *Executive Vice President*

cc: Phil Fishman

VICE PRESIDENTS: JOHN ALLERUZZO RONALD ALMAN NOEL BEASLEY GARY BONADONNA CLAYOLA BROWN MAY Y. CHEN SUSAN COWELL AGNELO DA COSTA ALEXANDRA DAGG OLG BRUCE DUNTON JOSEPH FISHER MARK FLEISCHMAN LYNNE FOX JEAN HERVEY ROBERT JORDAN CHRISTINE KERBER WILLIAM LEE JOSEPH LOMBARDO DAVID MELMAN PETER N FRANK NICHOLAS, JR WARREN PEPICELLI MARK PITT SALVATORE RUMBOLO RICHARD RUMELT JOAN SUAREZ PAT SULLIVAN JOSE TORRES JAMES TRIBBLE CRISTINA VAZQUEZ PAUL WI

Source: Courtesy of UNITE, 2003.

Exhibit 13 Cambodian Garment Worker Petition, 1999



PETITION BY THE WORKERS OF CAMBODIA

to Mr. Jay Mazur, President UNITE, Chairman AFL-CIO
Executive Board Committee on International Affairs

We, the undersigned workers of Cambodia, understand that the Department of Labor of the Government of the United States of America is negotiating with the International Labor Organization on the content of a labor standards compliance program to be implemented in the Kingdom of Cambodia. We understand, further, that early drafts of this document have already been provided to the US Department of Labor, the AFL-CIO, and UNITE. We do not know if drafts of this agreement have been provided to the Government of Cambodia. We do know that no draft of this agreement has been provided to the workers of the Kingdom of Cambodia, who are the very people whose lives will be most deeply affected by the results of the negotiations.

Because the implementation and monitoring of this agreement is clearly related to lives of workers, we ask your support for these petitions:

1. That representatives of the independent workers organizations in the Kingdom of Cambodia be brought into the process of drafting this document by being permitted reasonable time to review and comment on each draft of the agreement;

2. That the US Government, through the US Embassy in Cambodia, provide to any organization in Cambodia requesting it copies of each draft of the document in both Khmer and English, within a time to permit the review and comment described in item 1 above;

3. That representatives of independent worker organizations in Cambodia be included on any committee which makes final approval of the document;

4. That full and complete comments of all parties making review and comment kept and distributed, in Khmer and English, to any organization in Cambodia requesting them.

5. We understand that in January 1999 an agreement was signed between the Royal Government of Cambodia and the government of the United States of America, regarding the export of goods from Cambodia to the USA. Therefore we ask you to give a copy of the January 1999 US-Cambodia trade agreement, if you have one, to any Cambodian worker organization or union which requests one.

Thank you for your consideration of these matters.

NAME	FACTORY	UNION

(Mr. Jay Mazur, President UNITE
Chairman AFL-CIO Executive Board International Affairs
Committee)

Source: Courtesy of UNITE, 2003.

Exhibit 14 Garment Sewer: Direct Hourly Wage Rate, 2002 (in U.S. dollars)[a]

Country	Business for Social Responsibility (BSR)	Cambodian Development Research Institute	Industry Source	Werner International, Consulting	Werner International (% U.S. Wage Cost)
Bangladesh	0.24	-	0.12	-	-
Cambodia	0.23	0.29	0.12	-	-
China	0.26	-	0.30-0.50	0.40	5%
India	0.14	-	0.17	0.38	4%
Indonesia	0.43	0.25	0.15	0.21	2%
Mexico	0.48	-	0.70	1.27	15%
Pakistan	0.22	-	0.18	0.29	3%
Philippines	0.63	0.88	0.66	-	-
Sri Lanka	0.21	-	0.35	0.37	3%
Thailand	0.51	-	0.72	0.51	8%
Vietnam	0.16	0.29	0.12	-	-

Sources: Adapted from Werner International; Cambodian Development Research Institute (CDRI); Business for Social Responsibility (BSR); and other data courtesy of industry source, anonymous, 2003.

Notes: [a] 1) Hourly rates may range by a factory's ownership, location within a country, type of production, and skill level of a worker, as well as the degree to which a firm provides additional, and, in some cases, legally required benefits. 2) Werner International and CDRI data is for year 2001. 3) Conventional workweek for garment sewers is 48 hours/week. 3) BSR data for China is based on the average rate in FDI-intensive provinces of Guangzhou, Fujian, and Zhejiang. Within these provinces, rates also vary by county, meaning that knowledge of the location of textile and garment production within a province would provide a better account of actual wage rates. More precise data is available through BSR directly. 4) Missing data, denoted by "-", either unavailable or not provided.

Exhibit 15 Changes in the U.S. Apparel Industry: Employment by Year and State, 1992–2002

Year	U.S. Total (in 1,000s)
1992	1,007.2
1993	989.1
1994	974.0
1995	935.8
1996	867.7
1997	823.6
1992	765.8
1999	690.1
2000	633.6
2001	566.0
2002	529.5
Percentage Change 1992-2002	-47

State	1992	As of May 2002	Percentage Change
California	139.9	128.1	-8
New York	101.9	59.9	-41
Texas	60.3	31.7	-47
North Carolina	75.4	27.4	-64
Pennsylvania	63.6	27.0	-57
Tennessee	60.9	17.1	-72
Michigan	17.1	16.8	-2
Georgia	59.5	16.6	-72
New Jersey	31.8	16.4	-48
Florida	33.4	15.5	-54
Kentucky	29.9	14.7	-51
South Carolina	39.6	13.3	-65
Illinois	13.6	12.0	-11
Mississippi	36.3	10.9	-70
Ohio	14.2	10.2	-28
Massachusetts	17.7	8.7	-51
Virginia	26.7	8.3	-69
Wisconsin	6.6	5.4	-18
Louisiana	10.6	4.0	-62

Sources: Adapted from Tracy Haisley, "Apparel Industry Employment Continues Decline," *Bobbin* Vol. 44, September 2002 and Bureau of Labor Statistics, U.S. Department of Labor.

Exhibit 16 Cotton Woven Blouses (Category 341), 2000–2002[a]

Changes in World Trade

	Exports in Dozens		*Market Share*		*Exports (millions of U.S.*		*U.S.$ per unit*	
Country	*2000*	*2002*	*2000*	*2002*	*2000*	*2002*	*2000*	*2002*
World	18,686,819	21,460,719	100.00%	100.00%	1249.26	1321.91	5.57	5.13
India	4,542,919	6,642,388	24.31%	30.95%	300.13	350.63	5.51	4.40
Bangladesh	3,288,396	2,408,681	17.60%	11.22%	147.19	94.07	3.73	3.25
Hong Kong	2,266,103	2,676,216	12.13%	12.47%	205.97	220.21	7.57	6.86
Indonesia	1,092,591	1,451,385	5.85%	6.76%	86.60	92.95	6.61	5.34
Sri Lanka	1,445,704	1,350,859	7.74%	6.29%	90.54	77.33	5.22	4.77
China	568,686	800,331	3.04%	3.73%	60.50	80.14	8.87	8.34
Thailand	621,974	679,016	3.33%	3.16%	47.35	50.33	6.34	6.18
Philippines	597,403	809,314	3.20%	3.77%	48.87	54.45	6.82	5.61
Mexico	535,605	468,858	2.87%	2.18%	29.71	25.29	4.62	4.50
Cambodia	331,048	382,540	1.77%	1.78%	17.29	19.09	4.35	4.16

Comparative Unit Costing (in U.S. dollars)[b]

Cat 341 Cotton Woven Blouses Mexico (NAFTA)		
FOB Mexico		4.05
Quota (Cat 341)		-
Agent Commission	10%	0.41
Duty	0%	0.00
Freight		0.75
Clearance & Inland Freight		0.10
Sub Total LDP		5.31

Cat 341 Cotton Woven Blouses China		
FOB China		4.08
ATC/ MFA Quota (Cat 341)		3.67
Agent Commission	10%	0.41
Duty	15.7%	1.22
Freight		0.75
Clearance & Inland Freight		0.10
Sub Total LDP		10.23

Cat 341 Cotton Woven Blouses Bangladesh		
FOB Bangladesh		3.58
Quota (Cat 341)		0.00
Agent Commission	10%	0.36
Duty	15.7%	0.56
Freight		0.75
Clearance & Inland Freight		0.09
Sub Total LDP		5.34

Cat 341 Cotton Woven Blouses Cambodia		
FOB Cambodia		4.26
Quota (Cat 341)		0.00
Agent Commission	10%	0.46
Duty	15.7%	0.72
Freight		0.75
Clearance & Inland Freight		0.11
Sub Total LDP		6.30

Source: Data courtesy of David Birnbaum, 2003.
Notes:

[a] LDP = Landed duty paid, typically includes transportation, duty, quota, overseas freight and customs clearance, and inland freight charges.
FOB = Free on board, typically includes inspection, fabric and freight costs, duty (if importing fabric), plus cut-make-trim costs (CMT), including direct labor, factory overhead, and bureaucratic costs.
LDP + Importer Markup = Wholesale Price; Wholesale Price + Wholesale Markup = Retail Price.

[b] The costs shown should be taken as estimates.

Exhibit 17 China Exports to the United States, January–May 2002, as compared with January–May 2001

		Exports in Units (Dozen)		Percent Change	Market Share		Export Value (millions of U.S. $)		Average FOB Unit Price (U.S. $)		Percent Change
Description[a]	**Country**	**May 2001**	**May 2002**		**May 2001**	**May 2002**	**May 2001**	**May 2002**	**May 2001**	**May 2002**	
Infant & young children's wear	World	36,586,172	34,471,559	-6%	100%	100%	726.17	623.80	19.85	18.10	-9%
	China	925,693	5,221,132	464%	3%	15%	37.18	97.22	40.17	18.62	-54%
Cotton Robes	World	1,589,798	1,799,388	13%	100%	100%	111.88	102.78	5.86	4.76	-19%
	China	70,327	356,163	406%	0%	1%	5.61	16.67	6.65	3.90	-41%
MM Brassieres & other foundation garments[b]	World	12,400,768	13,528,738	9%	100%	100%	479.28	520.27	3.22	3.20	-1%
	China	241,025	1,780,120	639%	2%	13%	13.21	57.97	4.57	2.71	-41%
MM Fiber Robes	World	555,799	644,396	16%	100%	100%	34.24	32.87	5.13	4.25	-17%
	China	18,671	78,687	321%	1%	4%	2.17	5.40	9.66	5.72	-41%

Source: David Birnbaum, "The Great 2005 Garment Debate," unpublished paper, 2002.

Notes: [a] Items released from MFA/ATC Quota.

[b] MM = man-made.

Endnotes

[1] John Sweeney, President, AFL-CIO, "Not a Backlash: Birth Pangs of a New Internationalism," speech delivered at the public session on "Addressing the Backlash Against Globalization," World Economic Forum, Davos, January 29, 2001. Available at <http://www.union-network.org/Unisite/events/wef/Interventions/ Sweeney.htm>.

[2] Paul Collier and David Dollar, *Globalization, Growth and Poverty* (Washington, D.C.: The World Bank, 2002).

[3] Author's interview with H.E. Sok Siphana, Secretary of State for Commerce, Ministry of Commerce, Phnom Penh, August 19, 2002.

[4] Author's interview with Ambassador C. Donald Johnson, Chief Textile Negotiator (1998–2000), Office of the U.S. Trade Representative, November 4, 2002.

[5] "U.S.-Cambodia Textile Agreement Links Increasing Trade with Improving Workers' Rights," Office of the U.S. Trade Representative, press release, January 7, 2002.

[6] The Treaty of Versailles, Part 13, Section 1, read that " Whereas the League of Nations has for its object the establishment of universal peace, and peace can be established only if it is based upon social justice; And whereas conditions of labor exist involving such injustice, hardship, and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperiled; an improvement of those [working] conditions is urgently required." For the full text of the treaty, see <http://www.lib.byu.edu/ ~rdh/wwi/versailles.html>. This section of the treaty served as the founding constitution of the International Labor Organization. It can be found in full at <http://www.ilo.org/public/english/about/iloconst.htm>.

[7]This right was strongly contested in the 1990s, fully lapsing in 1994. It was restored in 2001 through the Trade Promotion Authority bill (also known as "fast-track authority").

[8] For further discussion of the International Trade Organization (ITO), see David Moss et al., "Creating the International Trade Organization," HBS Case No. 798-057 (Boston: Harvard Business School Publishing, 1998).

[9] For the full text of the Havana Charter, see <www.worldtradelaw.net/misc/havana.pdf>.

[10] Steve Charnovitz, "The Influence of International Labor Standards on the World Trading Regime," *International Labor Review*, Vol. 126, No. 5 (September–October, 1987): 577.

[11] Processes for dispute settlement in the ITO are discussed in Articles 94 and 95 of the Havana Charter.

[12] The full list includes Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, the Czechoslovak Republic, France, India, Lebanon, Luxembourg, the Netherlands, New Zealand, Norway, Pakistan, South Africa, Southern Rhodesia, Syria, the United Kingdom, and the United States of America.

[13] For this reason, MFN is also described as "normal trade relations" (NTR).

[14] Between 1960 and 1973, 45 of the 128 GATT member countries joined the organization. A listing of these countries is available at <http://www.wto.org/english/thewto_e./gattmem_e.htm>.

[15] The U.S. GSP program was established under Title V of the 1974 U.S. Trade Act, initially for a 10-year period. It was subsequently renewed five times: July 4, 1993, through the Trade and Tariff Act of 1984; July 31, 1995, through the Uruguay Round Agreement; May 31, 1997, by the Small Business Act of 1996; June 30, 1998, by the Budget and Reconciliation Act; and August 6, 2002, through the Trade Act of 2002, set to expire in 2006, and applied retroactively from September 30, 2001, when GSP actually expired.

[16] Advocates of the private-sector advisory system argued that trade policy had been put to political ends at the expense of the domestic sector. For further discussion, see Alfred E. Eckes, Jr., *Opening America's Market: U.S. Foreign Trade Policy Since 1776* (Chapel Hill: The University of North Carolina Press, 1995), pp. 214–216. The role of the advisory system expanded with the Trade Agreements Act of 1979 and the Trade and Omnibus Competitiveness Act of 1988.

[17] The European Union GSP began in July 1971. It was not until 1998 that the EU fully linked GSP beneficiary rights to ILO core labor standards. For further discussion, see George Tsogas, *Labor Regulation in a Global Economy* (Armonk, NY: M.E. Sharpe, 2001), pp. 119–123.

[18] The African Growth and Opportunity Act made an additional 1,200 items eligible for duty-free status. Eligible sub-Saharan countries enjoy these benefits through September 2008.

[19] Least developed beneficiary developing countries (LDBDCs) are also eligible for duty-free status on an additional 1,770 items. See <http://www.ustr.gov/reports/gsp/intro.html>.

[20] The maximum per capita income is drawn annually from the World Bank Development Report's definition of high- and low-income countries. For further discussion, see The Trade Partnership, "The U.S. Generalized System of Preferences Program: An Update," prepared for The Coalition for GSP, April 2002, unpublished paper.

[21] See "Overview of Textiles and Clothing Industry," European Union, <http://europa.eu.int/comm/ enterprise/textile/overview.htm>, accessed March 6, 2003.

[22] For fuller discussion of the MFA, see David B. Yoffie and Jane K. Austin, "Textiles and the Multi-Fiber Arrangement," HBS Case No. 383-164 (Boston: Harvard Business School Publishing, 1983).

[23] Gary Gereffi, "Outsourcing and Changing Patterns of Competition in the Apparel Commodity Chain," Center for Economic Policy Analysis, New School University, March 8, 2002.

[24] Bernard A. Gelb, "Textile and Apparel Trade Issues," CRS Report for Congress, Number RS 20436, March 20, 2001.

[25] For fuller discussion of the WTO, see David Moss and Nick Bartlett, "The World Organization," HBS Case No. 403-015 (Boston: Harvard Business School Publishing, 2002).

[26] Countries that have ratified only three ILO core conventions include Afghanistan, China, Myanmar (Burma), and Vietnam.

[27] European labor has a number of formal channels available, including the Trade Union Advisory Committee (TUAC) to the Organization for Economic Cooperation and Development (OECD), the International Trade Secretariats (ITS), and the International Confederation of Free Trade Unions (ICFTU). For further discussion, see Jon Erik Dolvik and Liv Torres, Fafo Institute for Applied Social Science, "Globalization, Work

and Labor Standards," Report No. 9, The Globalization Project, Norwegian Ministry of Foreign Affairs, April 2002, <http://odin.dep.no/ud/norsk/handelspolitikk/032121-090005/index/dok000-b-n-a.html>, accessed September 15, 2002.

28 WTO working groups are often the first step toward introducing new binding regulations in the WTO.

29 Celia W. Dugger, "Why India and Others See U.S. as Villain on Trade," *The New York Times*, December 17, 1999.

30 Author's interview with H.E. Cham Prasidh, Minister of Commerce, Kingdom of Cambodia, August 15, 2002.

31 Sok Hach & Sarthi Acharya, *Cambodia's Annual Economic Review, 2002*, Cambodia Development Research Institute (CDRI), Issue 2, Phnom Penh, Cambodia: Japan Printing House, p. 10; and Nicole Sayres and Thomas Lum, "Cambodia: Background and U.S. Relations," CRS Report for Congress, No.RS21289, August 21, 2002.

32 Susan Postelwaite, "Cambodia's Banking Boomlet is Over," *Asian Wall Street Journal*, July 7, 1995. In 1996, Cambodia was added to the U.S. "List of Major Drug Producing or Drug-Transit Countries." In 1999, the U.S. government certified Cambodia as taking steps to eliminate illicit drugs. In 2001, President George Bush removed the country from the list, citing no evidence of heroin or cannabis entering the U.S. from this country. Source: <http://www.whitehouse.gov/news/releases/2001/11/20011102-13.html>, accessed July 15, 2002.

33 Nicole Sayres and Thomas Lum, "Cambodia: Background and U.S. Relations," CRS Report for Congress, No. RS21289, August 21, 2002.

34 Author's interview with H.E. Cham Prasidh, Minister of Commerce, Kingdom of Cambodia, Phnom Penh, August 15, 2002.

35 Author's interview with H.E. Sok Siphana, Secretary of State for Commerce, Ministry of Commerce, Phnom Penh, August 19, 2002.

36 Author's interview with H.E. Cham Prasidh, Minister of Commerce, Kingdom of Cambodia, Phnom Penh, August 15, 2002.

37 For fuller discussion of Nike's experience, see Debora Spar and Jennifer Burns, "Hitting the Wall: Nike and International Labor Practices," HBS Case No. 700-047 (Boston: Harvard Business School Publishing, 2000).

38 Kimberly Ann Elliott, "Preferences for Workers? Workers Rights and the U.S. Generalized System of Preferences," statement prepared for the Faculty Spring Conference, "Globalization and Inequality," Calvin College, Grand Rapids, Michigan, May 28–30, 1998. Last revised May 8, 2000. Available at <www.iie.com/ papers/elliott0500.htm>, p. 6, accessed October 15, 2002.

39 Author's interview with Ambassador C. Donald Johnson, Chief Textile Negotiator (1998–2000), Office of the U.S. Trade Representative, November 4, 2002.

40 Countries not yet members of the WTO may attend as "observers."

41 Author's interview with Ambassador C. Donald Johnson, Chief Textile Negotiator (1998–2000), Office of the U.S. Trade Representative, November 4, 2002.

42 Biannual consultations, as required by the agreement, were held on July 14 and November 9, 1999. In addition, as required by U.S. law, the government solicited public comments through a notice in the *Federal Register* (64 FR 60428, November 5, 1999).

43 Author's interview with Ambassador C. Donald Johnson, Chief Textile Negotiator (1998–2000), Office of the U.S. Trade Representative, November 4, 2002.

44 Helene Cooper, "Dropped Stitches: A Trade Deal Helps Cambodian Workers, but Payoff is Withheld," *The Wall Street Journal*, February 28, 2000.

45 Author's interview with Ambassador C. Donald Johnson, Chief Textile Negotiator (1998–2000), Office of the U.S. Trade Representative, November 4, 2002.

46 Author's interview with Andrew J. Samet, former Deputy Under Secretary of International Affairs, U.S. Department of Labor (1996–2000), November 8, 2002.

47 Author's interview with Mark Barenberg, legal advisor, UNITE, New York, July 25, 2002.

48 Author's interview with Mark Levinson, chief policy advisor, UNITE, New York, July 25, 2002.

49 Author's interview with Mark Barenberg, legal advisor, UNITE, New York, July 25, 2002.

50 John A. Hall, "Human Rights and the Garment Industry in Contemporary Cambodia," *Stanford Journal of International Law*, Issue 119, 2000; "Labor Trends Report," U.S. Embassy Political and Economic Affairs Office, April 2002. Author's interviews, various, Phnom Penh, August 2002.

51 Author's interview with Ambassador C. Donald Johnson, Chief Textile Negotiator (1998–2000), Office of the U.S. Trade Representative, November 4, 2002.

52 Author's interview with Lejo Sibbel, chief technical advisor, Garment Sector Working Conditions Improvement Project (CMB/O/50M/USA), Phnom Penh, August 13, 2002.

53 *Prakas* No. 108 MOC/M 2001, dated March 28, 2001.

54 John A. Hall, "Human Rights and the Garment Industry in Contemporary Cambodia," *Stanford Journal of International Law*, Issue 119, 2000, pp. 163–164.

55 ILO synthesis reports can be found at <http://www.ilo.org/public/english/dialogue/ifpdial/ publ/cambodia.htm>.

56 Author's interview with Van Sou Ieng, President, Garment Manufacturers Association of Cambodia (GMAC), Phnom Penh, August 15, 2002.

57 Author's interview with Van Sou Ieng, President, Garment Manufacturers Association of Cambodia (GMAC), Phnom Penh, August 15, 2002.

58 Author's interview with Van Sou Ieng, President, Garment Manufacturers Association of Cambodia (GMAC), Phnom Penh, August 15, 2002.

59 Author's interview with Jason Judd, AFL-CIO country representative, Phnom Penh, August 10, 2002.

60 Author's Interview with Jason Judd, AFL-CIO country representative, Phnom Penh, August 10, 2002.

[61] Sok Hach and Sarthi Acharya, *Cambodia's Annual Economic Review, 2001*, Cambodia Development Research Institute (CDRI), Issue 1, Phnom Penh, Cambodia: Japan Printing House, pp. 53–55.

[62] "Cambodia: Integration & Competitiveness Study," Cambodian Ministry of Commerce, pp. 40–47.

[63] Brian Calvert, "End of the Line? Expiration of Crucial Trade Agreement Could Change the Face of Cambodia's Top Industry," *The Cambodia Daily*, weekend edition, August 10–11, 2002. Author's interviews with various labor federation leaders, Phnom Penh, August 2002.

[64] David Birnbaum, "Life After Quota: Analysis of the International Garment Industry in the Post-2005 Era," April 10, 2002, unpublished paper.

[65] Robert Arnot, chairman of I.C. Isaacs, the owner of the North American rights for Marithe & Francois Girbaud jeans and Brook Larmer, "From Rags to Riches," *Newsweek International,* August 12, 2002.

[66] "China: The Clothing Wars," *Economic Intelligence Unit—Business China*, January 6, 2003.

[67] David Birnbaum, *Birnbaum's Global Guide to Winning the Great Garment Wa*r (Hong Kong: Third Horizon Press, Ltd., 2000), p. 166.

[68] Tracy Haisley, "Apparel Industry Continues to Decline," *Bobbin*, Volume 44, Issue 1, September 1, 2002; Joanna Ramey, "North Carolina Race Spotlights Textile Woes," *Women's Wear Daily*, October 31, 2002; Tony Mecia, "High-Stakes Hide and Seek Shiploads of Secret Cargo Threaten Textile Jobs across the Carolinas," *The Charlotte Observer*, September 29, 2002; and Tony Mecia, "Campaigns Raise Smuggling Issue: Senate Contenders Attack Illegally Imported Textiles," *The Charlotte Observer*, September 14, 2002.

[69] "New Textile Association to Fight to Protect Jobs," *The Charlotte Observer*, April 12, 2002. Source: <http://www.behind-the-seams.com/Associations/020506/Associations_020506b.htm>.

[70] The items mentioned included knit fabrics (category 222); brassieres (category 349/649); gloves (category 331/631); and textile luggage (category 670). Other goods also came off quota restriction as well.

[71] "Safeguard measures" were initially made available under Article 19 of GATT and carried over to the WTO, with the exception of prohibiting "gray area" measures (such as voluntary export restraints) in response to threats to home industries. In addition, time limits had to be imposed on any safeguard action. For further information, see <http://www.wto.org/english/tratop_e/safeg_e/safeg_e.htm>.

[72] Senator Max Baucus, Chairman, Senate Finance Committee, "The Trade Act of 2002," keynote speech at the conference "Trade Policy in 2002," presented at the Institute for International Economics, February 26, 2002. "Fast-track" authority refers to the right of the President to negotiate international trade agreements with their ratification subject only to a "yes" or "no" vote by Congress, without any amendments. The President secured this right through the Trade Act of 2002. "Fast track" is now known as "Trade Promotion Authority." For further information, see <www.tpa.gov>. See also Representative Sander M. Levin, U.S. House of Representatives, Ranking Democrat, Ways & Means Trade Subcommittee, Speech for International Labor Standards Conference, Stanford Law School, May 19, 2002, available at <www.house.gov/levin/05.19.02.html>.

[73] Lorne W. Cramer, "Trade Unions are Key to Sustaining Democratic Gains," U.S. Dept. of State, remarks to the Worldwide Labor Officers Conference, July 18, 2002, <http://www.state.gov/g/drl/rls/rm/12272pf.htm>.

[74] The ILO project in Bangladesh is often mentioned in parallel with the Cambodia project. But, the Bangladesh program is limited to monitoring against child labor, while the Cambodia project covers an entire economic sector.

[75] H.E. Cham Prasidh, Minister of Commerce, speech at the official opening of the Phnom Penh office of the ILO Garment Sector Working Conditions Improvement Project, March 30, 2001.

[76] Cambodia's "pro-poor" development strategy is linked to its role as one of three pilot cases for the Integrated Framework (IF), a multilateral development effort that began in 1997 as an attempt to facilitate market openness without sacrificing the goals of social development—a criticism commonly heard with reference to earlier structural adjustment packages. For further discussion, see <http://if.wto.org>. For Cambodia's experience with the program, see <http://www.moc.gov.kh/ intergrated_framework/default.htm>.

[77] Author's interview with H.E. Cham Prasidh, Minister of Commerce, Kingdom of Cambodia, August 15, 2002.