



សហគមន៍រោងចក្រកាត់ដេរនៅកម្ពុជា  
THE GARMENT MANUFACTURERS ASSOCIATION IN CAMBODIA  
柬埔寨制衣廠公會

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Samdech Hun Sen

His Royal Highness

Excellency, Lok Chumteav

Honorable Members of the Diplomatic Corp

Ladies and Gentlemen,

Good Morning,

My name is Van Sou Ieng and it is my honor today to be able to once again speak on behalf of the private sector Export Processing and Trade Facilitation Working Group.

The Cambodian Garment industry has come a long way since its humble beginnings and in 2005, we succeeded to export more than 2.2 Billion USD worth of apparel and is responsible for the direct employment of more than 280,000 workers , indirectly affecting over 1,5 millions citizen and representing 15 % of GDP. In 2006, we have grown further and the garment sector now employs more than 300,000 workers.

Under Samdech's able leadership, the Cambodian Garment industry has helped to put Cambodian on the world map and our garment industry is well recognized and well praised worldwide for its high level of social compliance and responsibility. The international community has always spoken in high regards and respect for what we have achieved in Cambodia. It is also time for the critics within the country to recognize what we have achieved in the areas of social

compliance and its care for the labor force, because so far, Cambodia is well known only for atrocities such as the khmer rouge and the killing fields.

At the 8<sup>th</sup> and 9<sup>th</sup> Private Sector Forum, Samdech provided us with several concessions that has helped the industry tide over the initial difficulties on the end of the MFA and the abolishment of the quotas.

Although the main reason for the continued growth in Cambodia is the re-imposition of quotas on China's garment exports by the USA as well as the EU, much credit has to go to Samdech as well as the government for taking measures to facilitate trade and to tackle corruption. As such, we have succeeded in further improving our exports and for the first 5 months of 2006, we have seen a 15% increase over last year.

However, there are still several urgent issues that need to be resolved:

1. Labor/Union Issues
2. Night Shift

1. An area of vital importance and increasingly becoming more problematic is the area of unions unlawful behaviour and the ambiguity in certain aspects of the labor law. With the numerous NGOs and with the ILO in Cambodia acting as watchdogs, employers are very often punished if they are found to be in breach of the labor law. However, this does not apply to the unions as they are often treated leniently even though when they are in obvious breach of the labor law.

One simple example is the right to strike: ILO reports that more than 95% of the strikes in the garment factories are considered "illegal" as they did not go through legal procedures to apply to strike, but the unions were never punished. As such, the unions feel that they can get away with

unlawful behaviour and continue to strike illegally, holding employers and investors alike at ransom and making unreasonable demands. These strikes affect our production schedule and our reputation for being able to deliver goods on time.

We have spoken to many buyers recently and all of them are deeply concerned about the rising incidents of strikes in Cambodia in the past few months. The buyers are concerned about 2 things: The possible damage to their brand image if foreign press reports and exaggerates on the strike situation in Cambodia as well as the possible delay shipment of their goods due to stoppage in production. In fact, one major buyer has already made a decision to reduce orders to Cambodia for 2006 by as much as 35%.

We would like to appeal to Samdech and humbly request that all parties are treated fairly in the eyes of the law. If employers are in breach of the law, please punish the employers. Similarly, if the unions and workers are in breach of the law, please punish them as well. As such, we would like to suggest that unions who stage illegal strikes should be de-registered immediately and the union leader leading such illegal strikes should be subjected to dismissal from the enterprise as stipulated by the labor law.

Cambodia has many laws that protect the interests of both the investors as well as workers and unions. However, we would like to appeal to Samdech to ensure that all these laws are strictly enforced.

Another situation is when strikes results in damage to company property and the company turns to the courts to seek redress, many NGOs and even the ILO comes out in defense of these violent workers?? Where are the rights of the investors and employers?

There is a right to strike for Unions but there should also be a RIGHT to work for majority of workers. And that right of work is being abused by the Unions. In many instances during a strike, the Union representative had locked up the factory main gate, burn tires and threatened workers who want to work, and not allowing the Owner to leave the factory premises. Public Order must be maintained for the economies to prosper. It seems that the unions have become the people running the factories and not the employers. In the name of equitability, the unions need also to be monitored to ensure that they are compliant with the laws and not only the employers. I respectfully hope Samdech will put personal attention to this matter, as it has affected the confidence of foreign investors that want to invest or continue to invest in Cambodia.

Another area of the law that is being abused by the unions is the protection of union leaders. The labor law protects the top 3 office holders of each union and we employers find it extremely difficult to dismiss any union leader even when he or she had committed serious offence such as stealing or fighting or drinking. Whenever we try to dismiss any worker and especially a union leader for committing serious offences such as stealing, the unions would always stage a strike or threaten to strike, demanding that the worker in question be reinstated. We as employers feel that we are always being held at ransom by the unions and workers because of our tight production schedule. If a strike occurs, we will not be able to produce our garments on time and thus would have to incur additional costs either in the form of paying for air freight or by paying damages to the buyers.

Presently, the labor law does not state the minimum number of people required to form a union. As such, it is possible for 3 people to register a

union and these 3 people will be protected under the labor law. That is why we now have almost 900 unions for only 270 factories. We feel that this requirement should be tightened to prevent abuse of the law. We would like to humbly suggest that in order to form a union within any enterprise, that unions should at least have a minimum of 20% of the total number of workers of the enterprise as its members. This means that if a factory has 1000 workers, any union formed within the factory should have at least 200 of its workers as members.

In addition, we also ask for strict enforcement of the prakas relating to Most Representative Status union. This will help the management to have a better idea of which union to negotiate with and ensure that workers are able to bargain with employers in a more efficient manner. The other smaller unions must abide by the negotiations of the most representative unions and cannot stage illegal strikes to oppose.

2. The final issue that we would like to raise is the night shift issue. This issue has been on the agenda for a few years now with no significant progress. As Samdech is aware, we are now facing stiff competition from all over the world and as such we need to find ways to improve our competitiveness. One way to do this would be to allow for the creation of a night shift at a more reasonable wage level rather than the present levels of 200%. This will help to improve our competitiveness as we will have more time for production as we are working round the clock. In Cambodia, we are disadvantaged by the fact that we have to import all our raw materials and this process usually takes up 2 weeks of our production time. Being able to run the night shift will allow us to claw back this lost production time and compete with countries like Vietnam and China. In addition, this will also immediately create much more jobs for

Cambodians. We urge Samdech to take swift and immediate decision on this matter.

We want to thank Samdech Prime Minister for having granted the 2 year tax holiday extension to all existing garment factories that have invested in Cambodia before 14 March 2005. We are sure that this will breath new lease of life into the industry and renew investor confidence to continue to invest in Cambodia.

I would also like to take this opportunity to congratulate the various Working Groups that we have been able to participate in and especially the WG for Export processing and trade facilitation led by Sr Minister Cham Prasidh as well as the WG on Law, Tax and Good Governance led by Sr Minister Keat Chhon and HE Kong Vibol. In particular, our utmost gratitude goes out to SM Cham Prasidh who has always been a champion for the garment industry and our needs. Once again, the Senior Minister has been attentive to the delicate situation of the industry and has lent his helping hand in pressing for the many reforms and initiatives that continue to lend a lifeline to our industry. Our thanks also goes out to HE Suy Sem, HE SOk Chenda as well as HE Pen Siman. These WG have been extremely efficient and has allowed us to resolve many problems as and when they arise. We look forward to continued co-operation and success with them.

Finally, on behalf of the Export industry, we would like to thank Samdech for your commitment and continued personal attention and intervention in support to this industry, which directly and indirectly cares for more than a million Cambodians citizens.

Thanks you for your patience and time.