

Statement

Phnom Penh, June 30, 2020

Impact of Covid-19 Pandemic on Cambodian Garment and Footwear Sectors: Associations Send Reply to the European Parliament Again Appealing to Postpone the Scheduled Withdrawal of EBA Trade Preferences

Today, the Garment Manufacturers Association in Cambodia (GMAC), the Cambodia Footwear Association (CFA), and the European Chamber of Commerce in Cambodia (EuroCham), responded to a letter issued by the Chair of the European Parliament's International Trade Committee, Bernd Lange, on behalf of the President of the European Parliament, David Sassoli. Chairman Lange's letter was in response to a June 2 appeal by the three associations to the European Union to postpone the August 12, 2020 effective date of the partial withdrawal of Cambodia's Everything But Arms (EBA) trade benefits for twelve months due to the devastating impact of the COVID-19 pandemic in Cambodia.

Since the beginning of the pandemic, some 400 factories in the Cambodian apparel, footwear and travel goods sectors have had to suspend operations, with most others operating at reduced capacity and in excess of 150,000 workers in the sector, most of whom are women, have already lost their jobs. This number is likely to rise sharply in the coming weeks as numerous brands and retailers in Europe and North America have canceled or delayed orders due to the drop in retail sales in Europe from the pandemic. Consequently, millions of Cambodian citizens could fall back into poverty due to this crisis.

"We appreciate the response from Chair Lange of the European Parliament, and we are again asking him to consider that when the European Commission made its decision in February, that was done without any awareness of the coming impact of the COVID-19 pandemic," said Ken Loo of the Garment Manufacturers Association in Cambodia. "We are asking that the European Union take a reasonable time to consider that impact now."

The Cambodian garment, footwear and travel goods sectors are the largest employer in Cambodia, and support some one million workers and their families.

"The European Union through EBA has become our largest market for footwear," said Mr. Ben Kao, Secretary General of the Cambodia Footwear Association. "Our factories and workers have suffered enormously from the pandemic, and many are trying to survive until demand, hopefully, resumes later in 2020. A second blow from the withdrawal of EBA benefits could be a second blow that most factories will not be able to sustain," added Mr. Ben.

The associations have appealed to Chair Lange of the European Parliament that the decision should be delayed under a full impact assessment can be made of the EBA withdrawal coming on top of the pandemic. "As the European Union is Cambodia's largest trade partner, we very much hope the European Commission will reconsider this decision. We strongly feel that sticking to the EBA removal calendar will be counterproductive to Cambodia's socio-economic transformation and will have a terrible impact on the employment of hundreds of thousands of Cambodians - mostly women and many more of their dependents," stated Arnaud Darc, Chairman of the European Chamber of Commerce in Cambodia.



Garment Manufacturers
Association in Cambodia
(GMAC)



Cambodia Footwear
Association (CFA)



European Chamber of
Commerce in Cambodia
(EUROCHAM)

The Honourable Bernd Lange
Chair,
Committee on International Trade
European Parliament

Phnom Penh, June 30, 2020

Dear Mr. Chair;

First, we want to thank you for your response of June 10, 2020, to the letter we sent to the President of the European Parliament on June 2, 2020 with regard to the scheduled withdrawal of certain benefits for Cambodia's exports under the Everything But Arms (EBA) program. We would also like to ask you to thank the President on our behalf for the kindness he showed in asking you to address our concerns. You may be interested to know that we have not yet received a response from the European Commission to the concerns expressed in our letter, but we are hopeful that may still occur.

Second, we appreciate your assurance that European Union officials and representatives remain open and willing to engage with the Royal Government of Cambodia on the GSP matter and to preserve positive trade relations. You also can be confident that we hope that such dialogue can be successful.

At the same time, we would ask for your sympathetic understanding that we can only respond as the representatives of the factories and the hundreds of thousands of workers of the garment, footwear and travel good sectors -- that together are the foundation of the Cambodian economy. Again, Mr. Chair, we are proud of the work we have done as employers for more than two decades in constantly moving forward the labor and living conditions of our workforce. Our pride is more so in that we were the first sector in the world to agree to have a program of the International Labor Organization to transparently monitor and assess our factories, and that program remains fully in operation with our support. We were the model and pioneer for one of the ILO's flagship programs, which has been adopted in eight other countries.

We also continue to express our appreciation that the EBA program of the European Union has been a great success in supporting the development of our sector, and in lifting millions of Cambodians out of poverty. We believe the officials and representatives of the European Union should take pride in the success of the EBA program for Cambodia's development, and that the European Union has become our most important trading relationship.

On your third point, Mr. Chair, that our request for a suspension of the withdrawal of the EBA preferences is not the "only feasible and necessary policy measure available," we would hope that we could believe that to be the case, but we are not aware of any alternative policy measure that has been brought forward that will prevent the continued closure of factories and loss of jobs. Based on our survey with members, the number of factories on suspended operation, in part or in full, has grown to over 400 with some more applying for suspension too, pending official approval from the government. This has affected over 150,000 workers and the number could soon go up to 200,000. Thus far, factories in our sector have received no credit or liquidity support from national or international sources, and workers on suspended work contract only receive a stipend of \$30 from the factory and \$40 from the government. In short, Mr. Chair, we do not see any near-term support.

Moreover, Mr. Chair, we want to appeal to you on something that you almost certainly know to be true. It is far better for a Cambodian worker to have the wages and dignity of a job than to have a small level of income support for a short-period of time, whether from national or international

sources. All of what we know tells us that people are empowered by dignified work, and while we are committed to continued improvements, we believe our sector has made steady progress in providing the Cambodian people both work and dignity, including through a vibrant trade union sector.

Mr. Chair, we also understand the importance of applying EU law even during the COVID-19 pandemic. We do not contest that. We believe, however, part of that law provides for an assessment of the impact of a withdrawal decision on EU interests, and that one of the policy interests of the EU was to limit the loss of employment in our sector. Mr. Chair, as we have never seen the assessment that was the basis of the February 12 decision, we are constrained in how we might comment on it. But we are certain that assessment did not anticipate or include in any way the impact of the COVID-19 pandemic on our sector or our workforce.

In other words, the European Commission could not have anticipated it would become the crushing second blow following on from the devastating first blow from the pandemic. We would hope that European Union authorities would consider the importance of that additional assessment, and decide the withdrawal decision should be postponed at least until that is completed and considered. Mr. Chair, to do otherwise, is to doubly punish not only our factory owners, but also our workers. First, with COVID-19 cancellations and lockdowns, and then, second, with EBA withdrawal.

Mr. Chair, if you are convinced that this double blow was exactly what was intended by the European Union on the workers of Cambodia, then we must accept it. Given all of the support that the European Union has given to the trade and economic development success of our country, we cannot believe that to be so.

We again appeal to you and other officials of the European Union to postpone this second blow on our sector unless and until you are convinced that the assessment you have about its impact is one that is acceptable to you.

Thank you very much for your further consideration. We would be eager to provide you any additional information that would help you evaluate the merits of our continued appeal.

Most sincerely,



Garment Manufacturers Association in Cambodia (GMAC)



Cambodia Footwear Association (CFA)



European Chamber of Commerce in Cambodia (EUROCHAM)