Cambodia's Industrial Growth Strategy and the Role of Social Enterprise
– With focus on Garment Industry–

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1. Introduction

1.1. Overview of Cambodia’s Economy and Garment Industry

Since the government reforms of 1993\(^1\) and its subsequent global integration\(^2\), Cambodia has been able to maintain an annual macro-economic growth of 8.9 per cent between 2002 and 2010 (Hang Chuon Naron, 2007)\(^3\); one source of this economic growth has been the activity of the garment industry.

However, the Cambodian’s garment industry lacks other related industries such as fiber, dyeing, subsidiary materials, etc. in the supply chain of the garment. Since Cambodian factories are remaining at a level of sewing factories, focusing on offering Cut-Make and Trim services, Cambodia’s competitiveness in the global garment market is rated as very weak.

Until now, in order to avoid the Multi Fiber Arrangement and high costs (high wages), global leading apparel companies have relocated their manufacturers to those countries which can meet their needs, and hence, Cambodia is one of the countries benefited from participating in the global garment market through this occasion. However, some changes are taking place in the global garment market. Most of all, the abolishment of the Multi Fiber Arrangement, since 2005, is one of the biggest changes. In other words, due to the MFA abolishment, each country’s

\(^1\) since 1993 has undergone reform from a one-party system to a democratically-elected multi-party government
\(^2\) Cambodia became a member of ASEAN (Association of South-East Asian Nations) in 1999 and the 147th member of the WTO in 2004
export amount was expected to be centered on China where the most efficient production can be accomplished.

To address this problem, the US and EU made an agreement with China to limit its exports through a safeguard policy, which specified that the growth of exports of Chinese–made garments would be limited until the end of 2007 (for the EU market) and 2008 (for the US market). Now, the expiration of this safeguard policy has become a major concern among garment exporters in developing countries because most industrial observers predict that China is well on its way to dominating the global apparel and textile market, and that the biggest losers will be competitors in many of the world’s poorest countries (Grace I. Kunz and Myrna B. Garner, 2007: p. 361). The reason for this concern is that many developing countries have come to rely on the textile and apparel to generate national income by offering jobs for unskilled laborers with low education thereby avoiding subsistence wages, labor abuses, and discrimination (Peter Minor, 2002: pp. 5–6). The post–2008 era has thus become a critical issue for Cambodia’s garment industry, which employs an abundance of young females from rural families living within the poverty trap.

1.2. Research Objectives

Cambodia’s garment industry is facing both external and internal issues. The external issue refers to the penetration of giant producers, especially China, into the same markets such as the US and EU. The internal issue is related to Cambodia’s own involvement in the industry in which its absorptive capabilities are not able to capture sufficient garment trade–related knowledge despite its involvement with the industry for more than 10 years.

In response to these issues, this research was aimed principally at assessing the capabilities of Cambodia to cope with the global garment trade post–2008 according to two major objectives: (1) assessing the competitiveness of Cambodia’s garment industry according