



GFT Sector Brief & HREDD Guide Snapshot: Resources for Data Transparency & Sustainability

31-October 2024, Tom Hesketh

0. Introduction



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Thomas is the Head of the STAR (Sustainable Textiles of the Asian Region) Secretariat and a GIZ Integrated Expert at TAFTAC. He coordinates the activities of the STAR Network, an alliance of 9 Garment Associations (including TAFTAC) from 6 countries. He specializes in private sector development, aiming to enhance trade and supply chain sustainability across Asia. He was previously Executive Director of the European Chamber of Commerce in Cambodia, and prior to that, held roles at EMC, BT Group, and Pfizer.





Cambodia Garment, Footwear and Travel Goods (GFT)

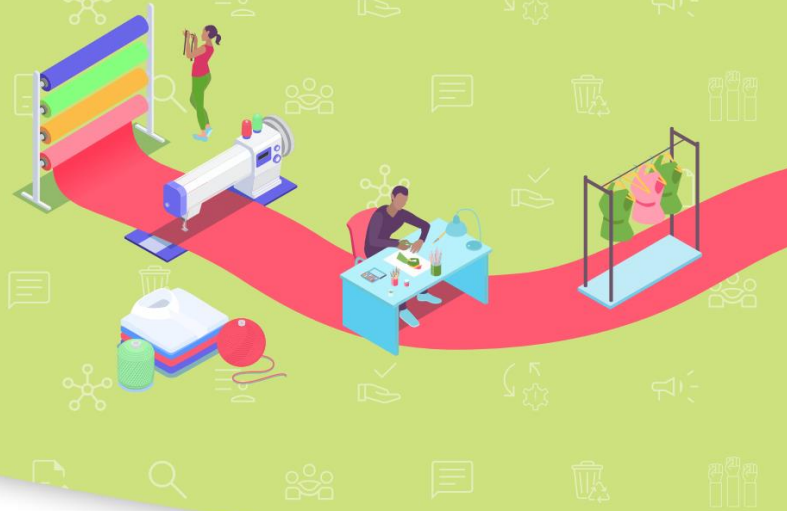


SECTOR BRIEF: ISSUE 3
06-Nov-2024



Design Your Own HREDD Approach

22-Oct-2024



Implemented by



FABRIC Cambodia



1 • GFT Sector Brief: Key Takeaways



Cambodia Garment, Footwear and Travel Goods (GFT)



SECTOR BRIEF: ISSUE 3
SEPTEMBER 2024



1.1 Acknowledgements



International Economics
Strategic Analysis For Growth & Development

FABRIC Cambodia

**From Crisis to Recovery:
How ASEAN Minimum
Wages are Evolving¹**

Examining Minimum Wage Dynamics in Selected
ASEAN Economies



Cambodia
Garment, Footwear
and Travel Goods (GFT)



1.2 What's in it?

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1.3 Global Trends

- **Trends:** Global GFT Sector Growing at 2.8% annually '24-'28, sustainability, smart manufacturing, and small-batch production
- **Geopolitical Factors:** China de-risking (UFLPA), Myanmar crisis (M&S, Uniqlo), Bangladesh unrest.
- **Consumer Preferences:** Rise in e-commerce, fast fashion, and eco-consciousness (75% millennials).



1.4 Where in the World is Cambodia?

2022, the world recorded a total value of US\$827 billion in GFT exports globally.

- ▶ China was the top exporter, accounting for 34% of the total world's GFT export (or almost US\$303 billion), followed by Vietnam (7.2%, or US\$63.9 billion), and Bangladesh (6.7%, or 59.8 billion).
- ▶ Cambodia ranked 14th in the global GFT exports and third in ASEAN in 2022, generating approximately US\$12.7 billion in GFT export revenue and accounting for almost 1.4% of the total GFT market.



Source: IEC GFT Dashboard, data from UN Comtrade

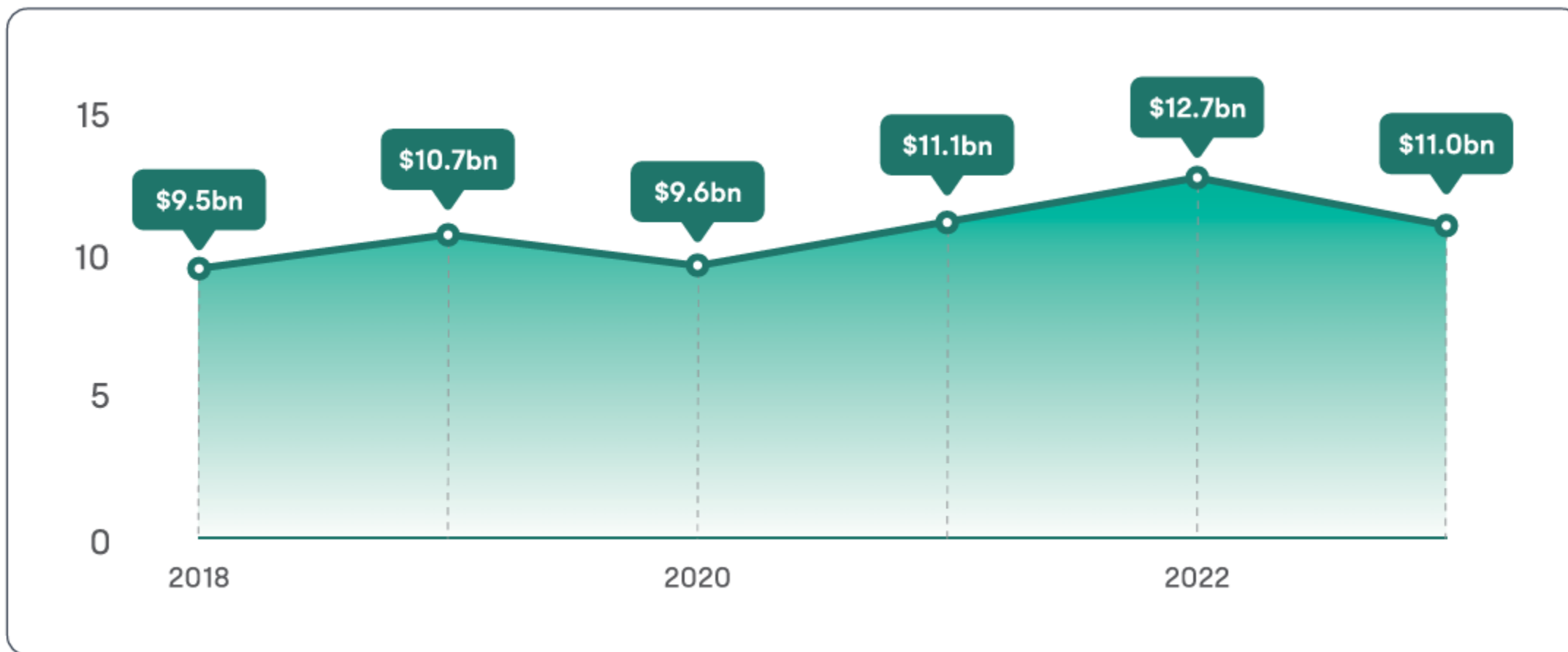


1.5 Cambodia

- **Economic:** \$13.7b exports ('24f), 51.7% exports, 10% of GDP. \$2.8b FDI across 563 projects (2018-2023)
- **Employment:** 886,000 ('23) → 925,000 ('24) jobs, 75% women, indirect support to 3M people.
- **Sector Growth:** 1,192 firms in 2020 → 1,579 by 2023. 757 TAFTAC Members.
- **Major Markets:** (2023) US (39%), EU (27%), Japan (8%), Canada (7%), and the UK (7%).



1.6 Export Trend – 23% Growth in 8M 2024.

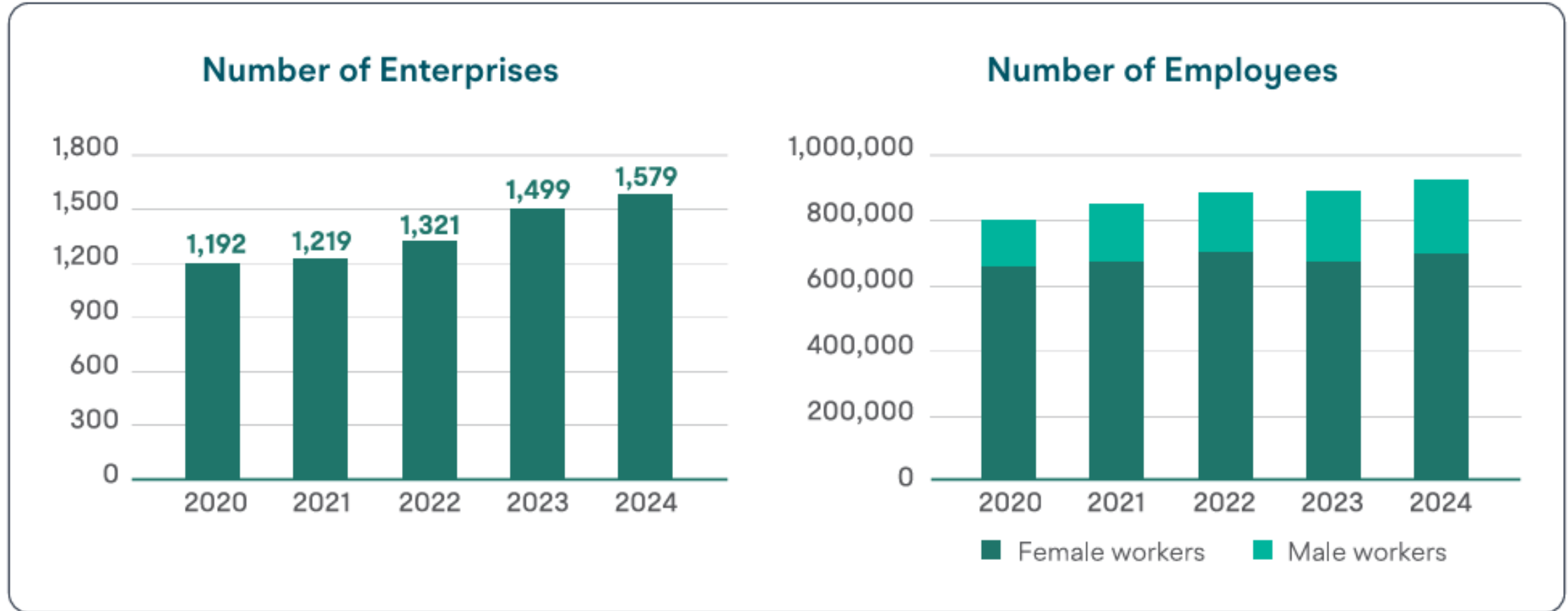


Source: IEC GFT Dashboard, data from General Department of Customs and Excises (GDCE)

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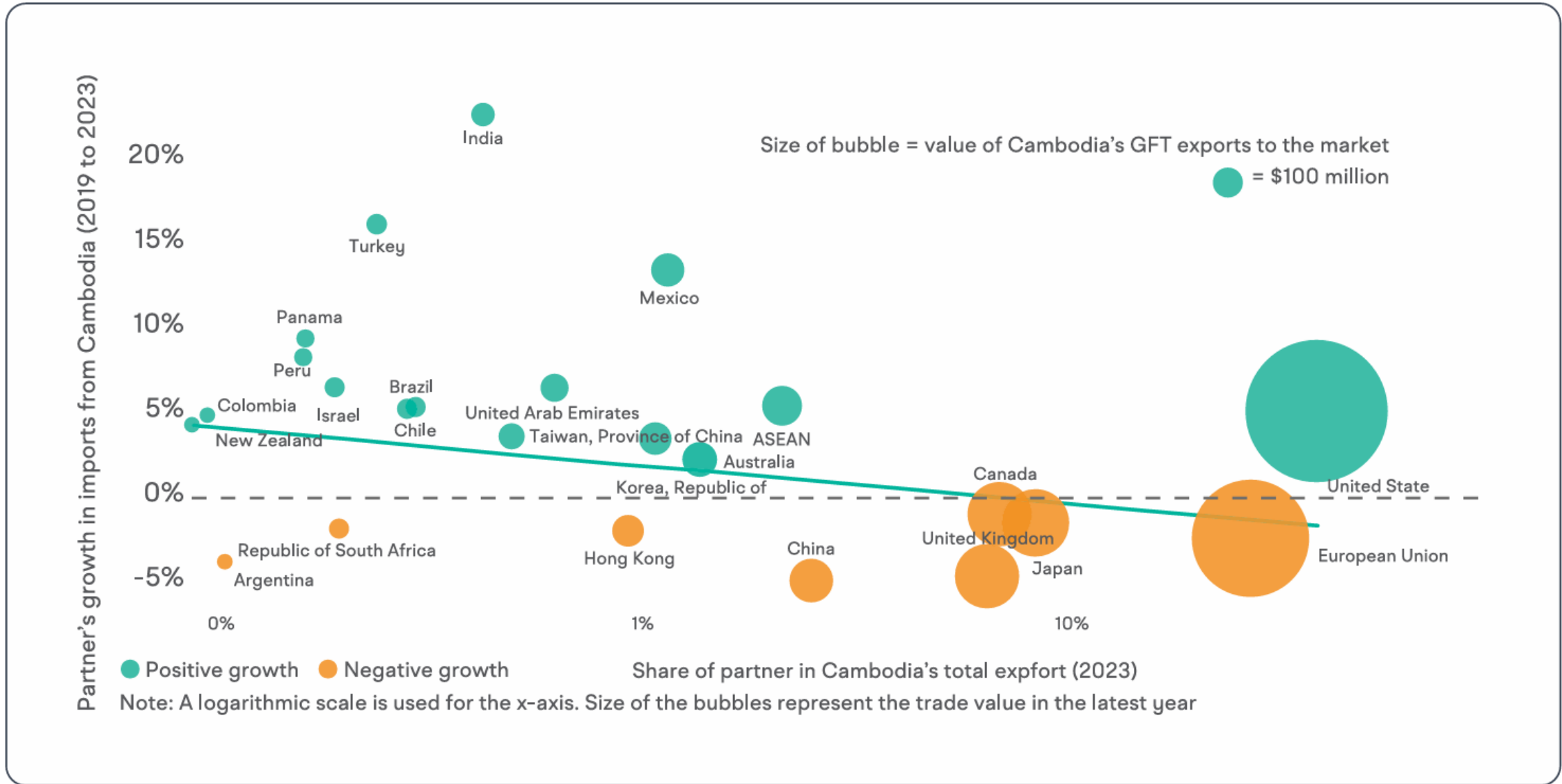
1.7 Employment Trend



Source: Ministry of Labour and Vocational Training



1.8 Export Destinations (2019-2023)

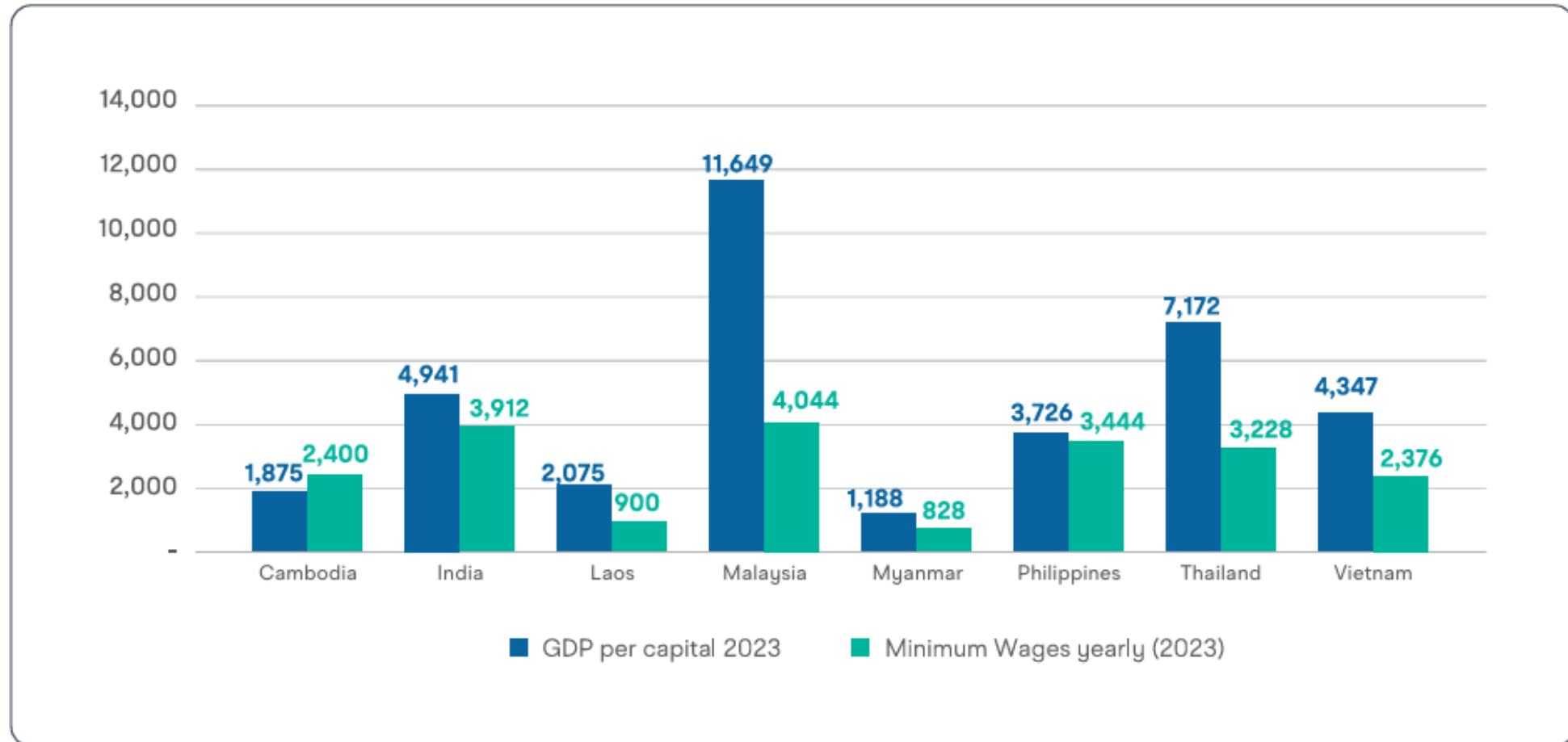


1.9 Wage Vs. Productivity

- **Wage Pressures:** 2024 minimum wage at \$204; 2025 at \$208, higher than regional peers.
- **Productivity Needs:** Cambodia's ('21) per-worker productivity was lower (\$8,800 per worker) than the CLMV average (\$16,400).
- **Productivity Catching Up:** Growth in labour quality, labour input, and investment.



1.10 Wages: How Does Cambodia Compare?



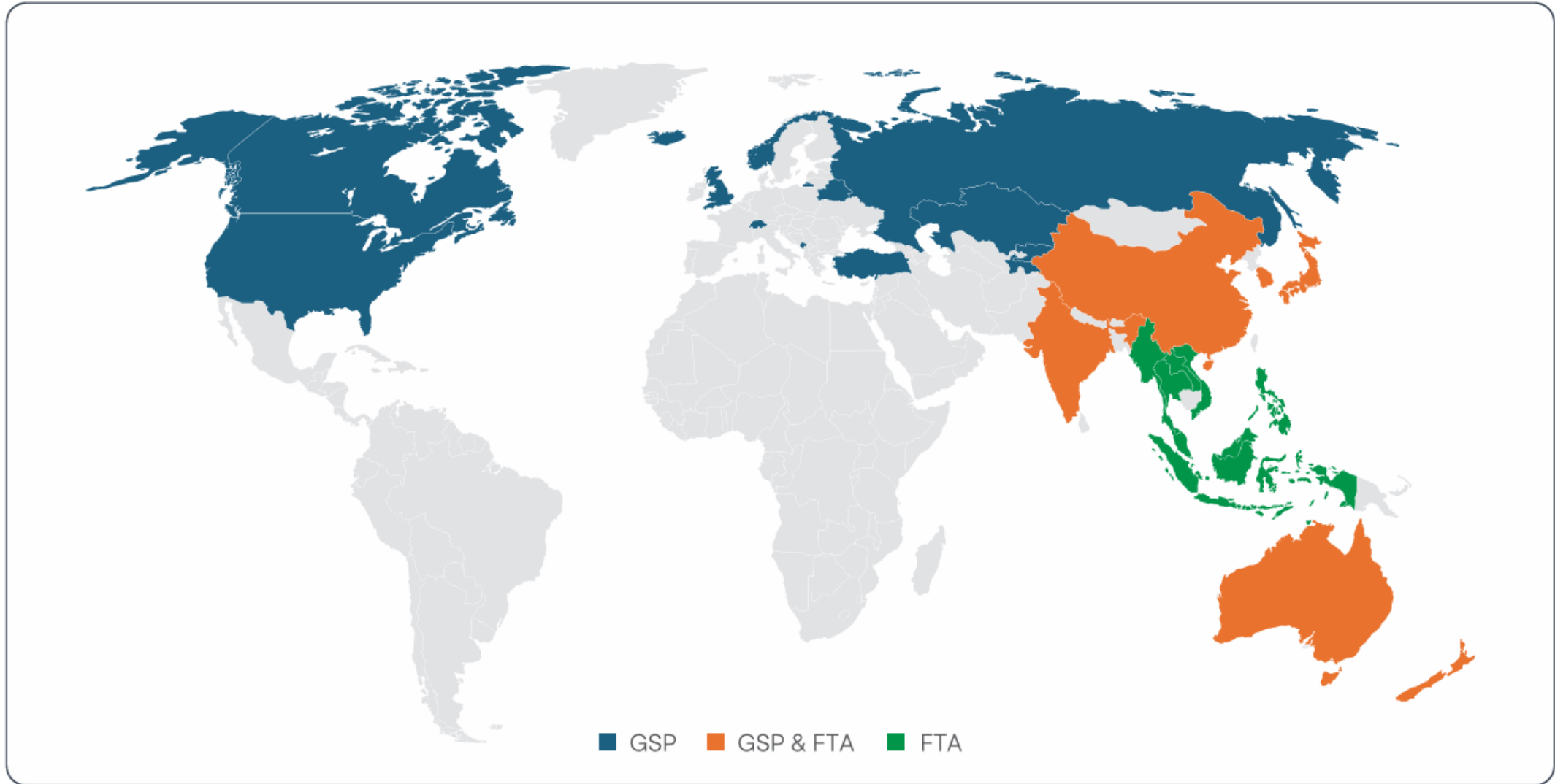
Source: Minimum wages from Ministry of Labour and Vocational Training (TAFTAC Sectoral Brief 2023); GDP per capita from World Bank. Indonesia, Vietnam, the Philippines, and Thailand have different minimum wages by region, for which the upper bounds are taken.

1.11 LDC Graduation

- **Trade Preferences at Risk:** 3 graduation criteria met in 2021; Loss of duty-free access post-2029.
- **Projected Tariff Increases:** Up to 9% on certain goods (~38% of Textile & Apparel Exports affected post graduation), affecting competitiveness.
- **Transition:** New FTAs, GSP+ if compliant (double transformation, domestic sourcing).

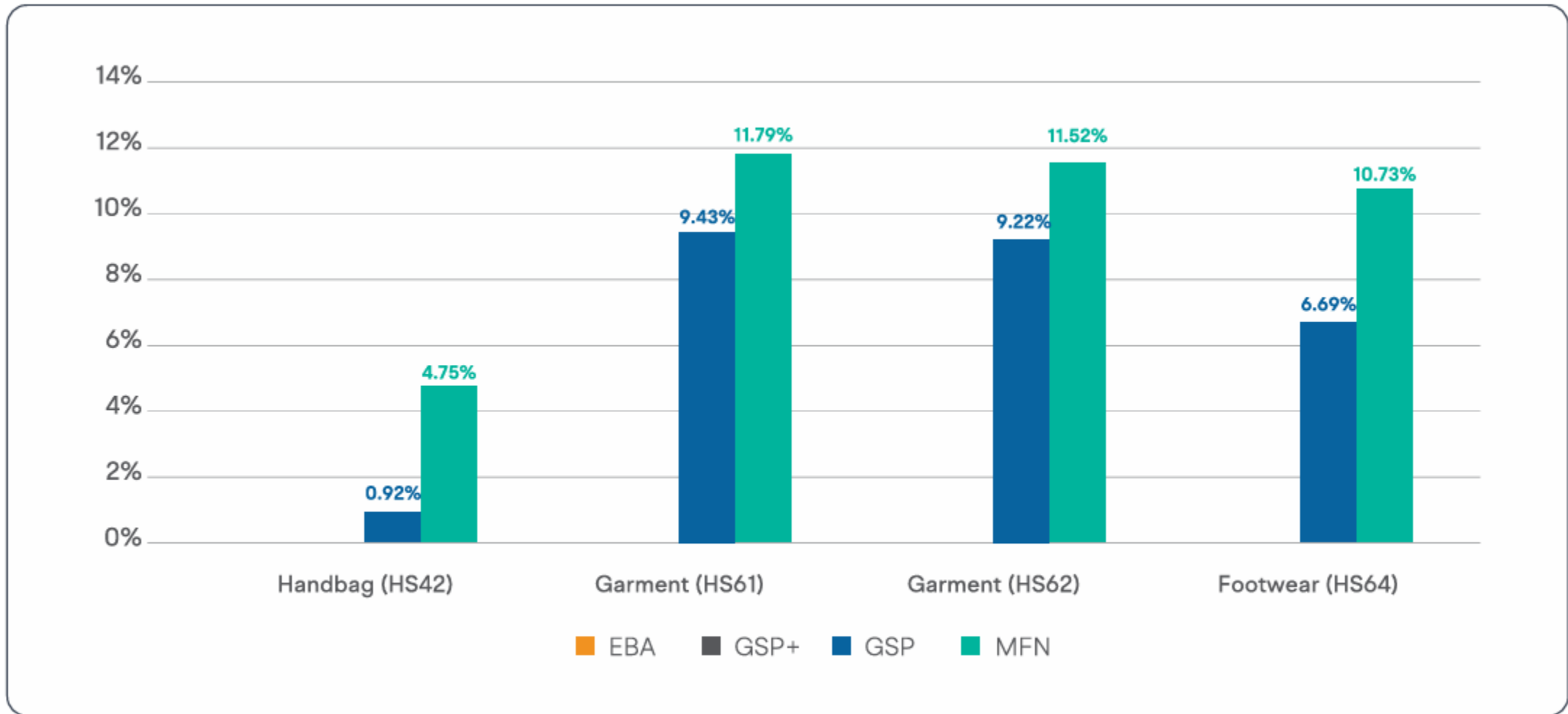


1.12 Access to Preferential Trade Agreements



Source: IEC (2024) based on WTO PTA List

1.11 Average Tariff Under EU Trading Scheme



Source: Author's compilation from ITC MacMap

1.12 Summary SWOT + Action Points

Strengths

- Political stability and favorable FDI framework.
- Relatively low establishment costs and available labor pool.
- Steady growth in productivity and investment in manufacturing capacity.

Opportunities

- Rising global demand (2.8% p/a), market diversification e.g. to Asia & the Middle East.
- Potential for digital transformation, higher productivity, and sustainability certifications.
- Expanding into value-added products, developing domestic sourcing to meet RoO post LDC graduation.

Weaknesses

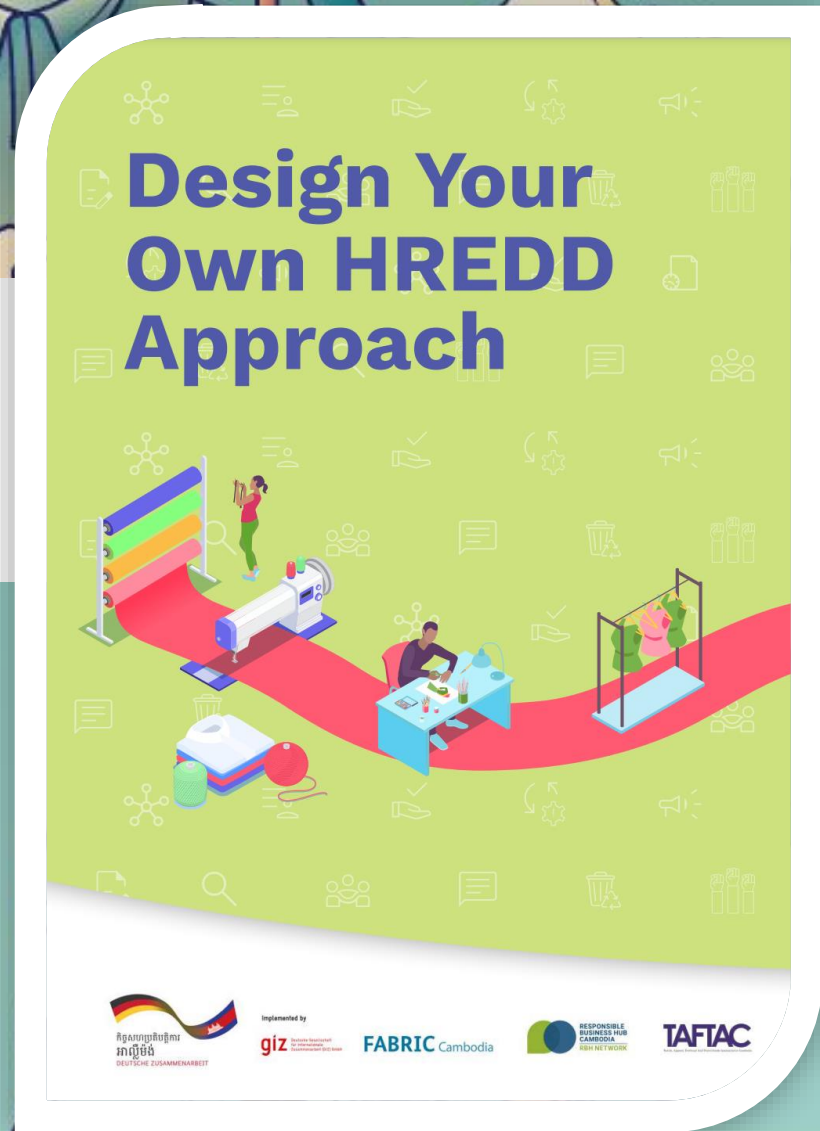
- High logistical and electricity costs.
- Limited internal capacity for small-batch and fast fashion production, reliance on textile imports.
- Adapting to rising wages and difficulty installing rooftop solar.

Threats

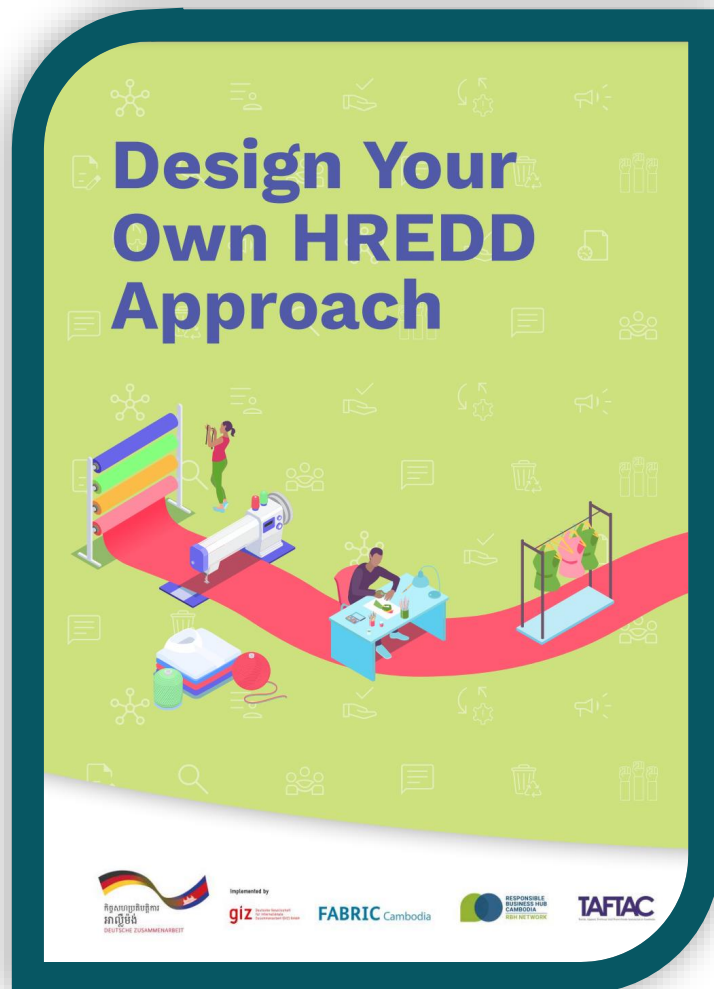
- Strong competition from other GFT exporters.
- Geopolitical tensions and climate-related risks affecting supply chains.
- Loss of preferential trade terms after LDC graduation.
- Failure to adapt to new HREDD legislation



2. HREDD Guide: Key Takeaways



2.1 What's in it?



01

PART I Getting the basics right

- 1.1 What is Human Rights and Environmental Due Diligence
- 1.2 How does implementing HREDD benefit you
- 1.3 Core elements of HREDD
- 1.4 Sharing responsibility for people and the environment with buyers

02

PART II Design your own HREDD approach

- 2.1 Understand your organisation
- 2.2 Identify, prioritise and continuously review your risks
- 2.3 Address your risks and build your HREDD implementation plan
- 2.4 Reflect and improve

03

Conclusion: Key messages

1.1 →

What is Human Rights and Environmental Due Diligence

Human rights & environmental due diligence[?] (HREDD) is a key element of responsible, competitive and resilient business practices. Implementing HREDD can help companies to better deal with **human rights and environmental risk**¹ in their own business operations and along their value chains[?]. Legislation, audits and customer expectations reflect the global and growing importance of HREDD. Respecting people and the environment as part of your business will not be new to you, but HREDD asks you to think and act strategically with a focus on the perspective of **rights holders**². This Guide can help you integrate the HREDD lens into your existing work on risks, negative impacts, social compliance, corporate social responsibility (CSR) and more.

- **HREDD: a good & necessary investment.**
- **It's about addressing risks proactively.**
- **EU CSDDD:**
 - Passed: July 25, 2024
- **Mandatory very soon (2-3 years).**
 - What you can do, now.
 - Simple Terms
 - KH, EN, CH



3. Conclusions: Transparency & Sustainability are Key

3.1 Conclusions

- **Please read & share these publications!**
- **Transparency & sustainability go hand in hand and are key growth drivers. Today's event is a great example.**
- **Cambodia's GFT sector is in a strong growth position.**
- **There are opportunities for Cambodia to upgrade as LDC graduation approaches...**
- **...and to be a frontrunner as HREDD comes into force - this will include increased Sustainability Reporting.**



Thank You!

HREDD Guide here: →



← Register for official Sector Brief
launch: Wed-6-Nov @TAFTAC

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GFT Sector Brief Deep Dive

6 - November 2024, Massimiliano Tropeano
TAFTAC Auditorium



Mr. Massimiliano Tropeano

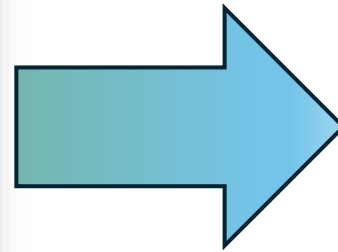
GIZ Integrated Expert, EUROCHAM

Massimiliano has an extensive experience of more than 20 years across Asia and Indian sub-continent in the garment sector. Buying, sourcing, production, quality control, merchandising, CSR, and Sustainability are his professional background. In 2020 he joined GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GIZ - GmbH) as Senior Advisor for the environmental pillar of the regional FABRIC Project. Currently, he splits his role between FABRIC and EuroCham Cambodia, bridging the gap between development sector and private enterprises on cooperation and sustainability. Recycling, Energy and Environmental topics within the garment sector are his area of expertise.



Cambodia Garment, Footwear and Travel Goods Sector Brief

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Cambodia Garment, Footwear and Travel Goods (GFT)



1 • GFT Sector Brief: Deep Dive



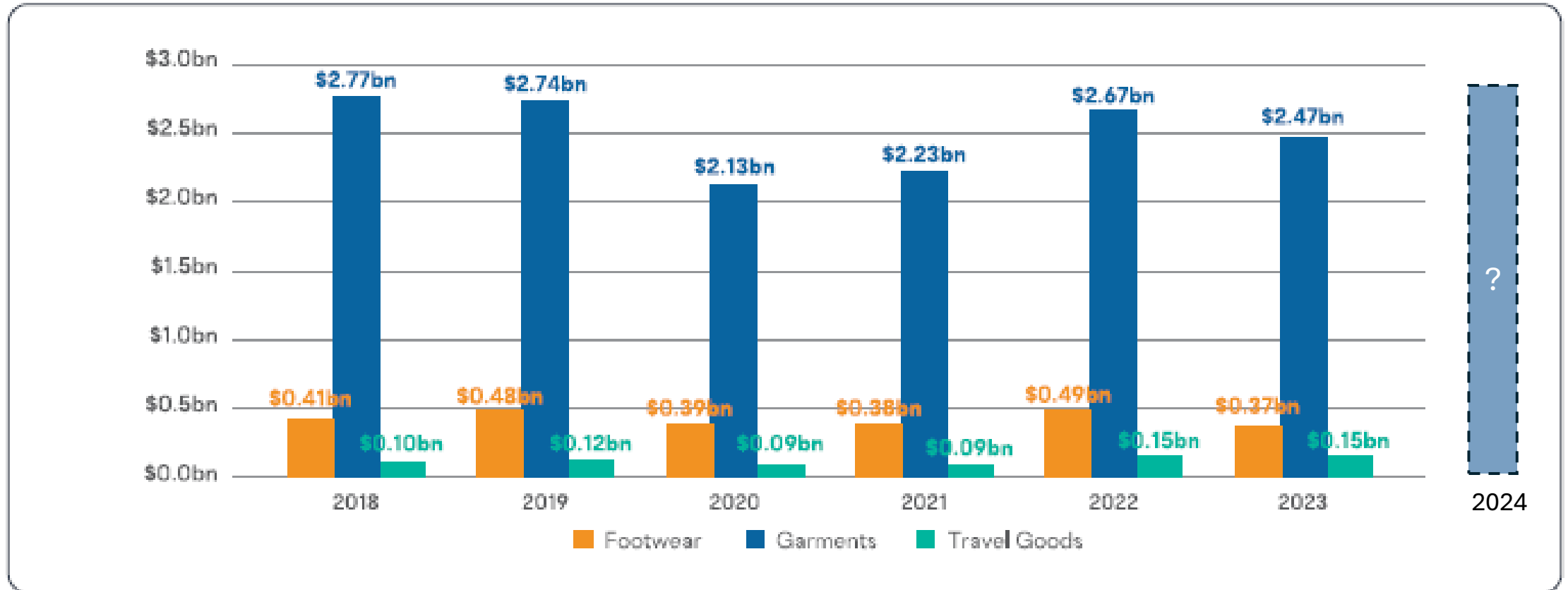
Cambodia Garment, Footwear and Travel Goods (GFT)



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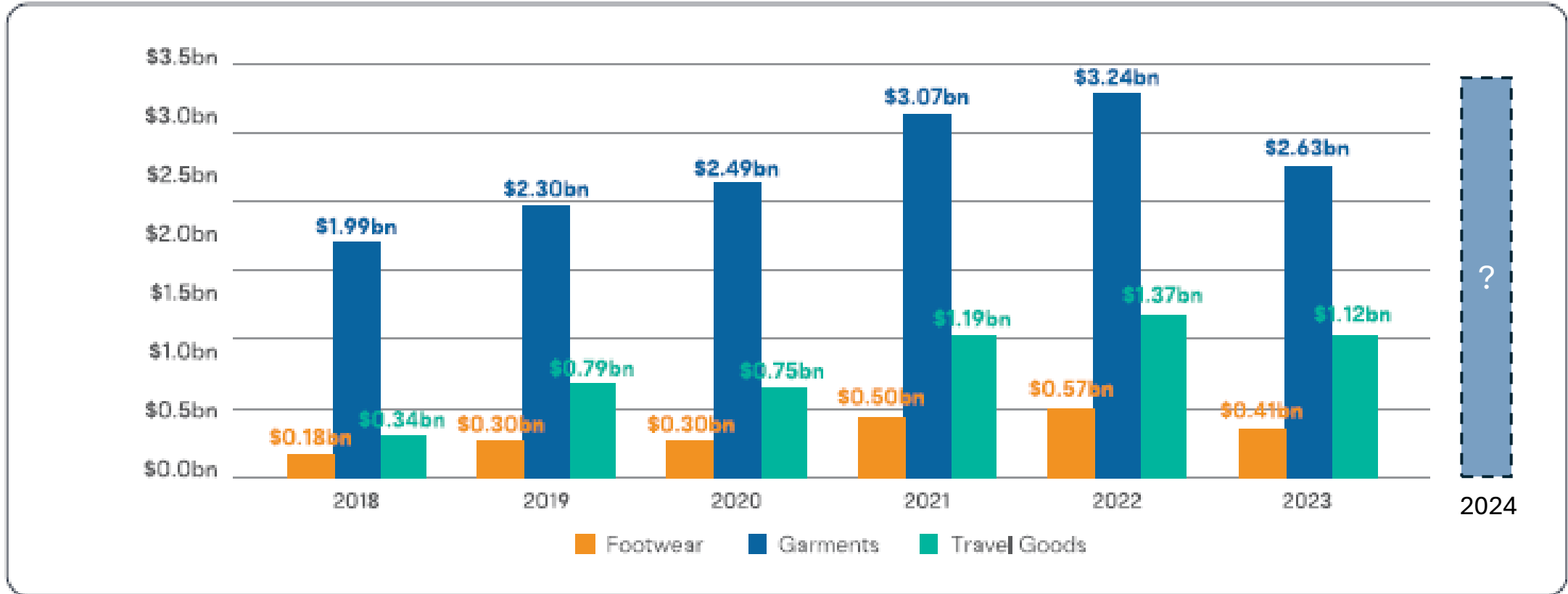
1.1 GFT Export Trend: the EU market.



Source: IEC GFT Dashboard, data from GDCE



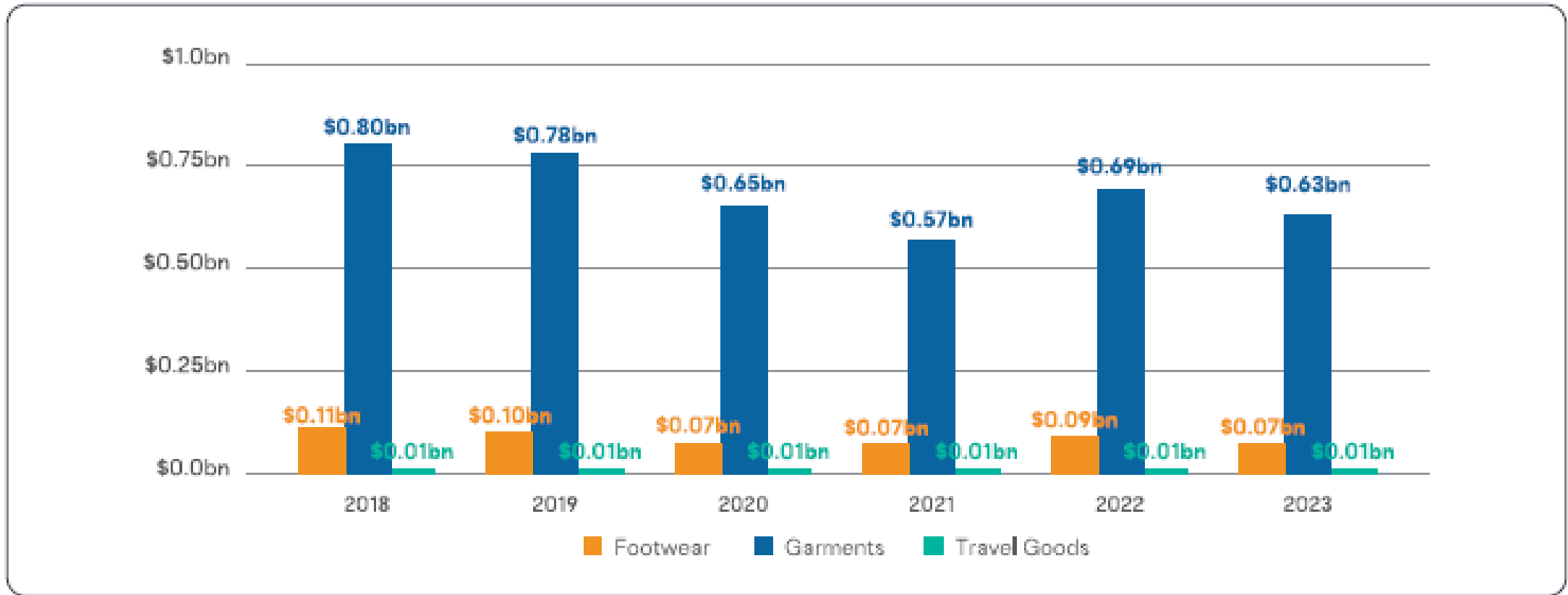
1.2 GFT Export Trend: the US market.



Source: IEC GFT Dashboard, data from GDCE



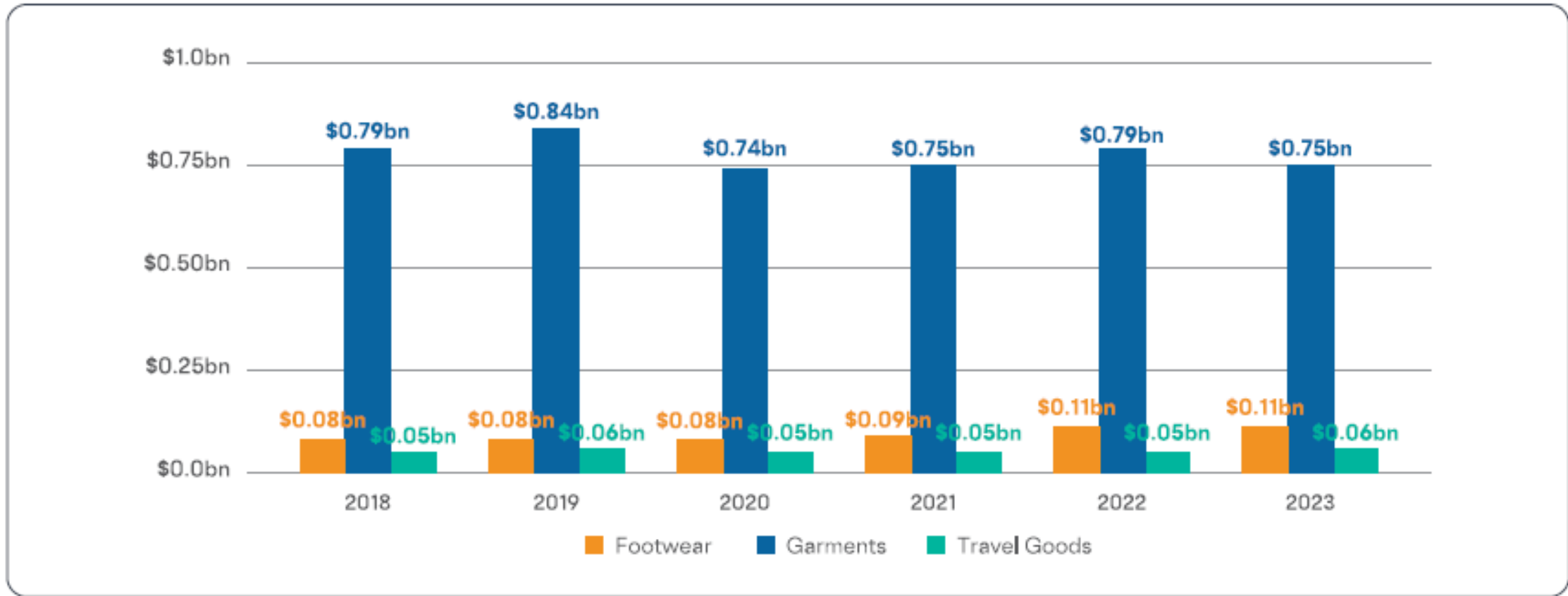
1.3 GFT Export Trend: the UK market.



Source: IEC GFT Dashboard, data from GDCE



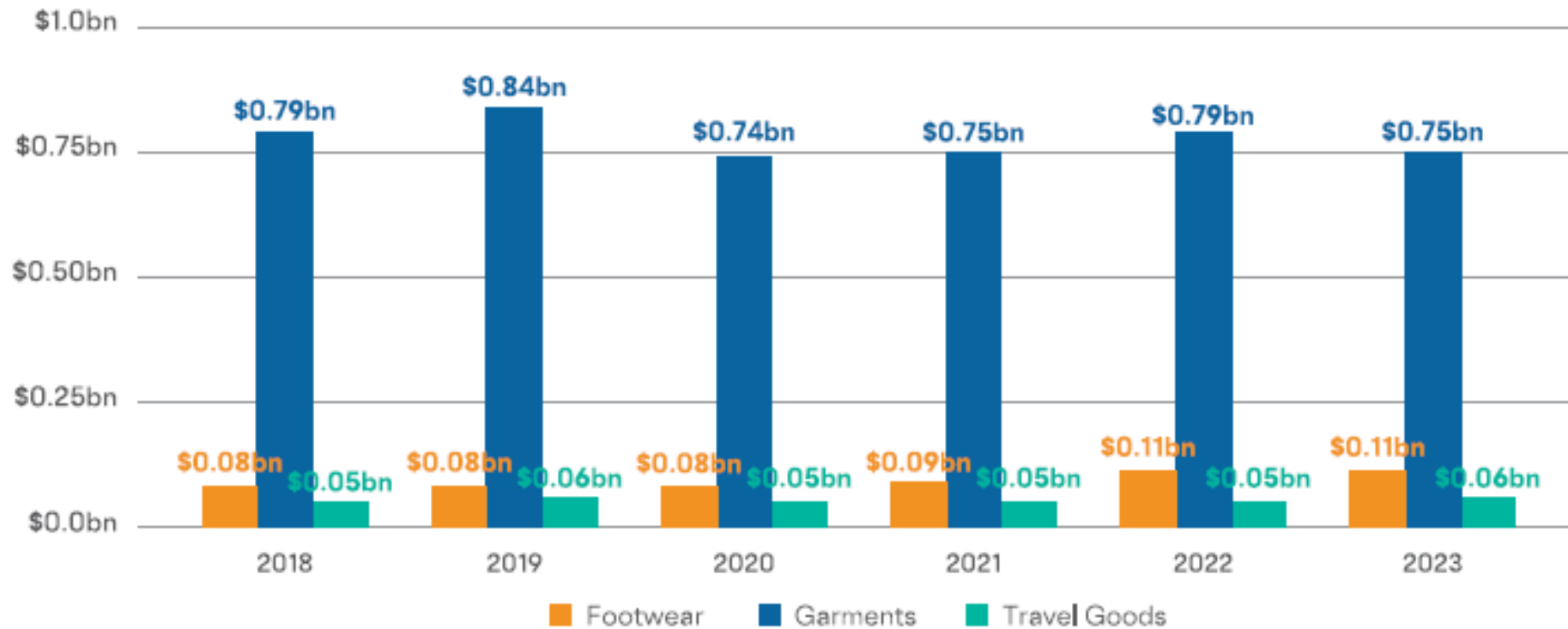
1.4 GFT Export Trend: Japan market.



Source: IEC GFT Dashboard, data from GDCE



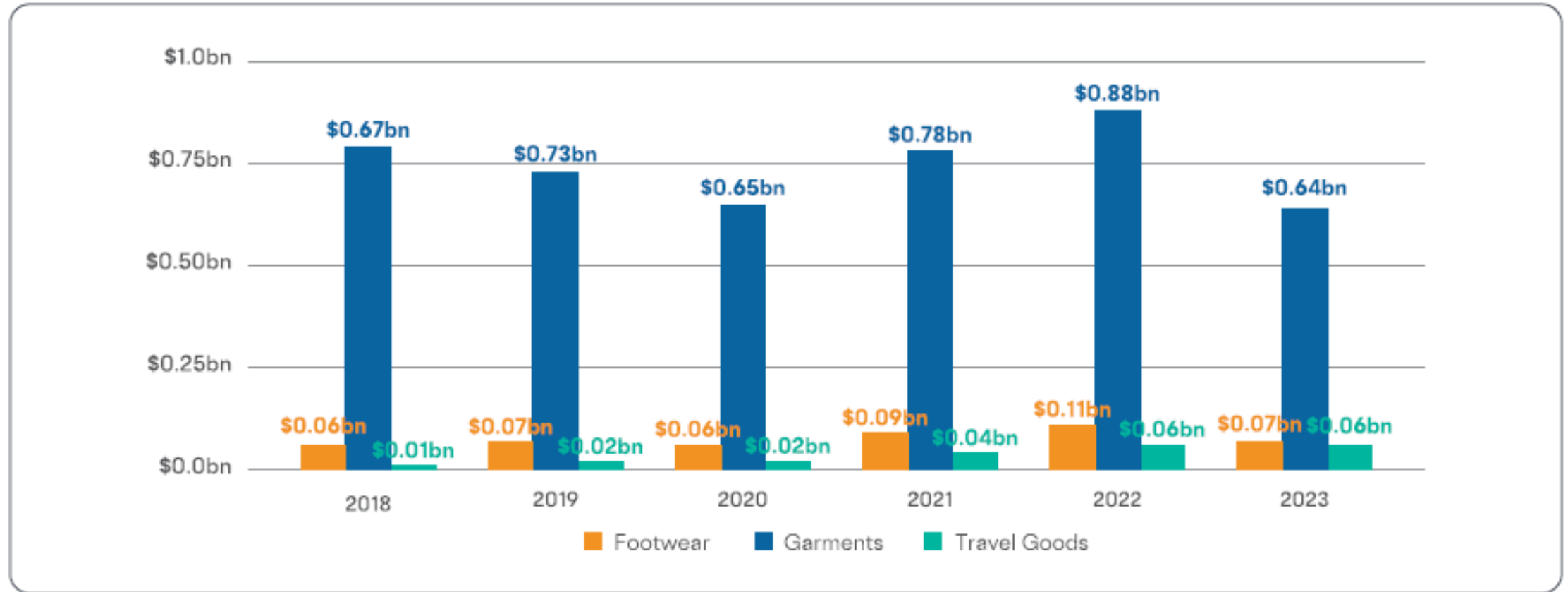
1.5 GFT Export Trend: Japan market.



Source: IEC GFT Dashboard, data from GDCE



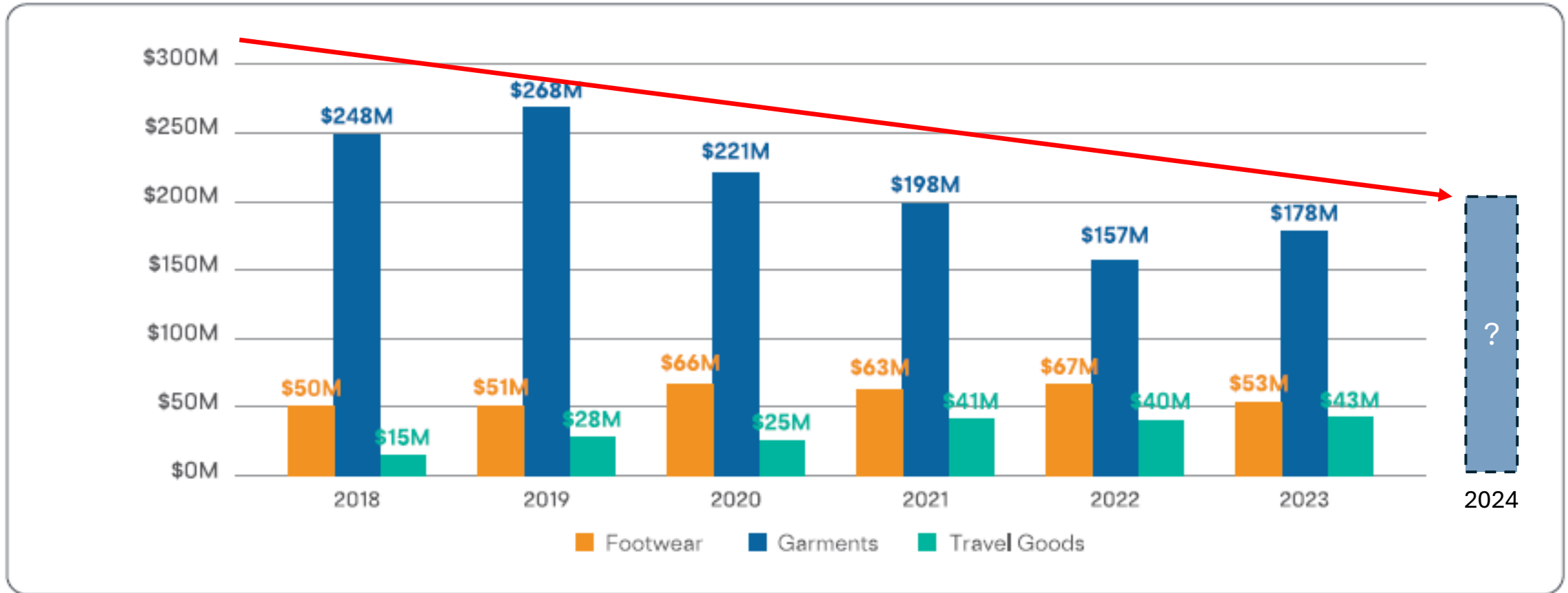
1.6 GFT Export Trend: Canada market.



Source: IEC GFT Dashboard, data from GDCE



1.7 GFT Export Trend: China market.

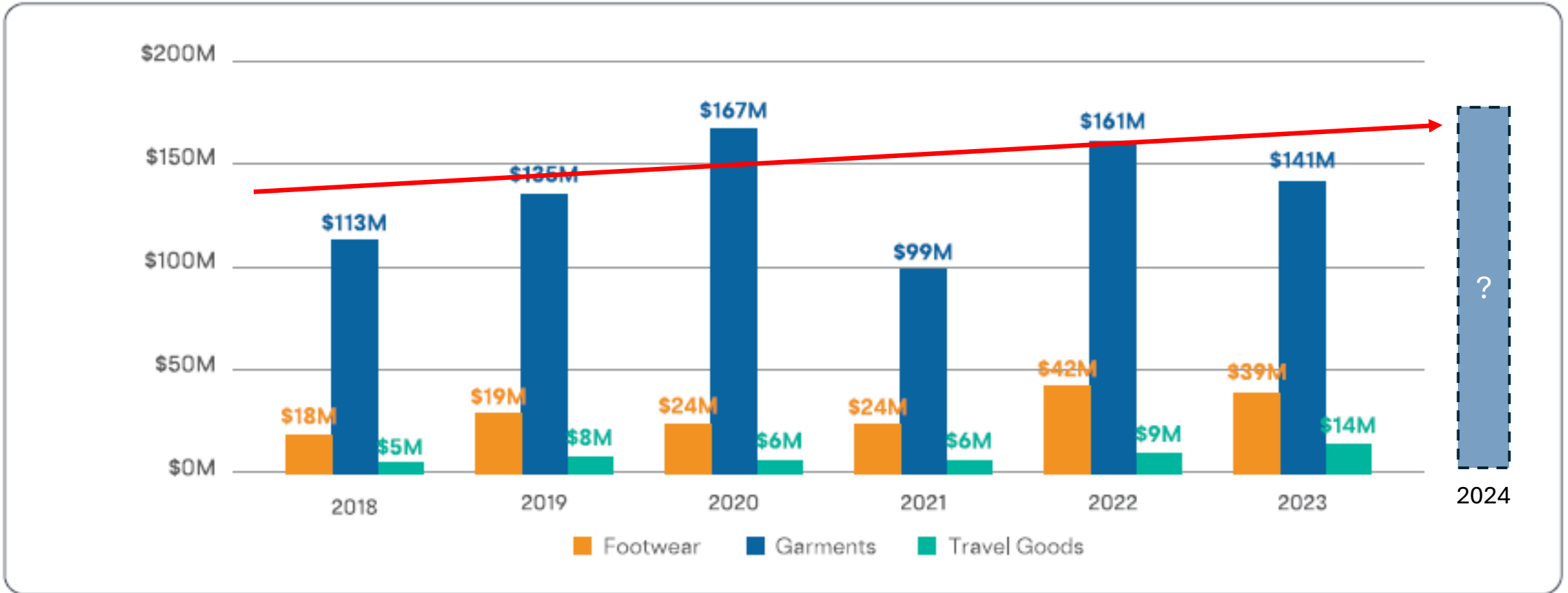


Source: IEC GFT Dashboard, data from GDCE

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1.8 GFT Export Trend: ASEAN market.



Source: IEC GFT Dashboard, data from GDCE

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2. Minimum Wages Nominal and PPP



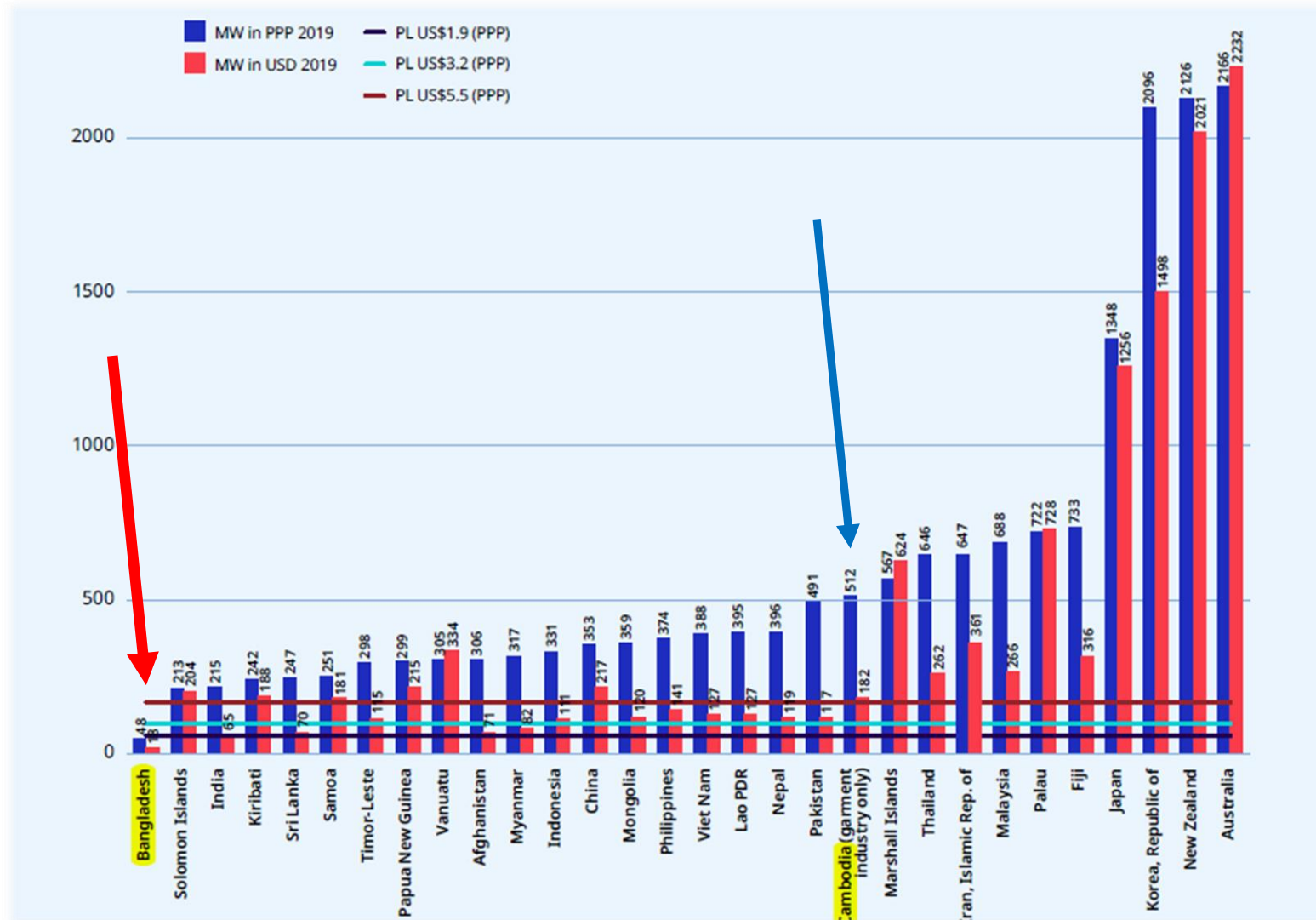
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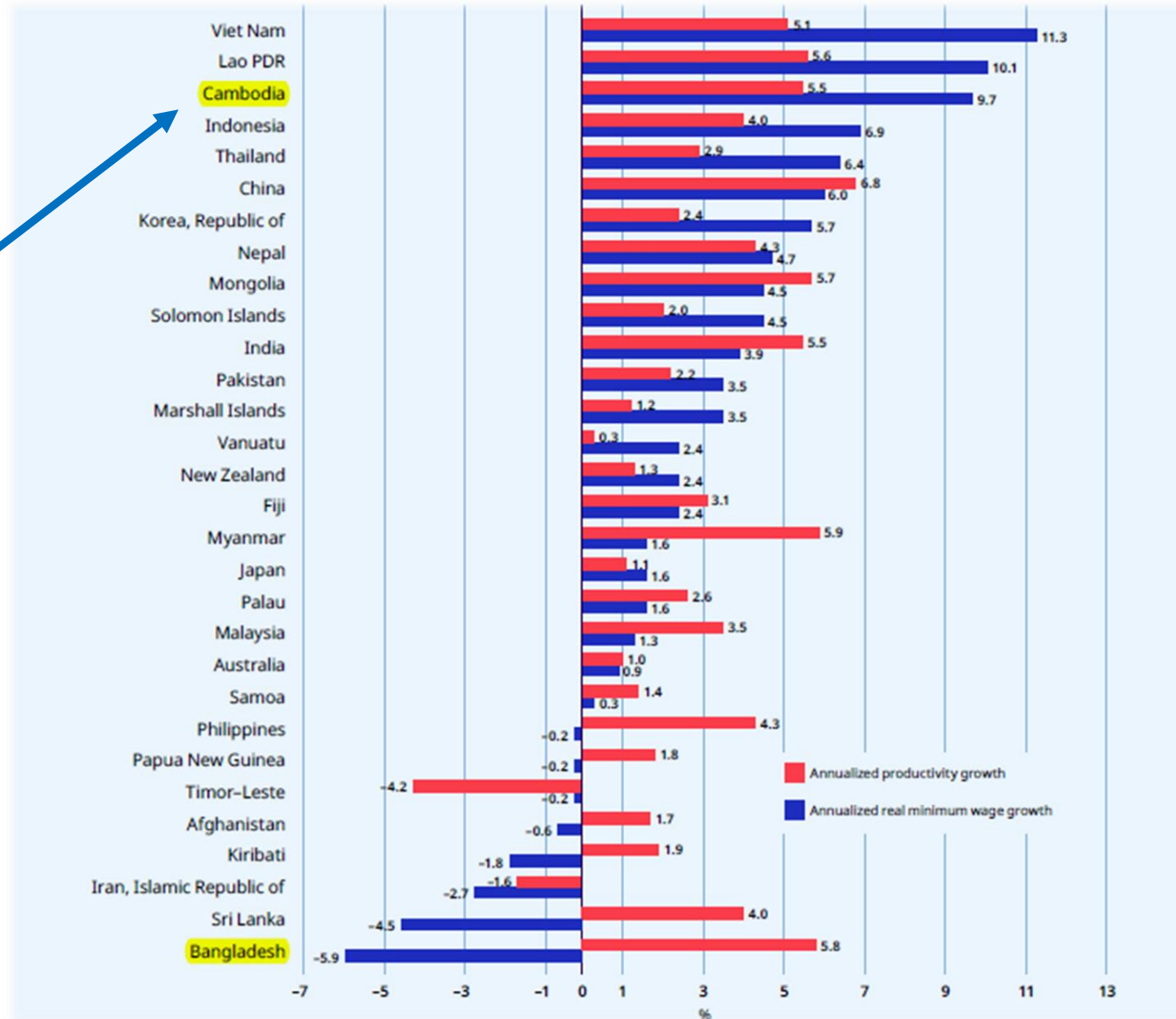


2.1 Gross monthly MW in Asia 2019



• Source ilo global wage report 2020-21

2.2 Annual growth real MW and productivity 2010–19



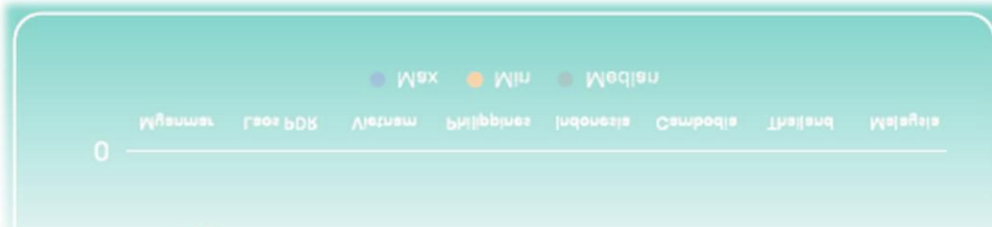
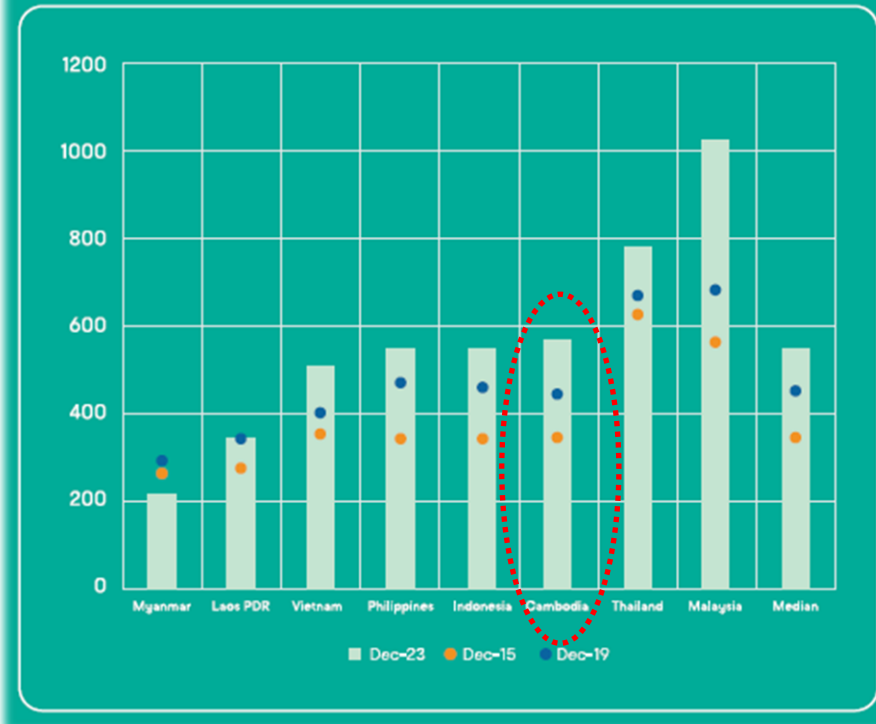
• Source ilo global wage report 2020-21

2.3 Minimum wage-levels in US\$ and in PPP

ASEAN minimum wage-levels in US\$, 2023



ASEAN minimum wage-levels in US\$ (PPP), 2015, 2019 and 2023

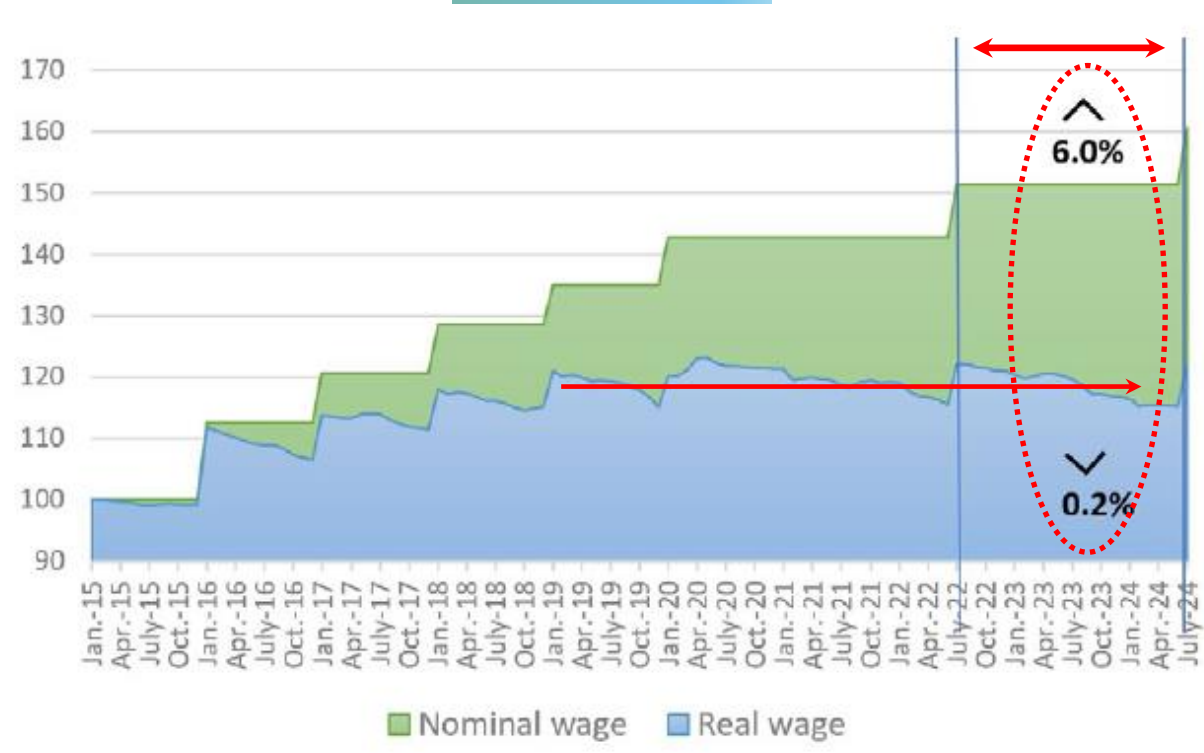


2.4 Nominal and real MW index (2015-24)

CAMBODIA



VIETNAM

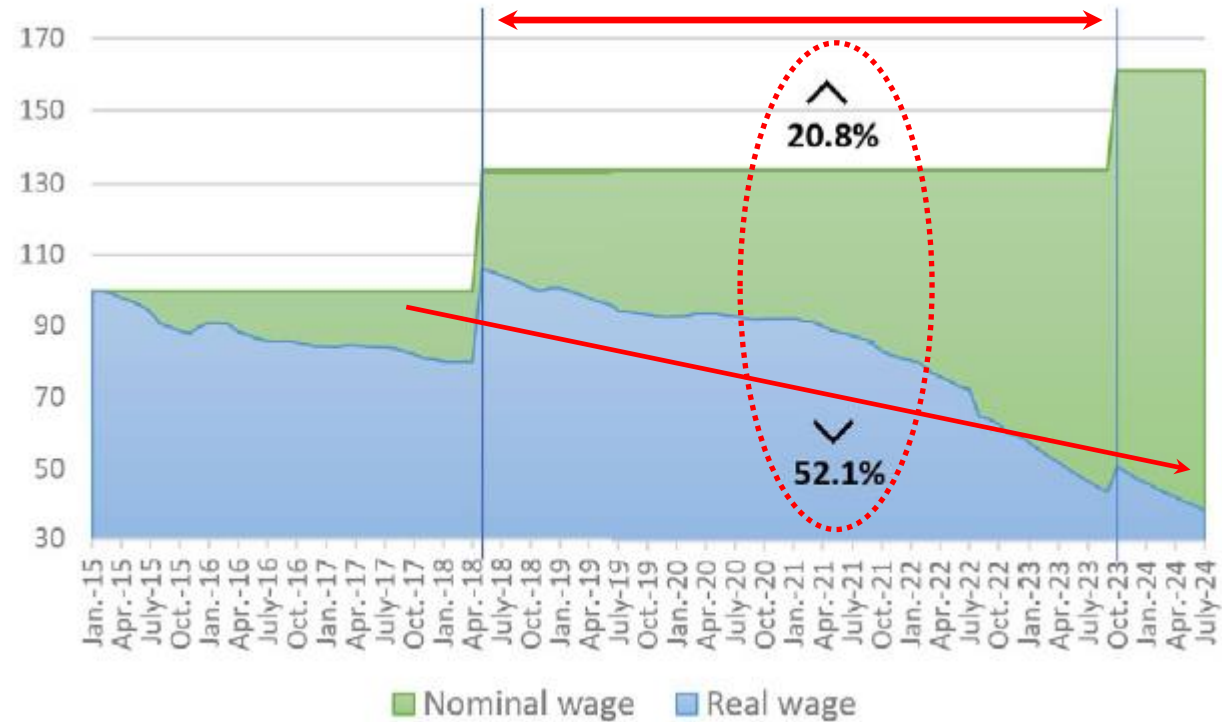


2.5 Nominal and real MW index (2015-24)

LAO PDR



MYANMAR



2.6 Nominal and real MW index (2015-24)

INDONESIA



PHILIPPINES



3. The Future Orders & Imports



Cambodia Garment, Footwear and Travel Goods (GFT)



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3.1 Exports top 5 GFT categories Jan-Sep 2024

		<i>(Value in Thousand US \$)</i>					
No.	Commodity (Chapter)	January - September				Change	
		2023		2024			
		Value	Share	Value	Share		
1	61 - Articles of apparel and clothing accessories, knitted or crocheted.	4.145.238	24,5%	5.034.716	25,4%	21,5%	
2	62 - Articles of apparel and clothing accessories, not knitted or crocheted.	1.784.269	10,5%	2.353.827	11,9%	31,9%	
4	42 - Articles of leather; saddlery and harness; travel goods, handbags and vanity cases.	1.281.091	7,6%	1.556.987	7,9%	21,5%	
7	64 - Footwear, gaiters and the like; parts of such articles.	991.770	5,9%	1.214.386	6,1%	22,4%	
14	95 - Toys, games and sports requisites; parts and accessories thereof.	129.629	0,8%	283.526	1,4%	118,7%	
20	63 - Other made up textile articles; sets; worn clothing and worn textile articles.	113.036	0,7%	155.695	0,8%	37,7%	

		2023	2024	2024/2023				
50	63 - Other made up textile articles; sets; worn clothing and worn textile articles.				0,1%	122'002	0,8%	31,1%
14	95 - Toys, games and sports requisites; parts and accessories thereof.	8.315.404	10.315.611	24,05%	0,8%	583'250	1,4%	118,1%
7	64 - Footwear, gaiters and the like; parts of such articles.			52,01%	2,8%	1'514'380	6,1%	55,4%

3.2 GENERAL Exports by top Countries Jan-Sep 2024

		<i>(Value in Thousand US \$)</i>									
No.	Partner Country	September					January to September				
		2023		2024		Change	2023		2024		Change
		Value	Share	Value	Share		Value	Share	Value	Share	
	Total:	1.881.008	100,0%	2.253.152	100,0%	19,8%	16.945.797	100,0%	19.833.281	100,0%	17,0%
1	United States	786.168	41,8%	859.737	38,2%	9,4%	6.897.964	40,7%	7.608.002	38,4%	10,3%
2	Viet Nam	185.258	9,8%	262.693	11,7%	41,8%	2.038.517	12,0%	2.727.454	13,8%	33,8%
3	Japan	115.265	6,1%	132.767	5,9%	15,2%	885.740	5,2%	1.057.070	5,3%	19,3%
4	China	119.149	6,3%	129.101	5,7%	8,4%	1.059.104	6,2%	1.278.957	6,4%	20,8%
5	Spain	78.633	4,2%	112.434	5,0%	43,0%	555.894	3,3%	803.404	4,1%	44,5%
6	Canada	77.226	4,1%	112.339	5,0%	45,5%	648.766	3,8%	848.682	4,3%	30,8%
7	United Kingdom	80.652	4,3%	102.350	4,5%	26,9%	608.595	3,6%	746.186	3,8%	22,6%
8	Germany	56.015	3,0%	76.045	3,4%	35,8%	619.638	3,7%	671.790	3,4%	8,4%
9	Thailand	47.458	2,5%	73.997	3,3%	55,9%	652.089	3,8%	645.501	3,3%	-1,0%
10	Netherlands	52.759	2,8%	67.794	3,0%	28,5%	408.434	2,4%	582.203	2,9%	42,5%
11	France	27.932	1,5%	33.979	1,5%	21,6%	280.632	1,7%	306.990	1,5%	9,4%
12	Italy	31.634	1,7%	28.452	1,3%	-10,1%	219.572	1,3%	245.161	1,2%	11,7%
13	Belgium	29.887	1,6%	26.459	1,2%	-11,5%	332.165	2,0%	277.273	1,4%	-16,5%
14	Hong Kong	14.317	0,8%	25.927	1,2%	81,1%	120.014	0,7%	155.069	0,8%	29,2%

3.3 Imports top 5 GFT categories Jan-Sep 2024

(Value in Thousand US \$)

No.	Commodity (Chapter)	September					January - September				
		2023		2024		Change	2023		2024		Change
		Value	Share	Value	Share		Value	Share	Value	Share	
	Total:	1.955.082	100,0%	2.203.641	100,0%	12,7%	18.216.640	100,0%	21.106.615	100,0%	15,9%
2	60 - Knitted or crocheted fabrics.	227.765	11,6%	237.419	10,8%	4,2%	1.990.190	10,9%	2.372.351	11,2%	19,2%
6	55 - Man- made staple fibres.	98.966	5,1%	97.461	4,4%	-1,5%	808.657	4,4%	978.962	4,6%	21,1%
10	52 - Cotton	53.592	2,7%	55.322	2,5%	3,2%	410.808	2,3%	559.212	2,6%	36,1%
16	41 - Raw hides and skins (other than furs)	24.422	1,2%	30.276	1,4%	24,0%	227.343	1,2%	310.662	1,5%	36,6%
18	64 - Footwear, gaiters and the like; parts o	22.264	1,1%	29.316	1,3%	31,7%	166.081	0,9%	222.610	1,1%	34,0%

2023	2024	Change
3.603.079	4.443.797	23,3%

The background is a colorful illustration of a clothing store or workshop. It features a rack of clothes including a white jacket, a blue shirt, and a blue dress. A green t-shirt is on a hanger to the left. A blue bag hangs from a hanger. In the foreground, there is a green recycling bag with a circular arrow symbol, a potted plant, a green sewing machine with a yellow fabric being sewn, a blue backpack, and a pair of blue loafers. The overall style is a clean, modern illustration with a teal and blue color palette.

4. Conclusions:

4.1 Main Takeaways

- **Factory Orders Visibility:** positive  visible trend until February 2025.
- **Toys:** Plush toys are growing more than the market
- **GFT Sector:** still 52% of the total Export
- **New Markets:** Cina, Brazil, Australia, Russia, ...
- **Flexibility:** Small Batches



4.2 Considerations

- **Cambodia MW:** positive trend, higher than the GDP per Capita but only for GFT!
- **LDC & GSP/GSP+ :** Voluntary Scheme by RGC
- **GFT Strategy:** Advisory Group not started yet





Thank You!

Massimiliano Tropeano

Integrated Expert GIZ/EuroCham

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