

The world clothing market is about come into a new era when the business enjoys a boom and competition becomes keener because removal of quotas and cuts in customs duties for exports from WTO member countries as from 2005.

Cambodia earned US\$986.5 million from export of clothing in 2000; US\$751.3 million of which was from the American market and 220.6 million from the EU. These figures were US\$1.33 billion; 953.5 million and 356.4 million in 2002; and US\$1.56 billion, 1.07 million and 408 million in 2003 respectively. In 2003, earnings from the Canadian market rose to US\$57.3 million because it was the first year Cambodia enjoyed the GSP. However, Cambodian earnings from export of clothing are still low in comparison with other developing countries. For example, China earned some US\$6 billion from the



American market while Mexico made US\$5.2 billion, Hong Kong 3.97 billion and Vietnam 1.97 billion.

In 2004, Cambodia expected to earn US\$2 billion from the export of this item and US\$1.4 billion of which would be from the American market.

The world clothing market is worth some US\$350 billion a year and main buyers are the U.S., EU, Japan, Hong Kong, Canada, Mexico, Switzerland and Russia. Three biggest markets are the U.S. (US\$55.7 billion); EU (US\$48.8 billion) and Japan (US\$15.8 billion). Generally, this market will expand in the coming years, the volume of goods traded will increase incessantly. It seems that the production and export of ready-made clothes are inevitably

Factor Inputs for Cambodian Clothing Exports

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transferred from developed countries to the developing ones.

By 2005, Cambodia will be a WTO member and it stops enjoying preferential treatment in terms of quota from developed countries while quota barriers to its rivals, such as China and Vietnam, are also lifted. Moreover, foreign investors in this industry of Cambodia tend to move to

foreign experts could be invited to open and run schools or centers specialized in designing. The government should encourage and help large-scale companies to invest in CAD-CAM.

2. Diversifying lines of products

Besides traditional lines of products, clothing companies should diversify their output in terms of designs, patterns, colors and materials. In addition, R&D activities must pay proper attention to specialized products, such as insulated clothes, massaging clothes, air-conditioned clothes, fragrant clothes, etc.

3. Modernizing the machinery

More investment must be put in automatic cutting and sewing machines, and automatic production lines currently employed by many countries, such as China, Indonesia, Thailand and India, in order to produce high-quality products. In addition, modern machines could help companies fill large orders and ensure timely delivery.

4. More local raw materials for the industry

Developing sources of raw materials is central to the business strategy for the whole industry. First of all, more investment must be put in cotton-specialized areas and technical assistance must be supplied to cotton growers. Companies had better specialize in certain stage of production or items in order to reduce the production cost. This means that the industry must develop factories specializing in producing raw materials and components. These factories could be placed in residential areas if need be to employ part-time workers. To achieve this aim, the engineering industry must produce necessary machines to make components for the clothing industry.

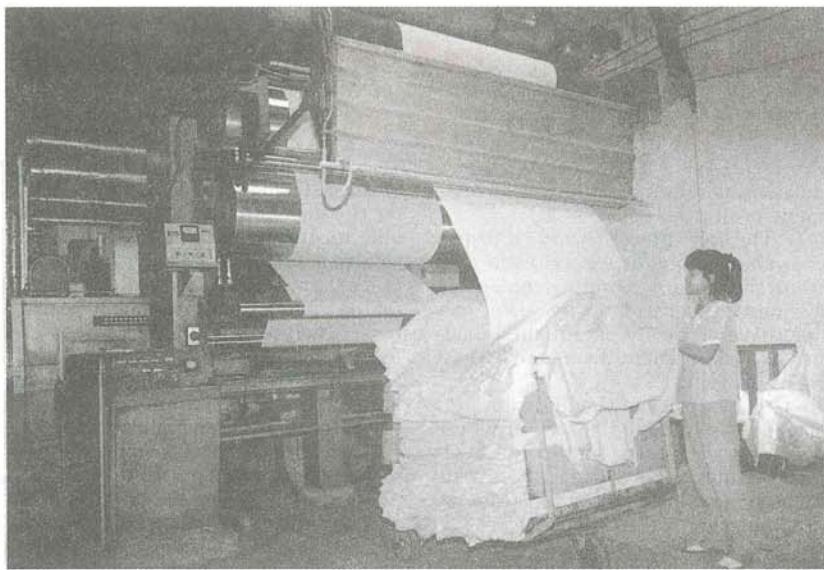
Besides developing cotton and mulberry growing areas, the clothing industry must develop supporting businesses, such as fiber, printing,

neighboring countries, such as Vietnam and China because of their better trained labor. This means that the Cambodian clothing industry will meet keener competition even if its export earnings will be on the increase.

Facing such a situation, Cambodia needs many measures to boost the export of clothing in the coming years. In this article, I want to discuss measures to improve factor inputs for the industry.

1. Better designs for products

Companies should increase investment in R&D activities, organize fashion shows and carry out market researches with help from Cambodian migrants and embassies. For-



dyeing, weaving, etc., in order to make specialized cloth and materials. The Government should establish centers for the clothing industry to supply information about prices and market demand in order to help clothing companies offer good at reasonable prices.

5. Reorganizing the production

Major companies could be developed into parent and daughter companies in order to gain financial and technological strength needed for reducing the production cost and improving the competitiveness. The Government, however, should pay proper attention to small and medium enterprises. A flexible organization could help the whole industry to cope with changes in the market and allow technical innovations, application of new techniques, and improvements in the productivity.

6. Improving laborers' skills

The following are measures to train skilled laborers for the clothing industry:

- Training courses in production of clothing could be included in training programs of national vocational centers and certain colleges and technical schools.

- Building technical schools specialized in all stages of the clothing production (designing, managing, supervising and applying new techniques, etc.)

- Transferring training programs from foreign countries with reasonable cost, and asking help from foreign experts and trainers if need be.

- Cooperating with universities to give full-time training courses in clothing production along with on-the-job training.

- The Cambodian Association of Clothing Producers could give training courses with help from foreign organizations, such as JETRO, UNIDO, MPDF and ZDH, etc.

7. Lower production cost

Companies should try their best to reduce the production by improving the productivity, cutting overheads and saving power consumed (the power consumption in Cambodia is usually from three to four times higher in comparison with regional countries). Various companies could pool money to carry out common marketing campaigns, gather business information and realize programs to cut 10% of the overheads as suggested by the CACP. Only with a lower production cost could Cambodian clothing industry compete successfully against such rivals as China and Vietnam.

8. More sources of finance

The clothing industry could look for soft and long-term loans from international financial institutions, or get foreign aid from foreign governments or NGOs, mobilize idle money from the public through local finance market, and call for foreign investment.

In short, the growth rate of the export of clothing from Cambodia, however high it has been in recent years, is not stable and it could fall in 2005 because of keener competition from other exporters in the region. So the Government and companies should make great efforts to take business opportunities to limit difficulties and help the industry keep abreast with developments of the region. ■

