

## **Block B – Cambodia’s own imports of textiles that are relevant for the manufacturing of garments destined to the UK**

The first part of this report makes some preliminary observation about the organization of the textile and garment supply chain in order to have an understanding of the position taken by the Cambodian factories in the global industry of production, trading and consumption. The second part review some results from ‘Block A’ adjusted for a four-year period and identifies textile materials used for the production of the 87% of UK total imports of garments from Cambodia. The third section provides information about Cambodia’s own imports of textiles in the four-year period and focuses on the top-three textile imports. These observations introduce to part four, where - apart from referring to a dataset with raw data of all countries supplying the different textiles to Cambodia - considerations about the top-three countries exporting specific textiles to Cambodia are shared. The research finds that data about the three top country suppliers of the analyzed top-three textile products are relevant for Cambodia’s manufacturing of over 70% of the garment exports to the UK in 2015-2018. Section four also includes some indications about the sub-national locations of production of one the top countries supplying garments to Cambodia and reflections about re-exports trading from the other two countries. This ‘Block B’ closes with short information about Cambodia’s imports of other (non-textile) products relevant for the country’s export-oriented garment industry.

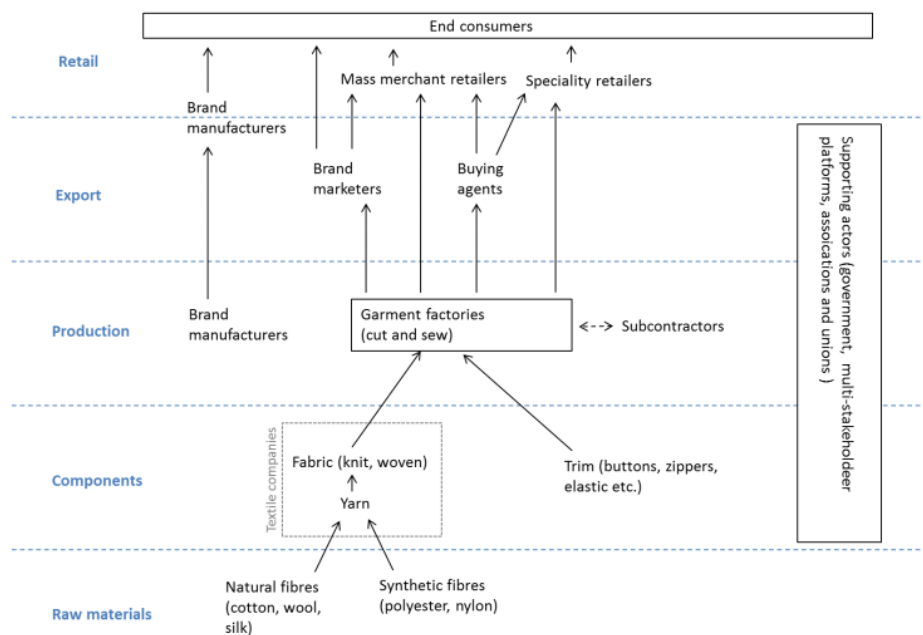
### **1. General observations about the global supply chain of the textile and garment industry.**

An ILO study about Asia’s garment export industry reports that the sector’s supply chain is organized around five main parts: 1) Raw material supply, including natural and synthetic fibres; 2) fabrication of components for garment assembly, such as the yarns and fabrics manufactured by textile companies; 3) production networks made up of garment factories who conduct cutting, sewing, trimming (CMT) - including their domestic and overseas subcontractors who conduct wet processes, printing, dyeing and washing; 4) export channels made up largely of trade intermediaries; and 5) marketing networks which retail to the final consumer.<sup>1</sup>

*Figure 1 – A simply overview of the five-steps organization of the garment’s global supply chain, from the ILO report*

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<sup>1</sup> The LAB, *From Obligation to Opportunity: A market system analysis of working conditions in Asia’s garment export industry*, September 2017, p.13, Accessed on 7 September 2020, <[https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms\\_579468.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms_579468.pdf)>



Apart from the five-steps transformation of raw materials into finished articles, other value-adding activities are product development and design, textile sourcing, logistics and distribution, branding and marketing, that are largely controlled by the buyers (intended as the companies in the upper part of the supply chain) holding high organizational capacity and extensive global networks.<sup>2</sup> As the industry supply chain is spread across the world, countries with textile and apparel production activities have different degrees of value addition carried out by companies themselves depending on the model of supply chain organization. Companies set out operations according to four main categories of organizational production, including Cut-make-trim (CMT); Original equipment manufacturing (OEM); Original design manufacturing (ODM); Original brand manufacturing (OBM), each with different level of responsibilities and added value.<sup>3</sup>

Figure 2 – Categories of garment production, from the ILO Report

Cut-make-trim (CMT)	The factory is responsible for cutting the fabric, and making and trimming the garments. The buyer will provide product specifications and the inputs (fabric). Factories are often paid a processing fee rather than a price for the product. Most commonly in export processing zones (EPZs) <i>Also known as: Assembly</i>
Original equipment manufacturing (OEM)	The manufacturer purchases (or produces) the textile inputs and provides production services, finishing and packaging for delivery to the retail outlet. The buyer provides the design and often specifies the textile suppliers. <i>Also known as: Fee on board (FOB) or full package</i>
Original design manufacturing (ODM)	The manufacturer is also involved in the design and product development process, including approving the samples and the selection, purchase and production of required materials.
Original brand manufacturing (OBM)	The manufacturer brands and markets the final products. This can be on a contract basis on behalf of a buyer, or mark the transition from apparel supplier to lead firm, where the manufacturer has their own brand – typically in domestic or regional markets.

Considering the CMT organizational production, an analyst comments that this is the easiest export method of apparel industry and brings the lowest added value, as the buyers offer entire input to outsourcing businesses for production including raw materials, transportation, design and specific requirements. CMT manufacturers only carry out cutting, sewing and finishing products and only need the basic understanding of design patterns and the ability to produce finished product.<sup>4</sup>

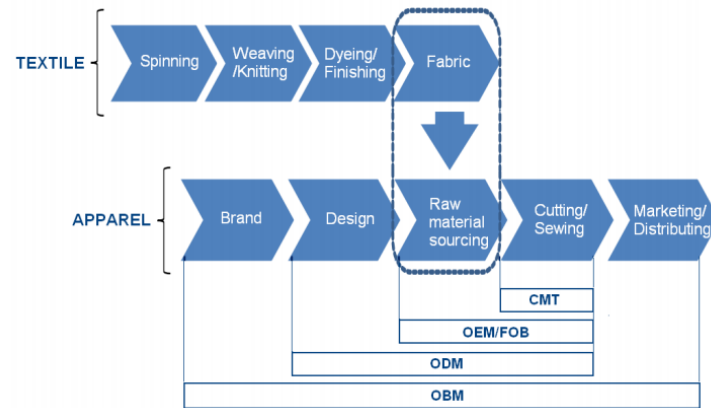
<sup>2</sup> The LAB, *From Obligation to Opportunity*, p. 16

<sup>3</sup> For the definition of each organizational production system, See: The LAB, *From Obligation to Opportunity*, page 16-17; Bui Van Tot, *Textiles & Apparel Industry Report: Opportunities for Breakthrough*, April 2014, pp. 8-9, Accessed September 2020, <[http://fpts.com.vn/FileStore2/File/2014/07/01/Textile%20and%20Apparel%20Industry%20Report%20\(latest\).pdf](http://fpts.com.vn/FileStore2/File/2014/07/01/Textile%20and%20Apparel%20Industry%20Report%20(latest).pdf)>

<sup>4</sup> Bui Van Tot, *Textiles & Apparel Industry Report*, p. 8,

Figure 3 provides a simplified zoom of the “components” and “production” stages before “exports”, with the relevant categories of organizational production adopted by companies and where the textile sector (intended as the phases to product intermediary materials) and the apparel sector (intended as the phases characterizing the finished clothing) intersect between the supply of fabrics and sourcing of raw materials.

*Figure 3 – Mode of production of textiles and apparel and categories of organizational productions by garment companies, from Bui Van Tot’s analysis*



### 1.1 Background of the garment industry in Cambodia

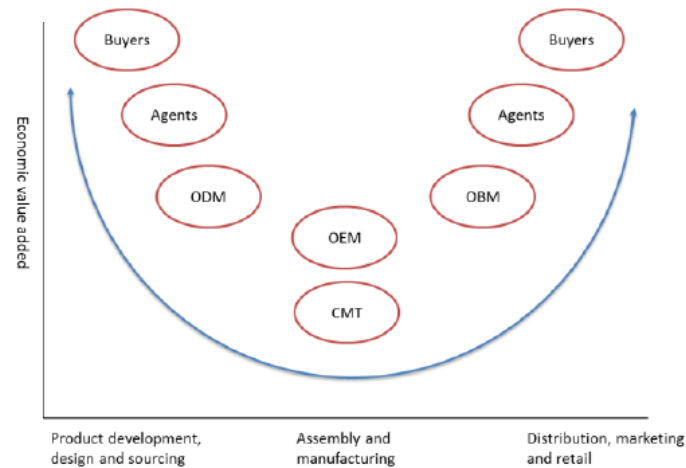
A study by the Overseas Development Institute shows that the start of the Cambodian export-oriented garment industry can be traced in mid-90s, when a global production shift was recorded from Asian newly industrialized economies (Hong Kong, South Korea and Singapore) towards south Asian and South-east Asian countries. At the end of the civil war, Cambodia witnessed the influx of foreign investors from these newly industrialized nations that facilitated the country’s integration into the global garment supply and value-chain. On the other hand, the establishment of preferential tariff agreements between least developed nations – a classification that still includes the Cambodian economy nowadays - and North American and European countries contributed to the production shift.<sup>5</sup>

Despite the integration in the global garment industry, Cambodia operates mainly at the downstream end of the global garment production chain where value-added and profit margins are relatively low. Despite organizational productions is driven by garment companies themselves, the Cambodian industry is based almost exclusively on the CMT system.<sup>6</sup>

*Figure 4 - The position of market actors on the garment sector ‘smiling curve’, from the ILO report p. 17*

<sup>5</sup> Omar Bargawi, *Cambodia’s Garment Industry – Origins and Future Prospects*, October 2005, p. 5, Accessed 25 July 2020  
<<https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2513.pdf>>

<sup>6</sup> Zakir Hossain, *Report on Cambodian Textile and Garment Industry*, July 2010, p.17, Accessed 25 July 2020  
<[https://www.ids.trade/files/actif\\_report\\_on\\_cambodia\\_textile\\_and\\_garment\\_industry.pdf](https://www.ids.trade/files/actif_report_on_cambodia_textile_and_garment_industry.pdf)>



Unlike Indonesia, Bangladesh, Vietnam and other countries that also have OEM capacities and similarly to Myanmar,<sup>7</sup> Cambodia does not have a primary textile industry and no integrated production.<sup>8</sup> The absence of upstream suppliers in fabrics, threads, accessories and trims implies that Cambodian factories have to import intermediary textile materials for garment manufacturing from abroad.<sup>9</sup>

A UNCTAD report confirms that the vast majority of garment factories in Cambodia concentrates on CMT activities and found that a very little percentage of producers have direct control on other aspects of the production cycle, such as production orders and marketing. The CMT system implies that management decision and marketing are dictated by parent companies from their home countries, so that Cambodian integration into the global industry is mostly driven by cheap labor-intensive operations.<sup>10</sup>

Another study dated by the World Bank stresses that Cambodia is a net exporter of clothing but also a net importer of textiles, depending almost entirely on imported yarns, fabrics and accessories.<sup>11</sup> Sourcing decision are made in the company headquarters and draw on the owners' own textile mills or their sourcing networks in Asia.<sup>12</sup>

The CMT activities that characterize the Cambodian export-oriented garment industry is coupled therefore with a non-existent local textile sector. Looking for example at cotton cultivation introduced under the French ruling and replaced by rice growing during the Khmer Rouge era, the crop has never recovered competing production levels to supply the Cambodian factories with country-made fabrics. According to news media, cotton was cultivated in various provinces in the past, but farmers have stopped growing it in favors of other crops. In Battambang province, one of the producing cotton areas in the past, the agricultural department had no data about the crop production in 2018, and informed that a cotton factory in the province had changed operations.<sup>13</sup>

<sup>7</sup> The LAB, *From Obligation to Opportunity*, p. 17

<sup>8</sup> Zakir Hossain, *Report on Cambodian Textile and Garment Industry*, p.11

<sup>9</sup> Zakir Hossain, *Report on Cambodian Textile and Garment Industry*, p.17

<sup>10</sup> UNCTAD, Cambodia: Sector-specific investment strategy and action plan, February 2013, Accessed 27 July 2020, <[https://unctad.org/Sections/diae\\_dir/docs/diae\\_G20\\_Cambodia\\_en.pdf](https://unctad.org/Sections/diae_dir/docs/diae_G20_Cambodia_en.pdf)>

<sup>11</sup> Cornelia Staritz, *Making the Cut? Low-income countries and the global clothing value chain in a post-quota and post-crisis world*, 2011, p. 120, Accessed 27 July 2020, <<https://openknowledge.worldbank.org/bitstream/handle/10986/2547/588510PUB0Maki101public10BOX353816B.pdf?sequence=1&isAllowed=y>>

<sup>12</sup> Cornelia Staritz, *Making the Cut?*, p. 129, Accessed 27 July 2020

<sup>13</sup> Phnom Penh Post, Local cotton farming abandoned, 5 September 2018, Accessed 27 July 2020

<<https://www.phnompenhpost.com/business/local-cotton-farming-abandoned>> . It is important to notice, however, that investors from China have recently shown interest in developing industrial cotton productions in Pursat and Kampong Speu provinces, where tests on varieties of suitable cotton seeds for cultivations have started. The Star, *China firm to invest 'millions of dollars' in Cambodia's cotton industry*, 20 January 2020, Accessed 27 July 2020 <<https://www.thestar.com.my/news/regional/2020/01/20/china-firm-to-invest-millions-of-dollars-in-cambodia039s-cotton-industry>>; Cambodia News English, *Chinese Company's Cambodian Cotton Comeback*, 19 July 2019, <<https://cne.wtf/2019/07/19/chinese-companys-cambodian-cotton-comeback/>>

The lack of primary textile industry can be linked to the fact that the textile sector is more capital-intensive than clothing, to the need of steady and cost-effective supplies of energy and water, the know-how for technical, design and management skills that are rarely transferred to Cambodian workers and the fact that other countries in the region are highly competitive in fabrics production and it would be challenging to match those countries.<sup>14</sup>

## 2. UK's main imports from Cambodia in 2015-2018: identification of intermediary materials

In order to investigate Cambodia's own supply of textile materials that factories manufacture in garments products for exports, it is important, first of all, to recall that knitted or crocheted apparel and clothing products – i.e. those with HS codes 61 – represented, by far, the largest category of apparel that Cambodia exported to the UK. These were followed by non-knitted apparels - i.e. those with HS codes 62.<sup>15</sup> Secondly, the research of about the global supply chain of Cambodian-made garments destined to the UK faces a time frame limitation, as the UN Comtrade database does not provide data about Cambodia's own imports as per 2019.<sup>16</sup> Therefore, a quick re-cap about UK's total imports, share of knitted and non-knitted apparel imported during the four-year period is necessary.

In 2015-2018, the UK imported a total of 161,455 tons of garment products from Cambodia, worth more than € 2.95 billion.<sup>17</sup> Of these, €1.99 billion worth of clothing, weighting about 114 thousand tons, were knitted garments.<sup>18</sup> This means that apparels made of knitted fabrics represented the 67% of the UK's total imports of Cambodian garments in terms of cash trade. As the WCO's classification contains a chapter about knitted fabrics,<sup>19</sup> the global supply chain of two third of UK's garment imports from Cambodia could be identified looking at the Southeast Asian country's imports of knitted fabrics from other countries.

On the other hand, the Eurostat database records that the trade value of non-knitted clothing was € 948 million (more than 44 thousand tons) in the four-year period,<sup>20</sup> equaling nearly 32% of the total imports by cash. This leaves only a 1% of the total Cambodian garment exports to the UK being covered by other types of products.

Tracking UK's global supply chain of non-knitted clothing beyond the Cambodian borders, however, presents more challenges because the WCO does not have a specific chapter on non-knitted fabrics. The proposed approach is to draw further considerations about the 32% of UK's garment imports looking at more specific levels of HS classifications. HS codes at 6-digit levels provide details about the 'types of materials' of which textile products are made of. However, given that a complete analysis of non-knitted articles' materials would require the examination of over a hundred articles,<sup>21</sup> the focus is on UK's top-3 imports of non-knitted apparels highlighted in 'Block A', namely non-knitted women's and men's

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<sup>14</sup> Cornelia Staritz, *Making the Cut?*, pp. 120-121

<sup>15</sup> The main difference between knitted and non-knitted (or woven) fabrics is how they are constructed. Knitting involves interloping or interlacing a single yarn or thread whereas woven fabrics are created using several warps, or longitudinal yarns, and wefts, or latitudinal yarns. The latter fabrics are more durable and less likely to lose their color as they come in less contact with cleaning agents such as bleach and detergent. On the other hand, knitted fabrics are preferred in warmth, comfort, and wrinkle resistant applications like clothing, have a softer feel but can be less durable in the long run. James Gibbons, *When to Choose a Woven Fabric over a Knit Fabric*, 26 October 2018, accessed on 17 August 2020, <https://revolutionfabrics.com/blogs/gotcha-covered/when-to-choose-a-woven-fabric-over-a-knit-fabric>

<sup>16</sup> The UN Comtrade database doesn't provide information about Cambodia's import for 2019 as per the time of writing

<sup>17</sup> Exactly €2.966.670.561 See 'Block A', section 2.1 page 2

<sup>18</sup> Exactly €1.990.701.022, retrieved from European Commission website, *Eurostat database: Easy Comext*, accessed 26 June 2020 <<http://epp.eurostat.ec.europa.eu/newxtweb/>>

<sup>19</sup> WCO website, *Chapter 60: Knitted or crocheted fabrics*, Accessed 24 August 2020, <[http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-nomenclature-2017/2017/1160\\_2017e.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-nomenclature-2017/2017/1160_2017e.pdf?la=en)>

<sup>20</sup> Exactly €948.176.591, retrieved from European Commission website, *Eurostat database: Easy Comext*, accessed 26 June 2020 <<http://epp.eurostat.ec.europa.eu/newxtweb/>>

<sup>21</sup> Chapter 62 of the WCO's classification include 112 HS codes at 6-level digits. See WCO, *Chapter 62: Articles of apparel and clothing accessories, not knitted or crocheted*, Accessed 24 August 2020, at <[http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-nomenclature-2017/2017/1162\\_2017e.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-nomenclature-2017/2017/1162_2017e.pdf?la=en)>

ensembles, blazers, dresses, skirts, trousers, etc. (HS codes 6204 and 6203 respectively), and non-knitted men's shirt (HS code 6205).<sup>22</sup>

The trade value of these top-3 non-knitted garments was over € 715 million,<sup>23</sup> corresponding to the 75.5% of UK's total imports of non-knitted clothing, or 24% of the total UK garment imports from Cambodia in 2015-2018. The analysis<sup>24</sup> of the types of materials used for the fabrication of UK's top-3 non-knitted garments in 2015-2018 found that:

- **Cotton** was the most used material for the manufacturing of these clothing, which were worth nearly €379 million - corresponding to almost 53% of UK's top-3 non-knitted articles. This figure captures the 12.8% of UK's overall textile imports from Cambodia in the four-year period.
- **Synthetic** fibres were the second most used type of materials for the fabrication of these UK's top imports, as their trading was worth nearly €216 million, or 7.2% of the overall imports

*Table 1 – Cash value of UK's top-3 imports of non-knitted articles from Cambodia in 2015-2018, divided per the types of materials*

	2015 in €	2016 in €	2017 in €	2018 in €	Total in €
Cotton-made	120.847.949	98.803.725	88.414.784	70.832.352	378.898.810
Synthetic fibres	60.926.210	58.018.496	51.556.950	45.331.395	215.833.051
Wool or fine animal hair	18.936.301	23.170.034	18.148.656	11.834.817	72.089.808
Other textile materials	6.959.200	7.231.388	7.511.396	5.734.050	27.436.034
Man made fiber	7.589.728	4.399.923	4.034.162	1.610.595	17.634.408
Artificial	801.777	1.253.529	636.845	1.058.981	3.751.132
TOTAL	216.061.165	192.877.095	170.302.793	136.402.190	715.643.243

These two types of materials making up UK's top-3 non-knitted garments from Cambodia had a combined trade value of nearly €594.7 million,<sup>25</sup> corresponding to about the 20% of UK's overall garment imports.

### **Key takeaways**

- As data about Cambodia's own imports for 2019 are not available on the UN Comtrade database, linkages between exports to the UK and Cambodia's own imports of textile materials takes in consideration a four-year time frame
- In 2015-2018, the **67%** of UK's €2.96 billion worth of garment imports from Cambodia consisted of **knitted clothing**. Almost all the remaining textile imports were represented by non-knitted products.

<sup>22</sup> See, 'Block A', section 2.3: Cambodia's export of specific textile products to the UK (HS2 and HS4), page 5.

<sup>23</sup> Exactly €715.643.243, *Easy Comext <EU Trade Since 1988 By HS6 (DS-016893)>*, available for download at European Commission website, Eurostat database: *Easy Comext*, accessed 17 August 2020 <<http://epp.eurostat.ec.europa.eu/newxtweb/>>

<sup>24</sup> The analysis starts from data gathering from the *Easy Comext <EU Trade Since 1988 By HS6 (DS-016893)>* focusing on 14 sub-articles of men's ensembles, blazers, dresses, skirts, trousers, etc. (HS6203), the 25 sub-articles of women's ensembles, blazers, dresses, skirts, trousers, etc. (HS6205) and the 3 sub-articles of men's shirts (HS6205). An input for data collection was to exclude the types of sub-articles that had no trading records. The result was that out of the 42 sub-articles, the UK imported only 35 of these non-knitted garments with 6-digits HS codes. Then, following the WCO's classification of materials making up non-knitted garments contained in Chapter 62 and specifically HS6203, HS6204, and HS6205 – available for consultation at <[http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-nomenclature-2017/2017/1162\\_2017e.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/instruments-and-tools/hs-nomenclature-2017/2017/1162_2017e.pdf?la=en)> – different colors have been given to each of the 6 types of used materials. Finally, data on the excel sheet were transformed in a table layout, results were ordered by colors and figures about the most used types of materials were obtained summing up the trade value of each materials in 2015, 2016, 2017, and 2018. See Att. 1 - UK imports of top 3 62XX.XX from KH in 2015-2018 (17.08.2020)

<sup>25</sup> Exactly €594.731.861

- **Focusing on UK's top-3 types of non-knitted apparels**, more than half of these garments were made of cotton. The combination of **cotton-made and synthetic fibres-made** among these imports had a trade value of nearly €594.7 million, representing the **20% of UK's overall textile imports** from Cambodia in 2015-2018.



### 3. Cambodian top imports of textile materials

As mentioned earlier, the literature review shows that the Cambodian garment industry is modelled around imported textiles materials that the Cambodian labor force manufactures into finished clothing before being exported. This and the following sections present data about Cambodia's own imports of textiles products that can be linked to the fabrication of finished garments exported to the UK.

In 2015-2018, Cambodia imported a total of nearly USD \$17.8 billion of textile materials, and this figure can be divided as follow:

*Table 2 – Cambodia's total imports of textile according to HS2 codes for from 50 to 63 in 2015, 2016, 2017 and 2018.<sup>26</sup>*

Flow	Reporter	HS2	Commodity Type	(US\$) 2015	(US\$) 2016	(US\$) 2017	(US\$) 2018	Total (US\$)
Import	Cambodia	60	Knitted or crocheted fabrics	1.984.795.779	2.202.673.557	2.383.138.075	2.732.520.901	9.303.128.312
Import	Cambodia	55	Man-made staple fibres	962.590.882	972.447.485	953.056.034	999.344.604	3.887.439.005
Import	Cambodia	52	Cotton.	380.962.244	445.507.962	508.385.926	584.686.193	1.919.542.325
Import	Cambodia	58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	148.613.389	167.110.030	191.554.327	216.905.864	724.183.610
Import	Cambodia	59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	108.861.231	120.975.228	142.622.815	143.817.954	516.277.228
Import	Cambodia	63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	83.287.727	77.791.819	93.104.886	131.525.890	385.710.322
Import	Cambodia	54	Man-made filaments.	72.075.043	98.339.620	107.118.262	130.163.560	407.696.485
Import	Cambodia	62	Articles of apparel and clothing accessories, not knitted or crocheted	59.912.366	57.582.130	59.099.533	64.947.331	241.541.360
Import	Cambodia	56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	29.450.560	38.881.638	53.881.101	66.748.326	188.961.625
Import	Cambodia	61	Articles of apparel and clothing accessories, knitted or crocheted	17.515.362	30.032.594	32.651.057	33.850.709	114.049.722
Import	Cambodia	51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric.	11.915.690	19.444.474	22.605.838	28.468.989	82.434.991
Import	Cambodia	57	Carpets and other textile floor coverings	886.067	1.589.079	3.237.049	4.377.731	10.089.926
Import	Cambodia	50	Silk	1.697.391	2.947.103	2.536.336	2.835.744	10.016.574
Import	Cambodia	53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	89.863	227.743	460.161	708.705	1.486.472
TOTAL				3.862.653.594	4.235.550.462	4.553.451.400	5.140.902.501	17.792.557.957

<sup>26</sup> Data retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: World; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: from 50 to 63. The downloaded excel sheet has then been edited into a horizontal layout, edited into a table format, and ordered according to the 'biggest to smallest value' of the rightmost column "Total (US\$)". UN Comtrade database website, accessed in August 2020, <https://comtrade.un.org/data/>. See Att. 2 - KH imports of textiles (overall) + HS60 HS55 HS52 + Button & S.F. + Machineries (August 2020)



In 2015-2018, the top Cambodian import was represented by “Articles of knitted or crocheted fabrics (HS60)”, which had a total trade value of more than USD \$9.3 billion.

Table 2 also shows links between Cambodia’s textile imports and UK’s top-3 non-knitted garments as follows:

- Articles of man-made staple fibres (HS55) - which industry analysis shows including also synthetic fibres<sup>27</sup> - were the second largest type of imports, with a total value of USD \$3.88 billion.
- Articles of cotton (HS52) represented the third largest type of textile imports, for a total value of over USD \$1.9 billion.

Cambodian imports of the above-mentioned three types of textile products amounted to a total of nearly USD \$15.1 billion, or the 84.9% of Cambodia’s total imports of textiles in 2015-2018.

*Table 3 – Cambodia imports of knitted fabrics; combined imports of man-made staple fibres, cotton and wool, fine or coarse animal hair (HS 60, 55, 52); and their percentages to Cambodia’s total textile imports*

	Total KH textile imports (US\$)	KH imports of knitted fabrics HS60 (US\$)	% of KH imports of knitted fabrics to the total of KH textile imports	KH imports of HS 55 and 52 (US\$)	% of combined KH imports of HS 55 and 52 to the total of KH textile imports
2015	3.862.653.594	1.984.795.779	51.3%	1.343.553.126	34.8%
2016	4.235.550.462	2.202.673.557	52%	1.417.955.447	33.4%
2017	4.553.451.400	2.383.138.075	52.33%	1.461.441.960	33.4%
2018	5.140.902.501	2.732.520.901	53.15%	1.584.030.797	30.8%
Total	17.792.557.957	9.303.128.312	52.28%	5.806.981.330	32.63%

#### 4. Cambodia’s imports of knitted fabrics, man-made fibres and cotton-made products from specific countries.

The UN Comtrade database was consulted to gather data about the countries from which Cambodia has imported the 13 different categories of textiles with 2-digits of HS codes.<sup>28</sup> While the complete data are shared in a separate datasets,<sup>29</sup> the following analysis focuses on countries from which Cambodia has imported the largest amounts of knitted fabrics (HS60), man-made staple fibres (HS55) and cotton products (HS62). These represent, on the one hand, the 84.9% of Cambodia’s total imports of textiles and, on the other hand, it is understood that they are relevant textile products for the fabrication of the 87% of UK’s total imports of garments from Cambodia in 2015-2018.

<sup>27</sup> Industrievereinigung Chemiefaser e.V., *Man-Made Fibres: The Way from Production To Use*, accessed 24 August 2020, at <<http://mimoza.marmara.edu.tr/~myukseloglu/notes/Man%20made%20lifer.pdf>>

<sup>28</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: from 50 to 63 (one by one as data input 4 involves all countries for each HS2 code). UN Comtrade database website, accessed in August 2020, <<https://comtrade.un.org/data/>>

<sup>29</sup> See, Att. 2 - KH imports of textiles (overall) + HS60 HS55 HS52 + Button & S.F. + Machineries (August 2020)  
Att. 3 - KH imports of non-top textiles from other countries 2015-2018\_Raw data (August 2020)

*Table 4 – Cambodia’s imports of knitted fabrics from its top-3 countries suppliers, and share percentage of these top-3 countries to the total Cambodia’s import of knitted fabrics, UN Comtrade<sup>30</sup>*

	Total (\$)	China(\$)	Vietnam (\$)	Hong Kong (\$)	Total imports from the top 3 countries	% of top 3 countries to the total
2015	1.984.795.779	1.174.641.091	134.285.964	240.608.373	1.549.535.428	78
2016	2.202.673.557	1.294.185.654	201.034.408	221.521.177	1.716.741.239	77.9
2017	2.383.138.075	1.431.071.842	270.239.604	200.033.324	1.901.344.770	79.8
2018	2.732.520.901	1.608.461.130	382.864.219	222.819.267	2.214.144.616	81
Total	9.303.128.312	5.508.359.717	988.424.195	884.982.141	7.381.766.053	79.3

*Table 5 – Cambodia’s imports of man-made fibres from its top-3 countries suppliers, and share percentage of these top-3 countries to the total Cambodia’s import of man-made fibres, UN Comtrade<sup>31</sup>*

	Total (\$)	China (\$)	Hong Kong (\$)	Vietnam (\$)	Total imports from the top 3 countries	% of top 3 countries to the total
2015	962.590.882	680.434.231	74.770.115	25.976.942	781.181.288	81.1
2016	972.447.485	722.028.337	46.442.693	32.213.113	800.684.143	82.3
2017	953.056.034	736.271.599	32.493.294	29.427.768	798.192.661	83.7
2018	999.344.604	779.800.953	37.589.315	34.000.337	851.390.605	85.2
Total	3.887.439.005	2.918.535.120	191.295.417	121.618.160	3.231.448.697	83.1

*Table 6 – Cambodia’s imports of cotton products from its top-3 countries suppliers, and share percentage of these top-3 countries to the total Cambodia’s import of cotton products, UN Comtrade<sup>32</sup>*

	Total (\$)	China (\$)	Vietnam (\$)	Hong Kong (\$)	Total imports from the top 3 countries	% of top 3 countries to the total
2015	380.962.244	302.166.431	13.875.979	31.742.286	347.784.696	91.3
2016	445.507.962	365.842.636	26.026.187	21.849.035	413.717.858	92.8
2017	508.385.926	422.125.420	33.514.500	16.431.217	472.071.137	92.8
2018	584.686.193	477.535.776	49.086.862	22.700.231	549.322.869	93.9
Total	1.919.542.325	1.567.670.263	122.503.528	92.722.769	1.782.896.560	92.9

The UN Comtrade database reports that China, Hong Kong and Vietnam were Cambodia’s top suppliers of knitted fabrics, man-made staple fibres, and cotton products in 2015-2018. The combined trade value of textile supplies from the three countries was between the 80% and 90% of for each of Cambodia’s top-3 textile imports.

#### **4.1 Cambodia’s textile imports from China: links to Cambodia’s exports of garments to the UK and areas of productions in China**

According to the database, Cambodia imported from China alone the 59.2% of the total knitted fabrics, the 75% of man-made staples and 81.6% of cotton products in 2015-2018.

<sup>30</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 60. UN Comtrade database website, accessed in August 2020, <<https://comtrade.un.org/data/>>

<sup>31</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 55. UN Comtrade database website, accessed in August 2020, <<https://comtrade.un.org/data/>>

<sup>32</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 52. UN Comtrade database website, accessed in August 2020, <<https://comtrade.un.org/data/>>

Considering Cambodia's exports of garments to the UK, knitted fabrics (HS60) represent the intermediate textile products used for the fabrication of knitted garments (HS61) happening in Cambodian factories, including the 67% of UK's total garment imports in 2015-2018. On the other side, man-made staple (HS55) and cotton products (HS52) are relevant textile materials for the fabrication of non-knitted clothing, including the manufacturing of the UK's top-3 imports of non-knitted apparel representing the 20% of UK's total imports.

From this point of view, the analysis of data from the UN Comtrade (and Eurostat) involves that China's share percentages of Cambodia's top textile imports meant, in turn, that China was the supplier of garment factories in Cambodia that have fabricated the 55.57% of UK's total garment imports from the Southeast Asian country in 2015-2018. In the specific, this percentage can be divided as China being the indirect supplier of:

- The 39.66% (i.e. the 59.2% of 67%) of UK's total imports of Cambodian-made knitted garments
- The 5.47% (i.e. the 75% of 7.2%) of UK's total imports consisting of man-made/synthetic top-3 non-knitted clothing
- The 10.44% (i.e. the 81.6% of 12.8%) of UK's total imports consisting of cotton-made top-3 non-knitted clothing.

Therefore, out of the 161,455 tons of textiles that the UK imported from Cambodia in the four-year period, 89,721 tons (55.57% of this weight) can be indirectly linked to China's direct supply of knitted fabrics, man-made staple fibres and cotton products to Cambodia.

These figures are consistent with China's world leading role as textile producer. An industry analysis reports that China produced the 54.36% of the world share of textile fibers in 2014, and that in particular the 64.1% of synthetic fibers and the 26.2% of cotton were produced in China.<sup>33</sup> The study also states that one of the key characteristics of China textile and apparel sector is the presence of industrial clusters, each of which is specialized in the production of one or more textiles and with a complete industry chain, from spinning yarns to finishing ready garments.<sup>34</sup>

The study indicates that China textile sector has the industrial capacity to produce both raw materials and intermediate products that are then exported and finished in other countries – including Cambodia with its CMT industry model - before reaching end-consumers across the globe. While the identification of exact companies supplying textile materials to Cambodian manufacturers is beyond the capacity of this study, the following paragraphs provide indications of potential locations from which China is likely to produce textiles exported to Cambodia.

The literature review shows that after China's economic reforms the number of textile industry clusters have spread to more cities and that these are mainly distributed in the Pearl River delta and the Yangtze River Delta. These areas are among the most advanced regions in China, in terms of infrastructures, communication and transportations and are proximate to major cities.<sup>35</sup>

In order to understand the scale of China's textile industry centers, a study published in 2017 reports that there is about 150 clusters spread across 18 provinces, including 17 knitting clusters, 14 cotton clusters and 7 fibres clusters. Zhejiang and Jiangsu provinces have the largest number of clusters with 37 and 31 clusters respectively, followed by Guangdong (28), Fujian (15) and Shandong (14).<sup>36</sup>

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<sup>33</sup> EU SME Centre, Business Opportunities and Challenges in The Textile and Apparel Market in China, p. 5, July 2017, accessed 1 September 2020, <[http://ccilc.pt/wp-content/uploads/2017/07/eu\\_sme\\_centre\\_report\\_tamarket\\_in\\_china\\_2017.pdf](http://ccilc.pt/wp-content/uploads/2017/07/eu_sme_centre_report_tamarket_in_china_2017.pdf)>

<sup>34</sup> EU SME Centre, Business Opportunities and Challenges, p. 16

<sup>35</sup> Zhiming Zhang, Cherster To, & Ning Cao, *How do Industry Clusters Success: A case Study in China's Textile and Apparel Industries*, p. 5, accessed 1 September 2020, <<https://pdfs.semanticscholar.org/08c5/ba23f8e952adca909771f09b03d6e2d899cf.pdf>>

<sup>36</sup> EU SME Centre, Business Opportunities and Challenges, p. 17

Considering the types of textile products that - passing through Cambodia's garment factories - reach the UK end-consumer markets, a rather outdated study reports that in Zhejiang province the cities of Maqiao and Yangxunqiao host knitting clusters; that Yaqian city, in the same province, has clusters for the fabrication of man-made fiber; whereas in Guangdong province the towns of Xijiao and Zhangcha are known for their fabrics and knitting clusters respectively.<sup>37</sup>

With regards to knitted products, a more recent blog listing the largest textile clusters in China (as per June 2019) reports that the top-8 knitting towns include:<sup>38</sup>

- In Jiangsu province: Mei Li Town, Changshu City;
- In Zhejiang province: Maqiao Town, Haining City; Shaozheng Town; Lanting Town, Shaoxing County; Hengcun Town, Tonglu County
- In Guangdong province: Chancheng District, Foshan City; Yingying Town, Chaonan District, Shantou City;
- In Hubei province: Zhenhe Town, Shashi District, Jingzhou City

Looking instead at man-made fibres, a 2015 study about the development of the textile industry in Zhejiang province – which, as seen above, hosts the highest number of industrial clusters – states that Shaoxing County is also known for the production of synthetic fabrics. In the specific, Binhai industrial area, in Maan Township, and Qianqing township are reported as the locations with more than 60 medium size companies specialized in the production of synthetic fibres.<sup>39</sup>

The above information about specialized industry clusters in China's coastal provinces from which Cambodia is likely to source textile products appears to be in line with a study made in 2008 about China's textile expansion in Cambodia. Focusing on Zhejiang and Jiangsu provinces that at the time hosted two-third of the China's textile clusters, the study found that a vast majority of Chinese companies had sub-contracts or strategic partnership with Cambodian firms because of the almost non-existent integrated supply chain in the South-east Asian country. While Chinese enterprises had already established complete value chain in mainland, operations were outsourced in Cambodia in order to enter the EU and USA markets with advantageous tariffs and because of the lower cost of production.<sup>40</sup>

The study, therefore, appears to give confirmation of the fact that, as seen in the first section of this report, Chinese enterprises maintain production of intermediate textiles and fabrics in mainland, use their established value chain to source textile materials from the coastal provinces and outsource production in Cambodia's factories.

Considering the production of cotton-made products in China, it is important to notice that China is both one of the world's leading producer of cotton and one of the largest importer. For instance, a study from 2011 showed that China produced more than 25% of the world cotton, but also accounted for over 40% of the total imports.<sup>41</sup> This implies that demand for cotton-made products is higher than actual production, a trend that is confirmed by the latest report by the Global Agricultural Information Network (GAIN). The GAIN study reports more recent data showing that in 2018/19 China produced 6.07 million metric tons

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<sup>37</sup> Zhiming Zhang, Cherster To, & Ning Cao, *How do Industry Clusters Success*, p. 6

<sup>38</sup> BSA China Sourcing website, Top 96 China textile and clothing industry clusters, accessed 1 September 2020, <<https://www.bsasourcing.com/top-96-china-textile-clothing-industry-cluster>>

<sup>39</sup> Shi Lu, Domestic and International Challenges for the Textile Industry in Shaoxing (Zhejiang), March 2015, p. 20 accessed 2 September 2020, <<http://webcache.googleusercontent.com/search?q=cache:VLSQuPgBjQk:chinaperspectives.revues.org/pdf/6776+&cd=13&hl=en&ct=clnk&gl=it>>

<sup>40</sup> Jinmin Wang, Jiebing Wu and Xianguo Yao, The expansion of textile and clothing firms of China to Asian Least Developed Countries: The Case of Cambodia, pp.16-19, accessed 1 September 2020, <<https://core.ac.uk/download/pdf/6283454.pdf>>

<sup>41</sup> Ting Zhang, the Cotton Sector in China, August 2011, p.5, accessed 1 September 2020, <<http://www.bibalex.org/Search4Dev/files/431911/460191.pdf>>

(MMT) of cotton, but consumption was of 8.95 (MMT).<sup>42</sup> The study adds that China's imports of cotton – corresponding to about a third of the country's demand – came mainly from Australia, USA, India and Brazil between 2014 and 2018.<sup>43</sup>

While it would be nearly impossible to establish whether China's exports of cotton-made textiles to Cambodia came from raw materials grown in China or imported from other countries, the GAIN study adds that 84% of China total production is located Xinjiang province, while the north-east coastal provinces of Hebei and Shandong, together with Hubei, host the 10% of total production.<sup>44</sup> These percentages indicate that the land-locked north-west province is likely to be the origin of at least part of Cambodia's imports of cotton-made textiles from China.

Considering the transportation of cotton from Xinjiang province to industrial clusters for the fabrications of cloth and other intermediary products, the 2011 study reported that at the time 70% of Xinjiang's cotton was exported to other provinces by railroad.<sup>45</sup> However, Chinese official media reports that in recent years Xinjiang had become a popular destination for investors in the textile industry, with over 1.800 textile factories gathered in a handful of industrial centers as per the beginning of 2017. The media also indicates that raw cotton is processed into cotton yarn in the region before being transported to eastern China,<sup>46</sup> where it is likely that yarns are transformed in fabric components.

The literature review could not identify reliable data about the modes of commercial transportation between China East provinces and Cambodia. However, given that - on the one side - China's textile clusters are located near to international commercial ports and - on the other side – 66% of Cambodia total imports enter the country from the Sihanoukville Port,<sup>47</sup> and - as seen in the Block A – Ho Chi Minh port also plays a relevant role for Cambodia's trading with other countries, it can be assumed that a large part of the transportation of textiles occur, first of all, by sea to these international ports and, secondly, continue via road transportation to Cambodia's garments factories.

#### **4.2 Cambodia's textile imports from Vietnam: potential dependence of imports from other countries to supply textiles to Cambodia.**

The UN Comtrade database reports that Vietnam was the second largest supplier of Cambodia's knitted fabrics (10.6% of the total imports) and cotton products (6.4% of the total imports), while Vietnam was the third largest exporter of man-made staple fibres to Cambodia (3.1% of the total).

Applying the same calculations as per China, Vietnam appears to be linked to at least Cambodia's manufacturing of the 8.14% of textiles destined to the UK market in 2015-2018, consisting in the 7.1% (i.e. the 10.6% of 67%) of Cambodian-made knitted garments, the 0.82% (i.e. the 6.4% of 12.8%) of cotton-made and the 0.22% (i.e. the 3.1% of 7.8%) of synthetic-made top-3 UK imports of non-knitted garments.

However, it is important to have a look at the industrial capacity of Vietnam. An analyst in 2014 reported that even though the country has a relatively diversified supply chain, the 70% of the companies are specialized in sewing operations and only the 17% and 6% focuses on weaving/knitting and spinning respectively. As a result, the vast majority (85%) of Vietnamese companies work to produce finished

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<sup>42</sup> GAIN, China Cotton and Product Annual, November 2019, p.2, accessed 1 September 2020, <[https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Cotton%20and%20Products%20Annual\\_Beijing\\_China%20-%20Peoples%20Republic%20of\\_4-11-2019.pdf](https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Cotton%20and%20Products%20Annual_Beijing_China%20-%20Peoples%20Republic%20of_4-11-2019.pdf)>

<sup>43</sup> GAIN, China Cotton and Product Annual, November 2019, p.16

<sup>44</sup> GAIN, China Cotton and Product Annual, November 2019, p.3

<sup>45</sup> Ting Zhang, the Cotton Sector in China, August 2011, p.15

<sup>46</sup> Cui Jia in Beijing and Mao Weihua, Investment in Xinjiang textile industry booming, 15 February 2017, accessed 1 September 2020, <[https://www.chinadaily.com.cn/china/2017-02/15/content\\_28202750.htm](https://www.chinadaily.com.cn/china/2017-02/15/content_28202750.htm)>

<sup>47</sup> ADB, Cambodia: Transport Sector Assessment, Strategy, and Road Map, September 2019, p.17, accessed 1 September 2020, <<https://www.adb.org/sites/default/files/institutional-document/529231/cambodia-transport-assessment-strategy-road-map.pdf>>

garments for exportation (similarly to Cambodia CMT industry),<sup>48</sup> whereas only a minority may be relevant for the production and exportation of intermediary textiles such as knitted fabrics, synthetic and cotton-made textiles. In confirmation of this, the study reports that in order to satisfy the country's demands, Vietnam imports the 86% of fabrics. With regards to inputs of raw materials supplying the spinning and weaving/knitting sectors, cotton production in Vietnam is able to satisfy only a tiny fraction of the production needs (99% of cotton is imported) while the 54% of other types of fibers are also imported.<sup>49</sup>

This overview of the Vietnamese textile industry does not exclude, per se, that Cambodian imports may be produced in the country. However, the high imports of fabrics and raw materials indicate the likelihood that textiles reaching Cambodia are actually sourced from other places.

For example, considering the Vietnamese imports of cotton that - along with other natural and artificial raw materials - supplies the spinning and weaving/knitting factories, the GAIN latest reports that the largest suppliers of cotton were the USA, India, Brazil, and Australia.<sup>50</sup> Following this hypothesis, it's worth to notice that the UN Comtrade database also reports that Vietnam imported in 2015-2018:

- Nearly USD \$ 17 million of knitted fabrics, most of which from China (more than 50%) and South Korea (between 20% and 25% of total imports)<sup>51</sup>
- About USD \$ 12 million of man-made stable fibers (including synthetic ones), coming mainly from China (50%), South Korea (around 17%) and Japan (about 7%)<sup>52</sup>

While a thoughtful assessment of Cambodia's actual origins of textiles imported from Vietnam goes beyond the time limitation of this study, it's worth noticing that textiles are either processed or stored in factories in Vietnam before reaching Cambodia.

In this regard, the 2014 study found that 62% of the 6000 textile and apparel companies in Vietnam were located in the Southern part of the country.<sup>53</sup> This indicates that two third of Vietnam's companies are in proximity of Ho Chi Min City and that, therefore, exports to Cambodia is likely to occur either via road or river means of transportations.

#### **4.3 Cambodia's textile imports from Hong Kong: likely to be a hub for re-exports from China and other countries.**

The UN Comtrade database reports that Hong Kong was the second largest supplier of Cambodia's man-made staple fibres (4.9%), while it was the third largest exporter of knitted fabrics (9.5% of the total imports) and cotton-made products (4.8% of the total imports).

Putting in proportion these figures with Cambodia's exports to the UK, Hong Kong results being the indirect supplier of the 7.38% of UK's total imports from Cambodia, including of the 6.36% of knitted-made garments, as well as the 0.61% and 0.38% of cotton-made and of man-made/synthetic fibers respectively that made up UK's top-3 imports of non-knitted products from Cambodia.

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<sup>48</sup> Bui Van Tot, *Textile & Apparel Industry Report: Opportunities and Breakthrough*, 04/2014, Page 11, accessed 2 September 2020, <[http://fpts.com.vn/FileStore2/File/2014/07/01/Textile%20and%20Apparel%20Industry%20Report%20\(latest\).pdf](http://fpts.com.vn/FileStore2/File/2014/07/01/Textile%20and%20Apparel%20Industry%20Report%20(latest).pdf)>

<sup>49</sup> Bui Van Tot, *Textile & Apparel Industry Report*, p. 19

<sup>50</sup> GAIN, Vietnam Cotton and Product Annual, April 2020, p.8, accessed 2 September 2020, <[https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Cotton%20and%20Products%20Annual\\_Hanoi\\_Vietnam\\_04-01-2020](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Cotton%20and%20Products%20Annual_Hanoi_Vietnam_04-01-2020)>

<sup>51</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Vietnam; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 60. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>

<sup>52</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Vietnam; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 55. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>

<sup>53</sup> Bui Van Tot, *Textile & Apparel Industry Report*, p. 11



The literature review, however, shows that the city is likely to serve as an intermediary destination of textile products coming from other countries for re-export, especially from China.

An industry analysis, for example, reports that Hong Kong had a total of 382 manufacturing establishments in March 2019, but that many Hong Kong companies engage in textiles trading, production control and other non-productive activities. Indeed, while the few local textile manufacturers – engaged in cotton spinning, denim weaving, knit-to-shape panel knitting and fine-gauge cotton knit manufacturing - mostly serve local garment companies to supply materials with short notice, a significant portion of textiles passes by Hong Kong and is destined to companies' offshore production of garments.<sup>54</sup>

While environmental regulations and labor costs have pushed Hong Kong companies to relocate their production operations to countries like Bangladesh, Cambodia and Vietnam, trade agreements, such as the CEPA III that gives China and Hong Kong tariff-free treatment, have further liberalized market exchanges of textiles between the city and mainland.<sup>55</sup> As a result, Hong Kong textile companies are mostly engaged in trading and brand production control for China mainland and offshore production basis.<sup>56</sup>

The industry analysis for example reports that between 2017 and first half of 2019, on the one hand, Cambodia was the third main destination of Hong's Kong textile industry – after mainland China and Vietnam -, but on the other hand, of the HK \$143.2 billion worth of exports of textile exports, HK \$142.2 billion consisted of re-exports. Of these, HK \$ 108.3 billion – or more than 76% - were re-exports of mainland China origin.<sup>57</sup> Based on these findings, it is worth to look at data about Hong Kong imports of textiles relevant for Cambodia's fabrication of garment destined to the UK.

In 2015-2018, the UN Comtrade database reports that Hong Kong imported:

- A total of USD \$8 billion worth of knitted fabrics, of which USD \$6.75 billion from China (84.4%), nearly USD \$269.2 million from South Korea (3.37%) and about USD \$198 million from Italy (2.5%)<sup>58</sup>
- A total of USD \$2.36 billion worth of man-made staples, with China supplying USD \$1.35 billion (57.2%), Vietnam USD \$168.5 million (7.1%) and South Korea nearly USD \$146 million (6.18%)<sup>59</sup>
- A total of USD \$6.7 billion worth of cotton-made textiles, of which China supplied nearly USD \$4.86 billion (72.53%), Pakistan USD \$247 million (3.68%) and India USD \$241 million (3.6%)

The literature review and data from the UN Comtrade database strongly suggest that a large part of Hong Kong's supply of 7.38% of Cambodia's garments destined to the UK did not actually originate from the city. The literature review shows that only the 0.7% of Hong Kong's textile and garment exports originated there and that the vast majority of products actually came from China, a trend that also data about Hong Kong imports knitted fabrics, man-made/synthetic fibers and cotton-made products confirm.

Considering the mode of transportation between China mainland and Hong Kong, the literature review finds that the most common method used by enterprises located in northern coastal China is ocean freight.<sup>60</sup> Given that China's textile industrial hubs are mostly located in Fujan, Zhejiang, Jiangsu and Shangdong provinces and that these regions are all located north of Hong Kong, it is assumed that most of

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<sup>54</sup> The Hong Kong Trade Development Council, *Textile Industry in Hong Kong*, 11 September 2019, Accessed 7 September 2020, <<https://hkmb.hktdc.com/en/1X0040EM/hktdc-research/Textiles-Industry-in-Hong-Kong>>

<sup>55</sup> The Hong Kong Trade Development Council, *Textile Industry in Hong Kong*

<sup>56</sup> The Hong Kong Trade Development Council, *Textile Industry in Hong Kong*

<sup>57</sup> The Hong Kong Trade Development Council, *Textile Industry in Hong Kong*

<sup>58</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Hong Kong; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 60. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>

<sup>59</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Hong Kong; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 55. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>

<sup>60</sup> Sino Shipping website, *Shipping from China to Hong Kong 2020*, accessed 7 September 2020, <<https://www.sino-shipping.com/country-guides/shipping-from-china-to-hong-kong/>>



the textiles from these coastal areas reach Hong Kong by sea, before re-shipment to the international ports of either Ho Chi Minh city or Sihanoukville city. From these port cities, goods coming from Hong Kong, are likely to continue via road transportation until they reach the specific Cambodian factories making orders of textiles.

#### **4.4 Other Cambodia's imports of other products relevant for its export-oriented garment industry**

The sections above have identified countries of origins of Cambodia's own importation of textiles relevant to the fabrication of garments destined to the UK, focusing on articles included in the WCO's section XI, Textiles and Textiles Articles. The following part provides a quick overview of other products not included in this WCO section but that are anyway relevant for the Cambodia export-oriented garment industry.<sup>61</sup>

During the 2015-2018 period, Cambodia has imported:

- Buttons, press-fasteners, snap-fasteners and similar articles (HS 9606) for a total value of USD\$ 171 million. China was the largest supplier of buttons, with 61% of the supply, followed by Hong Kong (19%) and Thailand (5%);<sup>62</sup>
- Slide fasteners (HS 9607) for a total value of nearly USD \$400 million, with China exporting to Cambodia more than 46% of this trade value, Hong Kong the 10.5% and Vietnam the 8.4%<sup>63</sup>

Considering machineries used for the still underdeveloped textile operations that prepare materials for garment CMT operations, in the four-year period Cambodia imported:

- Knitting machines, stitch-bonding machines and machines for making gimped yarn, tulle, lace, embroidery (HS 8447) for a total value of USD \$ 163 million. Of these, China supplied the 58%, Japan nearly the 14% and Hong Kong the 9.8%<sup>64</sup>
- Machinery for washing, cleaning, wringing, drying, ironing, pressing, bleaching, dyeing, dressing, finishing, coating or impregnating textile yarn, fabrics or made up articles (HS 8451) for a trade value of USD \$ 117 million. China exported to Cambodia the 61.5% of these machines, Hong Kong the 8% whereas Italy is recorded as the third largest supplier of such machines, with over the 5.5% of the trade value.

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<sup>61</sup> For comprehensive raw data about the countries of origins of non-textiles articles presented in this section, see also Att. 2 - KH imports of textiles (overall) + HS60 HS55 HS52 + Button & S.F. + Machineries (August 2020)

<sup>62</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 9606. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>

<sup>63</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 9607. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>

<sup>64</sup> Data are retrieved with the following inputs: 1) Classification: as reported; 2) Periods: 2015, 2016, 2017, 2018; 3) Reporters: Cambodia; 4) Partners: All; 5) Trade Flow: Imports; 6) HS (as reported) commodity codes: 8447. UN Comtrade database website, accessed in September 2020, <<https://comtrade.un.org/data/>>