**Key Points on The Cambodian Garment Supply Chain**

**Cambodia**

Unlike Indonesia, Bangladesh, Vietnam and other countries that also have OEM capacities and similarly to Myanmar, Cambodia does not have a primary textile industry and no integrated production. 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

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 UK**

In 2015-2018, the UK imported a total of 161,455 tons of garment products from Cambodia, worth more than € 2.95 billion. Of these, €1.99 billion worth of clothing, weighting about 114 thousand tons, were knitted garments

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.

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.

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, manmade staple fibres and cotton products to Cambodia.

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

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.

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. 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. 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, 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, 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.

**Vietnam**

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 cottonmade and the 0.22% (i.e. the 3.1% of 7.8%) of synthetic-made top-3 UK imports of non-knitted garments.

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. 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.

‘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. 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.’

**Hong Kong**

The UN Comtrade database reports that Hong Kong was the second largest supplier of Cambodia’s manmade 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.

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. 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. As a result, Hong Kong textile companies are mostly engaged in trading and brand production control for China mainland and offshore production basis.