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**U.S.-Cambodian Textile Agreement Links Increasing Trade
with Improving Workers' Rights**

New Memorandum of Understanding Extends Bilateral Trade Agreement for Three Years

WASHINGTON - The United States and Cambodia have agreed to extend their Bilateral Textile Agreement for an additional three years, through December 31, 2004. The quota for most textile exports from Cambodia in 2002 will be fifteen percent higher than in 2001, a nine percent increase in recognition of Cambodia's progress in reforming labor conditions in textile factories over the last three years, in addition to the normal increase in quotas of six percent. The new Agreement includes additional incentives for continuing improvements in labor conditions.

"This renewal of our Bilateral Textile Agreement is an excellent example of the way trade agreements lead to economic growth and promote a greater respect for workers' rights," said U.S. Trade Representative Robert B. Zoellick.

The new terms came into effect on December 31, 2001, when U.S. Ambassador Kent Wiedemann and Cambodian Commerce Minister Cham Prasidh signed a Memorandum of Understanding (MOU) in Phnom Penh.

Zoellick noted that studies by both the World Bank and the Brookings Institution document the positive links between trade, economic growth and labor standards. For example, Gary Burtless in a Fall 2001 *Brookings Review* article comments that opening markets is "the most reliable way to improve the condition of third-world workers..."

Background

The Memorandum of Understanding increases Cambodia's quota for textile imports by nine percent, in addition to a six percent increase that is normal for most textile import quotas – a total increase of 15 percent. The nine percent increase for 2002 reflects Cambodia's progress towards ensuring that

working conditions in its garment sector are in “substantial compliance” with internationally recognized labor standards and provisions of Cambodia’s labor law, and follows recent formal U.S.- Cambodian labor consultations. The International Labor Organization (ILO) also has two projects underway assisting Cambodia with the implementation of its labor law.

As in the original agreement, Cambodia will be eligible for future additional quota increases if working conditions in the garment industry substantially comply with internationally recognized core labor standards. The U.S. and Cambodian governments agreed to increase this potential quota reward for full compliance from 14 to 18 percent. The United States and Cambodia will keep working conditions in the Cambodian garment sector under ongoing review, and will conduct two rounds of labor consultations in 2002, as provided for in the Agreement. Should it be determined that Cambodia has made further, substantial progress towards achieving this benchmark of “substantial compliance,” the 2002 annual quota bonus level could be increased further.

In the first ten months of 2001, total U.S. imports from Cambodia were \$826.7 million, of which \$818.2 million were textiles and apparel. During the same period, U.S. companies increased textile and apparel exports to Cambodia by 225 percent; exports were valued at \$652,000.

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