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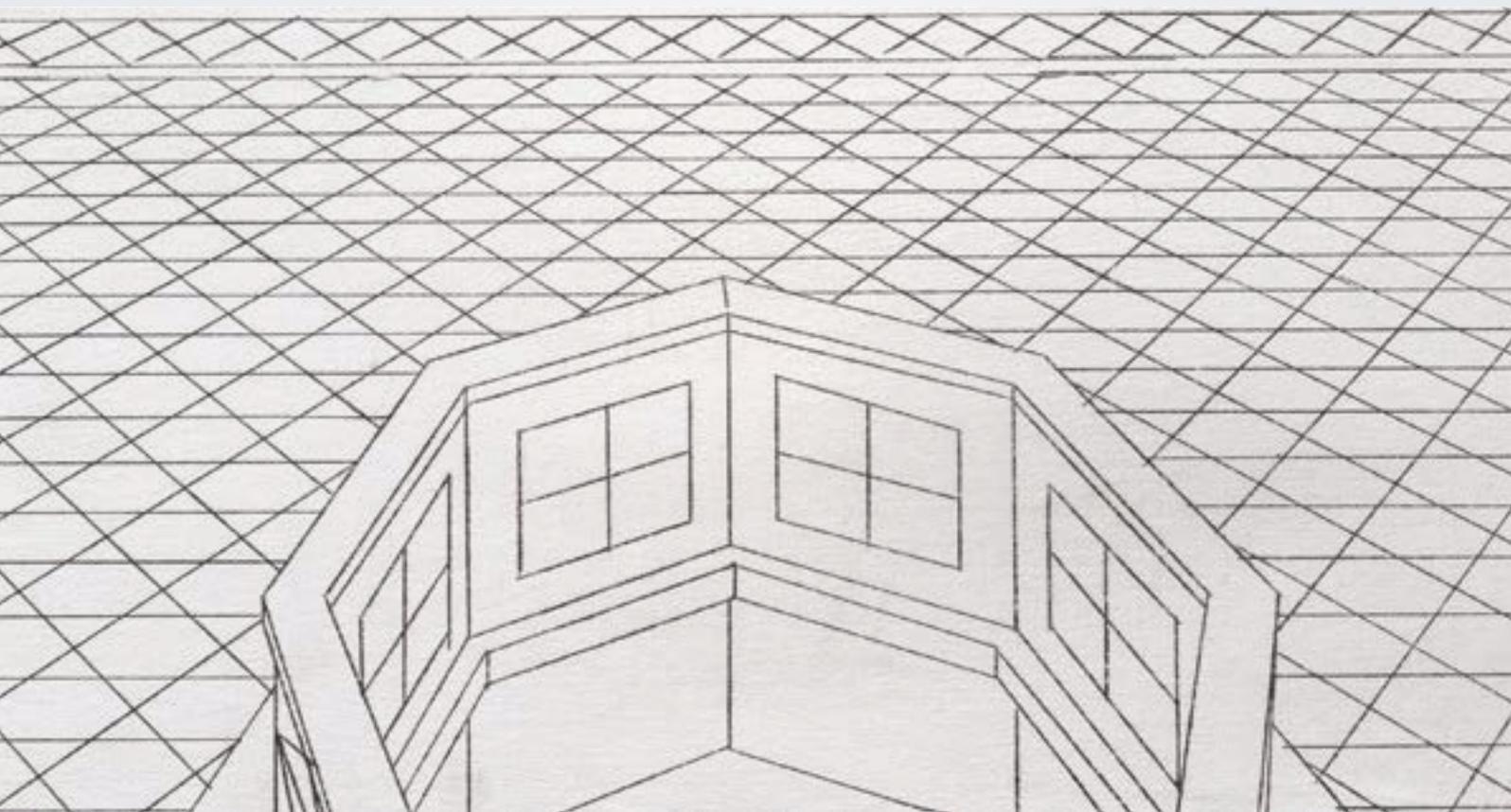
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## **CAMBODIA DIAGNOSTIC TRADE INTEGRATION STUDY 2019–2023**

UNCTAD'S CONTRIBUTION TO CHAPTER 1

Trade Policy and Regional Integration (RCEP, BRI, CP-TPP, FTAs)



**Towards a new trade policy on market access for Cambodia:  
Identifying a positive agenda among challenges and opportunities**



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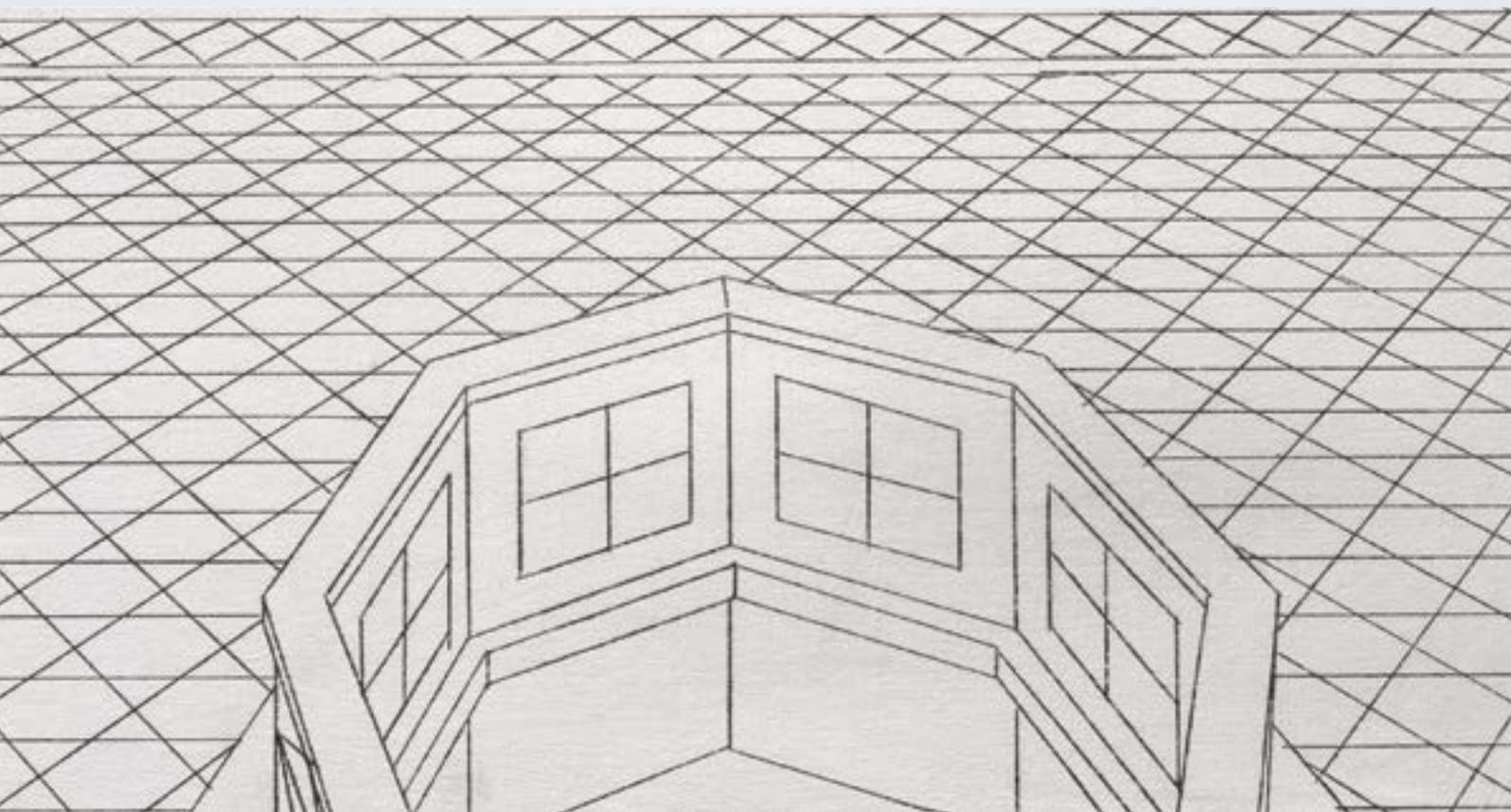
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<sup>1</sup> <https://cambodiancorner.files.wordpress.com/2019/12/cambodia-trade-integratio-strategy-2019-2023-1.pdf>, accessed on 20.04.2020.

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# Abstract

As pointed out in the DTIS 2014, Cambodia is one of the few least developed countries (LDCs) that has been able to dramatically increase its exports thanks to the combined action of the Government and private sector to exploit the trading opportunities arising from trade preferences, especially those provided by the European Union under the Everything but Arms (EBA) scheme. More specifically, Cambodia has been able to draw net gains from the trading opportunities offered by the reform of European Union rules of origin that took place in 2011. Trade statistics show that in the 2011–2013 period Cambodia has not only been able to increase its utilization of the European Union preferences but has substantially increased its total exports to the European Union.

The United States of America, the second biggest export market of Cambodia, does not cover under its own GSP garments and textile products. Yet Cambodia has been able to maintain, even though at a decreasing level, its market share. At present, prospects for United States expansion of product coverage on textiles and clothing are meagre, and the Bali text on DFQF for LDCs is rather weak to offer prospects<sup>2</sup> in the short term. There is no consensus among LDCs and the WTO LDC group to exert pressure on the United States to deliver a meaningful commitment on DFQF.

Cambodia also increased exports to Japan in recent years from \$405 million in 2012 to \$1.314 billion in 2017.

Margins of preferences provided in the European Union market are sizable by any measurement, especially when matched with the export composition of Cambodia, which mainly consists of garments (European Union MFN: 12 per cent) and bicycles (European Union MFN duty: 14 per cent). In addition, as for other LDCs, Cambodia is entitled to duty-free entry into the European Union while other ASEAN countries

are only entitled to a reduction of 3.5 percentage points and favourable rules of origin.

Most importantly, Cambodia has been able to take its first steps towards diversification of its export basket by becoming, in just a few years, one of the largest exporters of bicycles, mostly because of the reform of the European Union rules of origin. At the same time, exports of garments have risen.

The continued eligibility of Cambodia under EBA due to non-trade-related conditionalities<sup>3</sup> is currently an issue conspicuously present in press headlines and the EU Commission has finally decided to suspend Cambodia from EBA effective August 2020.<sup>4</sup>

Besides the uncertainty stemming from such non-trade-related developments, Cambodia should realize that the bonanza is not going to last due to the changing trading environment as first publicly discussed in 2016<sup>5</sup> following the first signs of deterioration of market access. Unfortunately, it appears that there has been little progress since then to fully realize that being part of the international trading system means being part of a framework of rights and obligations governed by a rule-oriented international economic order. Many of the issues now affecting the export performance of Cambodia have been on the agenda for years but have attracted little attention in terms of seriously mounting an adequate response. Two glaring examples are the reimposition of duties on rice following a European Union investigation under EBA, and the lack of preparation and initiatives for the entry into force of the European Union–Viet Nam FTA in 2020.

According to the Government, “The target of Cambodia is to graduate from the least developed countries by 2023”.<sup>6</sup> However, at the last triennial review of the LDC list in 2018 by the Committee for Development Policy (CDP), Cambodia did not fulfil the eligibility criteria for

<sup>2</sup> *Preferential Rules of Origin for Least developed countries*, WTO Ministerial Decision, 7 December 2013 (WT/MIN(13)/42 or WT/L/917), available at [https://www.wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/desci42\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/mc9_e/desci42_e.htm).

<sup>3</sup> According to article 19 of the 2012 regulation, EBAs can be withdrawn for a number of reasons. The actual grounds for withdrawal mainly concern article 19.1 (a) of the above-mentioned European Union regulation “of serious and systematic violation of principles laid down in the conventions listed in part A of annex VIII” (United Nations and ILO Conventions on core human rights and, respectively, labour rights).

<sup>4</sup> See, for instance, <https://www.phnompenhpost.com/national-politics/final-day-eu-get-eba-withdrawal-views>.and most recently the EU commission decision of 12 February 2020 COMMISSION DELEGATED REGULATION (EU) .../... of 12.2.2020 amending Annexes II and IV to Regulation (EU) No 978/2012 as regards the temporary withdrawal of the arrangements referred to in Article 1(2) of Regulation (EU) No 978/2012 in respect of certain products originating in the Kingdom of Cambodia.

<sup>5</sup> Workshop organized by UNCTAD in April 2016 where an initial paper on trade policy was first discussed.

<sup>6</sup> Statement made by H.E. SOK Sokpheak, Secretary of State, MoC, during the Focus Group discussion on chapter 1: Trade Policy and Regional Integration (RCEP, CP-TPP, FTAs), of the CTISU 2019–2023 and Trade SWAp Roadmap Update, 13 February 2019.

graduation, complying with only one of the three, that is, the Human Asset Index.<sup>7</sup>

Upon graduation, trade preferences will be phased out after a transitional time period or immediately depending on the provisions of the preference-giving country. Thus, under any circumstance, it is time for Cambodia to realize that alternative routes have to be designed and actively undertaken to maintain and improve the present export performance.

In addition, it is important to realize that graduation does not only concern Cambodia but also neighbouring ASEAN countries. In fact, there are different forms of graduation. One of the most traditional is graduation from LDC status. However, as discussed in this chapter, other forms of graduation, such as graduation from GSP status, of other ASEAN partners are of concern to Cambodia since they have a direct effect especially in the case of market access to the European Union.

There is also a series of ongoing and overlapping negotiations, such as the Regional Comprehensive Economic Partnership (RCEP) and CP-TPP, that offer both prospects and challenges for Cambodia. An important factor for the country is to better understand in concrete terms and at sector level what these challenges and opportunities are and to assess (a) the value added to be part or accede to these mega regionals; (b) the concessions that Cambodia is expected to make under the respective initiatives.

Given the overlapping and concurrent trade preferences and arrangements of which Cambodia is beneficiary, the analysis carried out in this study is complex due to the different layers of preferential market access already existing, some deriving from the LDC status of Cambodia such as EBA or the Duty Free Quota Free (DFQF), others deriving from the FTAs that ASEAN has entered into with Australia, China, India, Japan and New Zealand.

In addition to such market access dimensions, both RCEP and CP-TPP encompass a number of additional trade disciplines of a WTO-plus<sup>8</sup> and WTO-extra<sup>9</sup> nature that need to be assessed. Such topics deserve separate studies on their own.

In terms of market access, unilateral trade preferences – a building block of the export performance of Cambodia – are of a unilateral nature. In fact, LDC GSP preferences depend on the LDC status of Cambodia and the conditionalities that preference-giving countries attach to unilateral preferences. As widely reported the beneficiary status of Cambodia under EBA has been under scrutiny<sup>10</sup> and a decision by the EU Commission has been made to suspend Cambodia from EBA for the majority of sector effective from August 2020<sup>11</sup>. Cambodia is also aiming at graduating from LDC status in 2023.<sup>12</sup> The scenario of the present study is to develop a trade policy and a strategy that will soften the loss of unilateral preferences following the graduation from GSP LDC status and/or the loss of EBA benefits in 2020.

Negotiations on the RCEP are progressing; however, it remains to be proved if any additional market access will be provided in a timely and meaningful manner to Cambodia exports. In any case, the RCEP will not provide improved market access to the main export destination of Cambodia the United States or the European Union.

Given the export basket of Cambodia, mainly garments, bicycles and shoes, it is unlikely that the RCEP could absorb or become a substitute for exports of these products to the European Union and United States markets. To be perfectly clear, RCEP partners are more likely to be net competitors to Cambodia rather than possible importers of these kinds of goods. The ASEAN Economic Community agenda lacks the dynamism to provide further market access to ASEAN countries or a revision of the ATIGA.

<sup>7</sup> According to the graduation standard procedure, to be recommended for graduation, Cambodia has to be found eligible at two consecutive triennial reviews in fulfilling at least two of the three criteria. Therefore, if Cambodia meets pre-eligibility criteria in 2021 and again in 2024, the country may qualify for graduation at the 2024 review and effectively graduate between 2024 and 2027. Therefore, the only way to reach the Government target would be to request the exclusion of Cambodia from the LDC list, which would be unprecedented in the history of LDCs.

<sup>8</sup> “WTO-plus” (WTO+): Commitments building on those already agreed to at the multilateral level, e.g. a further reduction in tariffs; see *Beyond the WTO? An anatomy of European Union and US preferential trade agreements*, by Henrik Horn, Petros C. Mavroidis, and André Sapir.

<sup>9</sup> “WTO-extra” (WTO-X): Commitments dealing with issues going beyond the current WTO mandate altogether, e.g. on labour standards. Source: see footnote 7.

<sup>10</sup> *On Myanmar and Cambodia*, Cecilia Malmström, Innsbruck, Austria, 5 October 2018.

<sup>11</sup> See Commission delegated regulation (EU) .../... of 12.2.2020 amending Annexes II and IV to Regulation (EU) No 978/2012 as regards the temporary withdrawal of the arrangements referred to in Article 1(2) of Regulation (EU) No 978/2012 in respect of certain products originating in the Kingdom of Cambodia

<sup>12</sup> This is a Government target; see footnote 6 for further details.

What is certain is that the European Union–Japan FTAs has entered into force and the European Union–Viet Nam FTA is expected to enter into force in 2020 much earlier than any substantial improvement of regional market access such as RCEP could offer market access opportunities to Cambodia in the medium term. In addition, the resumption of the negotiations of the European Union–Thailand FTAs may be expected under the newly elected Government in Thailand. Dynamism in joining the CP-TPP has also been recently aired by Thailand. Other ASEAN countries such as Philippines and Indonesia have initiated FTA negotiations with the EU.

Faced by these formidable challenges, this chapter outlines a series of trade policy options to reformulate Cambodia's trade agenda in a proactive manner. Given the announced Government policy to graduation from LDC status, exclusive reliance on unilateral trade preferences does not seem to be an option any longer. Cambodia needs to quickly assess and develop the option of entering into an FTA with the European Union and/or join the CP-TPP and assess the value added of RCEP in addition to the existing trading arrangements that Cambodia already has with RCEP countries. Some of these options would represent a substantial negotiating challenge for Cambodia, since FTAs with the European Union and CP-TPP encompass many more disciplines than simple trade in goods aspects. This holds especially true for the CP-TPP, that includes disciplines on trade environment, IPRs, and investor/State disciplines that, while debated already in the literature, must be related and tailored to the Cambodian case.

Overall and most importantly, Cambodia needs to become an active player in the regional and multilateral negotiating context to adequately represent its trading interests. It has to nurture the consciousness that its future lies beyond the LDC status and build the necessary confidence and technical skills to represent its trade interests in regional and multilateral scenarios.

This chapter examines the facts and figures that underscore this new vision of Cambodia's trade policy. It provides some initial findings on the following issues:

- (a) An analytical review of the trade performance of Cambodia vis-à-vis its ASEAN neighbours including a detailed comparative examination of utilization rates of the European Union GSP;
- (b) Assessment of the trade effects that may arise from ASEAN–European Union FTAs using a partial equilibrium model;

- (c) An assessment of RCEP tariff concession comparing it with the existing preferential tariff arrangements available to Cambodia under the GSP schemes and ASEAN FTAs with dialogue partners;
- (d) An evaluation of the CP-TPP tariff concession comparing it with the existing preferential tariff and rules of origin arrangements available to Cambodia under the GSP schemes and ASEAN FTAs with dialogue partners;
- (e) A short review of other components of market access, namely sanitary and phytosanitary (SPS) measures applicable to Cambodia exports and ways and means to address them.

On the basis of the above-mentioned findings and analysis the following recommendations are made.

### Trade relations with the Association of Southeast Asian Nations

Overall Cambodia should openly discuss and revisit with ASEAN partners its negotiating position to be able to negotiate as an ASEAN LDC in external trade relations and coordinate such a stance with other ASEAN LDCs. It should be made clear with ASEAN partners that a new course of action in ASEAN external trade relations should be undertaken with the following priorities:

- (a) The implementation of the AEC agenda should be fast-tracked with specific provisions to take into due account the ASEAN LDC position within ASEAN and the deterioration of market access due to different external trade agendas of ASEAN countries with dialogue partners and the European Union.
- (b) Cambodia together with other ASEAN LDCs should initiate a positive agenda aimed at negotiating current and future FTAs as an ASEAN LDC group. It should be made clear that while maintaining the integrity of ASEAN, the ASEAN LDCs should negotiate as a distinct subgroup of ASEAN. This means, for instance, that FTA partners should adopt differentiated ASEAN offers, one for ASEAN and a second one for ASEAN LDCs to take into account their special and different situation. It is simply anachronistic and self-defeating that ASEAN LDCs are treated in the same league as higher-income countries. The ongoing RCEP negotiations are the ideal candidate for testing ground to advance this negotiating position.

- (c) To this effect MOC should take the lead in conducting internal and external consultations as soon as possible with other ASEAN LDCs at the nearest opportunity and before the next RCEP negotiating session.

## Trade relations with the European Union

Cambodia and other ASEAN LDCs should take the initiative to enter into a trade policy dialogue with the European Union to define a new trade relation that goes beyond EBA.

It is expected that ASEAN LDCs will graduate from LDC status in the near future<sup>13</sup> and the current market access under EBA that has been a crucial factor in their export performance will be progressively eroded by the ASEAN FTAs.

The combined effects of these two looming events requires timely and concrete actions, such as:

- (a) Prepare a short roadmap for a new partnership between ASEAN LDCs and the European Union;
- (b) Convene a meeting at high level among the ASEAN LDC to agree on a roadmap in June/ July 2019;
- (c) Following the nomination of the European Union trade commissioner and the formation of the European Union parliament, ASEAN LDCs should request a meeting with the new trade commissioner to discuss such a new partnership.

In addition, Cambodia will have to undertake actions at technical levels to prepare the ground for extended cumulation with Viet Nam and explore possible ways to cumulate with Japan.

Such actions should be undertaken as soon as possible to relay a message to garment and bicycle manufacturers that the Government is actively pursuing a viable trade strategy.

## Trade relations with Japan

Trade relations with Japan are governed by the GSP for LDCs and the ASEAN Dialogue FTA with Japan. Trade figures suggest that the Japan GSP for LDCs is mostly used by Cambodia.

In the context of the GSP preferences, Cambodia with other ASEAN LDCs should prepare a document clearly outlining the improvements that Japan may make on the product-specific rules of origin and on cumulation on the basis of the LDC submission made at the Committee on rules of origin in 2019<sup>14</sup>. This document should be submitted as soon as possible during 2020 as Japan is undergoing the periodical decade revision of its own GSP scheme including its rules of origin. Such action should be followed by an official visit of the ASEAN LDCs to the Ministry of industry and Trade and Ministry of Finance in Tokyo during the fall to secure follow-up and commitment in adopting a reform of rules of origin under the Japanese GSP during the current revision.

In a parallel fashion, Cambodia and ASEAN LDCs should begin to study the possibility of having a series of bilateral FTAs with Japan that provide better market access than the present Japanese GSP, the ASEAN FTAs and RCEP. A study should be conducted in this regard to compare the different concessions that Japan has made towards other partners to secure and argue for better preferential margins when negotiating as ASEAN LDCs.

## Trade relations with China

The analysis of the trade flows contained in table 1 clearly shows that China cannot replace the European Union and United States as market of destination for garments, bicycles and shoes. China could be a potential market for exports of rice, of agricultural products and processed foodstuffs. However, the main obstacles to enter the Chinese market are not only tariffs but also sanitary and phytosanitary requirements. In the context of WTO the SPS Committee has been established to provide a forum for discussion and exchange of information. According to the SPS Information Management System (IMS) database, WTO members have raised 31 specific trade concerns on the SPS measures applied by China.

Cambodia and other ASEAN LDCs should make sure that the RCEP provisions on SPS contains WTO-plus elements that permits an enhanced dialogue with China and, where possible, equivalence and mutual recognition agreements.<sup>15</sup>

<sup>13</sup> See footnote 56 on page 11.

<sup>14</sup> See presentation "Rules of Origin based on the change of tariff criterion (RD/RO/79) - Elia N. Mtweve, Tanzania on behalf of the LDC Group and related submission.

<sup>15</sup> For instance, the European Union-Viet Nam SPS provisions contain a number of possible suggestions on how to develop some WTO-plus disciplines.

On the basis of the above-mentioned findings and analysis the following recommendations are made:

- (a) Cambodia, joined with other ASEAN LDCs, should raise specific concerns over the SPS measures applied by China on rice imports and other related agricultural products in the next session of the WTO SPS Committee.
- (b) Cambodia should develop a negotiating strategy with other ASEAN LDCs to ensure that the RCEP provision on SPS contains WTO-plus elements that could facilitate market access to China.

## Negotiating Regional Comprehensive Economic Partnership

The RCEP negotiating text has not been made available in the course of this study. Only limited information could be retrieved from other sources. On the basis of the preliminary information and an examination of tariff offers, RCEP does not seem to provide substantial improvements with respect to the market access that Cambodia is already being granted as part of the LDC, or ASEAN and ASEAN FTA network with dialogue partners.

The crippling factor of RCEP is the architecture of the tariff offer since the RCEP partners have made a single offer for all the ASEAN countries or towards all RCEP partners. This means that Cambodia is treated in terms of market access the same way as Singapore or Malaysia while there is a clear divide in terms of export capacity and level of development between these countries and Cambodia. This element alone casts serious doubts over the value added of RCEP in terms of market access granted to Cambodia with respect to previous agreements and LDC arrangements from which the country is already benefiting.

Added to this, the RCEP draft main text on rules of origin is 111 pages long and the Excel texts of product-specific rules of origin is over 6,000 lines. These figures alone provide a glimpse of the complexities of the negotiations. Once again there is no provision for LDC special and preferential treatment in the area of rules of origin for LDCs.

Unless substantial progress is made in the last rounds of negotiations, the current reading of the RCEP provides little scope for increased market access for Cambodia. The only advantage of the RCEP would be to “lock-in” into a contractual agreement some unilateral trade preferences.<sup>16</sup> Even this assumption would have to be further assessed.

The fact that Cambodia may graduate from LDC status in the foreseeable future should not mean to forfeit in advance its negotiating position as an LDC during the current round of negotiations in the RCEP.

On the basis of the above-mentioned findings and analysis the following recommendations are made:

- (a) As a matter of priority Cambodia, together with other ASEAN LDCs, should insist that other RCEP partners make a differentiated offer on tariffs and rules of origin for ASEAN LDCs in RCEP that is more generous than the offer made to other RCEP partners.
- (b) In taking informed negotiating positions during the RCEP negotiations an overall and product-specific assessment has to be made using the methodology adopted in table 6 to measure what additional market is granted under the current RCEP and negotiating objectives should be set accordingly. For instance, it seems that the common ASEAN negotiation position on rules of origin for garments is more stringent than those of other RCEP partners.
- (c) An overall assessment has to be made of the value of RCEP with respect to trade in goods, services and other trade-related aspects. As the text has not been made public it is not possible at this time to provide even an initial assessment.

## Negotiating Comprehensive and Progressive Agreement for Trans-Pacific Partnership accession

The CP-TPP agreement is a modern FTA encompassing a series of WTO-plus and WTO-extra disciplines both in terms of coverage and depth. The preliminary analysis of the CP-TPP with respect to market access and rules of origin is similar to RCEP in the sense that the CP-TPP may not bring to Cambodia additional market access to what has been already been granted under different arrangements thanks to the country’s current LDC status or as member of the ASEAN FTAs with dialogue partners. The complex rules of origin of the CP-TPP, especially in the garment sector, do not reflect the present capacity of the Cambodian garment industry.

However, reading a complex agreement such as the CP-TPP uniquely through the lenses of tariff and rules of origin offers a very limited perspective of the trading opportunities and challenges that the CP-TPP agreements may bring to Cambodia. First of all, as in

<sup>16</sup> These unilateral trade preferences are those granted under the DFQF and related rules of origin by Australia, China, India, Japan, New Zealand and the Republic of Korea. However, it would have to be assessed whether the tariff offers and rules of origin in the RCEP are equivalent or better than those granted under the current DFQF granted by these preference-giving countries.

the case of the RCEP, the trade preferences granted under an FTA are not unilateral and are more permanent and stable in nature.

The CP-TPP is based on a series of rule-based, market-oriented systems that offer predictability for investors but also challenges for countries like Cambodia. The situation is further exacerbated by the fact that some of the main competitors of Cambodia, such as Viet Nam, are on a triple track<sup>17</sup> scenario since they (a) participate in RCEP, (b) are members of the CP-TPP, and (c) have entered an FTA with the European Union. It follows that such a multiple track route shared by other ASEAN countries attracts investors to such locations since they provide multiple access to markets with respect to other locations, such as ASEAN LDCs that are only engaged in RCEP.

Overall the main challenge to Cambodia is to put more resources on assessing the values of the various options and conducting a series of consultations to assess the terms and conditions for acceding to the CP-TPP.

On the basis of the above-mentioned findings and analysis the following recommendations are made:

- (a) Conduct a deeper and comprehensive assessment of the CP-TPP and initiate consultations with other ASEAN LDCs for a possible joint initiative to accede to the TP-CPP as an ASEAN LDC group;
- (b) Initiate informal consultations either directly or indirectly to identify the possible flexibilities and carve out what may be discussed upon accession, especially on ISDS provision and other aspects.

### **Negotiating better preferences in the Eurasian Customs Union**

The analysis of the trade flows presented in table 1 clearly shows that the Eurasian Customs Union cannot replace the European Union and United States as market of destination for garments and bicycles.

Nevertheless, efforts could be made to improve the market access conditions by initiating consultations for better rules of origin at the next sessions of the WTO CRO. A document detailing where improvements could be made to the current rules of origin provided by the Eurasian Customs Union should be prepared by ASEAN LDCs and presented at the above-mentioned WTO committee. Subsequently, Cambodia and other

ASEAN LDCs should launch initiatives to follow up on this matter to obtain better market access and rules of origin.

### **Preparing for the World Trade Organization Ministerial Conference in Nur-Sultan**

It is highly recommended that Cambodia and ASEAN LDCs make full use of the opportunities offered by the multilateral trading system to flag their issues and undertake parallel initiatives to those undertaken at regional level. Every opportunity to show that Cambodia and ASEAN LDCs are engaged in the multilateral track should be exploited to show partners that Cambodia is an active player in international trade.

More precisely it is recommended the following actions should be undertaken:

- (a) Establish a consultation mechanism among ASEAN LDCs delegations at WTO and in capitals to coordinate negotiating positions and initiatives on the issues to be discussed in Nur-Sultan, namely e-commerce, investment facilitation, MSME and other themes;
- (b) Prepare intensively for the next CRO meetings and initiate consultations for the possible launching on a plurilateral initiative to simplify rules of origin;
- (c) Coordinate with ASEAN LDCs to raise joint concerns over SPS measures adopted by China on rice and other products of export interest at the WTO SPS Committee and follow up initiatives.

### **Research and capacity-building**

It is of paramount importance that Cambodia invests resources to further develop and study the challenges and trading opportunities that are highlighted in this section and build the necessary capacity in the different ministries and private sector. It is highly regretted that, in spite of numerous Aid for Trade initiatives present in the country, there are very few resources dedicated to establishing a trained pool of highly capable trade negotiators and researchers. Such recommendations largely echo those already made almost three years ago during a workshop organized by the Ministry of Commerce and UNCTAD.<sup>18</sup> Such research and capacity-building should assist the Government in taking informed decisions on trade policy and in carrying out related trade negotiations.

<sup>17</sup> Viet Nam is a member of (a) CP-TPP, (b) RECEP, and (c) is part of the network of European Union–ASEAN FTAs. In addition, Viet Nam has entered a series of bilateral FTAs, such as the Viet Nam–Japan FTA.

<sup>18</sup> <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1233>.

# 1. A NEW TRADE POLICY AND A POSITIVE AGENDA FOR CAMBODIA

## 1.1 Overview of Cambodia trade performance and export pattern

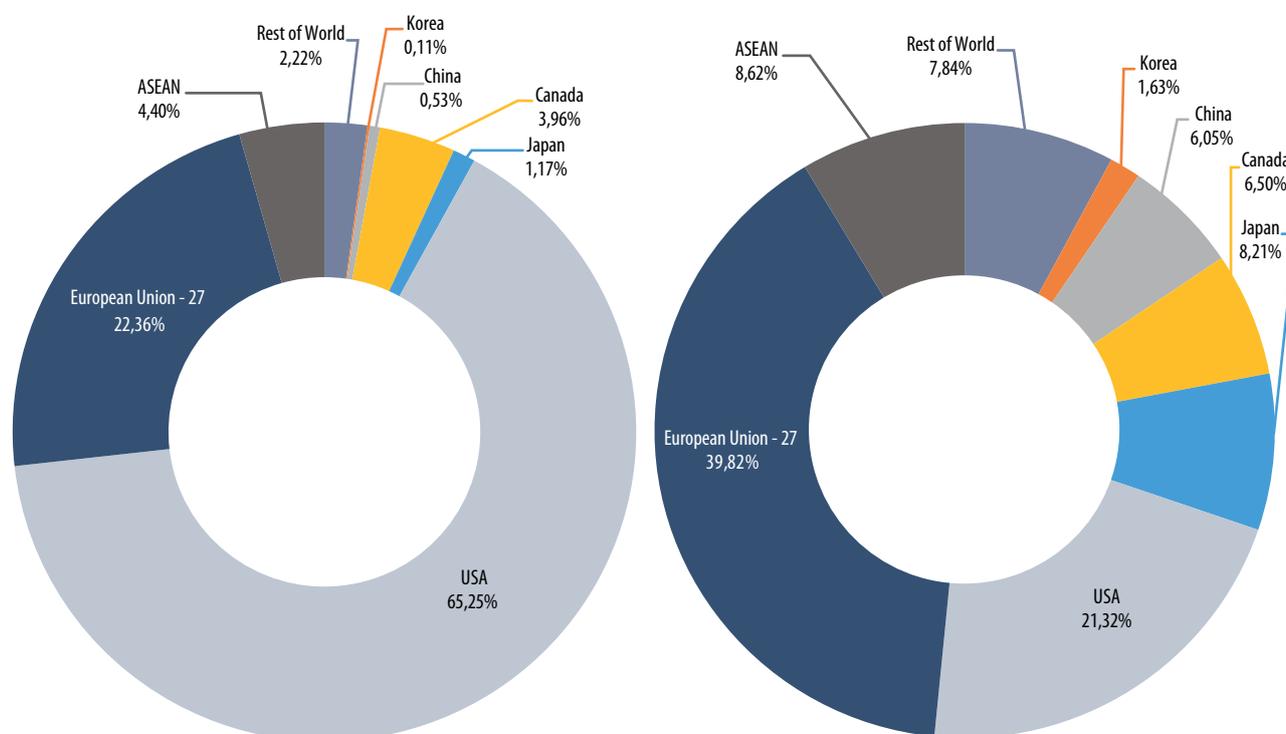
As reported in the DTIS 2014, until recently Cambodia's goods exports were highly dependent on the United States market and therefore vulnerable to shifts in that market. Reducing reliance on this market and, more generally, diversifying export destinations has been an important policy goal. According to the DTIS 2014, a specific focus of that goal was to develop export markets in Asian countries, which were seen as more dynamic than those in North America and Europe. However, this ambition was not followed up by specific actions during AEC implementation and ongoing negotiations in the RCEP. The AEC process is largely dominated by a political agenda merely expecting that the

ASEAN declarations will deliver the desired trading opportunities in spite of the meagre results of the last decades in terms of trade liberalization. As shown in annex B figure 9, United States export shares have in fact moderately declined in the last decade, while European Union shares have increased.

Figure 1 shows the change in export shares<sup>19</sup> on a 10-year time horizon and summarizes a long story in few words. Indeed, the reliance of Cambodia on the European Union and United States markets is evident even if it has marginally decreased over the last decade.

From 2006 to 2016, while ASEAN markets have increased from 4.4 per cent to 8.6 per cent, this is still not making a significant difference in overall destination basket. China has significantly increased its market share from less than 1 per cent to 6 per cent.

Figure 1 Cambodia export destination 2006 (left) and 2016 (right)



Note: Excluding HS 490700.

<sup>19</sup> Between 2006 and 2012, Cambodia trade statistics recorded important values of exports in HS 490700 in the overall exports of Cambodia (see annex C table 10). Since this trade flow appears not directly linked to any industrial activity the figures are netted back from such trade flows to depict a more reliable scenario. Note that in recent years the values declined almost to zero.

Quadrilateral Security Dialogue (QUAD) countries, especially the European Union, are still the main market destination of Cambodia exports. ASEAN and China also increased their shares. However, the volume of trade flows remains relatively limited.

Looking at export trade value rather than shares, appendix B figure 10 shows the net increase of Cambodian exports to the European Union and a rather stable trend in the United States market with the exception of a negative peak in 2009.

As reported in the DTIS 2014, export growth to the European Union was exceptionally strong. Exports to the European Union surged by more than \$500 million between 2010 and 2011 alone, and the European Union share of Cambodian exports rose from 23 per cent in 2007 to 30 per cent in 2011. This trend, as shown in annex B figures 9 and 10, continued in the period 2011–2016. Japan and Canada also show increases even if more modest.

The shares of exports to ASEAN, China and the Republic of Korea increased – in the latter two countries and ASEAN from a low base as shown in annex B figure 11.

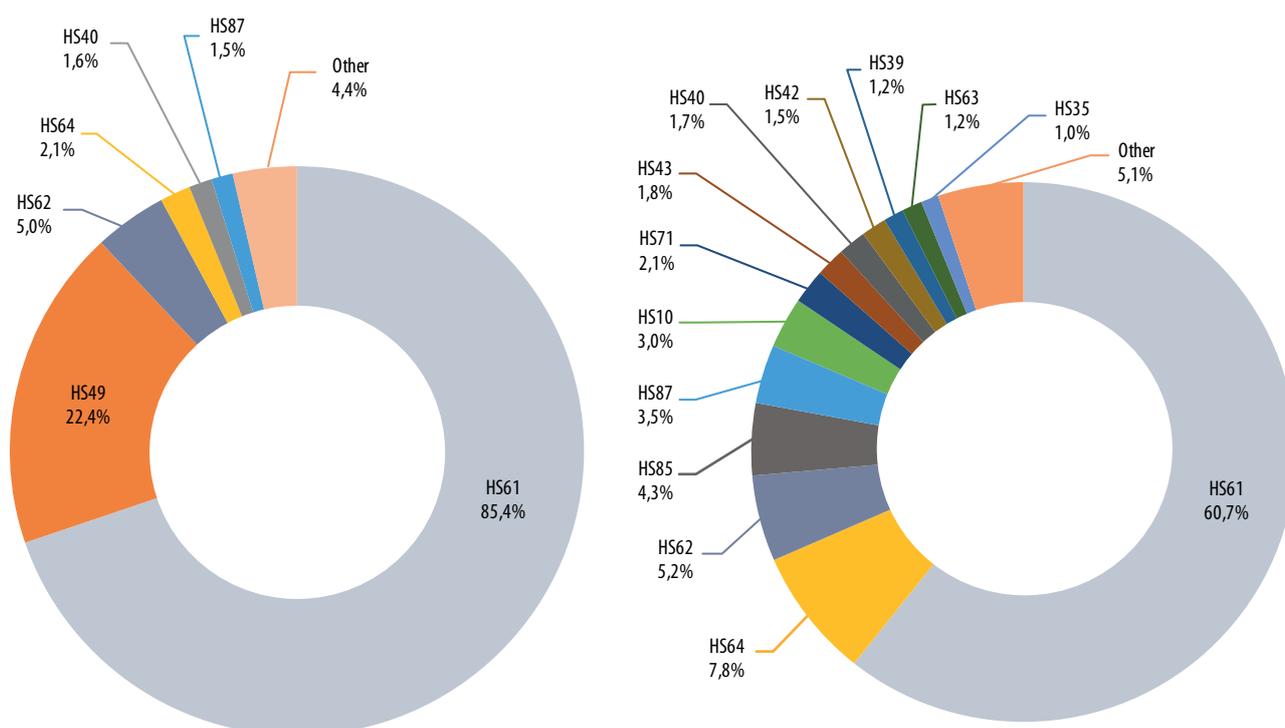
Exports from Cambodia to China experienced an increase that is only matched by a parallel increase of ASEAN markets as importer of Cambodian goods. Overall the regional markets do not occupy a strategic position in the Cambodian export destination basket.

## 1.2 Overview of exports of selected sectors

The product composition of the exports in 2006 and 2016 are depicted in figure 2.

During the period 2006–2016 a certain degree of export diversification can be observed comparing the left- and right-hand side of figure 2. First of all, the share of garments of chapter 61 has diminished from 85 per cent to 61 per cent while garments of chapter 62 have slightly increased by 0.2 percentage points. Bicycles under chapter 87 have more than doubled in the period under consideration, from 1 per cent to 3.5 per cent. Footwear under chapter 64 quadrupled from about 2 per cent in 2006 to about 8 per cent in 2016. In addition, exports of rubber under chapter 40 marginally increased from 1.29 per cent to 1.66 per cent.

Figure 2 Export share by HS chapters 2006 (left) and 2016 (right)



Note: Excluding HS 490700.

Most importantly, multiple newcomers appeared in the export basket even with modest trade flows:

- Chapter 85: Ignition wiring sets of heading 8544<sup>20</sup> and parts of telephones of heading 8517<sup>21</sup>
- Chapter 10: Rice of heading 1006
- Chapter 71: Gold of heading 7108<sup>22</sup> and diamonds of heading 7102<sup>23</sup>
- Chapter 43: Tanned or dressed fur skins of heading 4302<sup>24</sup>, especially of mink
- Chapter 39: Builders' ware of plastics of heading 3925<sup>25</sup>, packaging material of heading 3923<sup>26</sup> and polymers of heading 3902<sup>27</sup>
- Chapter 63: Bed linen of heading 6302<sup>28</sup> and packaging sacks and bags of heading 6305<sup>29</sup>
- Chapter 35: Dextrins of heading 3505<sup>30</sup>

Annex B figure 12 in annex 0 shows that the strong reduction of exports of garments of chapter 61 is mainly due to a strong reduction in exports to the United States whose share in Cambodia's exports of that chapter diminished from 70 per cent in 2006 to 26 per cent in 2016.

### 1.3 The actual positioning of Cambodia in the international trade scene and potential leading role of an Association of Southeast Asian Nations least developed countries agenda

This analysis of Cambodian trade flows shows that, besides the buoyant export performance of the last years, exports remain heavily concentrated in terms of products and destinations. This is a sign of fragility and exposes the country to trade shocks. Changes of

market access due to the moving trade environment may induce factories to shift their location.

Cambodia is dependent on European Union and United States markets and these two countries are presently engaged in a series of negotiations or trade initiatives that are set to profoundly modify their market access. In addition, the overall dynamism of some ASEAN countries such as Viet Nam to enter into FTA initiatives may indirectly affect Cambodia as a location for FDI.

Deterioration or erosion of the preferential market access to the European Union and United States could determine a series of business decisions by manufacturers currently located in Cambodia. In addition, albeit showing some dynamism, the regional markets, notably ASEAN and China, are not a substitute for market access in the European Union and United States in the short term.

China and ASEAN are not only competing on the same products exported by Cambodia to the European Union and United States, but the regional market access provided by ASEAN FTAs dialogue partners is more restricted than that the European Union in terms of tariffs and rules of origin. An analysis of RCEP texts carried out in section 3 indicates that RCEP may not be a substitute or improve drastically the existing market access that Cambodia might benefit from under the existing ASEAN FTAs in combination with DFQF initiatives.

The CP-TPP has now entered into force and is expected to provide increased market access to the most formidable competitor of Cambodia, Viet Nam. Albeit constrained by stringent rules of origin demanding a yarn-forward triple transformation, Viet Nam is set to progressively gain increased market access to Canada for garments as well as to exploit the provisions made in CP-TPP for products in short supply.<sup>31</sup>

<sup>20</sup> Insulated (including enamelled or anodised) wire, cable (including coaxial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors.

<sup>21</sup> Electrical apparatus for line telephony or line telegraphy, including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones.

<sup>22</sup> Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form.

<sup>23</sup> Diamonds, whether or not worked, but not mounted or set.

<sup>24</sup> Tanned or dressed fur skins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03. (especially whole skins of mink; 430211).

<sup>25</sup> Builders' ware of plastics, not elsewhere specified or included.

<sup>26</sup> Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics.

<sup>27</sup> Polymers of propylene or of other olefins, in primary forms.

<sup>28</sup> Bed linen, table linen, toilet linen and kitchen linen.

<sup>29</sup> Sacks and bags, of a kind used for the packing of goods.

<sup>30</sup> Dextrins and other modified starches (for example, pregelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches.

<sup>31</sup> See CP-TPP appendix 1 to annex 4-A, Textiles and Apparel product-specific rules of origin.

It is important to realize that the actual trading scenario rapidly taking shape around Cambodia is also valid for the other ASEAN LDCs that have also substantially benefited from unilateral trade preferences. In fact, both Myanmar and the Lao People's Democratic Republic, albeit to a different extent than Cambodia, are showing high utilization rates of EBA and other unilateral trade preferences. The buoyant performances of these two other ASEAN LDC countries are equally subject to erosion of trade preferences described above for Cambodia. In the case of Myanmar, the EBA trade preferences are also subject to a high degree of uncertainty due to non-trade-related conditionalities.<sup>32</sup>

What is most important to underscore is that not only is the trade scenario similar for the ASEAN LDCs but also the trade policy response from the respective governments. Cambodia, Myanmar and the Lao People's Democratic Republic, the three ASEAN LDC countries, have been so far equally unable to mature an adequate trade policy strategy and roadmap to respond to and counteract a trade scenario that is progressively marginalizing their economies and reducing their market access opportunities that have been a key element to their recent economic growth.

In order to react quickly and fill up such a gap there is an urgent need to develop both an individual and

collective coordinated policy response by ASEAN LDCs to be brought forward in the different negotiating forums. Most recently,<sup>33</sup> the Geneva-based delegates of the ASEAN LDCs have met for the first time to initiate such a process, with a respective message to their capitals outlining the scope and merit of an ASEAN LDC coordinated strategy. Such initiative stemmed from the experience gained by Cambodia during the negotiations of the WTO Nairobi Decision where Cambodia reached out for support from other ASEAN LDCs to advance its request to redress the imbalances arising from the exclusion from ASEAN cumulation of Malaysia and the future implications arising from the European Union–ASEAN FTAs.

## Recommendation

**It is recommended that as matter of priority Cambodia reach out to other ASEAN LDCs to establish a consultative and coordinated group among capital- and Geneva-based delegations at WTO to build up a coordinated positive agenda as suggested in this chapter. Through this mechanism the ASEAN LDCs should be able to quickly mature a more assertive and autonomous positive agenda in the different negotiating scenarios within WTO and at regional level, as further outlined in section 5.**

<sup>32</sup> See <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1981>.

<sup>33</sup> A first meeting was held in December 2018 between the Ambassador of Cambodia to WTO and the counsellors of Myanmar and the Lao People's Democratic Republic.

## 2. CAMBODIA AND THE EMERGING TRADE CHALLENGES – THE EROSION AND LOSS OF PREFERENTIAL MARKET ACCESS AND RULES OF ORIGIN AND THE QUEST FOR ALTERNATIVES

### 2.1 The erosion and/or loss of trade preferences

Tariff preferences have played an important role in determining the growth of Cambodia's exports during the last decade and even more pronouncedly in recent years. Cambodian exports enjoy duty-free market access under a variety of duty-free quota-free programmes that have been developed and that some developing countries have put in place for LDCs. In addition, Cambodia is also expected to enjoy duty-free access within ASEAN and benefit from the free trade agreements concluded with ASEAN dialogue partners. There is a series of findings<sup>34</sup> indicating that these regional preferences have not been fully utilized due to inherent complexities that are far from being addressed even under the AEC initiative and ATIGA.

The advantage that Cambodia enjoys because of duty-free access depends on preferential margin.

This is the difference from the MFN (that is, non-preferential) import duties in the importing country from the preferential duty rates granted to Cambodia. For those products for which MFN duties are high, the duty-free access provided by these preferential trading arrangements dramatically improves Cambodia's competitive position. In the European Union, for example, the average MFN duty on garments is 12 per cent, while the MFN duties on bicycles and shoes are 14 per cent and 10 per cent,<sup>35</sup> respectively. These magnitudes are large when compared to profit margins and will increase significantly, in some cases doubling the profitability of export-oriented production in Cambodia, as compared with export production of the same goods in a country that does not enjoy duty-free privileges. This, in turn, provides an important incentive to invest and expand exports in those sectors.

As an exception to the common pattern of providing trade preferences, the United States, the largest export market of Cambodia, does not provide preferences

for garments, Cambodia's main export product. Consequently, almost all of Cambodia's exports to the United States pay the normal United States tariff rate. However, Cambodia benefits from a margin of preference ranging from 11 per cent, the highest MFN rate of duty for certain bicycles, to 3.7 per cent, this being the lowest for other kinds of bicycles. The United States SGP scheme was retroactively renewed in March 2018 and is set to expire end of 2020. The United States GSP scheme is not new to such retroactive renewals and another renewal, eventually retrospective, may be expected to occur at the next time of expiration in 2020. Yet any improvement in the current United States GSP in terms of market access is unlikely to take place.

As recognized in the DTIS 2014, the duty-free access that Cambodia enjoys in certain of its export markets under various trade preference arrangements has been one of the key elements explaining the rapid growth and changing destinations of Cambodia's manufactured exports. This aspect has to be examined in light of the changing trade scenario as the key determinant of export performance in the period ahead.

The rules of origin are a key feature of all preferential schemes; that is, the set of rules that must be followed to determine whether or not a product produced in a country is eligible for preferential access to the importing country.

The initiation of the investigation by the European Union in February 2019 that is leading to the suspension of the EBA preferences and the Cambodian Government's plan to graduate from LDC status in 2023 indicate a near future where unilateral trade preferences are replaced by contractual trade arrangements, namely FTAs not limited to trade preferences but encompassing other WTO-plus commitments and/or disciplines.

It has to be clarified that in 2018, at the last triennial review of the LDC list, the Committee for Development Policy (CDP) concluded that Cambodia was not pre-eligible for graduation. While the country met the

<sup>34</sup> See *Rules of Origin in ASEAN*, Stefano Inama and Edmund Sim, Cambridge University Press 2015.

<sup>35</sup> Ranging between 3.5 per cent and 17 per cent depending on the tariff line considered.



Human Asset Index (HAI) graduation threshold (66.0) with a score of 68.9, with a GNI per capita of \$1,075 (< \$1,230) and an Economic Vulnerability Index (EVI) of 34.8 (> 32), Cambodia did not fulfil the two other criteria. To be recommended for graduation, Cambodia should be found eligible at two consecutive triennial reviews in fulfilling at least two of the three criteria. Therefore, if Cambodia meets pre-eligibility criteria by 2021 and maintains its position for three years, the country may qualify for graduation at the 2024 review. The effective date of graduation would be between 2024 and 2027 given the possible grace period of 3 years.

Independently but linked to the issue of graduation from LDC status is the preference erosion that Cambodia and other ASEAN LDCs are suffering from the parallel trade initiatives undertaken by their ASEAN neighbours and in the region overall.

As discussed in the sections that follow, the real challenge for Cambodia and other ASEAN LDCs is the dynamism of the trade scenario in the ASIAN region, where a number of neighbouring countries are engaged in dual or triple track negotiation in different trade agreements such as RCEP, CP-TPP and European Union–ASEAN FTAs.

Under this scenario it is vital for Cambodia to identify trading partners for its current supply capacity of main exports: garments, bicycles, shoes and rice.

It clearly emerges from table 1 that neither China nor Eurasia markets are a substitute for the European Union and United States markets as far as exports of Cambodia garments and bicycles are concerned, since the import figures in both China and Eurasia are minimal for these products. The table clearly shows China may be a prospective market for rice, as further discussed in the sections that follow.

## 2.2 The quest for alternatives: Which partner for a free trade agreement?

As shown in the following sections there are a number of alternatives and possibilities that Cambodia and ASEAN LDCs may pursue in the quest for possible trade partners. In any scenario Cambodia will have to (a) first assess the value added that each initiative may bring to the current market access; (b) identify the conditions for acceding to such an agreement, as in the case of the CP-TPP, or the offers and concessions that Cambodia is making during negotiations, as in the case of RCEP; and (c) assess the costs and benefits to enter into FTAs that contain WTO-plus commitments or new issues such as the CP-TPP.

This is a complex exercise that cannot be considered in the present study, but it is highly recommended that Cambodia conduct further analysis at sectorial level and expand the skeleton comparison tables 2–4, below.<sup>36</sup>

For ASEAN, the ACFTA hasn't reached the expected targets either on trade or investment. There is a gap of benefit experienced by China and ASEAN member States. Thus, on the trade sector, ASEAN needs to strengthen efforts to create a balanced trade. On the investment sector, ASEAN has to demand an increase of China's investment to ASEAN, specifically to finance the construction of infrastructure.<sup>37</sup>

According to the findings of this preliminary analysis, the sections that follow will examine the major challenges in the most important export markets of Cambodia in conjunction with the evolving trade scenario.

<sup>36</sup> The tables provide a tentative comparison of the disciplines included in the various agreement that needs to be further studied and validated. As such, they do not pretend to be exhaustive or updated.

<sup>37</sup> See the ASEAN newsletter of November 2014.

Table 2 Market access and rules of origin provisions – Comparison across FTAs

AEC	ASEAN–China	ASEAN–Japan	ASEAN–India	RCEP	European Union–Viet Nam	CP-TPP
	Market access					
According to ATIGA, DFOF treatment of Cambodia exports to ASEAN countries.	Market access in terms of tariff phaseout should have been completed by 2015. However, such commitment is subject to reciprocity clauses and exclusions.	Market access in terms of tariff phaseout would be completed by 2026. There are at least five tariff schedule types where tariff lines indicated with “A” shall be eliminated as from the date of entry into force of the agreement. <sup>38</sup>	Tariffs on over 4,000 product lines were eliminated by 2016. Product tariff elimination is subject to two tracks: normal and sensitive. For products under the normal track, their respective applied MFN tariff rates are gradually reduced or eliminated in accordance with specified schedules and rates over periods between 2006 to 2011 or 2006 to 2016, depending on the specific country. Products under the sensitive track have their respective applied MFN tariff rates progressively reduced/eliminated within timeframes to be mutually agreed between the parties.	RCEP market access offer is summarized in table 5.	Market access in terms of tariff phaseout has seven types of tariff schedule with different time periods spanning from immediate tariff removal up to 16 equal annual stages of removal, beginning from the date of entry of the agreement. <sup>39</sup>	The tariff cut for the initial six countries to ratify the CP-TPP took place on December 30 2018. The second tariff cut will be on January 1 2019, except for Japan, which is scheduled on April 1 2019. Viet Nam has two tariff cuts in terms of Canadian imports but only one for all other countries. Tariff elimination information for the remaining CP-TPP countries (i.e., Brunei Darussalam, Chile, Malaysia, and Peru) will be made available once those countries ratify the agreement. <sup>40</sup>
	Rules of origin					
Product specific rules of origin in ATIGA are not administered in a transparent manner and there is no agenda in AEC to review them.	Product specific rules of origin are presented in annex 0 of this chapter.	The main text of rules of origin has 11 pages; <sup>41</sup> product-specific rules of origin contains 63 pages. <sup>42</sup>	The main rules of origin text have 26 pages and the PSRO contains 27 pages. <sup>43</sup>	The main text is 111 pages long and the text of PSROs is even longer.	The European Union–Viet Nam FTA rules of origin are product specific and contained in annex II of Protocol 1 of the agreement. <sup>44</sup> The rules of origin for garments of chapters 61 and 62 require double transformation and rules of origin for bicycles require a value of non-originating material not exceeding 45 per cent. ASEAN cumulations are only for octopus and squid. Extended cumulation exists with the Republic of Korea for fabrics.	CP-TPP rules of origin are of a modern type: product-specific garment PSROs require triple transformation on garments.

<sup>38</sup> See <https://www.asean.org/storage/images/archive/agreements/AJCEP/Annex1.pdf> for further details.

<sup>39</sup> See [http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157340.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157340.pdf) for further details.

<sup>40</sup> See [https://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/tariff-elimination-droits\\_de\\_douane.aspx?lang=eng](https://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/tariff-elimination-droits_de_douane.aspx?lang=eng) for further details.

<sup>41</sup> See chapter 3 of ASEAN–Japan FTA comprehensive agreement at <http://ajcep.asean.org/wp-content/uploads/2014/05/Agreement.pdf> for further details.

<sup>42</sup> See <http://ajcep.asean.org/wp-content/uploads/2014/05/Annex2.pdf> for further details.

<sup>43</sup> See <http://www.thailandntr.com/en/goods/roo> for further details.

<sup>44</sup> See [http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157381.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157381.pdf).

Table 3 SPS, TBT and services provisions – Comparison across FTAs

AEC	ASEAN–China	ASEAN–Japan	ASEAN–India	RCEP	European Union–Viet Nam	CP-TPP
			SPS and TBT			
No WTO-plus in ATIGA apart from a mechanism to settle NTM.	A protocol has been signed under AFTA with no evident WTO-plus provisions.	No explicit WTO-plus provision on SPS.	No provision on SPS in the text.	As the text of RCEP is not available it is not possible to make an assessment.	There are specific provisions and mechanisms.	There are specific provisions and mechanisms.
			Services			
Services are included in AFAS but the effective degree of implementation is unclear.	Services are included in AFTA but the degree of effective trade liberalization is unclear.	No schedule for trade liberalization on trade in services.	ASEAN–India FTA on trade in services and investment 2012 (not ratified by KHM).	As the text of RCEP is not available it is not possible to make an assessment.	Services are included in chapter 8: Liberalization of investment, trade in services and electronic commerce.	WTO-plus – negative list approach with standstill and ratchet mechanisms to capture future liberalization.

Table 4 Investments, ISDS, labour and environment clauses – Comparison across FTAs

AEC	ASEAN–China	ASEAN–Japan	ASEAN–India	RCEP	European Union–Viet Nam	CP-TPP
			Investment and ISDS			
Investment is included but no ISDS.	Investment is included but no ISDS.	Not present in the FTA text.	ASEAN–India FTA on trade in services and investment 2012 (not ratified by KHM).	Information not available.	There is a comprehensive investment protection agreement with 4 chapters and 13 appendices. Among these chapters, clear investment protection rights are specified on chapter 2, while details on dispute settlement mechanisms are detailed in chapter 15 entitled “Dispute settlement”.	CP-TPP members benefit from a comprehensive set of investment protection provisions, including against expropriation and denial of justice and a mechanism for the resolution of investment disputes.
			Labour clauses			
Not present.	Not present.	Not present in the FTA text.	Not present.	Information not available.	The European Union and Viet Nam have agreed to implement the core labour standards and conventions of ILO. Viet Nam has so far only ratified five of the eight core ILO conventions; whereas it has not ratified ILO Conventions 87 Freedom of Association and Protection of the Right to Organize; 98 Right to Organize and Collective Bargaining; or 105 Abolition of Forced Labour. <sup>45</sup>	The CP-TPP includes a chapter requiring that the basic workers’ rights <sup>46</sup> are reflected in law and practice, i.e., the elimination of child labour, forced labour and discrimination, and respect for freedom of association and the right to bargain collectively.
			Environment clauses			
Not present.	Not present.	Not present in the FTA text.	Not present.	Information not available.	The European Union–Viet Nam includes environmental clauses specifically focusing on renewable energy. <sup>47</sup>	The CP-TPP includes provisions to enhance environmental protection in the CP-TPP region and to address global environmental challenges.

<sup>45</sup> See <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bTA%2bP7-TA-2014-0458%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN> for further details.

<sup>46</sup> As contained in the ILO 1998 Declaration on Fundamental Principles and Rights at Work.

<sup>47</sup> See [http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157353.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157353.pdf) for further details.

## 2.3 Building a new trade initiative with the European Union in view of the European Union–Association of Southeast Asian Nations free trade agreements

### 2.3.1 The European Union reform of rules of origin: What does it mean for Cambodia?

The European Union reform on the rules of origin that entered into force in 2011<sup>48</sup> contained drastic changes to the rules in favour of both LDCs and developing countries. These changes:

- Introduced a differentiation in favour of LDCs allowing them to benefit from more lenient rules of origin than developing countries in certain sectors;
- Allowed a single transformation process in textiles and clothing – a change that the LDCs had been advocating for more than a decade;
- Raised the threshold of the use of non-originating materials from 40 per cent to 70 per cent for LDCs in many sectors;

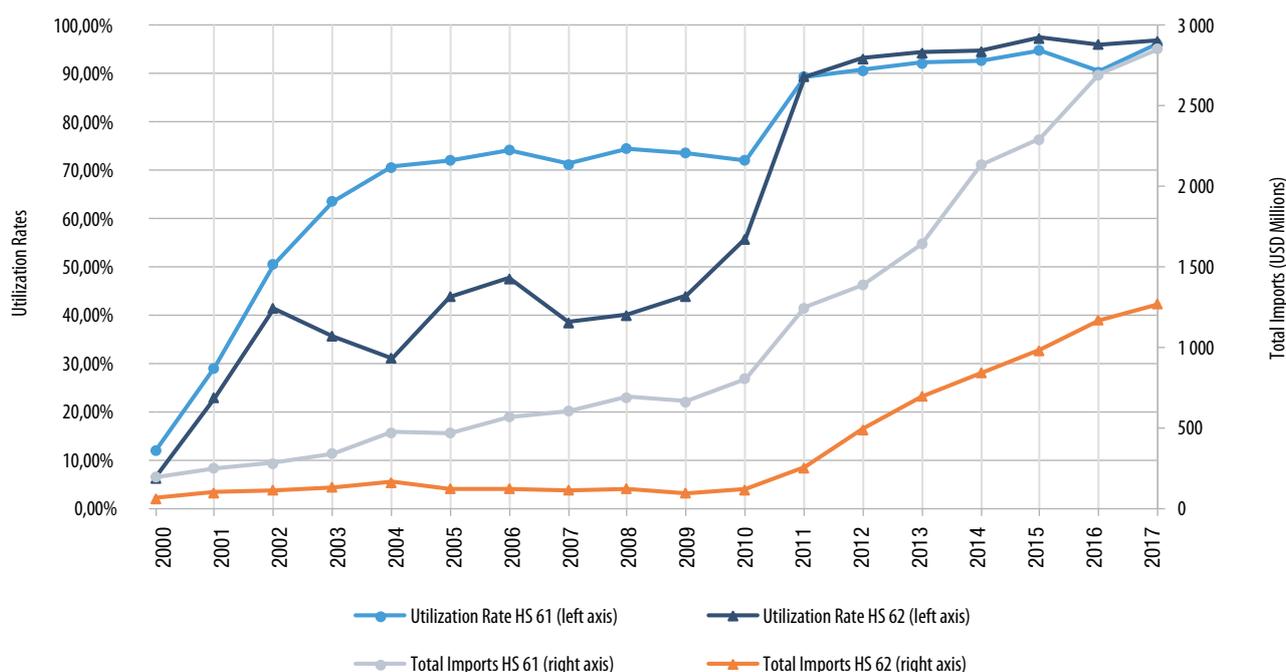
- Eased the cumulation rules.

The trade effects of this reform for Cambodia have been dramatic. The new rules allowed duty-free entry of a garment that was sewn from two or more pieces using fabric produced anywhere. This meant that, for the first time, garments produced in Cambodia from fabric manufactured in China could secure duty-free access to the European Union. This change produced an immediate reaction: garment exports to the European Union under EBA doubled in 2011, and there was a surge of Chinese garment producers (and other producers using Chinese fabric) setting up factories in Cambodia.

The utilization rate of Cambodian exports to the European Union increased from 57 per cent to 90 per cent. This surge in exports to the European Union market between 2010 and 2011 is particularly strong for Cambodian products of HS chapter 62, with a rise in European Union imports of 96 per cent (see figure 3).

The rise in utilization rates of knitted or crocheted garments (HS chapter 61) has been moderated as the latter started from a much higher value than in the case of HS chapter 62. Indeed, on average, Cambodian exporters used the GSP preferences with a rate of 74 per cent in 2010 and of 94 per cent in 2011. The

**Figure 3 European Union imports from Cambodia and GSP utilization rates – Art of apparel & clothing access, HS 61 knitted/crocheted and HS 62 not knitted/crocheted**



<sup>48</sup> See Commission Regulation No 1063/2010 of 18 November 2010 amending Regulation (EEC) No. 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code. See Inama, The reform of the European Union GSP rules of origin: Per aspera ad astra?, *Journal of World Trade*, 2011.

rise in import values was nevertheless significant: \$2 billion (+33 per cent) for all LDCs and \$379 million for Cambodia (+56 per cent).

The reform on rules of origin introduced in 2010 and implemented in 2011 by the European Union has produced an impact beyond the traditional garment sector. In fact, the European Union reform substantially liberalized the rules of origin not only for clothing but also in a variety of other sectors, allowing up to 70 per cent of non-originating materials for bicycles and easing ASEAN cumulation.

Figure 4 further shows that the utilization rate of bicycles exported to the European Union by Cambodia increased in 2011 to around 80 per cent from the rate of 33 per cent of the previous year. Moreover, between 2010 and 2013, import values have been multiplied by a factor of 5.4, increasing from \$60 million to \$325 million (+442 per cent).

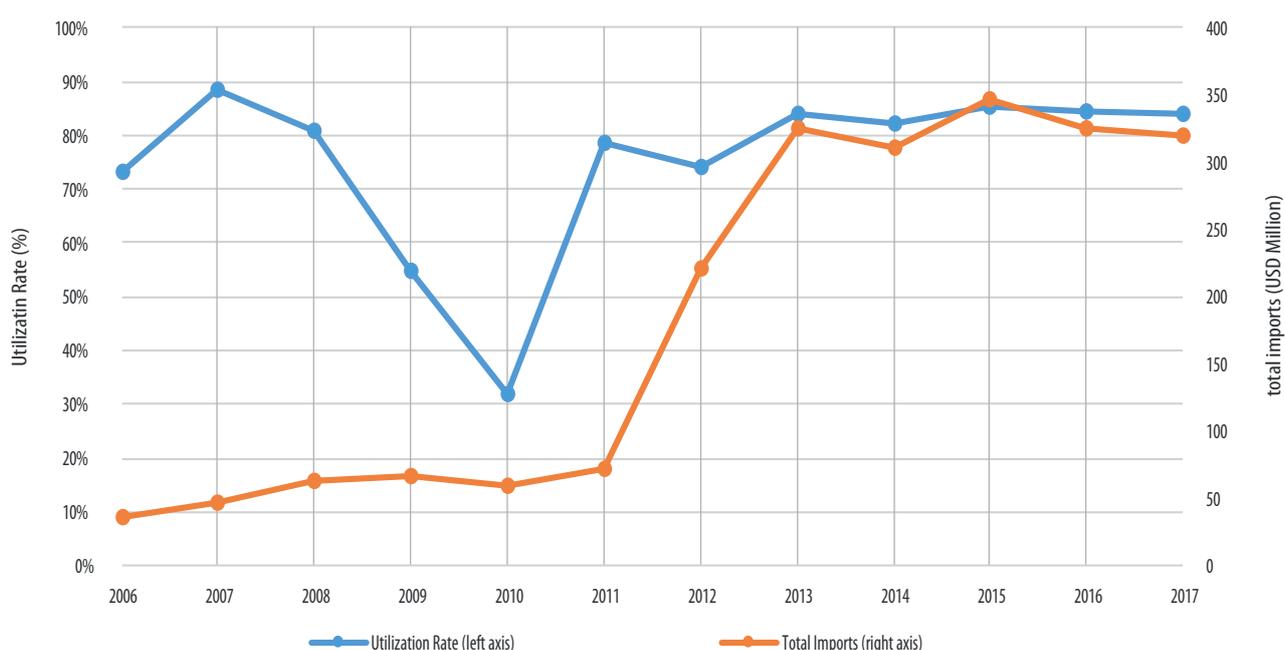
A critical liberalizing factor of the European Union rules of origin reform was the changes in cumulation rules. The new cumulation relaxed the value-added principle in the allocation of origin when two or more ASEAN countries are involved in the process of manufacturing. In annex C table 11 the wording of the two articles concerning the allocation of origin are compared and commented.

This new cumulation rule allowed bicycle manufacturers based in Cambodia to use ASEAN parts such as bicycle frames made in Viet Nam and Shimano gears made in Malaysia, and these inputs were not to be counted against the 70 per cent threshold of non-originating materials. Moreover, the origin of the finished bicycle remains in Cambodia and entitled to duty-free treatment in the European Union as long as the working or processing in Cambodia goes beyond simple assembly. The combination of the higher allowance threshold of 70 per cent on the use of non-originating material combined with the new rules on cumulation created a bonanza situation that was exploited by a number of companies moving production to Cambodia from neighbouring countries.

However, in the case of bicycles, it has to be mentioned that the following changes introduced in the European Union GSP scheme of 2014, inputs from Singapore and Malaysia (mainly gears), cannot be used by Cambodia for ASEAN cumulation purposes. Similar changes in the Canadian GSP rules of origin raised concerns and caused significant difficulties for the majority of bicycle industries in Cambodia that have been addressed by a new circular.<sup>49</sup>

The Government of Cambodia requested two derogations to the European Union Commission to continue to consider the ASEAN inputs from Malaysia

Figure 4 European Union imports from Cambodia and GSP utilization rates: Bicycles



<sup>49</sup> Available from <http://www.cbsa-asfc.gc.ca/publications/dm-md/d11/d11-4-4-eng.html>.

to be eligible for cumulation during a transition period. The requests were finally granted with a quota on the amount of bicycles that can make use of cumulation<sup>50</sup> and a time limitation of three years in the first derogation<sup>51</sup> and two in the second derogation.<sup>52</sup> As reported by bicycle manufacturers located in Cambodia:

*The derogation for Malaysia took much too long to put in place, we missed a whole model year with no Shimano as local content, then when it was granted it took a long time for the Malaysia Government to start to issue form A. Frankly, we will only start to feel the benefit from this model year production which starts in May, and we just have until end of 2016 before it expires. Brands won't want to change spec halfway through a model year in 2016 so for us it's almost all over from May 2016.*

The Government of Cambodia applied for a prolongation of this arrangement in June 2017. The European Commission adopted a regulation in March 2018 prolonging the derogation for another three years until 31 December 2019, with a lower quota of 100,000 units.<sup>53</sup>

It is clear from the above that the derogation is a transitional measure that is not going to address the imbalance created by the exclusion from ASEAN cumulation of the ASEAN countries that have graduated from the GSP (Malaysia and Singapore) and, in the near future, the other ASEAN countries such as Viet Nam that have signed an FTA with the European Union after a transitional period of two years.

The initial actions undertaken in 2016 and 2017 by the Government of Cambodia to apply for extended cumulation<sup>54</sup> and to bring to the attention of the European Union Commission the imbalances and the implications deriving from such policy on ASEAN cumulation have yet to bear fruit. This is a first concrete example and potential case for joint action by the ASEAN LDCs since it affects all of them equally.

## Recommendation

**A reiterated effort in conjunction and in coordination with other ASEAN LDCs to attract the attention of the European Union Commission and policy makers should command high priority in the next immediate moves of a positive agenda for Cambodia.**

### 2.3.2 The European Union free trade agreements with Association of Southeast Asian Nations members: Implications for Cambodia

Members of ASEAN, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam have started the negotiating process<sup>55</sup> or have finalized FTAs with the European Union. The European Union–Viet Nam and European Union–Singapore FTAs<sup>56</sup> are expected to be ratified in 2019 and 2020.<sup>57</sup> When these FTAs are ratified, these ASEAN countries, in particular Viet Nam, will become direct competitors with Cambodia for investors seeking duty-free access to the European market. In addition, two facts must be taken into account:

- (a) Once the FTAs with the European Union are ratified, the ASEAN countries will no longer be eligible under the GSP scheme after a transition period of two years and consequently their inputs may not be used under ASEAN cumulation provision currently used by Cambodia. The impact of the exclusion from ASEAN cumulation of Malaysia has been discussed in the section above. In addition, the exclusion of Viet Nam from ASEAN cumulation will surely have an impact on its bicycle industry since this country's inputs are key to the viability of this industry;
- (b) Once the FTAs with the European Union are concluded these ASEAN countries will be progressively able to cumulate among themselves, while Cambodia and other ASEAN

<sup>50</sup> See Commission implementing regulation (European Union) No 822/2014 of 28 July 2014 on a derogation from Regulation (EEC) No 2454/93 as regards the rules of origin under the scheme of generalized tariff preferences in respect of bicycles produced in Cambodia regarding the use under cumulation of bicycle parts originating in Malaysia.

<sup>51</sup> The derogation was implemented by Regulation European Union 822/2014 of 28 July 2014 to allow Cambodia sufficient time to prepare itself to comply with the rules of origin for bicycles HS heading 8712.

<sup>52</sup> See [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=pi\\_com:C\(2018\)1389](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=pi_com:C(2018)1389).

<sup>53</sup> Available from: [https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5815925\\_it](https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5815925_it)

<sup>54</sup> "Under certain conditions, goods originating in a country with which the EU has a free-trade agreement in force in accordance with Article XXIV of the GATT may be used in the manufacture of a product in the beneficiary country, provided more than a minimum amount of processing is done there - this is known as extended cumulation" see EU Commission document. Extended cumulation with Japan and Vietnam may provide Cambodia with new trading opportunities as further explained in the study.

<sup>55</sup> The European Union–Malaysia negotiations are currently on hold; those for European Union–Thailand are continuing; Viet Nam and Singapore are in the process of ratification. Negotiations with the Philippines are underway.

<sup>56</sup> See <http://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-singapore-fta>.

<sup>57</sup> See <http://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-vietnam-fta>.

LDCs will not be able to cumulate with them. This is almost the reverse of the present situation where Cambodia has been benefiting substantially from cumulation with ASEAN countries, albeit reduced with the graduation of Malaysia. Ultimately, ASEAN cumulation under EBA will be progressively reduced to become ASEAN LDCs cumulation, with little or no value in terms of availability of intermediate inputs to manufacture finished products for exports to the European Union.

The cumulation provisions inserted in the European Union FTAs with ASEAN countries are a telling example of what the prospects are for cumulation within ASEAN as far as exports to the European Union are concerned. Paragraph 2 of article 3 of protocol 1 to the European Union–Singapore FTA is rather clear in this regard:

*Materials originating in an ASEAN country which is applying with the Union a preferential agreement in accordance with article XXIV of the GATT 1994, shall be considered as materials originating in a Party when incorporated in a product obtained in that Party provided that they have undergone working or processing in that Party which goes beyond the operations referred to in article 6 (Insufficient Working or Processing).*

Similarly, the provisions in the European Union–Viet Nam FTA, paragraph 2 of article 3 of protocol 1, state:

*Materials listed in annex III to this Protocol (Materials Referred to in Paragraph 2 of article 3) originating in an ASEAN country which applies with the Union a preferential trade agreement in accordance with article XXIV of GATT 1994, shall be considered as materials originating in Viet Nam when further processed or incorporated into one of the products listed in annex IV to this Protocol (Products Referred to in Paragraph 2 of article 3).*

As shown in annex B figures 13–15 illustrating a comparison of the utilization rates for selected chapters of ASEAN countries, ASEAN LDCs including Cambodia are performing much better than the remaining ASEAN countries even if the latter have a much greater industrial base. Such higher utilization rate is mainly due to the combination of:

- (a) Higher preferential margin under EBA than under the European Union GSP scheme;
- (b) More lenient PSRO applicable to LDCs under the European Union reform of rules of origin and EBA;

- (c) ASEAN cumulation and the changes to cumulation introduced in 2011.

As discussed, all three factors mentioned above are going to be eroded as follows:

- (a) The higher preferential margin will be progressively eroded once ASEAN countries have finalized their FTAs with the European Union since the agreed tariff schedule phased out will start to apply;
- (b) Concerning the PSRO, it appears that PSRO, at least in the clothing sector, may not be significantly eroded at the time of entry into force of the European Union–Viet Nam FTA since double transformation (weaving and CMT: cut make and trim) will remain the applicable requirement; however, cumulation with fabrics of the Republic of Korea provided under the European Union–Viet Nam FTA may provide a source of concern and competition for Cambodian producers since, thanks to that possibility, Viet Nam could source originating fabrics from the Republic of Korea;
- (c) The cumulation advantage of ASEAN LDCs with respect to other ASEAN partners having entered an FTA with the European Union will progressively turn into a disadvantage since ASEAN countries having signed an FTA with the European Union will be able to cumulate among themselves, while the ASEAN LDCs will be left with only the option of cumulating among themselves, leading to further marginalization.

Annex C table 12 shows the trade effects of Malaysia, Thailand and Viet Nam under the FTAs with the European Union, the Philippines having been granted GSP+ and China having graduated from the European Union GSP in 2015. ASEAN countries show the biggest export increase in the European Union market at the expense of China, which is suffering from heavy trade diversion. Cambodia shows moderate trade diversion effects in the large majority of sectors and does not show any significant increase of exports to the European Union. The remaining ASEAN countries benefiting from their FTAs with the European Union are set to get the lion's share at the expense of China.

In a way table 12 speaks for itself in support of a rapidly changing trade scenario where Cambodia and ASEAN LDCs should quickly devise a timely trade policy response to seize the opportunities and challenges deriving from the increased market access opportunities deriving from trade pressures of the United States Trump administration on China, and

the fact that ASEAN partners having signed FTAs with the European Union may gain market access in the European Union. Such combined factors may provide incentives to MNEs to move production in such ASEAN members away from ASEAN LDCs as these ASEAN partners, such as Vietnam, could become an investor hub away from China with FTAs with the EU and TPP providing better market access than those available to ASEAN LDCs

As stated in the DTIS 2014, the impact that this will have on Cambodia depends largely on a combination of market and rules of origin as well as on other factors laying outside such market-access issues as contained in other chapters of the DTIS. As shown in annex C tables 14 and 13, both the European Union–Singapore and European Union–Viet Nam, but also the European Union–Republic of Korea FTAs show no significantly better PSRO for chapters 61, 62 and 87.12 (bicycles). Garments still require a double transformation as under the current GSP rules.

In the case of the European Union–Singapore FTA, the European Union rules of origin for its FTA partners allow a free trade partner to cumulate inputs produced in other free trade partners. To take a concrete example, once the network of European Union–ASEAN FTAs is in place, a Vietnamese producer of bicycles would be able to count parts imported from Malaysia<sup>58</sup> as Vietnamese for purposes of determining whether a Vietnamese bicycle meets European Union rules of origin. This is in sharp contrast to the situation facing Cambodia where, as described above, cumulation with Malaysia will not be possible when the derogation expires.

The competitive position of Cambodia and bicycle producers is a telling example on how Cambodia manufacturing sector may be affected by these differences in cumulation possibilities. The EBA rule of origin for bicycles requires that no more than 70 per cent of the ex-factory price should consist of inputs that are “non-originating”, that is, non-Cambodian. It is unlikely that the PSRO for Viet Nam will be comparable. However, by virtue of cumulation a bicycle producer in Viet Nam will clearly have more

flexibility in sourcing inputs from ASEAN countries and Viet Nam may become the preferred investment destination for bicycle manufacturers seeking duty-free access to the European Union market.

The DTIS 2014 argued that trade policy, in the near term, must address the loss of cumulation with Malaysia and Singapore. The Government of Cambodia has responded to this challenge by encouraging bicycle producers to engage in a higher level of manufacture and bicycle part manufacturers to become established in the country. However, even with the extension of the derogation period, it is unlikely that in the new trading scenario bicycle part manufacturers will become established in Cambodia.

Cambodia’s trade strategy for the next period, 2019–2022, needs to take into account the loss of the progressive ASEAN cumulation, expiry of derogation and increased competition from Viet Nam.

The DTIS 2014 argued that negotiation of FTAs between the European Union and Malaysia, Thailand, and Viet Nam was not likely to affect the competitive position of Cambodian garment or footwear producers. Apart from the fact that this statement will need to be revisited, this argument takes into account only the European Union market, while countries like Viet Nam are currently engaged in FTA on multiple fronts, the European Union–Viet Nam FTA, the CP-TPP, RCEP and a series of bilateral discussions. It is obvious that the combined effect of progressive duty-free market access to these markets thanks to a network of FTAs will be a magnet for producers and investors to relocate to Viet Nam in spite of the more stringent rules of origin that Viet Nam may face under CP-TPP.

## Recommendations

**In view of the above analysis, Cambodia and other ASEAN LDCs should take the initiative to enter into a trade policy dialogue with the European Union to define a new trade relation that goes beyond EBA.**

**It is expected that ASEAN LDCs will graduate from LDC status in the near future<sup>59</sup> and the**

<sup>58</sup> On the condition that Malaysia has also entered an FTA with the European Union.

<sup>59</sup> In contrast to Cambodia, that only met the HAI graduation threshold at the last triennial review of the LDC list, both the Lao People’s Democratic Republic and Myanmar fulfilled eligibility criteria for the first time in 2018:

	GNI per capita (\$)		Human Asset Index (HAI)		Economic Vulnerability Index (EVI)	
	Value	Graduation threshold	Value	Graduation threshold	Value	Graduation threshold
Cambodia	1.075	\$1230 or above	68,9	66.0 or above	34,8	32 or below
Lao People’s Democratic Republic	1.996		72,8		33,7	
Myanmar	1.255		68,5		31,7	

The Lao People’s Democratic Republic fulfilled the GNI per capita and HAI Index criteria, while Myanmar complied with the GNI per capita and EVI requirements. If found eligible at the next review in 2021, they may expect to graduate by 2024 or earlier if they do not use the 3-year grace period.

current market access under EBA that has been a crucial factor in their export performance will be progressively eroded by the ASEAN FTAs. The combined effects of these two looming events requires timely and concrete actions, such as:

- (a) Cambodia should prepare a short roadmap for a new partnership between ASEAN LDCs and the European Union and discuss it with other ASEAN counterparts at the nearest opportunity;
- (b) Convene a meeting at high level among the ASEAN LDC to agree on a roadmap at the nearest opportunity;
- (c) The ASEAN LDCs should request a meeting with the newly appointed EU trade commissioner to discuss such a new partnership.

In addition, Cambodia will have to undertake actions at the technical level to prepare the ground for extended cumulation with Viet Nam and explore possible ways to cumulate with Japan.

The request for extended cumulation<sup>60</sup> to the European Union requires that Cambodia engage in early discussion with Vietnamese counterparts to seek their support for extended cumulation. In this context it should be recalled that it took months to secure an understanding from the Malaysian authorities to issue certificates of origin under the derogation. A similar if not longer time frame may be expected with Viet Nam, and early contacts should be made with Japan to secure a similar approach.

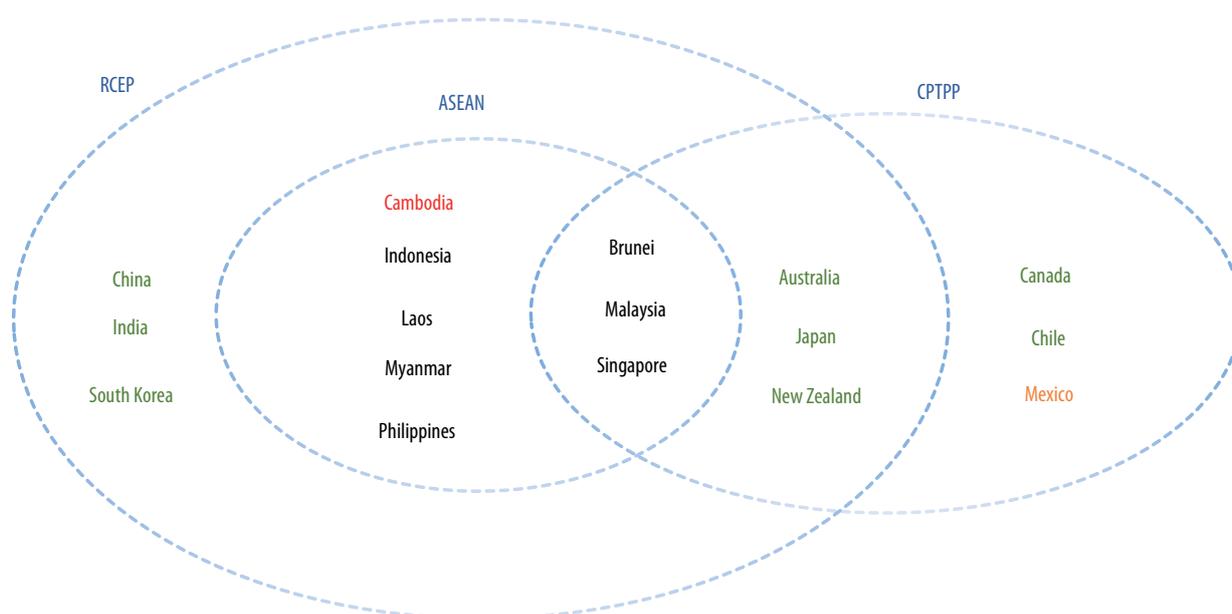
Such actions should be undertaken as soon as possible to relay a message to bicycle and garment manufacturers that the Government is actively pursuing a viable trade strategy.

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<sup>60</sup> Extended cumulation is a system, conditional upon being granted by the European Union Commission, based on a request lodged by a beneficiary country and whereby certain materials, originating in a country with which the European Union has an FTA in accordance with article XXIV of the General Agreement on Tariffs and Trade (GATT) in force, are considered to be materials originating in the beneficiary country concerned when further processed or incorporated in a product manufactured in that country.

### 3. REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP AND COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP – CHALLENGES AND OPPORTUNITIES

Figure 5 RCEP, ASEAN, CP-TPP and DFQF preferences: Overlapping memberships



Note: Countries in green are those providing DFQF market access to LDCs.

As shown in figure 5, CP-TPP and RCEP negotiations partially overlap existing trade preferences under DFQF and ASEAN FTAs with dialogue partners. More specifically, among CP-TPP member countries, only Mexico and Peru do not have any preferential arrangement with Cambodia at present. Exports to Australia, Canada, Chile, Japan and New Zealand benefit from DFQF market access, while the remaining members are part of the ASEAN network of FTAs with dialogue partners. In the case of RCEP, all members already have an existing agreement/trade arrangement with Cambodia under ASEAN or DFQF. This overlapping scenario is making the assessment of the value provided by RCEP and CP-TPP difficult and complicated. In fact, the benefits of joining RCEP and/or CP-TPP will have to be assessed

against the preferential margin, utilization rates, and applicable rules of origin under existing preferential arrangements.

In strict terms the benefits of concluding RCEP and/or joining CP-TPP may be quantified in terms of preferential margins and rules of origin stringency that may be currently gained or lost depending on the respective outcome of these arrangements. In reality, and with a broader perspective, this chapter is aimed at identifying precisely the main products exported by Cambodia to RCEP/CP-TPP partners matching them with the market access opportunities in terms of tariff concessions and rules of origin under the respective arrangements, as well with other non-tariff measures such as SPS, that play an important element of market access.

**Table 5 Overlapping trade preferences available to Cambodia with RCEP and CP-TPP partners:  
Comparative table on market access and rules of origin**

Cambodia partners	Market access scheme	Product coverage	Rules of origin
ASEAN	ATIGA	All products DFQF	RVC 40 per cent and PSROs
Australia	DFQF	All products	Last manufacturing process performed in LDC; Minimum 50 per cent of total factory cost; Minimum 75 per cent when cumulation is used
	FTA	99 per cent of all products <sup>61</sup>	40 per cent regional value content; Product-specific rules of origin: Requirements vary between criteria wholly obtained, RVC, CTSH with or without exceptions, specific working or processing requirements or alternative rules
Canada	DFQF	All products except some dairies	80 per cent of non-originating when cumulation is used
Chile	MFN	Include MFN averages (6 per cent) <sup>62</sup>	Not applicable
	DFQF	All products except wheat, wheat flour, and sugar products <sup>63</sup>	Minimum regional value content of 50 per cent
China	DFQF	97 per cent of all products <sup>64</sup>	Minimum 40 per cent of originating materials
	ASEAN–China FTA	90 per cent of all products <sup>65</sup>	Minimum regional value content of 40 per cent using direct method and maximum value of non-originating material of 60 per cent using indirect method; Product-specific rules of origin containing 22 pages <sup>66</sup>
India	DFQF	95.5 per cent of all products <sup>67</sup>	Minimum 30 per cent of originating materials; Product Specific Rules
	ASEAN–India FTA	90 per cent of all products	Minimum regional value content of 35 per cent; Product-specific rules of origin
Japan	DFQF	All products	Maximum value of non-originating materials of 40 per cent; Product-specific rules
	FTA	All products except for machine parts and petroleum oil products <sup>68</sup>	Minimum regional value content of 40 per cent and product-specific rules of origin containing 161 pages <sup>69</sup>
Mexico	MFN	Include MFN averages (6.9 per cent) from WTO	Not applicable
Peru	MFN	Include MFN averages (2.4 per cent)	Not applicable

In 2016, RCEP and CP-TPP markets represented 33 per cent of total exports from Cambodia, with 13 per cent directed to countries that were part of both agreements (figure 6).

<sup>61</sup> See <https://aanzfta.asean.org/asean-australia-new-zealand-free-trade-arrangement/> for further details.

<sup>62</sup> See <http://stat.wto.org/tariffprofile/wsdbrtariffpfview.aspx?Country=cl&Language=E> for further details.

<sup>63</sup> See <https://www.un.org/ldcportal/chile-to-grant-dfqf-to-ldcs/> for further details.

<sup>64</sup> See <https://www.un.org/ldcportal/preferential-market-access-chinas-dfqf-scheme-for-ldc-products/> for further details.

<sup>65</sup> See <http://www.asean-cn.org/index.php?m=content&c=index&a=show&catid=267&id=84> for further details.

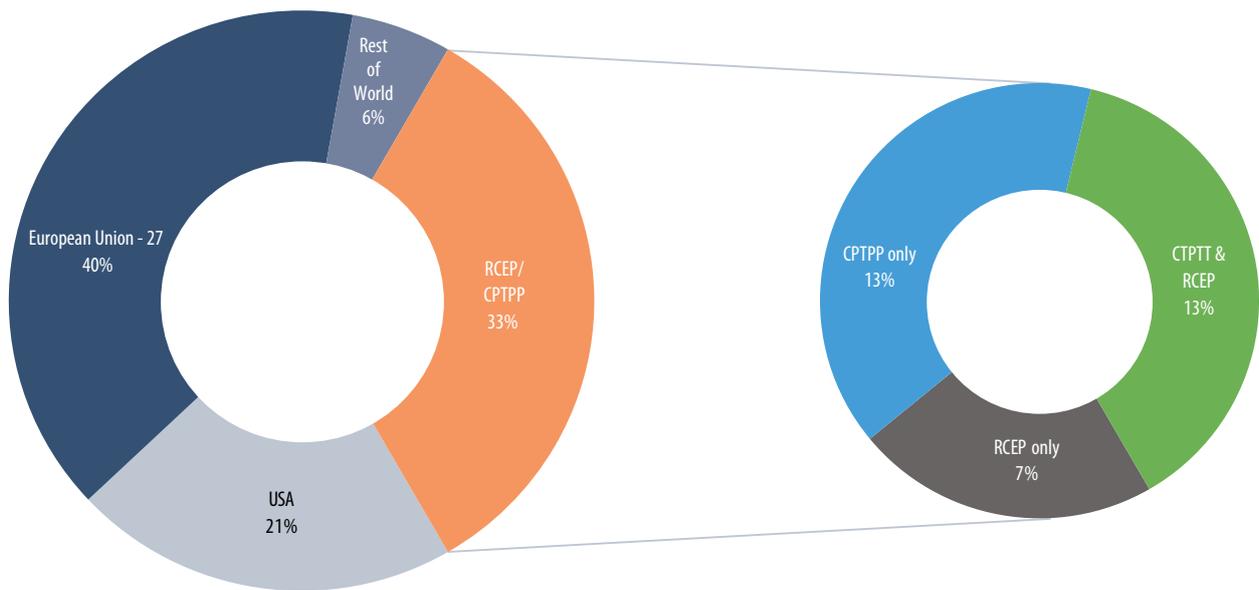
<sup>66</sup> See <https://fta.miti.gov.my/miti-fta/resources/auto%20download%20images/558b8bd2cc77f.pdf> for further details.

<sup>67</sup> See [http://commerce.gov.in/writereaddata/UploadedFile/MOC\\_636434269763910839\\_international\\_tpp\\_DFTP.pdf](http://commerce.gov.in/writereaddata/UploadedFile/MOC_636434269763910839_international_tpp_DFTP.pdf) for further details.

<sup>68</sup> See <https://www.mofa.go.jp/policy/economy/fta/asean/part3-2.pdf> for further details.

<sup>69</sup> See [https://www.mofa.go.jp/mofaj/gaiko/fta/j\\_asean/pdfs/ajcep\\_k2.pdf](https://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/pdfs/ajcep_k2.pdf) for further details.

Figure 6 Cambodia export shares to RCEP/CP-TPP markets and to the rest of the world, 2016



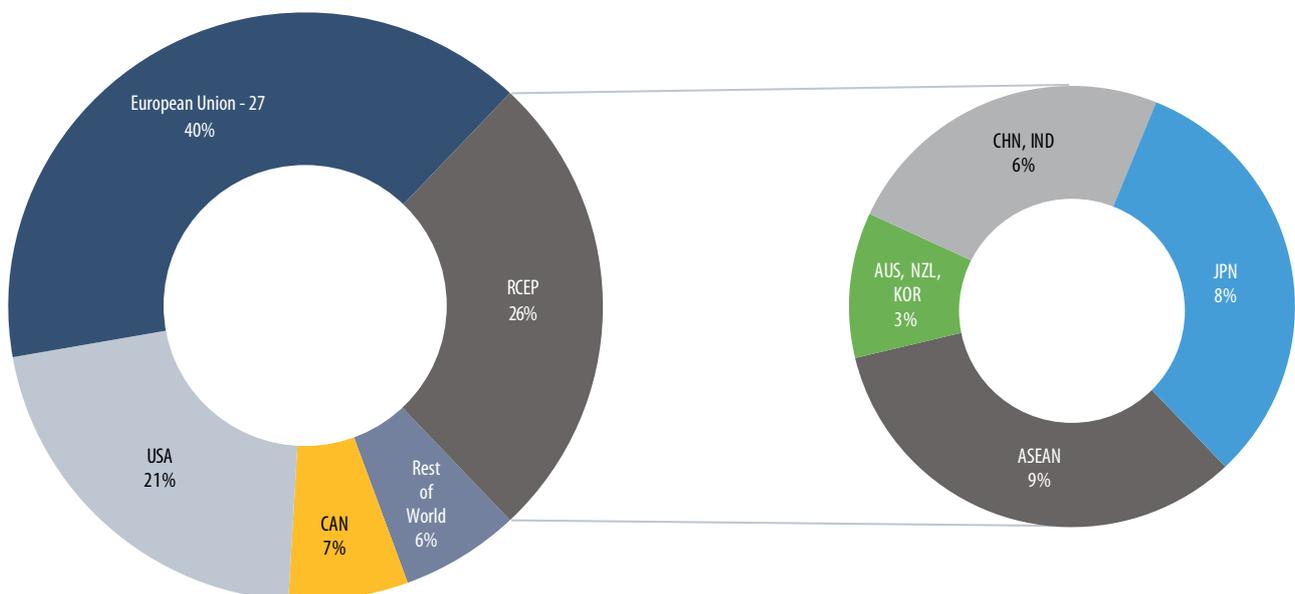
### 3.1 Assessing the value of the Regional Comprehensive Economic Partnership and options to improve market access trade with China

As detailed in figure 7, exports to RCEP markets represented about 26 per cent of total exports in 2016. Out of this amount, 8 per cent were exported to Japan, 6 per cent to China and India, 3 per cent to Australia, New Zealand and the Republic of Korea, and 9 per cent to ASEAN.

Despite that Australia already provides DFQF market access to Cambodia, the average utilization of the scheme by Cambodia exporters amounted to about 72 per cent in 2016, with important variations between products. Pockets of low utilization rates combined with preference margins (PM) above 2 percentage points are reported in annex C table 15. Similarly, pockets of low utilization of the DFQF scheme of the Republic of Korea, where the preference margin is

New Zealand and the Republic of Korea, and 9 per cent to ASEAN.

Figure 7 Cambodia export shares to RCEP markets and the rest of the world, 2016



above 2 percentage points, are reported in annex C table 16.

Finally, according to data notified to WTO, in 2016, Cambodia has not been able to use the DFQF scheme offered by India, with a utilization rate of zero. Therefore, a functioning trade agreement could generate important opportunities for Cambodia.

The RCEP negotiating text has not been made available in the course of this study. Only limited information was made available through other sources. On the basis of the preliminary information and an examination of tariff offers, RCEP does not seem to provide substantial improvements with respect to the market access that Cambodia is already being granted as part of the LDC, or ASEAN and ASEAN FTA network with dialogue partners. Such available information is summarized in table 6.

The crippling factor of RCEP is the architecture of the tariff offer since the RCEP partners have made a single offer for all the ASEAN countries or towards all RCEP partners. This means that Cambodia is treated, in terms of market access, the same as Singapore or Malaysia, while there is a clear divide in terms of export capacity and level of development between these countries and Cambodia. This element alone casts serious doubts over the value added of RCEP in terms of market access granted to Cambodia with respect to previous agreements and LDC arrangements from which Cambodia is already benefiting.

Added to this, the RCEP draft main text on rules of origin is 111 pages long and the Excel texts of product-specific rules of origin is over 6,000 lines. These figures alone provide a glimpse of the complexities of the negotiations. Once again there is no provision for LDC special and preferential treatment in the area of rules of origin for LDCs.

Unless substantial progress is made in the last round of negotiations, the current reading of the RCEP provides little scope for increased market access for Cambodia. The only advantage of the RCEP would be to “lock-in” into a contractual agreement some unilateral trade preferences.<sup>70</sup> Even this assumption would have to be further assessed.

The fact that Cambodia may graduate from LDC status in a foreseeable future should not mean it should forfeit in advance its negotiating position as an LDC during the current round of negotiations in RCEP.

## Recommendations

**On the basis of the above-mentioned findings and analysis, the following recommendations are made:**

- (a) As a matter of priority, Cambodia with other ASEAN LDCs should insist that other RCEP partners make a differentiated offer on tariffs and rules of origin for ASEAN LDCs in RCEP;**
- (b) An overall and product-specific assessment has to be made using the methodology adopted in table 6 to measure what additional market is granted under current RCEP and to set negotiating objectives accordingly;**
- (c) An overall assessment should be made of the value of RCEP with respect to trade in goods, services and other trade-related aspects. As the text has not been made public it is not possible to provide even an initial assessment.**

<sup>70</sup> As for the DFQF and rules of origin granted by India and Japan, but it would have to be assessed whether the tariff offers and rules of origin in RCEP are equivalent or better than those granted under the current DFQF by these preference-giving countries.

**Table 6 Market access and rules-of-origin treatment of the most-exported products from Cambodia to RCEP partners, 2016, sorted in descending values, cumulative export share < 65 per cent**

HS code	Product Description	Exports Value (thousands of \$)	Principal KHM export destinations within RCEP members										PSRO		
			1st destination			2nd destination			3rd destination						
			IS03 Code	Share (%)	MFN (%)	Applied reduction in RCEP (EIF)	IS03 Code	Share (%)	MFN (%)	Applied reduction in RCEP (EIF)	IS03 Code	Share (%)		MFN (%)	Applied reduction in RCEP (EIF)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
710812	ALL PRODUCTS	2 602 410	JPN	31.8			CHN	23.4				THA	16.1		RVC40 or CC*
610910	Gold in unwrought forms non-monetary	186 377	THA	90.6	0.0	Not applicable	SGP	9.4	0.00	Not applicable					CC*; Options (ASEAN)
610910	T-shirts, singlets and other vests, of cotton, KoC	150 403	JPN	53.1	9.73	No offer	CHN	16.7	14.0	12.6(+1), 11.2(+2), 9.8(+3), 8.4(+4), 7.0(+5), 5.6(+6), 4.2(+7), 2.8(+8), 1.4(+9), 0.0(+10)	AUS	9.3	5.0	10 (2014), 8 (1 Jan '18), 6 (1 Jan '19), 4 (1 Jan '20), 2 (1 Jan '21), 0 (1 Jan '22)	1.CC, 2.CC ex 6002–6006
610469	Women's or girls' trousers, etc., of other textiles, KoC	147 629	JPN	69.4	8.40	Not available	CHN	13.5	16.0	0	AUS	7.2	5.0	Not available	CC*; Options (ASEAN)
430211	Tanned or dressed whole skins of mink, not assembled	144 953	CHN	100.0	12.0	0									1.CC, 2.CC ex 6001–6006
400129	Other natural rubber, in primary forms or in plates, etc., nes	128 921	VNM	67.7	3.0	Not available	MYS	16.1	0.0	Not applicable	SGP	6.4	0.0	Not applicable	RVC40 or CTH (JP; KR)
610349	Men's or boys' trousers, etc., of other textiles, KoC	117 133	JPN	53.8	8.4	Not available	CHN	19.2	16.0	0	AUS	10.1	5.0	Not available	RVC40 or CTSH (AU; NZ)
100630	Semi-milled or wholly milled rice	110 317	CHN	64.6	33.0	Not available	MYS	22.8	40.0		BRN	8.7	0.0	Not applicable	1.CC, 2.CC ex 6001–6006
854430	Ignition wiring sets & other wiring sets of a kind used in vehicles, aircraft	103 513	THA	69.2	10.0	Not available	JPN	30.1	0.0	Not applicable	VNM	0.7	15.0	Not available	WO*; CC (AU; NZ)
640320	Sandals, with leather soles and straps (over instep, around big toe)	99 660	JPN	58.4	22.8	Not available	KOR	14.1	13.0	Not available	CHN	13.1	24.0	Not available	RVC40 or CTH
350510	Dextrins and other modified starches	97 977	CHN	52.3	12.0	0	THA	47.7	5.0	0					RVC40 or CTH ex 6406 (CN); CC (JP)
611090	Jerseys, pullovers, etc., of other textiles, KoC	78 423	JPN	60.0	10.9	Not available	CHN	21.4	14.0	0	KOR	9.1	13.0	Not available	RVC40 or CTH; CTH ex 1108 (JP); RVC40 or CTSH (NZ)
851770	Parts of telephone sets, incl. telephones for cellular networks	77 032	CHN	72.7	0.94	0	PHL	15.0	0.2	0 or 1	THA	12.1	0.0	Not applicable	CC*; Options (ASEAN)
610990	T-shirts, singlets, etc., of other textiles, nes, KoC	43 933	CHN	26.7	14.0	(See note **)	JPN	25.8	9.73	Not available	KOR	12.9	13.0	Not available	1.CC, 2.CC ex 6001–6006
640419	Sports footwear, with rubber or plastic soles and textile uppers	34 422	JPN	48.7	15.1	Not available	CHN	27.1	24.0	Not available	AUS	11.1	2.5	0 or not available	RVC40 or CTH; RVC40 or CTH ex 6406 (CN); CC (JP)
610339	Men's or boys' jackets of other textiles, nes, KoC	30 723	JPN	41.1	8.4	Not available	CHN	18.4	16.0	0	AUS	18.3	5.0	Not available	CC*; Options (ASEAN)
400121	Smoked sheets of natural rubber	30 496	VNM	48.6	3.0	Not available	IND	21.8	20.0	Not available	CHN	14.3	20.0	Not available	1.CC, 2.CC ex 6001–6006
170199	Cane or beet sugar, in solid form, nes	24 988	VNM	100.0	85.0	Not available									WO*; Options 1. WO, 2. RVC40 or CC (ASEAN); CTSH (AU; KR); CC ex 12 (JP); RVC40 or CTSH or refining (NZ)
610590	Men's or boys' shirts of other textiles nes KoC	24 957	JPN	52.6	9.73	Not available	CHN	15.0	16.0	0	KOR	12.6	13.0	Not available	CC*; Options (ASEAN)
850431	Transformers electric power handling capacity < 1 KVA, nes	24 829	CHN	100.0	5.0	0	MYS	0.0	3.33	Not applicable or tariff elimination within 10 years from EIF					1.CC, 2.CC ex 6001–6006
610690	Women's or girls' blouses, etc., of other textiles, KoC	21 834	JPN	63.9	9.73	Not available	AUS	13.2	5.00	Not available	CHN	8.9	16.0	0	RVC40 or CTSH ex 8504.32–8504.34

Note: \*Not agreed; \*\*0 / 12.6 (+1), 11.2 (+2), 9.8 (+3), 8.4 (+4), 7.0 (+5), 5.6 (+6), 4.2 (+7), 2.8 (+8), 1.4 (+9), 0.0 (+10)

### 3.2 Joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The CP-TPP agreement is a modern FTA encompassing a series of WTO-plus disciplines both in terms of coverage and depth. The preliminary analysis of the CP-TPP with respect to market access and rules of origin is similar to RCEP in the sense that the CP-TPP may not bring to Cambodia additional market access to what has been already been granted under different arrangements thanks to the current LDC status or as member of the ASEAN FTAs with dialogue partners. The complex rules of origin of the CP-TPP, especially in the garment sector, do not reflect the present capacity of the Cambodian garment industry.

However, reading a complex agreement such as the CP-TPP through the lenses of market of tariffs and rules of origin offers a very limited perspective of the trading opportunities and challenges that the CP-TPP agreements may have for Cambodia. First of all, as in the case of the RCEP, the trade preferences granted under an FTA are not of a unilateral nature since they have a contractual nature making them more permanent and stable in nature.

The CP-TPP is based on a series of rule-based, market-oriented systems that offer predictability for investors but also challenges for countries like Cambodia. The situation is further exacerbated by the fact that some of the main competitors of Cambodia, such as Viet Nam, are on a triple track<sup>71</sup> scenario. Viet Nam, for example, participates in RCEP, is a member of the CP-TPP and has entered an FTA with the European Union.

Table 7 reports the main exports from Cambodia to CP-TPP partners in descending order of export value. As can be easily noted from the table, the main partners are Canada, Japan and ASEAN countries, where Cambodia is benefiting from existing preferences granted under the GSP of Canada and Japan, as well as the ASEAN–Japan FTA and ATIGA with ASEAN countries. The only partner where Cambodia may gain, at a cursory glance, preferential market access is Mexico for limited export values of shoes. Added to this finding it has to be taken into account the CP-TPP rules of origin for garments requires triple transformation.

With respect to investment (chapter 9), the CP-TPP parties agreed to suspend the application of the

provisions related to an “investment authorization”, including the submission of ISDS claims (that is, limiting the submission of claims to the breach of the treaty obligation) and the selection of arbitrators (in part).

Regarding other aspects of CP-TPP, chapter 9 it is noteworthy in that it includes several reform-oriented elements. For example, it refines definitions of investor and investment; clarifies the meaning of key standards to preserve regulatory space (for example, that a Government’s failure to respect an investor’s legitimate expectations does not automatically amount to a breach of the minimum standard of the treatment (article 9.6); what does and does not constitute an indirect expropriation (article 9.8 and annex 9-B)); contains a clause recognizing that parties should not relax health, safety and environmental standards; and reaffirms CSR-related obligations.

Of particular relevance are issues related to ISDS. Certain CP-TPP contracting parties used side letters to bilaterally opt out of ISDS or otherwise modify the ISDS arrangements applicable between them. For example, bilateral side letters providing that there is no ISDS are available between Australia and New Zealand, and New Zealand and Peru. In the bilateral relationships between New Zealand and three other parties (Brunei Darussalam, Malaysia and Viet Nam) ISDS will remain. However, consent to arbitration by the respondent State needs to be given on a case-by-case basis. Moreover, the CP-TPP ISDS provisions allow disputing parties to submit written comments to the tribunal concerning any aspect of the proposed decision or award (CP-TPP article 9.23) and establish joint bodies with a mandate to issue binding interpretations of treaty provisions (CP-TPP article 9.25(3)).

At the same time, many CP-TPP parties remain bound by ISDS provisions found in earlier treaties signed between them in different constellations. Examples include the ASEAN Investment Comprehensive Investment Agreement (2009) (of which Cambodia is a party), the Energy Charter Treaty (1994), and other TIPs and BITs signed between the CP-TPP parties.

Some CP-TPP parties opted to terminate and replace some pre-existing IIAs. For example, Australia’s BITs with Mexico, Peru and Viet Nam will be terminated and replaced by the CP-TPP investment chapter, under the terms set out in the relevant side letters. In that respect the CP-TPP offers an opportunity to replace old-generation treaties with a treaty containing more modern clauses.

<sup>71</sup> See footnote 14.

When considering accession to the CP-TPP investment chapter, Cambodia should make a careful assessment about the pros and cons in light of the acceding country’s investment for sustainable development plan. First and foremost, this includes defining the role of IIAs in a country’s development strategy<sup>72</sup> (in addition to assessing the arguments put forward in favour and against IIAs<sup>73</sup> and the arguments brought forward in favour or against ISDS<sup>74</sup> – this would also include an assessment of the individual investment-related obligations contained in the CP-TPP.

Among others, consideration would have to be given to the extent to which more modern CP-TPP clauses could help modernize (that is, replace) old-generation clauses in pre-existing IIAs (for example, Cambodia–Japan, 2007). Importantly, careful decision-making would also require a realistic assessment of the extent to which acceding LDCs will be able to avail themselves of side letters, to shape their individual commitments in line with their special development needs.

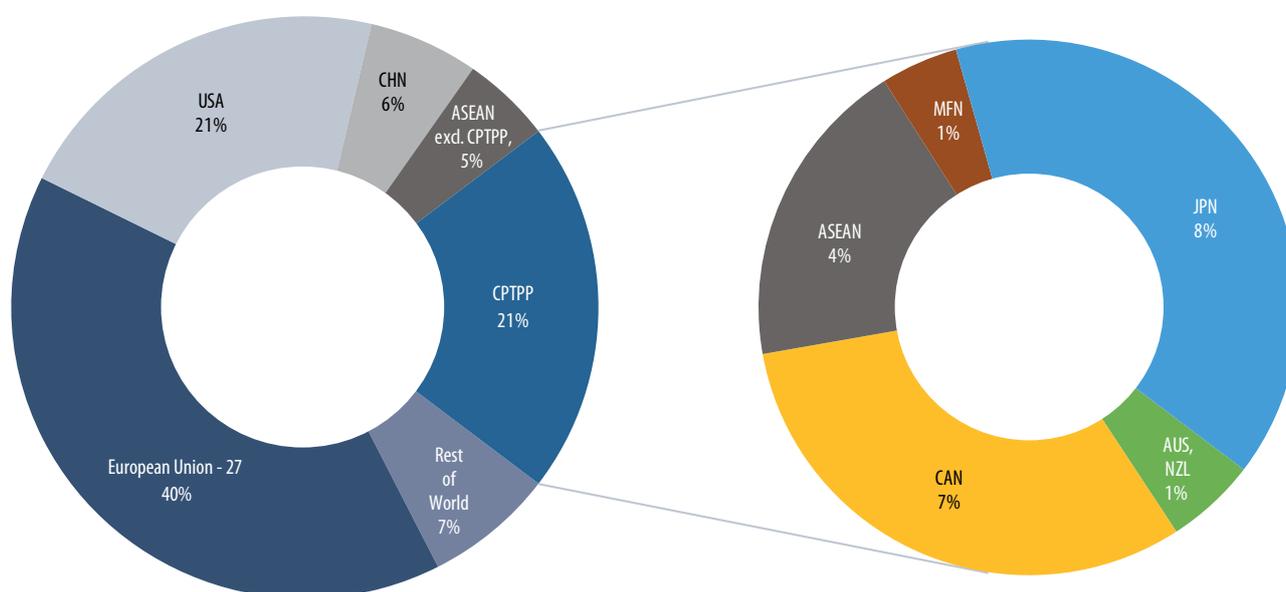
Overall the main challenge for Cambodia is to put more resources on assessing the values of the various options and conducting a series of consultations to assess the terms and conditions for acceding to the CP-TPP.

### Recommendations

On the basis of the above-mentioned findings and analysis the following recommendations are made:

- (a) Conduct a deeper and comprehensive assessment of the CP-TPP and initiate consultations with other ASEAN LDCs for a possible joint initiative to accede to the TP-CPP as an ASEAN LDC group;
- (b) Initiate informal consultations either directly or indirectly to identify the possible flexibilities and carve out what may be discussed upon accession, especially on ISDS provision and other aspects.

Figure 8 Cambodia export shares to CP-TPP markets and to the rest of the world, 2016



<sup>72</sup> See, for example, page 74 in UNCTAD’s Investment Policy Framework for Sustainable Development, 2015 version4.

<sup>73</sup> See, for example, page 19, table 1 in UNCTAD’s Reform Package for the International Investment Regime.

<sup>74</sup> See, for example, page 48, table 5 in UNCTAD’s Reform Package.

**Table 7 Market access and rules-of-origin treatment of the most exported products from Cambodia to CP-TPP partners, 2016, sorted in descending values, cumulative export share < 65 per cent**

Product		Exports Value (thousands of \$)	Principal KHM export destinations within CPTT members												PSRO	
HS code	Description		1st destination				2nd destination				3rd destination					
1	2	3	ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	15	16
	TOTALS FOR ALL PRODUCTS	2 092 427	JPN	39.5			CAN	31.3	.		VNM	10.9	.	0		
610469	Women's or girls' trousers, etc., of other textiles, KoC	238 279	CAN	47.2	18	4.5 per cent reduction per year	JPN	43	8.4	0.00	AUS	4.5	5	Free after 2 Years	CTC with exceptions*	
610910	T-shirts, singlets and other vests, of cotton, KoC	195 550	CAN	43.1	18	4.5 per cent reduction per year	JPN	40.8	9.73	0.00	AUS	7.2	5	0.00	CTC with exceptions*	
610349	Men's or boys' trousers, etc., of other textiles, KoC	147 241	JPN	42.8	8.4	0.00	CAN	34.3	18	4.5 per cent reduction per year	AUS	8.1	5	Free after 3 years	CTC with exceptions*	
611090	Jerseys, pullovers, etc., of other textiles, KoC	134 675	CAN	57.5	18	4.5 per cent reduction per year	JPN	35	10.9	0.00	AUS	2.6	5	Free after 3 years	CTC with exceptions**	
400129	Other natural rubber, in primary forms or in plates, etc., nes	116 478	VNM	75	3	0.00	MYS	17.9	0	0.00	SGP	7.1	0	0.00	CTH or min. RVC of 40 per cent under build-down method	
640320	Sandals, with leather soles and straps (over instep, around big toe)	112 800	JPN	51.6	22.8	MFN	CAN	30.2	18	0.00	MEX	4.1	10	3 per cent reduction per year	CTC with exceptions or min. RVC of 45 per cent under the build-up method or 55 per cent under the build-down method.	
610339	Men's or boys' jackets... of other textiles, nes, KoC	48 281	CAN	47.6	18	4.5 per cent reduction per year	JPN	26.2	8.4	0.00	AUS	11.7	5	5.00	CTC with exceptions*	
610990	T-shirts, singlets, etc., of other textiles, nes, KoC	45 743	CAN	36.6	18	4.5 per cent reduction per year	JPN	24.8	9.73	0.00	AUS	11.5	5	5.00	CTC with exceptions*	
100630	Semi-milled or wholly milled rice	39 477	MYS	63.8	40	3.6 per cent reduction per year	BRN	24.3	0	0.00	SGP	7	0	0.00	CTC	
640419	Sports footwear, with rubber or plastic soles and textile uppers	33 745	JPN	49.6	15.08	MFN	MEX	12.3	20.83	3 per cent reduction per year	AUS	11.4	2.5	0.00	CTC with exceptions or min. RVC of 45 per cent under the build-up method or 55 per cent under the build-down method.	
610439	Woman's or girls' jackets, of other textiles, KoC	32 492	CAN	44.1	18	4.5 per cent reduction per year	JPN	42	8.4	0.00	AUS	9	5	0.00	CTC with exceptions*	
854430	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft	31 877	JPN	97.8	0	0.00	VNM	2.2	15	5 per cent reduction per year	.	.	.	.	CTSH with exceptions or min. RVC of (a) 35 per cent under the build-up method; or (b) 45 per cent under the build-down method; or (c) 60 per cent under the focused value method.	

Product		Exports Value (thousands of \$)	Principal KHM export destinations within CPTT members												PSRO
HS code	Description		1st destination				2nd destination				3rd destination				
1	2	3	ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	16
610690	Women's or girls' blouses, etc., of other textiles, KoC	29 615	JPN	47.1	9.73	0.00	CAN	35.4	18	4.5 per cent reduction per year	AUS	9.7	5	0.00	CTC with exceptions*
610590	Men's or boys' shirts of other textiles, nes, KoC	26 085	JPN	50.3	9.73	0.00	CAN	31.6	18	4.5 per cent reduction per year	AUS	11.1	5	5.00	CTC with exceptions*
610839	Women's or girls' nighties, etc., of other textiles, KoC	25 296	CAN	72.8	18	0.00	JPN	16.3	7.4	0.00	AUS	5.2	5	5.00	CTC with exceptions*
170199	Cane or beet sugar, in solid form, nes	24 988	VNM	100	85	3.6 reduction per year	.	.	.	.	.	.	.	.	CTC with exceptions
610449	Dresses of other textile material, nes, KoC	22 849	CAN	52.1	18	4.5 per cent reduction per year	JPN	26.7	8.4	0.00	MEX	5.6	20	0.00	CTC with exceptions*
610459	Skirts and divided skirts of other textiles, nes, KoC	20 225	JPN	60	8.4	0.00	CAN	31.3	18	4.5 per cent reduction per year	AUS	2.8	5	5.00	CTC with exceptions*
871200	Bicycles and other cycles (including delivery tricycles), not motorized	20 121	CAN	73.4	13	0.00	JPN	8.5	0	0.00	AUS	7.1	5	0.00	CTH with exceptions or min. RVC of (a) 35 per cent under the build-up method; or (b) 45 per cent under the build-down method; or (c) 60 per cent under the focused value method.

\* A change to a good of heading 61.01 through 61.09 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12 or 54.01 through 54.02, subheading 5403.33 through 5403.39 or 5403.42 through 5403.49, or heading 54.04 through 54.08, 55.08 through 55.16, 56.06 or 60.01 through 60.06, provided the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the parties.

\*\* A change to a good of subheading 6110.90 from any other chapter, except from heading 51.06 through 51.13, 52.04 through 52.12 or 54.01 through 54.02, subheading 5403.33 through 5403.39 or 5403.42 through 5403.49, or heading 54.04 through 54.08, 55.08 through 55.16, 56.06 or 60.01 through 60.06, provided the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the parties.

Table 8 Japanese imports from Cambodia and utilization rates under ASEAN and GSP, 2017, sorted in descending order of MFN dutiable imports > \$1 million\*

HS 2 code	Product HS chapter description	Imports from partner (thousands of \$)											ASEAN utilization rate (%)
		Total value	MFN dutiable	Covered GSP	Covered ASEAN	NOT receiving pref.	Receiving GSP pref.	Receiving ASEAN pref.	GSP utilization rate (%)				
1	2	3	4	5	6	7	8	9	10	11			
	TOTALS FOR ALL PRODUCTS	1 313 963	1 196 802	1 156 942	1 173 250	109 605	980 032	107 166	84.71	9.13			
62	Art of apparel & clothing access, not knitted/crocheted	490 329	473 308	473 308	473 308	15 427	449 987	7 894	95.07	1.67			
61	Art of apparel & clothing access, knitted or crocheted	366 704	366 704	366 704	366 360	35 502	315 364	15 838	86.00	4.32			
64	Footwear, gaiters and the like; parts of such articles	203 106	203 106	188 840	188 582	26 997	136 844	39 285	81.05	20.82			
42	Articles of leather, saddlery/harness; travel goods etc.	59 248	59 248	58 392	58 679	6 788	51 242	1 218	87.76	2.08			
63	Other made up textile articles; sets; worn clothing etc.	32 006	31 702	31 702	31 702	4 679	4 088	22 935	12.90	72.35			
66	Umbrellas, walking sticks, seat sticks, whips, etc.	17 497	17 497	17 497	17 497	271	9 860	7 366	56.35	42.10			
39	Plastics and articles thereof	12 966	11 722	11 722	11 722	1 614	5 664	4 444	48.32	37.91			
95	Toys, games & sports equipment; parts & accessories thereof	8 287	3 854	2 400	2 018	1 684	495	1 675	20.63	87.79			
96	Miscellaneous manufactured articles	6 521	6 521	6 521	6 521	660	71	5 790	1.09	83.00			
94	Furniture; bedding, cushions etc.; lamps & lighting fittings nes; illuminated signs; prefabr. buildings	6 154	956	956	956	10	946	0	98.95	0.00			
67	Prepared leathers & down & articles thereof; artificial flowers; articles of human hair	4 185	289	289	289	289	0	0	0.00	.			
65	Headgear and parts thereof	3 832	3 832	3 832	3 832	948	2 884	0	75.26	0.00			
00	Items beyond HS classification (HS2 = '00')	3 007	3 007	0	0	3 007	0	0	.	.			
90	Optical, photogr., cinematogr., measuring, checking, precision, medical/surgical instruments & apparatus; part	2 932	1 961	1 961	1 961	0	1 961	0	100.00	0.00			
19	Preparations of cereal, flour, starch/milk; pastrycooks' products	1 731	1 731	1 731	0	1 684	47	0	2.72	.			
44	Wood and articles of wood; wood charcoal	1 633	1 342	1 342	1 342	1 303	0	39	0.00	2.91			
71	Natural/cultured pearls, precious/semiprecious stones, prec. Metals; imitation jewelry; coins etc.	1 465	689	689	689	685	4	0	0.58	0.00			
56	Wadding, felt & nonwoven; special yarns; twine, cordage, ropes and cables etc.	1 216	1 216	1 216	1 216	790	7	419	0.58	34.46			

Note: Non-dutiable trade under chapters 01, 05, 23, 25, 34, 40, 45, 48, 49, 68, 70, 73, 76, 84, 85, 87, 91, 97 not reported. Values below \$800,000 reported in annex C table 19.

### 3.3 Cambodia trade relations with Japan: From Generalized Scheme of Preferences to Association of Southeast Asian Nations free trade agreements and beyond

Trade relations with Japan are governed by the GSP for LDCs and the ASEAN Dialogue FTA with Japan. Trade figures suggest that the Japan GSP for LDCs is mostly used by Cambodia.

In the context of the GSP preferences, Cambodia together with other ASEAN LDCs should prepare a document clearly outlining the improvements that Japan should make on the product-specific rules of origin and on cumulation during the current periodic revision that is held every decade by Japan. An initial document<sup>75</sup> has been submitted by the LDC group at CRO meeting of 15–16 May 2019. This submission has been followed by a series of bilateral meeting at WTO that have not materialized any concrete.

Such initial action should be followed by the elaboration and the submission to the Government of Japan of a complete document outlining and detailing all the requests and changes that ASEAN LDCs would like to see introduced in the GSP rules of origin of Japan. Such submission should be followed by an official visit of the ASEAN LDCs to the Ministry of Industry and Trade and the Ministry of Finance in Tokyo as soon as possible to secure follow-up and commitment in adopting a reform of rules of origin under the Japanese GSP and discussions for a new trade partnership.

Cambodia and ASEAN LDCs should begin to study the possibility to have a series of bilateral FTAs with Japan that provide better market access than the present Japanese GSP, the ASEAN FTAs and RCEP. A study should be conducted in this regard to compare the different concessions that Japan has made towards other partners to secure and argue for better preferential margins when negotiating as ASEAN LDCs.

#### Recommendations

**On the basis of the above-mentioned findings and analysis the following recommendations are made:**

- (a) As a matter of priority, Cambodia and other ASEAN LDCs, with the assistance of development partners, should take advantage of the set agenda of the LDC core group on rules of origin in order to table a document to:**
  - (i) Highlight the changes to be made in the product-specific rules of origin of the GSP of Japan;**
  - (ii) Request that the scope of Japan cumulation provision for ASEAN be expanded to include Cambodia;**
  - (iii) Take the opportunity of the CRO to open a dialogue on better rules of origin for ASEAN LDCs under the different trade arrangements currently being negotiated, such as RCEP or in the near future a bilateral Japan–ASEAN FTA;**
- (b) Cambodia should carry out a comparative study on the different FTAs entered into by Japan to secure and argue better trade preferences and to determine the content of possible close trade relations with Japan.**

<sup>75</sup> See WO Document G/RO/W/184,

## 4. ADDRESSING SANITARY AND PHYTOSANITARY ISSUES WITH CHINA AND OTHER PARTNERS

Market access in terms of tariff reductions is an element of market access that is not sufficient to ensure market entry into a partner. As examined in the sections above, the trade policy options to replace the United States and the European Union as main markets for garments and bicycles will be limited in the near future. Conversely, the analysis has shown that there are trading opportunities for rice and other agricultural products that may be affected not only by tariffs but also by SPS measures.

Indeed, other elements may hamper Cambodian exporters to benefit from market access opportunities. Non-tariff measures are widely imposed by Cambodia's trading partners, as highlighted in annex C table 20. Some measures are imposed on a multilateral basis,

while others are imposed on specific countries (reported under "bilateral NTM"). China is the country imposing the maximum number of measures, with 5,700 NTM, including 21 bilateral ones.

At the product level, rice exports to China are particularly exposed to NTM, as shown in annex C table 21. Exports of semi-milled or wholly milled rice represent 12 per cent of Cambodia total exports to China and are facing a total of 106 NTM, including 2 bilateral measures. While most of the existing measures are technical barriers to trade (TBT), according to consultations with local stakeholders, we can reasonably expect SPS measures to be the most problematic for Cambodian exporters of agricultural/food products.

**Table 9 Total SPS measures imposed by Cambodia's partners by product, 2016, sorted in descending values of Cambodia's exports, KHM export share > 5 per cent, total SPS > 2**

Country	HS 6	Description	Bilateral SPS	Multilateral SPS	Total SPS	KHM Exports (thousands of \$), 2016	Share in total trade (%)
CHN	100630	Semi-milled or wholly milled rice	1	47	48	71 253	12
CHN	350510	Dextrins and other modified starches	0	19	19	51 219	8
THA	350510	Dextrins and other modified starches	0	7	7	46 758	11
MYS	100630	Semi-milled or wholly milled rice	0	6	6	25 196	25
VNM	170199	Cane or beet sugar, in solid form, nes	0	20	20	24 988	11
BRN	100630	Semi-milled or wholly milled rice	0	6	6	9 600	100
MYS	151110	Vegetable/palm oils and fractions, crude, not chemically modified	0	7	7	8 449	8
LKA	220300	Beer; made from malt	0	8	8	4 965	92
MEX	640320	Sandals, with leather soles and straps (over instep, around big toe)	0	3	3	4 617	8
ARE	640320	Sandals, with leather soles and straps (over instep, around big toe)	0	6	6	4 037	6
CHE	151110	Vegetable/palm oils and fractions, crude, not chemically modified	2	16	18	3 526	16
LAO	010391	Swine; live, other than pure-bred breeding animals, < 50 kg	0	3	3	2 315	41
NZL	100630	Semi-milled or wholly milled rice	0	8	8	571	7
LAO	010310	Swine; live, pure-bred breeding	0	4	4	447	8
SAU	100630	Semi-milled or wholly milled rice	0	31	31	148	18
BFA	300490	Medicaments; consisting of mixed or unmixed products	0	5	5	100	99
GHA	100630	Semi-milled or wholly milled rice	0	7	7	61	6
DZA	100630	Semi-milled or wholly milled rice	0	15	15	53	39
SEN	100630	Semi-milled or wholly milled rice	0	3	3	34	29
MRT	100630	Semi-milled or wholly milled rice	0	3	3	19	14

Table 9 reports only the sectors affected by at least two SPS measures and with export shares above 5 per cent. These are important export sectors for which a reduction of SPS measures could potentially have a significant impact in terms of profitability of exporters. Rice exports are affected by SPS measures not only in China but in Algeria, Brunei Darussalam, Ghana, Mauritania, New Zealand, Saudi Arabia and Senegal. However, in the latter countries the measures are imposed at a multilateral level, making it more difficult to solve the issue with trade policy instruments such as trade agreement.

Annex C Table 22 therefore reports only bilateral SPS measures imposed in Cambodian export sectors. New products are resulting from the analysis. Vegetable and palm oils in Switzerland, already reported in table 9, appear to be the second product in terms of export value (\$3.5 million) on which bilateral SPS measures are imposed. A similar product (HS 151329) faces bilateral SPS measures in Thailand.

It is possible that SPS measures will have an impact in sectors where high trade values are not observed. It is likely to be the case if the SPS measure has a deterrent effect on Cambodian exporters that are not able to penetrate the foreign market. In an attempt to identify these cases, annex C table 23 shows the sectors–country pairs where exports from Cambodia to the world are above \$400,000 while exports to the specific country imposing at least two bilateral measures is below \$5,000.

Results show that semi- or wholly milled rice is not exported to Indonesia and Japan, while the total exports from Cambodia amount to \$297 million. The absence of exports could be due to the fact that these countries impose 2 bilateral SPS measures on Cambodia

combined with respectively 12 and 6 multilateral SPS measures within the same HS subheading.

### Recommendations

The analysis of the trade flows carried out in table 1 clearly shows that China cannot replace the European Union and United States as market of destination for garments and bicycles. China could be a potential market for rice exports and exports of agricultural products and processed foodstuffs. However, the main obstacles to entering the Chinese market are not only tariffs but also SPS requirements. In the context of WTO, the SPS Committee has been established to provide a forum for discussion and exchange of information. According to the SPS IMS database, WTO members have raised 31 specific trade concerns on the SPS measures applied by China.

Cambodia and other ASEAN LDCs should make sure that the RCEP provisions on SPS contain WTO-plus elements that permit an enhanced dialogue with China and where possible equivalence and mutual recognition agreements.

On the basis of the above-mentioned findings and analysis the following recommendations are made:

- (a) Cambodia together with other ASEAN LDCs should raise specific concern over the SPS measures applied by China on rice imports and other related agricultural products in the next session of the WTO SPS Committee;
- (b) Cambodia should develop a negotiating strategy with other ASEAN LDCs to ensure that the RCEP provisions on SPS contain WTO-plus elements that could facilitate market access to China.

## 5. A POSITIVE NEGOTIATING AGENDA FOR CAMBODIA AT MULTILATERAL AND REGIONAL LEVELS

As pointed out in the DTIS 2014, Cambodia has been privileged to be eligible for preferential access to many important markets. The trading regime that results from preferences, however, is going to be substantially reduced in the coming years. There have been a series of warning signs that have already conspicuously highlighted the fragility of a trade policy relying almost exclusively on unilateral trade preferences.

Changes in Cambodia's preferential market access have been the single most important factor explaining the growth of Cambodia's exports and the diversification of its export destinations during the period under review. The changes in the European Union rules of origin have shifted exports to those destinations and brought about significant new investment to expand exports. Rising labour costs in other producing countries, a reasonably friendly investment environment, and other factors have played a supporting role in this shift. Managing the various rules of origin regimes and assisting exporters to identify opportunities created by preferential access has become a key component of Cambodia's trade policy.

However, the window of opportunity provided by unilateral trade preferences is now shrinking. Unless action is taken a reversal of the favourable trend described above may take place in the years to come. As examined in this chapter, a positive trade agenda should be quickly and effectively put in place by Cambodia based on the initial findings presented here, while on other areas further research has to be carried out as outlined below:

### 5.1 The actual positioning of Cambodia in the international trade scene and potential leading role of an ASEAN LDC agenda

It is recommended that as a matter of priority Cambodia reaches out to other ASEAN LDCs to establish a consultative and coordinated group among capitals and Geneva-based delegations at WTO to build up a coordinated positive agenda as suggested in this chapter. Through this mechanism the ASEAN LDCs should be able to quickly mature a more assertive and autonomous positive agenda in the different negotiating scenarios within WTO and at regional level, as further detailed in the following:

- (a) Establish a consultation mechanism among the ASEAN LDC delegations at WTO and in

capitals to coordinate negotiating positions and initiatives on the issues to be discussed in Nur-Sultan, namely e-commerce, investment facilitation, MSME and other themes;

- (b) Prepare intensively for the next WTO CROs and initiate consultations for the possible launching on a plurilateral initiative to simplify rules of origin;
- (c) Coordinate with ASEAN LDCs to raise joint concerns over SPS measures adopted by China on rice and other products of export interest at the next WTO SPS Committee and follow up initiatives.

### 5.2 Building a new trade initiative with the European Union in view of the European Union–ASEAN FTAs

In view of the above analysis, Cambodia and the other ASEAN LDCs should take the initiative to enter into a trade policy dialogue with the European Union to define a new trade relation that goes beyond EBA.

It is expected that ASEAN LDCs will graduate from LDC status in the near future and the current market access under EBA that has been a crucial factor in their export performance is going to be progressively eroded by the ASEAN FTAs.

The combined effects of these two looming events requires timely and concrete actions, such as:

- (a) Cambodia should prepare a short roadmap for a new partnership between ASEAN LDCs and the European Union and discuss it with other ASEAN counterparts at the nearest opportunity during the summer 2019;
- (b) Convene a meeting at high level among the ASEAN LDC to agree on a roadmap in June/ July 2019;
- (c) The ASEAN LDCs should request a meeting with the new EU trade commissioner to discuss such a new partnership.

In addition, Cambodia will have to undertake actions at the technical level to prepare the ground for extended cumulation with Viet Nam and explore possible ways to cumulate with Japan.

The request for extended cumulation to the European Union requires that Cambodia engage in early discussion with Vietnamese counterparts to seek their support for extended cumulation. In this context it should be recalled that it took months to secure an understanding from the Malaysian authorities to issue certificates for origin under the derogation. A similar if not longer time frame may be expected with Viet Nam, and early contacts should be made with Japan to secure a similar approach.

Such action should be undertaken as soon as possible to relay a message to bicycle and garment manufacturers that the Government is actively pursuing a viable trade strategy.

### 5.3 RCEP and CP-TPP – Challenges and opportunities

#### RCEP

- As a matter of priority Cambodia with other ASEAN LDCs should insist that other RCEP partners make a differentiated offer on tariffs and rules of origin for ASEAN LDCs in RCEP.
- An overall and product-specific assessment has to be made using the methodology adopted in table 6 to measure what additional market is granted under the current RCEP and negotiating objectives set accordingly.
- An overall assessment should be made of the value of RCEP with respect to trade in goods, services and other trade-related aspects. As the text has not been made public it is not possible to provide even an initial assessment.

#### CP-TPP

- A deeper and comprehensive assessment should be conducted of the CP-TPP and consultations initiated with other ASEAN LDCs for a possible joint initiative to accede to the TP-CPP as an ASEAN LDC group.
- Informal consultations should be initiated either directly or indirectly to identify the possible flexibilities and carve out what may be discussed upon accession, especially on ISDS provision and other aspects.

#### Japan

- As a matter of priority, Cambodia and other ASEAN LDCs, with the assistance of development partners, should take advantage

of the set agenda of the LDC core group on rules of origin in order to table a document to:

- Highlight the changes to be made in the product-specific rules of origin of the GSP of Japan;
- Request that the scope of Japan cumulation provision for ASEAN is expanded to include Cambodia;
- Take the opportunity of the next WTO CRO to open a dialogue on better rules of origin for ASEAN LDCs under the different trade arrangements currently being negotiated, such as RCEP or in the near future a bilateral Japan–ASEAN FTA.
- Cambodia should carry out a comparative study on the different FTAs entered into by Japan to secure and argue better trade preferences and determine the content of possible close trade relations with Japan.

### 5.4 Addressing SPS issues with China and other partners

- Cambodia together with other ASEAN LDCs should raise specific concerns over the SPS measures applied by China on rice imports and other related agricultural products in the next session of the WTO SPS Committee
- Cambodia should develop a negotiating strategy with other ASEAN LDCs to ensure that the RCEP provision on SPS contains WTO-plus elements that could facilitate market access to China.

### 5.5 Research and capacity-building

It is of paramount importance that Cambodia invests resources in further developing and studying the challenges and trading opportunities that are highlighted in this section and build the necessary capacity in the different ministries and private sector. It is highly regretted that, in spite of numerous Aid for Trade initiatives present in the country, there are very few resources dedicated to establishing a trained pool of highly capable trade negotiators and researchers. Such recommendations largely echo those already made almost three years ago during a workshop organized by Ministry of Commerce and UNCTAD.<sup>76</sup> Such research and capacity-building should assist the Government in taking informed decisions on trade policy and in carrying out related trade negotiations.

<sup>76</sup> See <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1233>.

## ANNEXES

### Annex A Association of Southeast Asian Nations–China Free Trade Agreement

#### Product-specific rules of origin

The 472 product-specific rules of origin of ACFTA are contained in the attachment B to annex 1 of the 2015 amendment. The requirements comprise 59 exclusive

rules/criteria (part A) that range from an RVC of not less than 40 per cent, CTCs to specific requirements and 413 alternative rules (part B). Regarding the alternative rules, the exporter can use either the general rule set out in rule 4 of the ASEAN–China FTA rules of origin or the regulations included in this attachment.

In contrast to other FTA PSRO, ACFTA alternative rules are sometimes clustered by the rule itself, not the HS code. For example, for CTC (excerpt):

Serial No.	HS chapter	Product description	Origin criteria
68	3006.10	Sterile surgical catgut, similar sterile suture materials (including sterile absorbable surgical or dental yarns) and sterile tissue adhesives for surgical wound closure; sterile laminaria and sterile laminaria tents; sterile absorbable surgical or dental haemostatics; sterile surgical or dental adhesion barriers, whether or not absorbable	Change to subheading 3006.10 from any other heading
69	4103.90	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment - dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1(b) or 1(c) to this chapter: Other	Change to subheading 4103.90 from any other heading
70	7218.10	Ingots and other primary forms	Change to subheading 7218.10 from any other heading

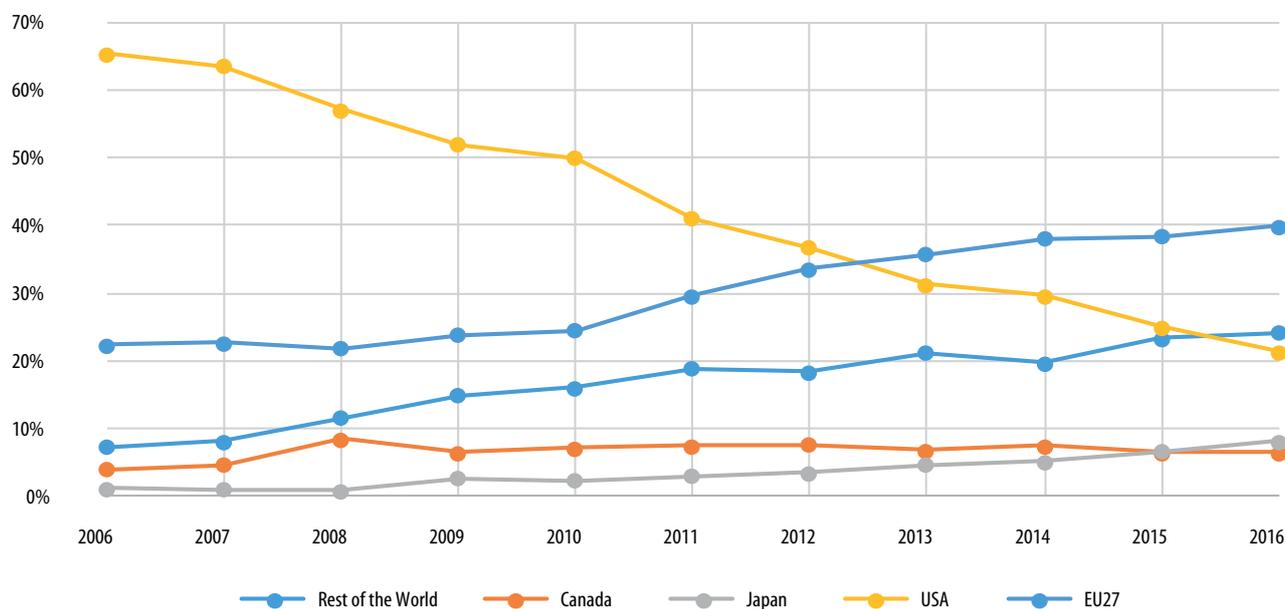
In the case of process criteria for textile and textile products, specific regulations are categorized by the product categories, such as (a) fibres and yarns; (b) fabric/carpets and other textile floor coverings; special yarns, twine cordage and ropes and cables and articles thereof; (c) articles of apparel and clothing accessories and other made-up textile articles. These broader categories often give alternative regulations such as, for example for (c), (excerpt):

- (i) Manufacture through the processes of cutting and assembly of parts into a complete article (for apparel and tents) and incorporating embroidery or embellishment or printing (for made-up articles) from:
  - raw or unbleached fabric;
  - finished fabric; OR
- (ii) Undergo a change in tariff classification (hereinafter referred to as “CTC”) at four-digit level, which is a change in tariff heading of the Harmonized System

Serial No.	HS chapter	Product description
309	6117.80	Clothing accessories, of textile materials, knitted or crocheted
310	6117.90	Parts of garments/of clothing accessories, of textile materials, knitted or crocheted
311	6201.11	Men's/boys' overcoats & similar articles of wool/fine animal hair, not knitted or crocheted

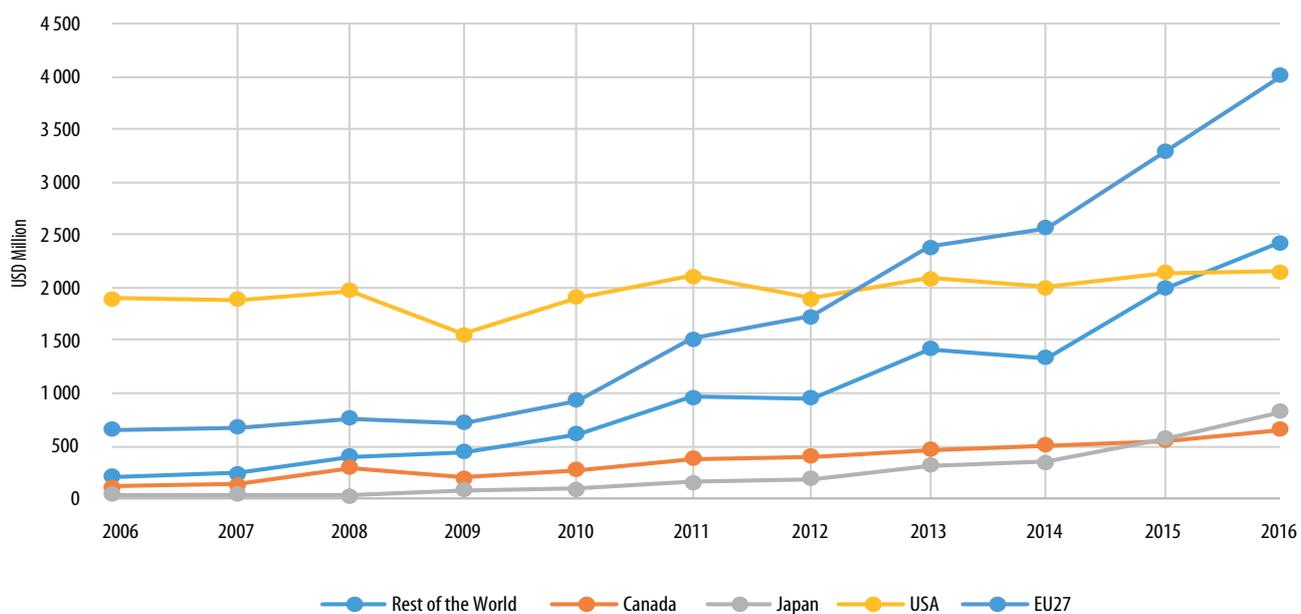
## Annex B Figures

Figure 9 Export share by destination



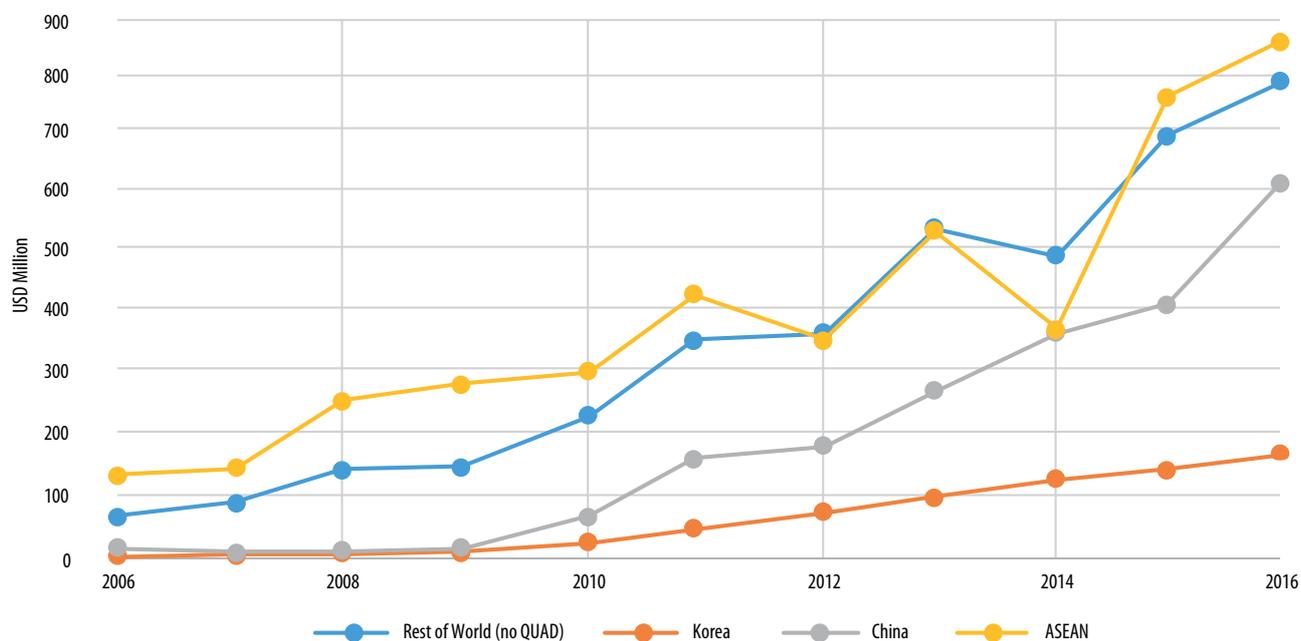
Note: Excluding trade flows of banknotes, as discussed in footnote 16.

Figure 10 Exports to selected countries/regions (millions of \$)



Note: Excluding trade flows of banknotes, as discussed in footnote 16.

Figure 11 Exports to ASEAN, China, the Republic of Korea, rest of world (without QUAD)



Note: Excluding trade flows of banknotes, as discussed in footnote 16.

Figure 12 HS 61 export shares by destination

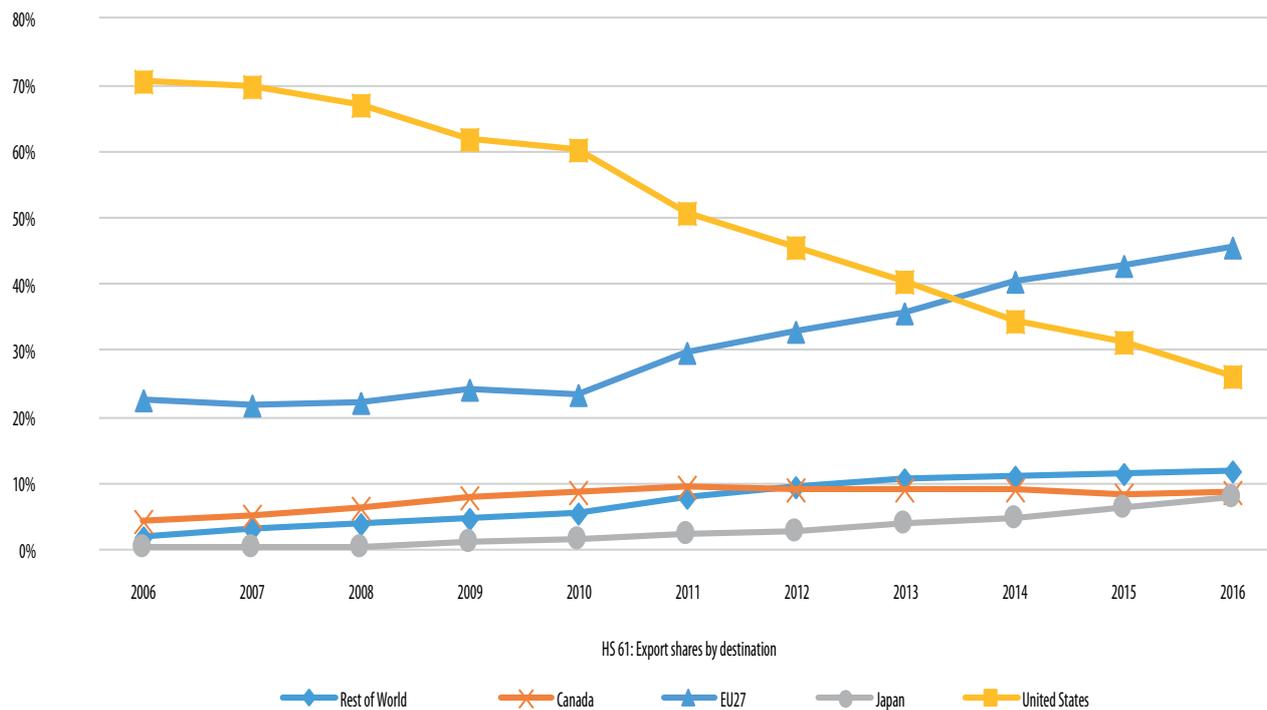


Figure 13 European Union GSP utilization rates of HS 61 of selected countries

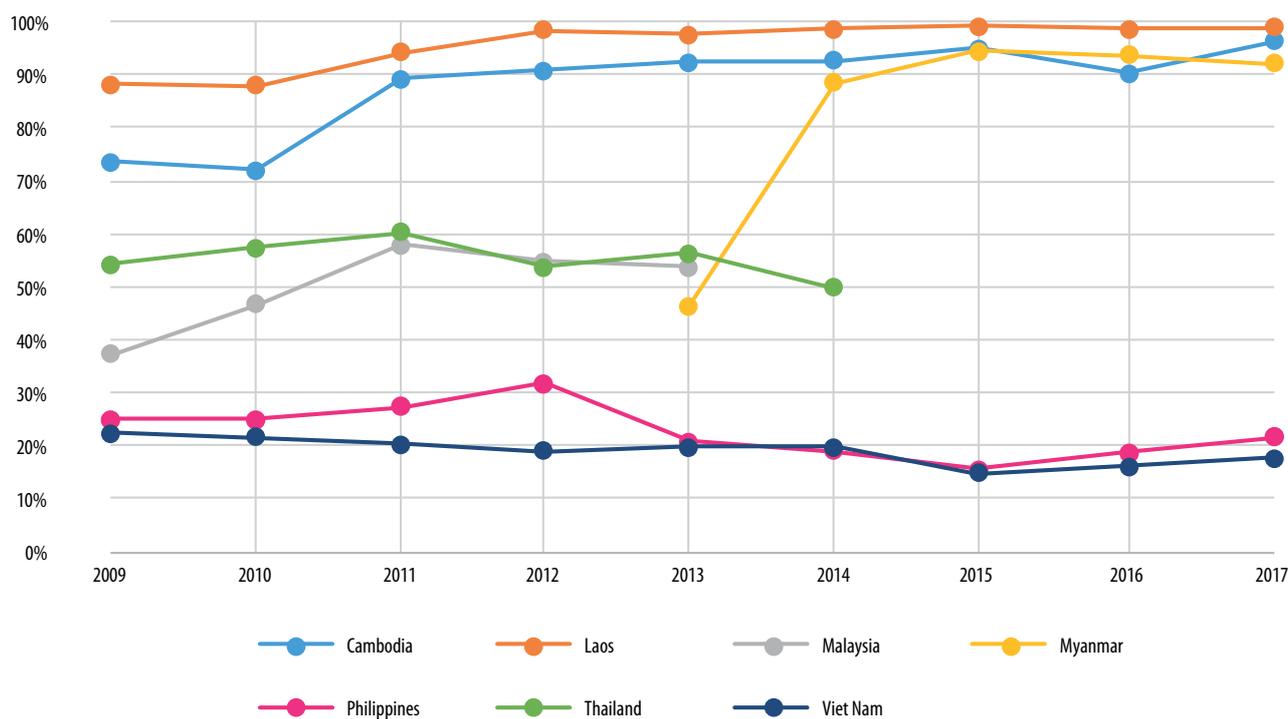


Figure 14 European Union GSP utilization rates of HS 62 of selected countries

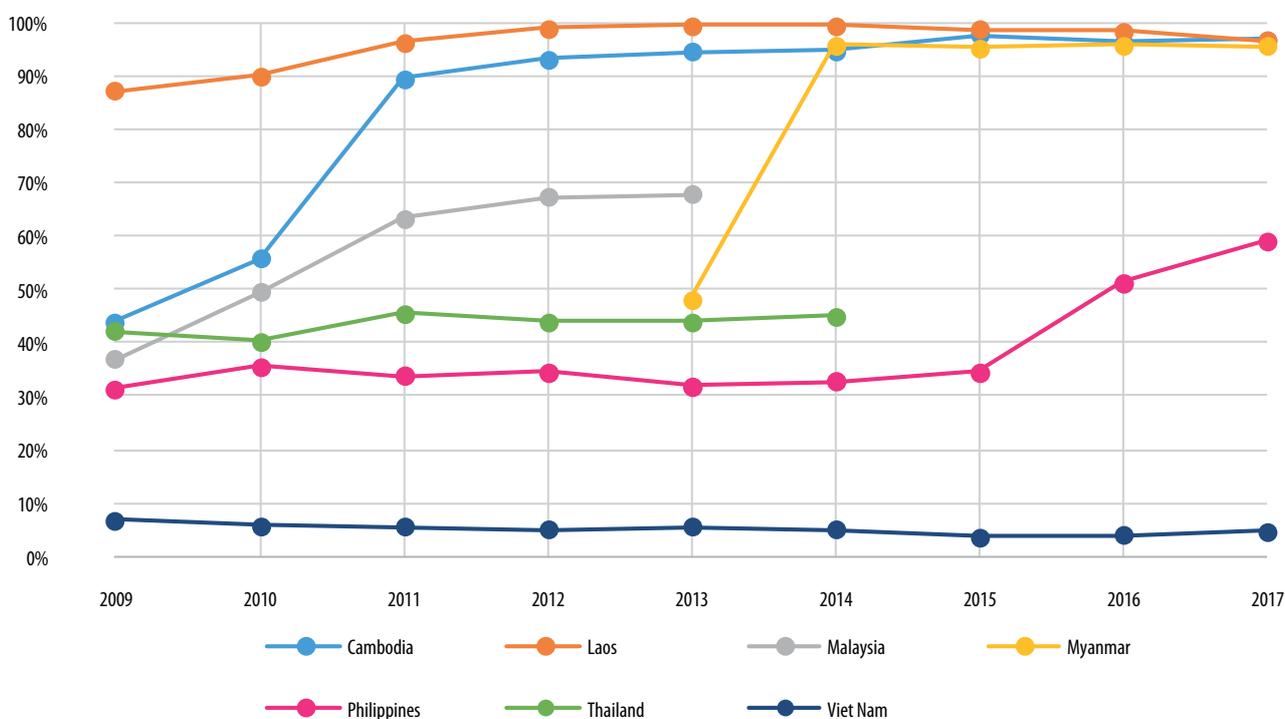
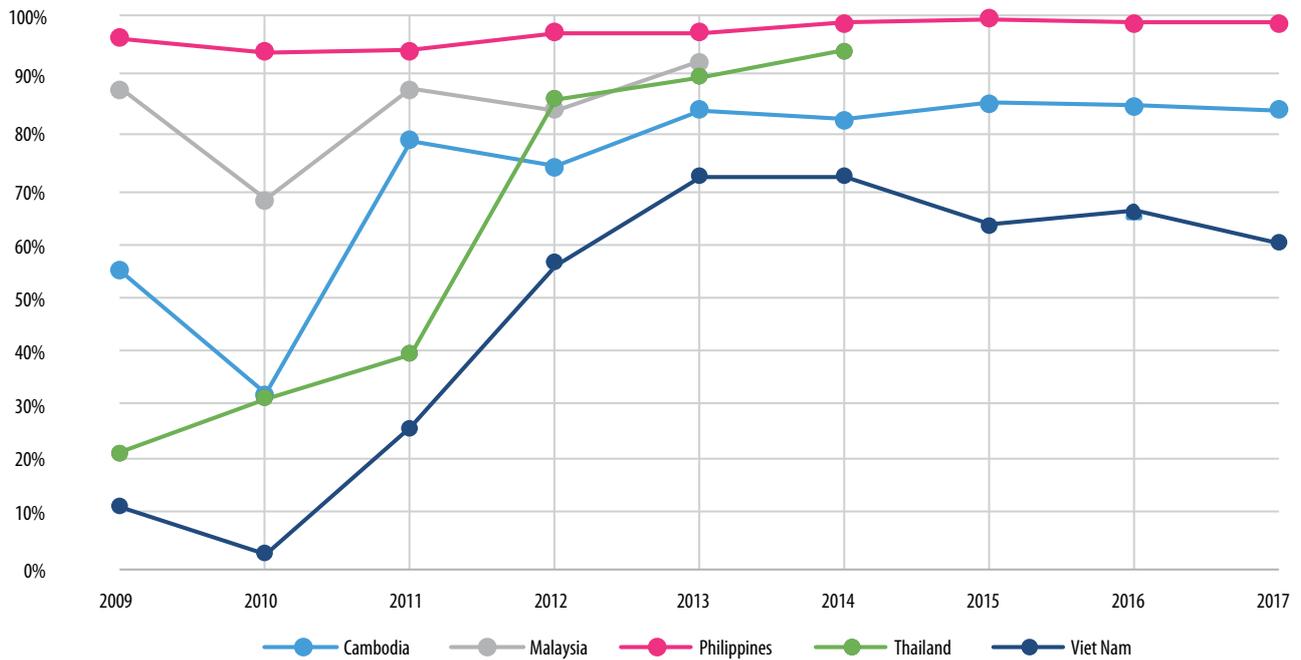


Figure 15 European Union GSP utilization rates of HS 87.12 of selected countries



## Annex C Tables

**Table 10 Exports of postage, stamps, banknotes (HS 497000) (millions of \$)**

Year	Total	Australia	Germany	Hong Kong, China	Malaysia	Singapore	Thailand	United Kingdom	Viet Nam
2006	652.16	2.28	0.50	537.55	0.00	105.88	6.40	0.00	0.00
2007	563.94	4.43	0.00	457.00	0.00	100.70	1.80	0.00	0.00
2008	902.51	1.49	0.00	833.52	0.00	67.51	0.00	0.00	0.00
2009	2 001.56	2.03	0.31	1 631.86	0.10	364.94	2.69	0.00	0.00
2010	1 776.97	1.83	0.00	1 368.92	0.11	406.21	0.00	0.00	0.00
2011	1 574.93	2.65	0.00	1 157.12	0.11	415.15	0.00	0.00	0.00
2012	638.07	0.00	0.00	465.71	0.08	172.36	0.00	0.00	0.00
2013	0.04	0.00	0.00	0.00	0.05	0.03	0.00	0.00	0.00
2014	97.36	0.00	0.00	97.32	0.00	0.03	0.00	0.00	0.01
2015	0.04	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.01
2016	0.08	0.00	0.28	0.00	0.00	0.02	0.00	0.31	0.01
Total	8 207.66	14.70	1.09	6 548.99	0.46	1 632.86	10.89	0.31	0.04

Note: HS 490700 description: "Unused postage, revenue or similar stamps of current or new issue in the country to which they are destined; stamp-impressed paper; banknotes; check".

**Table 11 Changes of provision on regional cumulation in the European Union GSP reform in 2011**

Old regulation	New regulation	Comments
<p><i>Article 72a</i></p> <p>1. When goods originating in a country which is a member of a regional group are worked or processed in another country of the same regional group, they shall have the origin of the country of the regional group where the last working or processing was carried out, provided that:</p> <p>1. The value added there, as defined in paragraph 3, is greater than the highest customs value of the products used originating in any one of the other countries of the regional group; and</p> <p>2. The working or processing carried out there exceeds that set out in article 70 and, in the case of textile products, also those operations referred to at annex 16.</p>	<p>Where products manufactured in a beneficiary country of group I (ASEAN) or group III (SAAARC) using materials originating in a country belonging to the other group are to be exported to the European Union, the origin of those products shall be determined as follows:</p> <p>(a) Materials originating in a country of one regional group shall be considered as materials originating in a country of the other regional group when incorporated in a product obtained there, provided that the working or processing carried out in the latter beneficiary country goes beyond the operations described in article 78(1) and, in the case of textile products, also beyond the operations set out in annex 16.</p> <p>(b) Where the condition laid down in point (a) is not fulfilled, the products shall have as country of origin the country participating in the cumulation which accounts for the highest share of the customs value of the materials used originating in other countries participating in the cumulation.<sup>77</sup></p>	<p>In the case of the old regulation under paragraph (a) the value of materials calculation was carried out automatically while in the case of the new regulation under (a) the test is not carried out unless the imported materials only undergo insufficient working or processing as contained in art 78 (1) and the operations described in annex 16 for textiles and clothing.<sup>78</sup></p>

<sup>77</sup> The wording of this article has been changed in the Union Customs code but the substance remains the same.

<sup>78</sup> Working such as: fitting of buttons and/or other types of fastenings, making of buttonholes, finishing off the ends of trouser legs and sleeves or the bottom hemming of skirts and dresses, etc., hemming of handkerchiefs, table linen, etc., fitting of trimmings and accessories such as pockets, labels, badges, etc., ironing and other preparations of garments for sale "ready-made", or any combination of such working.

Table 12 Trade effect for Cambodia (millions of \$), simulation model

HS	Description	EU Imports from (\$000'000)										Trade Effects for Cambodia				Trade Effects for ASEAN			Total Trade Effect for	
		MFN	World	KHM	ASEAN	CHN	Other GSP	Other countries excl. GSP&LDCs	TC	TD	Tot	TC	TD	Tot	TC	TD	Tot	Other LDCs	CHN	
871200	Bicycles and other cycles (including delivery tricycles), not motorised	14.6	3578	369	142	51	122	2819	30.2	9.2	39.4	52.7	20.6	73.3	6.5	-0.5				
611030	Jerseys, pullovers, etc. of man-made fibres, knitted or crocheted	12	8667	350	208	3475	455	2971	4.2	0.2	4.4	74.5	38.6	113.1	7.4	-21.6				
611020	Jerseys, pullovers, etc. of cotton, knitted or crocheted	12	8472	338	129	2489	602	3231	2.7	-1.1	1.7	48.1	24.9	73.0	7.6	-19.1				
620342	Men's or boys' trousers, breeches, etc. of cotton	12	11678	239	186	1641	1768	4769	4.8	-1.1	3.7	72.6	35.8	108.4	22.5	-25.9				
620462	Women's or girls' trousers, breeches, etc. of cotton	12	9524	208	129	1915	1326	4069	0.8	-2.1	-1.3	50.1	25.3	75.4	17.9	-24.1				
610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	12	12400	188	120	1129	1791	5620	3.0	0.5	3.6	46.2	24.3	70.4	65.9	-6.8				
100630	Semi-milled or wholly milled rice	29	1610	173	223	2	109	1050	0.4	-8.6	-8.2	57.4	94.4	151.8	0.0	-0.1				
640399	Footwear with rubber... soles, leather uppers, not covering the ankle	7.7	11793	156	1599	1752	2289	5866	2.3	-0.7	1.7	276.6	112.3	388.9	0.5	-20.0				
610990	T-shirts, singlets, etc. of other textiles, nes, knitted or crocheted	12	5654	153	295	1071	663	3180	10.5	3.5	14.1	113.7	56.9	170.6	16.2	-15.3				
610462	Women's or girls' trousers, etc. of cotton, knitted or crocheted	12	2555	141	45	534	430	859	2.3	-0.1	2.1	17.4	8.9	26.3	7.5	-5.3				
640411	Training shoes, etc. with rubber or plastic soles and textile uppers	16.9	3668	97	784	1050	417	1312	7.1	-1.0	6.1	366.0	136.4	502.4	0.4	-51.1				
640299	Footwear, nes, not covering the ankle, of rubber or plastics	16.8	5669	83	662	2947	386	1563	1.5	-1.3	0.2	304.7	127.5	432.2	-0.2	-76.9				
610463	Women's or girls' trousers, etc. of synthetic, knitted or crocheted	12	1471	78	120	468	167	541	6.6	1.9	8.5	45.5	21.7	67.2	3.5	-10.4				
610220	Woman's or girls' coats, etc. of cotton, knitted or crocheted	12	585	72	33	166	40	198	0.6	-1.1	-0.5	13.0	6.4	19.3	-0.4	-3.3				
640419	Sports footwear, with rubber or plastic soles and textile uppers	17	5493	67	609	2770	151	1840	0.8	-1.2	-0.3	276.2	115.8	391.9	-0.3	-67.1				
1006	Rice		2715	186	298	2	586	1453	0.5	-9.1	-8.7	66.7	108.6	175.3	0.0	-0.1				
61	Articles of apparel & clothing accessories, knitted or crocheted		79007	2009	1848	20624	8413	35281	62.6	13.4	76.1	681.1	340.6	1021.7	170.3	-168.7				
62	Articles of apparel & clothing accessories, not knitted or crocheted		78780	878	2872	22922	11339	32389	17.7	-2.5	15.2	1112.0	547.9	1659.8	139.2	-282.7				
TOTAL	TOTALS FOR ALL PRODUCTS		1602000	4079	62001	268400	88673	1146000	127.3	7.9	135.2	4089.6	2069.0	6158.6	338.3	-975.6				

**Table 13 European Union–Singapore, European Union–Republic of Korea and European Union–Viet Nam FTA PSRO HS 61, HS 62**

FTA	PSRO	Cumulation	Intermediate rule
European Union–Singapore			
Garments HS 61	Knitting and making-up (including cutting)	Diagonal cumulation with ASEAN countries	Yes, as in EBA
Garments HS 62	Weaving accompanied by making-up (including cutting)	As above	As above
European Union–Republic of Korea			
Garments HS 61	Spinning of natural and/or man-made staple fibres, or extrusion of man-made filament yarn, accompanied by knitting (knitted to shape products) (5) or Knitting and making up including cutting (assembling, two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form)	Possibility of cumulation with other countries who entered in an FTA with the European Union	As above
Garments HS 61	Weaving accompanied by making-up (including cutting)		
European Union–Viet Nam			
Garments HS 61	Knitting and making-up (including cutting) Spinning of natural or man-made staple fibres or extrusion of man-made filament yarn, in each case accompanied by knitting (knitted to shape products); or dyeing of yarn of natural fibres accompanied by knitting (knitted to shape products)		
Garments HS 62	Weaving accompanied by making-up (including cutting); or making-up preceded by printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerizing, heat setting, raising, calendaring, shrink-resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47.5 per cent of the ex-works price of the product		

**Table 14 European Union–Singapore and European Union–Republic of Korea FTA: Bicycles and parts of bicycles**

FTA	PSRO	Cumulation	Intermediate rule
European Union–Singapore			
Bicycles	Manufacture in which the value of all the materials used does not exceed 40 per cent of the ex-works price of the product	Diagonal cumulation with ASEAN countries	Yes, as in EBA
Parts of bicycles	Manufacture in which the value of all the materials used does not exceed 45 per cent of the ex-works price of the product	As above	As above
European Union–Republic of Korea			
Bicycles	Manufacture in which the value of all the materials used does not exceed 45 per cent of the ex-works price of the product	Possibility of cumulation with other Countries who entered in an FTA with the European Union	As above
Parts of bicycles	Manufacture in which the value of all the materials used does not exceed 45 per cent of the ex-works price of the product	Possibility of cumulation with other Countries who entered in an FTA with the European Union	As above

**Table 15 Australian imports from Cambodia and utilization rates (thousands of \$), 2016  
(in descending order of MFN received imports (> \$600,000), filtered: UR < 70 per cent, PM > 2pp)**

HS	Product	Dutiable	Covered imports	Receiving DFQF pref.	MFN received	Other scheme	UR	PM
610990	T-shirts, singlets, other vests, knitted/crocheted of other textiles than cotton	6 432	6 432	2 875	3 557	0	44.7	5.0
610463	Women's or girls' trousers, brace overalls, shorts of synthetic fibres	6 613	6 613	3 877	1 722	1 014	58.6	5.0
871200	Bicycles and other cycles, not motorized	1 371	1 371	0	1 371	0	0.0	5.0
620343	Men's or boys' trousers, brace overalls, breeches, shorts of synthetic fibres	3 422	3 422	2 372	1 050	0	69.3	5.0
621210	Brassières whether or not knitted/crocheted	1 066	1 066	80	986	0	7.5	5.0
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted of man-made fibres	6 370	6 370	3 610	790	1 970	56.7	5.0
420292	Other containers with outer surface of plastic sheeting or of textile materials	1 191	1 191	139	745	307	11.7	5.0
640411	Sports footwear, with outer soles of rubber or plastics	6 940	6 940	254	640	6 047	3.7	5.0

**Table 16 Imports of the Republic of Korea from Cambodia and utilization rates (thousands of \$), 2016  
(in descending order of MFN received imports (> \$1 million), filtered: UR < 70 per cent, PM > 2pp)**

HS	Product	Dutiable	Covered imports	Receiving DFQF pref.	MFN received	Other scheme	UR
611030	Jerseys, pullovers, cardigans, waistcoats, similar articles, knitted/crocheted; man-made fibres	10 253	320	3 103	6 830	3.1	13.0
854442	Winding wire of copper	2 744	0	2 492	252	0.0	8.0
610910	Cotton t-shirts, singlets, other vests; knitted/crocheted	11 630	1 955	2 131	7 544	16.8	13.0
871200	Bicycles and other cycles, not motorized	1 650	0	1 274	376	0.0	8.0
611020	Cotton jerseys, pullovers, cardigans and similar, knitted/crocheted, man-made fibres	6 793	855	1 160	4 777	12.6	13.0
621010	Garments of fabrics of felt or non-wovens	5 605	0	1 055	4 549	0.0	13.0

**Table 17 Cambodian exports to RCEP countries and principal export destinations within the region 2016**  
(in descending values, cumulative export share < 65 per cent)

HS code	Product Description	KHM Exports				Principal KHM export destinations within RCEP members											
		Value (thousands of \$)	Share in total exp. (%)	Cum. exp. share (%)	# Dest.	1st Destination			2nd Destination			3rd Destination					
						ISO3 Code	Share (%)	MFN (%)	# NL	ISO3 Code	Share (%)	MFN (%)	# NL	ISO3 Code	Share (%)	MFN (%)	# NL
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	TOTALS FOR ALL PRODUCTS	2 602 410	100.00	100.00	15	JPN	31.8	.	.	CHN	23.4	.	.	THA	16.1	.	.
710812	Gold in unwrought forms non-monetary	186 377	7.16	7.16	2	THA	90.6	0.00	1	SGP	9.4	0.00	1	.	.	.	.
610910	T-shirts, singlets and other vests, of cotton, KoC	150 403	5.78	12.94	12	JPN	53.1	9.73	3	CHN	16.7	14.00	6	AUS	9.3	5.00	1
610469	Women's or girls' trousers, etc., of other textiles, KoC	147 629	5.67	18.61	12	JPN	69.4	8.40	2	CHN	13.5	16.00	1	AUS	7.2	5.00	1
430211	Tanned or dressed whole skins of mink, not assembled	144 953	5.57	24.18	1	CHN	100.0	12.00	1	.	.	.	.	.	.	.	.
400129	Other natural rubber, in primary forms or in plates, etc., nes	128 921	4.95	29.14	8	VNM	67.7	3.00	10	MYS	16.1	0.00	18	SGP	6.4	0.00	10
610349	Men's or boys' trousers, etc., of other textiles, KoC	117 133	4.50	33.64	12	JPN	53.8	8.40	2	CHN	19.2	16.00	8	AUS	10.1	5.00	1
100630	Semi-milled or wholly milled rice	110 317	4.24	37.88	8	CHN	64.6	33.00	4	MYS	22.8	40.00	2	BRN	8.7	0.00	4
854430	Ignition wiring sets & other wiring sets of a kind used in vehicles, aircraft	103 513	3.98	41.86	3	THA	69.2	10.00	6	JPN	30.1	0.00	2	VNM	0.7	15.00	6
640320	Sandals, with leather soles and straps (over instep, around big toe)	99 660	3.83	45.68	12	JPN	58.4	22.80	4	KOR	14.1	13.00	1	CHN	13.1	24.00	2
350510	Dextrins and other modified starches	97 977	3.76	49.45	2	CHN	52.3	12.00	1	THA	47.7	5.00	2	.	.	.	.
611090	Jerseys, pullovers, etc., of other textiles, KoC	78 423	3.01	52.46	12	JPN	60.0	10.90	2	CHN	21.4	14.00	2	KOR	9.1	13.00	2
851770	Parts of telephone sets, incl. telephones for cellular networks/for other wireless networks; other apparatus for the transmission/reception	77 032	2.96	55.42	5	CHN	72.7	0.94	8	PHL	15.0	0.20	10	THA	12.1	0.00	10
610990	T-shirts, singlets, etc., of other textiles, nes, KoC	43 933	1.69	57.11	12	CHN	26.7	14.00	20	JPN	25.8	9.73	3	KOR	12.9	13.00	8
640419	Sports footwear, with rubber or plastic soles and textile uppers	34,422	1.32	58.43	12	JPN	48.7	15.08	6	CHN	27.1	24.00	2	AUS	11.1	2.50	2
610339	Men's or boys' jackets of other textiles, nes, KoC	30 723	1.18	59.61	12	JPN	41.1	8.40	2	CHN	18.4	16.00	1	AUS	18.3	5.00	1
400121	Smoked sheets of natural rubber	30 496	1.17	60.79	7	VNM	48.6	3.00	6	IND	21.8	20.00	1	CHN	14.3	20.00	1
170199	Cane or beet sugar, in solid form, nes	24 988	0.96	61.75	1	VNM	100.0	85.00	3	.	.	.	.	.	.	.	.
610590	Men's or boys' shirts of other textiles, nes, KoC	24 957	0.96	62.71	12	JPN	52.6	9.73	3	CHN	15.0	16.00	1	KOR	12.6	13.00	3
850431	Transformers electric power handling capacity < 1 kVA, nes	24 829	0.95	63.66	2	CHN	100.0	5.00	2	MYS	0.0	3.33	3	.	.	.	.
610690	Women's or girls' blouses, etc., of other textiles, KoC	21 834	0.84	64.50	12	JPN	63.9	9.73	3	AUS	13.2	5.00	1	CHN	8.9	16.00	1

Note: KoC: knitted or crocheted; MFN unweighted average; NL: national tariff lines.

**Table 18 Cambodian exports to CPTT countries and principal export destinations within the region 2016**  
(in descending values, cumulative export share < 65 per cent)

HS code	Description	Value (thousands of \$)	Share in total exp. (%)	Cum. exp. share (%)	# Dest.	1st Destination			2nd Destination			3rd Destination					
						ISO3 Code	Share (%)	MFN (%)	# NL	ISO3 Code	Share (%)	MFN (%)	# NL	ISO3 Code	Share (%)	MFN (%)	# NL
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	TOTALS FOR ALL PRODUCTS	2 092 427	100.00	100.00	11	JPN	39.5	.	.	CAN	31.3	.	.	VNM	10.9	.	.
610469	Women's or girls' trousers, etc., of other textiles, KoC	238 279	11.39	11.39	10	CAN	47.2	18.00	1	JPN	43.0	8.40	2	AUS	4.5	5.00	1
610910	T-shirts, singlets and other vests, of cotton, KoC	195 550	9.35	20.73	10	CAN	43.1	18.00	1	JPN	40.8	9.73	3	AUS	7.2	5.00	1
610349	Men's or boys' trousers, etc., of other textiles, KoC	147 241	7.04	27.77	10	JPN	42.8	8.40	2	CAN	34.3	18.00	1	AUS	8.1	5.00	1
611090	Jerseys, pullovers, etc., of other textiles, KoC	134 675	6.44	34.21	10	CAN	57.5	18.00	1	JPN	35.0	10.90	2	AUS	2.6	5.00	1
400129	Other natural rubber, in primary forms or in plates, etc., nes	116 478	5.57	39.77	4	VNM	75.0	3.00	10	MYS	17.9	0.00	18	SGP	7.1	0.00	10
640320	Sandals, with leather soles and straps (over instep, around big toe)	112 800	5.39	45.16	10	JPN	51.6	22.80	4	CAN	30.2	18.00	1	MEX	4.1	10.00	1
610339	Men's or boys' jackets... of other textiles, nes, KoC	48 281	2.31	47.47	10	CAN	47.6	18.00	2	JPN	26.2	8.40	2	AUS	11.7	5.00	1
610990	T-shirts, singlets, etc., of other textiles, nes, KoC	45 743	2.19	49.66	10	CAN	36.6	18.00	1	JPN	24.8	9.73	3	AUS	11.5	5.00	1
100630	Semi-milled or wholly milled rice	39 477	1.89	51.54	8	MYS	63.8	40.00	2	BRN	24.3	0.00	4	SGP	7.0	0.00	4
640419	Sports footwear, with rubber or plastic soles and textile uppers	33 745	1.61	53.16	10	JPN	49.6	15.08	6	MEX	12.3	20.83	12	AUS	11.4	2.50	2
610439	Woman's or girls' jackets, of other textiles, KoC	32 492	1.55	54.71	10	CAN	44.1	18.00	2	JPN	42.0	8.40	3	AUS	9.0	5.00	1
854430	Ignition wiring sets & other wiring sets of a kind used in vehicles, aircraft	31 877	1.52	56.23	2	JPN	97.8	0.00	2	VNM	2.2	15.00	6	.	.	.	.
610690	Women's or girls' blouses, etc., of other textiles, KoC	29 615	1.42	57.65	10	JPN	47.1	9.73	3	CAN	35.4	18.00	1	AUS	9.7	5.00	1
610590	Men's or boys' shirts of other textiles, nes, KoC	26 085	1.25	58.90	10	JPN	50.3	9.73	3	CAN	31.6	18.00	1	AUS	11.1	5.00	1
610839	Women's or girls' nighties, etc., of other textiles, KoC	25 296	1.21	60.10	9	CAN	72.8	18.00	1	JPN	16.3	7.40	1	AUS	5.2	5.00	1
170199	Cane or beet sugar, in solid form, nes	24 988	1.19	61.30	1	VNM	100.0	85.00	3	.	.	.	.	.	.	.	.
610449	Dresses of other textile material, nes, KoC	22 849	1.09	62.39	9	CAN	52.1	18.00	1	JPN	26.7	8.40	2	MEX	5.6	20.00	2
610459	Skirts and divided skirts of other textiles, nes, KoC	20 225	0.97	63.36	9	JPN	60.0	8.40	3	CAN	31.3	18.00	2	AUS	2.8	5.00	1
871200	Bicycles and other cycles (including delivery tricycles), not motorized	20 121	0.96	64.32	9	CAN	73.4	13.00	1	JPN	8.5	0.00	6	AUS	7.1	5.00	1

Note: KoC: knitted or crocheted; MFN unweighted average; NL: national tariff lines.

**Table 19 Japanese Imports from Cambodia and Utilization Rates under ASEAN and GSP, 2017**  
(in descending order of MFN Dutiable Imports <= \$1 million)

HS code	Product HS chapter description	Imports from partner (thousands of \$)										GSP utilization rate (%)	ASEAN utilization rate (%)
		Total value	MFN dutiable	Covered GSP	Covered ASEAN	Not receiving pref.	Receiving GSP pref.	Receiving ASEAN pref.	GSP utilization rate (%)	ASEAN utilization rate (%)			
1	2	3	4	5	6	7	8	9	10	11			
	TOTALS FOR ALL PRODUCTS	1 313 963	1 196 802	1 156 942	1 173 250	109 605	990 032	107 166	84.71	9.13			
83	Miscellaneous articles of base metal	977	977	977	977	611	366	0	37.46	0.00			
20	Preparations of vegetables, fruit, nuts or other parts of plants	965	965	965	965	951	14	0	1.45	0.00			
21	Miscellaneous edible preparations	764	764	764	471	635	0	129	0.00	27.39			
33	Essential oils & resinoids; perfumes, cosmetic/toilet prep.	691	347	347	347	347	0	0	0.00	0.00			
41	Raw hides and skins (other than fur skins) and leather	682	682	682	682	682	0	0	0.00	0.00			
22	Beverages, spirits and vinegar	664	343	343	0	343	0	0	0.00	.			
09	Coffee, tea, mate and spices	652	345	345	345	338	7	0	2.03	0.00			
58	Special woven fab; tufted tex. fab.; lace; tapestries, etc.	649	345	345	345	345	0	0	0.00	0.00			
46	Manufactures of straw, esparto/other plaiting mat., basket ware & wickerwork	589	589	589	589	535	0	54	0.00	9.17			
12	Oil seeds & oleaginous fruits; miscell. grains, seeds & fruits; industr. or medicinal plants	405	282	282	282	282	0	0	0.00	0.00			
08	Edible fruit and nuts; peel of citrus fruit or melons	369	91	91	91	0	91	0	100.00	0.00			
04	Dairy products; birds' eggs; natural honey; edible products, nes	347	347	347	0	347	0	0	0.00	.			
69	Ceramic products	341	341	341	341	339	2	0	0.59	0.00			
52	Cotton, incl. yarns and woven fabrics thereof	323	323	323	323	323	0	0	0.00	0.00			
50	Silk, incl. yarns and woven fabrics thereof	302	302	302	302	302	0	0	0.00	0.00			
79	Zinc and articles thereof	285	285	285	285	285	0	0	0.00	0.00			
17	Sugars and sugar confectionery	281	281	281	0	271	10	0	3.56	.			
43	Fur skins and artificial fur; manufactures thereof	277	277	0	0	277	0	0	.	.			
57	Carpets and other textile floor coverings	123	123	123	123	45	78	0	63.41	0.00			
38	Miscellaneous chemical products	108	108	108	108	10	0	98	0.00	90.74			

Note: Non-dutiable trade under chapters 01, 05, 23, 25, 34, 40, 45, 48, 49, 68, 70, 73, 76, 84, 85, 87, 91, 97 not reported.

**Table 20 Non-tariff measures imposed by Cambodia's partners  
(in descending values of total NTM, KHM exports > \$1 million)**

Country	Bilateral NTM	Multilateral NTM	Total NTM	KHM exports (thousands of \$), 2016
China	21	5 685	5 706	609 277
United States of America	769	3 995	4 764	2 147 050
New Zealand	177	1 847	2 024	8 043
Australia	10	1 629	1 639	105 460
Canada	49	1 577	1 626	654 750
Thailand	29	1 088	1 117	419 153
Brazil	16	1 047	1 063	16 495
Japan	38	1 025	1 063	827 188
Philippines	1	738	739	21 867
Argentina	1	692	693	12 023
Chile	8	680	688	24 377
Malaysia	7	665	672	100 368
Indonesia	17	569	586	18 169
Nicaragua	0	564	564	1 751
Panama	0	537	537	10 569
Mexico	0	532	532	60 602
Colombia	2	518	520	6 340
Brunei Darussalam	1	514	515	9 646
Russian Federation	29	479	508	46 722
Singapore	1	507	508	62 522
United Arab Emirates	63	426	489	70 347
Hong Kong, China	19	433	452	213 857
Lebanon	12	427	439	1 695
Uruguay	1	417	418	2 253
Switzerland	26	378	404	21 662
European Union	0	401	401	4 010 058
Peru	14	351	365	11 543
Viet Nam	5	319	324	229 059
Lao People's Democratic Republic	0	291	291	5 701
Turkey	276	0	276	21 165
India	0	266	266	22 567
Israel	0	243	243	12 573
Sri Lanka	0	190	190	5 370
Myanmar	0	172	172	1 118
Jordan	0	158	158	1 493
Ghana	0	118	118	1 088

Source: UNCTAD TRAINS NTMs: The Global Database on Non-tariff Measures, measures in force as of 8 February 2019

**Table 21 Non-tariff measures imposed by Cambodia's partners by product, 2016**  
(in descending values of total NTM, KHM exports > \$4 million, share in total trade > 5 per cent, total NTM > 3)

ISO3	HS 6	Description	Bi-lateral NTM	Multi-lateral NTM	Total NTM	KHM exports (thousands of \$)	Share in total trade (%)
CHN	100630	Semi-milled or wholly milled rice	2	104	106	71 253	12
CHN	350510	Dextrins and other modified starches	0	53	53	51 219	8
VNM	170199	Cane or beet sugar, in solid form, nes	0	27	27	24 988	11
CHN	430211	Tanned or dressed whole skins of mink, not assembled	0	22	22	144 953	24
MYS	151110	Vegetable/palm oils and fractions, crude, not chemically modified	0	20	20	8 449	8
RUS	610349	Men's or boys' trousers, etc., of other textiles, KoC	0	19	19	8 172	17
RUS	610469	Women's or girls' trousers, etc., of other textiles, KoC	0	19	19	4 566	10
RUS	610910	T-shirts, singlets and other vests, of cotton, KoC	0	17	17	7 053	15
LKA	220300	Beer, made from malt	0	16	16	4 965	92
USA	610839	Women's or girls' nighties, etc., of other textiles, KoC	0	16	16	115 942	5
ARE	640320	Sandals, with leather soles and straps (over instep, around big toe)	0	14	14	4 037	6
MYS	100630	Semi-milled or wholly milled rice	0	13	13	25 196	25
USA	610469	Women's or girls' trousers, etc., of other textiles, KoC	0	11	11	239 392	11
USA	610349	Men's or boys' trousers, etc., of other textiles, KoC	0	11	11	186 375	9
SGP	240220	Cigarettes; containing tobacco	0	10	10	4 937	8
THA	350510	Dextrins and other modified starches	0	9	9	46 758	11
EUN	640320	Sandals, with leather soles and straps (over instep, around big toe)	0	9	9	218 296	5
BRN	100630	Semi-milled or wholly milled rice	0	9	9	9 600	100
USA	610910	T-shirts, singlets and other vests, of cotton, KoC	0	9	9	194 651	9
EUN	610469	Women's or girls' trousers, etc., of other textiles, KoC	0	8	8	517 155	13
MEX	640320	Sandals, with leather soles and straps (over instep, around big toe)	0	8	8	4 617	8
EUN	611090	Jerseys, pullovers, etc., of other textiles, KoC	0	8	8	292 169	7
EUN	610349	Men's or boys' trousers, etc., of other textiles, KoC	0	8	8	323 899	8
EUN	610910	T-shirts, singlets and other vests, of cotton, KoC	0	7	7	428 080	11
CAN	610469	Women's or girls' trousers, etc., of other textiles, KoC	0	6	6	112 503	17
CAN	611090	Jerseys, pullovers, etc., of other textiles, KoC	0	6	6	77 498	12
CAN	610910	T-shirts, singlets and other vests, of cotton, KoC	0	6	6	84 277	13
CAN	610349	Men's or boys' trousers, etc., of other textiles, KoC	0	6	6	50 514	8
VNM	710231	Diamonds; non-industrial, unworked	5	0	5	15 809	7
THA	710812	Gold in unwrought forms non-monetary	0	4	4	168 765	40
MEX	640419	Sports footwear, with rubber or plastic soles and textile uppers	0	4	4	4 158	7
CAN	640320	Sandals, with leather soles and straps (over instep, around big toe)	0	4	4	34 092	5
JPN	640320	Sandals, with leather soles and straps (over instep, around big toe)	1	2	3	58 163	7

Source: UNCTAD (2017) TRAINS NTMs: The Global Database on Non-tariff Measures, measures in force in 2016; trade values above \$50 million highlighted in red.

**Table 22 Bilateral SPS measures imposed by Cambodia's partners by product, 2016  
(in descending values of Cambodia's exports, KHM exports > 0, Bilateral SPS > 0)**

Country	HS 6	Product description	Bilateral SPS	Multilateral SPS	Total SPS	KHM exports (thousands of \$), 2016	Share in total trade (%)
CHN	100630	Semi-milled or wholly milled rice	1	47	48	71 252.9	11.7
CHE	151110	Vegetable/palm oils and fractions, crude, not chemically modified	2	16	18	3 525.7	16.3
THA	151329	Vegetable oils; palm kernel or babassu oil and their fractions	1	18	19	851.0	0.2
CHN	100640	Cereals; rice, broken	1	64	65	273.5	0.0
TUR	100630	Semi-milled or wholly milled rice	1	0	1	194.6	0.9
AUS	630900	Clothing; worn, and other worn articles	1	0	1	113.1	0.1
JPN	120740	Oil seeds; sesamum seeds, whether or not broken	2	5	7	91.9	0.0
JPN	080450	Fruit, edible; guavas, mangoes and mangoes, fresh or dried	2	5	7	23.7	0.0
CHN	050510	Animal products; feathers and down used for stuffing, not further worked than cleaned, disinfected or treated for preservation	2	13	15	14.9	0.0
CHE	420229	Cases and containers; handbags (whether or not with shoulder strap and including those without handle), of vulcanized fibre or of paperboard	2	0	2	12.5	0.1
JPN	090411	Spices; pepper (of the genus piper), neither crushed nor ground	2	5	7	5.4	0.0
TUR	090411	Spices; pepper (of the genus piper), neither crushed nor ground	1	0	1	3.1	0.0
USA	040110	Dairy produce; milk and cream, not concentrated, not containing added sugar or other sweetening matter, fat < 1 per cent	6	36	42	2.8	0.0
JPN	080132	Nuts, edible; cashew nuts, fresh or dried, shelled	3	6	9	2.5	0.0
USA	040120	Dairy produce; milk and cream, not concentrated, not containing added sugar or other sweetening matter, fat between fat > 1 per cent, <=6 per cent	6	36	42	2.1	0.0
CHE	190230	Food preparations; pasta (excluding stuffed), cooked or otherwise prepared	1	16	17	2.0	0.0
CHE	420212	Cases and containers; with outer surface of plastics or of textile materials	2	0	2	0.7	0.0
CHE	420222	Cases and containers; handbags with outer surface of sheeting of plastics or of textile materials	2	0	2	0.6	0.0
JPN	100630	Semi-milled or wholly milled rice	2	6	8	0.4	0.0
CAN	300210	Antisera and other blood fractions and modified immunological products,	2	7	9	0.0	0.0
USA	051199	Animal products; n.e.c. in chapter 5	2	21	23	0.0	0.0

**Table 23 Identification of possible deterrent bilateral SPS measures imposed by Cambodia's partners, 2016  
(in descending values of Cambodia's exports to the world > \$400,000, KHM exports to partner > \$5,000, bilateral SPS >= 2)**

Partner	HS 6	HS description	Bilateral SPS	Multilateral SPS	Total SPS	KHM Exports (thousands of \$)	
						To partner	To all countries
IDN	100630	Semi-milled or wholly milled rice	2	12	14	0	297 228
JPN	100630		2	6	8	0	297 228
CHE	430211	Tanned or dressed whole skins of mink, not assembled	2	0	2	0	144 953
THA	170199	Cane or beet sugar, in solid form, nes	4	7	11	0	25 862
USA	071410	Vegetable roots and tubers; manioc (cassava)	6	14	20	0	21 270
TUR	071410		2	0	2	0	21 270
IDN	071410		2	8	10	0	21 270
MRT	071410		2	3	5	0	21 270
CHE	420292	Cases and containers; n.e.c. in heading 4202, with outer surface of sheeting of plastics or textile	2	0	2	0	16 556
TUR	151110	Vegetable/palm oils and fractions, crude, not chemically modified	2	0	2	0	12 889
IDN	110814	Starch; manioc (cassava)	2	1	3	0	12 857
CHE	420211	Cases and containers; [...], school satchels and similar containers, with outer surface of leather	2	4	6	0	6 575
CHE	420222	Cases and containers; handbags with outer surface of sheeting of plastics or of textile	2	0	2	1	6 311
CHE	420231	Cases and containers; normally carried in the pocket or handbag, with outer surface of leather	2	4	6	0	5 977
CHE	430219	Fur skins; tanned or dressed	2	4	6	0	4 460
CHE	420299	Cases and containers; n.e.c. in heading 4202, of vulcanized fibre or of paperboard	2	0	2	0	3 679
CHE	420100	Saddlery and harness	2	0	2	0	3 636
TUR	440799	Wood; sawn or chipped lengthwise, sliced or peeled	2	0	2	0	3 335
USA	440799		2	8	10	0	3 335
HKG	960310	Brooms and brushes	2	0	2	0	2 890
USA	010391	Swine; live, other than pure-bred breeding animals < 50 kg	3	7	10	0	2 315
BRA	010391		2	19	21	0	2 315
CHE	010391		3	4	7	0	2 315
MRT	010391		2	0	2	0	2 315
TUR	010391		2	0	2	0	2 315

