

Country analysis of utilization rates: the case of Cambodia/Vietnam comparison

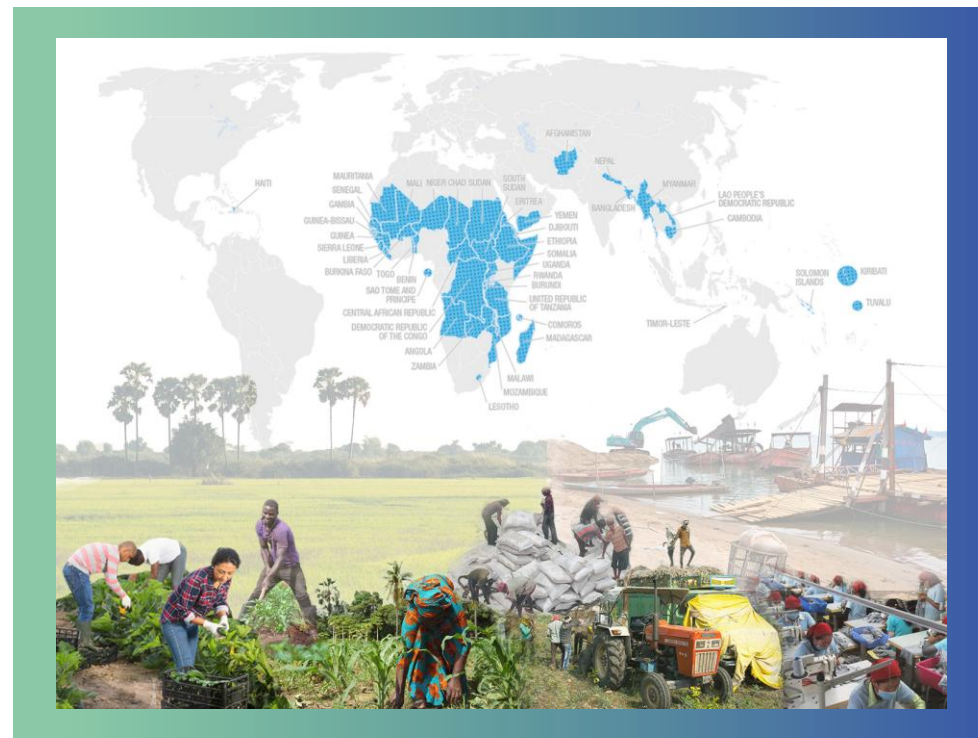
*Executive round table on rules of origin: Rules of origin in a
fractioned world trade*

European University Institute, Florence
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The Vietnam/Cambodia URs in different FTAs

- An analysis of Cambodia and Vietnam URs may help to understand whether overlapping FTAs are really used by firms and perhaps why they are not used?
- Vietnam has entered an impressive number of FTAs to increase market access.
- Cambodia is following a similar pattern to prepare for LDC Graduation and loss of unilateral Trade preferences.
- Work in progress in the context of the Graduation study with ADB to design a new trade strategy for Cambodia
- What kind and what FTAs are important for Cambodia?

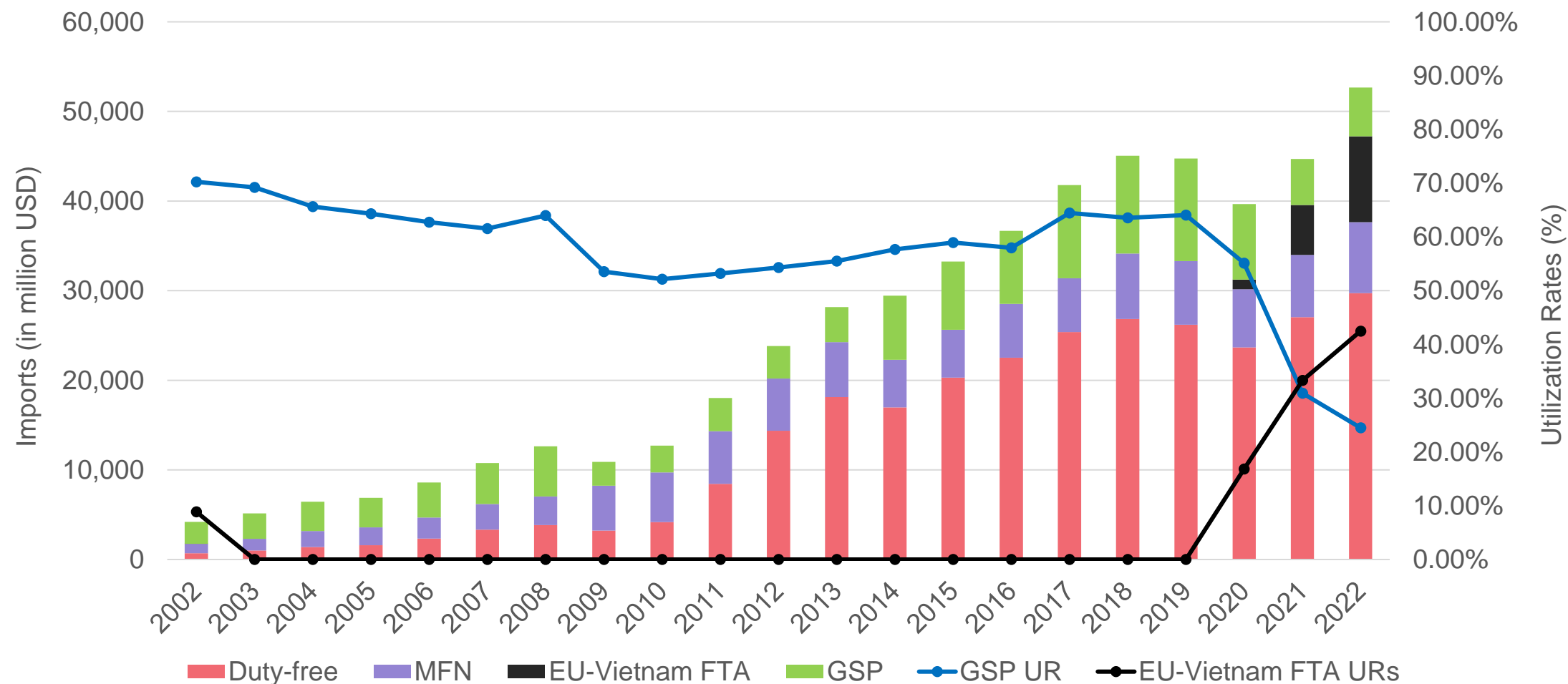
Rate of FTA utilization as published by Ministry of Industry and Trade (MOIT) of Vietnam

FTA	Rate of FTA utilization (total FTA CO value/total export value) (%)			
	2020	2021	2022	2023
ATIGA (Form D)	38.8 %	40.0 %	39.2 %	41.4 %
ACFTA (Form E)	31.7 %	33.9 %	29.3 %	28.7 %
AKFTA (Form AK) VKFTA (Form VK)	52.1 %	50.9 %	50.9 %	51.9 %
AANZFTA (Form AANZ)	40.2 %	39.2 %	39.3 %	40.4 %
AJCEP (Form AJ) VJEPA (Form VJ)	37.9 %	34.7 %	34.7 %	32.9 %
VCFTA (Form VC)	65.5 %	61.8 %	64.6 %	40.9 %
AIFTA (Form AI)	70.0 %	68.7 %	66.9 %	72.6 %
VN – EAEU FTA (Form EAV)	29.6 %	39.0 %	59.4 %	78.5 %
Laos (Form S)	11.4 %	10.3 %	6.3 %	9.9 %
Campuchia (Form X)	0.0 %	0.0 %	0.0 %	-
AHKFTA (Form AHK)	0.1 %	0.1 %	0.1 %	0.2 %
CPTPP (Form CPTPP)	4.0 %	6.3 %	4.9 %	6.3 %
VN-Cuba (Form VN-CU)	0.5 %	-	-	-
EVFTA (Form EUR.1)	14.8 %	20.2 %	25.9 %	35.2 %
UKVFTA (Form EUR.1 UK)	-	17.2 %	23.5 %	32.4 %
RCEP (Form RCEP)	-	-	0.7 %	1.3 %
Total	33.1 %	32.7 %	33.6 %	37.4 %

Source: WTO center website

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The URs of EU-Vietnam FTA and GSP

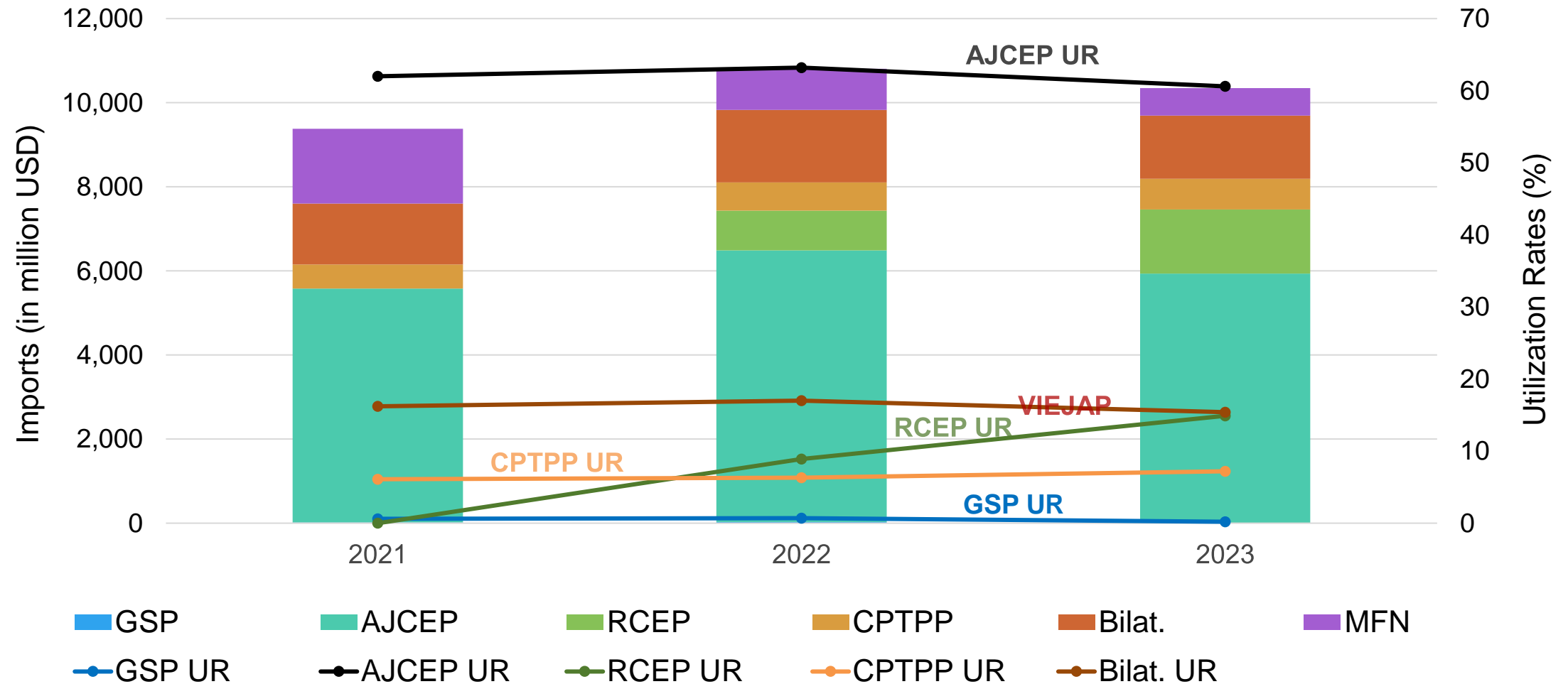


Comparing MOIT URs with EU URs

- Vietnam Ministry of Industry and Trade (MOIT) calculate the UR by the simple percentage of the total value of shipments granted with C/O at the time of exportation and the total value of all exports to the FTA partner.
- MOIT uses the total value of all exports to EU, including shipment enjoying MFN zero tariff.
- The overall result is the URs are lower since the formula counts “empty” preference.

Stats Source	2020	2021	2022
EU-Vietnam FTA URs	16.9 %	33.3 %	42.5 %
EU GSP URs	55.1 %	30.9 %	24.5 %
EU total URs	72.0 %	64.2 %	67.0 %
MOIT URs	14.8 %	20.2 %	25.9 %
Differences	+57.2 %	+ 44.0%	+ 41.1 %

URs of Vietnam-Japan GSP and AJCEP Comparison

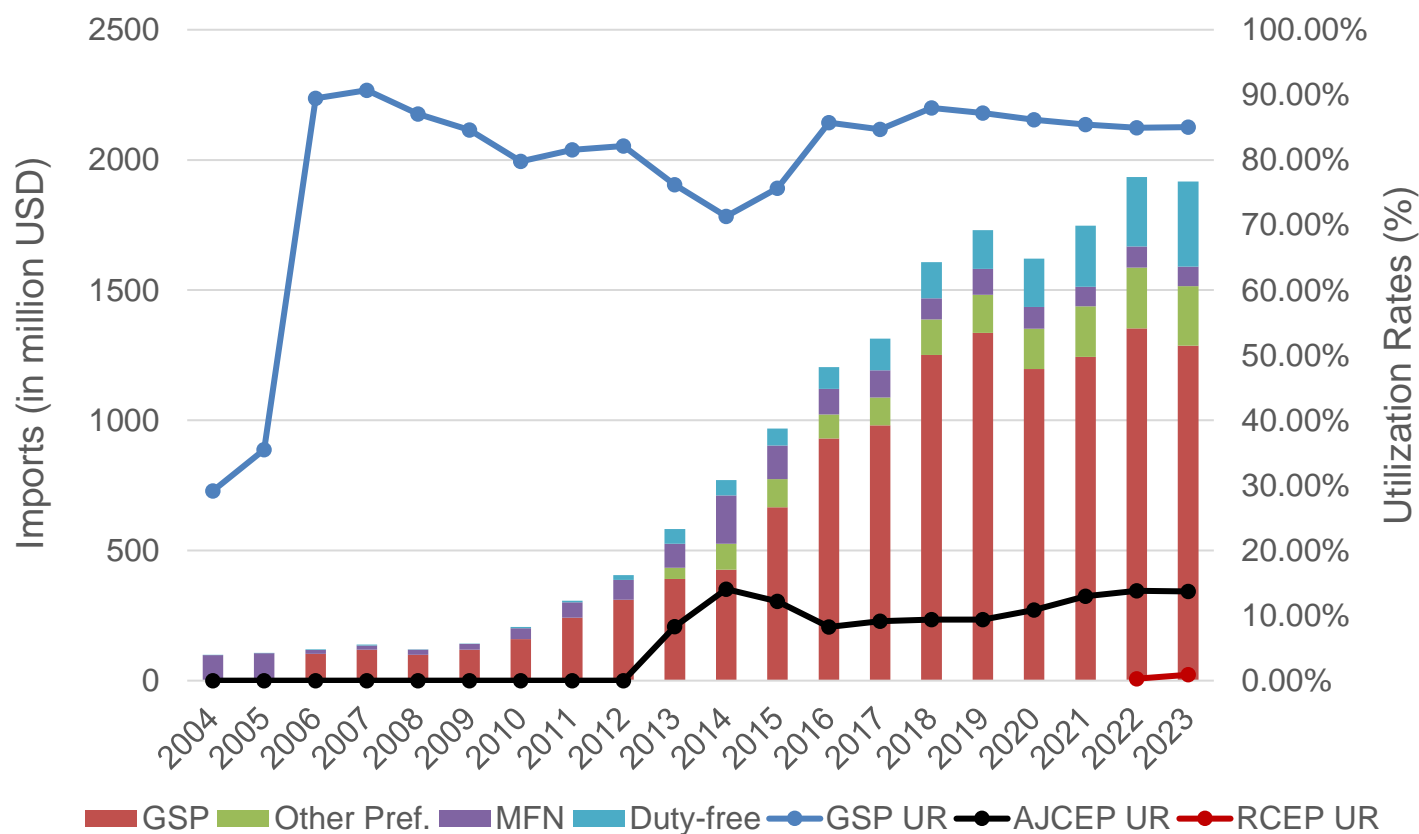


Comparing MOIT URs with Japan URs

Stats Source	2021	2022	2023
Japan AJCEP URs	62 %	63.2 %	60.6 %
Japan VJEPA URs	16.2 %	17 %	15.4 %
Japan total URs	78.2 %	80.2 %	76.0 %
MOIT URs	34.7 %	34.7 %	32.9 %
Differences	+43.5 %	+45.5 %	+43.1 %
Japan RCEP URs	-	8.9 %	14.9 %
Japan CPTPP URs	6.1 %	6.3 %	7.2 %

Example: URs of Cambodia-Japan GSP, AJCEP and RCEP Comparison

Evolution of the GSP and Other Preferences utilization rate (UR, right scale) and imports by tariff treatment (left scale)



Source: unctad.org

- **Blue line:** UR of Japan **GSP** almost reached 90% and remained constant over the years especially from 2017 to 2023.
- **Black line:** UR of **AJCEP** remained constant fluctuating around 10%-15% for almost a decade till 2023.
- **Red line:** UR of **RCEP** was close to zero.

Findings:

- After LDC graduation, Cambodia may lose Japan LDC status and fallback position would be standard GSP or AJCEP.
- Standard Japan GSP does not grant Duty free nor same coverage of GSP LDC, while AJCEP has stringent PSROs.

- **Policy conclusions:** Cambodia needs to assess whether RCEP may provide a valid alternative market, negotiate better PSRO with Japan under a new FTA, or improve PSROs under AJCEP.

Further research

- Need to better understand the reasons why the bilateral VIEJAP is not used as much as AJCEP
- Overall , even when corrected the average UR figures of Vietnam FTAs are below 80% and only selected FTAs are really used.
- After 3 years of operations URs of EVFTA are 42.5 %...
- CP-TPP seems to attract low URs even if in force longer than RCEP
- Challenge for Cambodia in using AJCEP for garments exports as RoO are stricter
- Can RCEP become attractive over the year when tariff reductions will start to kick in ?More in depth analysis needed matching most exported products of Cambodia with RCEP tariff reduction schedules and RoO

Thank you!

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