



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

March 2019

This is an advanced, unedited version of this document. It has not been submitted for revision through any formal editorial process.

ABSTRACT

As pointed out in the DTIS 2014 Cambodia is one of few LDCs that has been able to dramatically increase his exports thanks to the combined action of Government and private sector to exploit the trading opportunities arising from trade preferences, especially those provided by the EU under the EBA. More specifically Cambodia has been able to timely draw net gains from the trading opportunities offered by the Reform of EU rules of origin that took place in 2011. Trade statistics shows that in 2011-2013 period not only Cambodia has been able to increase its utilization of the EU preferences but has substantially increased its total exports to the EU.

The US, the second biggest export market of Cambodia, does not cover under its own GSP garments and textiles products. Yet Cambodia has been able to maintain, even if decreasing, its market share. At present prospects for US expansion of product coverage on textiles and clothing are meagre and the Bali text on DFQF for LDCs is rather weak to offer prospects¹ in the short term. There is no consensus among LDCs and the WTO LDC group to exert pressure on US to deliver a meaningful commitment on DFQF.

Cambodia also increased exports of Japan in the latest years from 405 million USD in 2012 to 1.314 billion in 2017

Margin of preferences provided in the EU market are sizable by any measurement especially when matched with the exports composition of Cambodia mainly consisting of garments (EU MFN: 12%) and bicycles (EU MFN duty: 14%). In addition Cambodia as other LDCs is entitled to duty free entry into the EU 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 one of the largest exporters of bicycles in few years mostly because of the EU reform of rules of origin. At the same time, exports of garments have risen.

The continued eligibility of Cambodia under the EBA due to non-trade related conditionalities² is currently an issue conspicuously present in press headlines.³

Besides the uncertainty deriving from such not-trade related developments Cambodia should realize that the bonanza is not going to last due to the changing trading environment as first publically discussed in 2016⁴ 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 be a part of a framework of right and obligations governed by a rule oriented international economic order. Many of the issues now affecting the export performance of Cambodia have been on agenda for years but attracted little attention in terms of seriously mounting an adequate response. Two glaring examples are the re-imposition of duties on rice following an EU investigation under EBA and the lack of preparation and initiatives for the entry into force of the EU-Vietnam FTA.

According to the Government, *“The target of Cambodia is to graduate from the Least Developed Countries by 2023”*⁵. However, at the last triennial review of the LDCs list in 2018 by the Committee

¹ *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

² According to Article 19 of the 2012 Regulation, EBAs can be withdrawn for a number of reasons. The actual ground for withdrawal mainly concerns articles 19.1 (a) of the above-mentioned EU Regulation *‘of serious and systematic violation of principles laid down in the conventions listed in Part A of Annex VIII’ (UN and ILO Conventions on core human rights and, respectively, labour rights)*.

³ See for instance: <https://www.phnompenhpost.com/national-politics/final-day-eu-get-eba-withdrawal-views>

⁴ Workshop organized by UNCTAD in April 2016 where an initial paper on trade policy was first discussed

⁵ 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.

for Development Policy (CDP), Cambodia did not fulfil the eligibility criteria for graduation complying with only one of the three criteria, that is, the Human Asset Index⁶.

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 is not only concerning Cambodia but also the neighbouring ASEAN countries. In fact there are different forms of graduation. One of the most traditional is graduation from the LDCs status. However as discussed in this chapter other forms of graduations such as graduation from GSP status of other ASEAN partners are of concern to Cambodia since it has a direct effect especially in the case of market access to the EU.

There are also a series of ongoing and overlapping negotiations like the Regional Comprehensive Partnership (RCEP) and CP-TPP11 that are offering both prospects and challenges for Cambodia. One of the challenges for Cambodia 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 and 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 chapter is complex due to the different layers of preferential market access already existing, some deriving from the LDC status of Cambodia like EBA or Duty Free Quota Free (DFQF), others deriving from the FTAs that ASEAN has entered with Australia and New Zealand, China, Japan, India.

In addition to such market access dimension both RCEP and CPP TPP 11 are encompassing a number of additional trade disciplines of WTO plus⁷ and WTO extra⁸ 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 are depending on the LDC status of Cambodia and the conditionalities that Preference-giving countries are attaching to unilateral preferences. As widely reported the beneficiary status of Cambodia under EBA has been put under scrutiny⁹ and Cambodia is aiming at graduating from LDC status in 2023¹⁰. This horizon calls by itself on how to best strategize a trade policy softening the loss of unilateral preferences following the graduation from GSP LDC status.

Negotiations of the Regional Economic Comprehensive Partnership Agreement (RCEP) are progressing, however it is still to be proved if any additional market access will be provided in a timely and meaningful manner to Cambodia exports. In any case, as RCEP is involving neither the US nor the EU.

Given the export basket of Cambodia, mainly garments and bicycles, it is unlikely that the RCEP could absorb or become a substitute for exports of garments and bicycle to EU and US markets. To be perfectly clear RCEP partners are rather a net competitor to Cambodia than a possible importer for

⁶ 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.

⁷ 'WTO plus' (WTO+): Commitments building on those already agreed to at the multilateral level, eg a further reduction in tariffs, See *Beyond the WTO? An anatomy of EU and US preferential trade agreements*, by Henrik Horn, Petros C. Mavroidis, and André Sapir.

⁸ 'WTO extra' (WTO-X): Commitments dealing with issues going beyond the current WTO mandate altogether, eg on labour standards. Source: see footnote 7.

⁹ *On Myanmar and Cambodia*, Cecilia Malmström, Innsbruck, Austria, 5 October 2018.

¹⁰ This is a government target See footnote 6 above for further details.

this kind of goods. The ASEAN Economic Community agenda lacks the dynamism to provide further market access to ASEAN countries or a revision of ATIGA.

What is certain is that the EU- Japan FTAs has entered into force and the EU- Vietnam FTA is expected to be ratified much earlier than any substantial improvement of regional market access like RCEP could offer market access opportunities to Cambodia in the medium term. In addition the resumption of the negotiations of the EU-Thailand FTAs may be expected under a newly elected Thai Government. Dynamism in joining the CP-TPP11 has also been recently aired by Thailand.

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 mature the option of entering into an FTA with the EU and/ or join the TPP11 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 EU and CP-TPP 11 are encompassing many more disciplines than simple trade in goods aspects. This holds especially true for the TPP11 that is including disciplines on trade environment, IPRs, and Investor/ State disciplines that, while debated already in 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 mature the consciousness that its future lies beyond the LDC status and has to build the necessary confidence and technical skills to represent its trade interest in regional and multilateral scenario.

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

- 1) An analytical review of the trade performance of Cambodia vis a vis its ASEAN neighbours including a detailed comparative examination of utilization rates of the EU GSP;
- 2) Assessment of the trade effects that may arise from ASEAN-EU FTAs using a partial equilibrium model;
- 3) 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
- 4) An evaluation of the CP TPP 11 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
- 5) a short review of other components of market access namely SPS measures applicable to Cambodia exports and ways and means to address them.

On the basis of the abovementioned findings and analysis the following recommendations are made

Trade relations with ASEAN

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 stance with other ASEAN LDCs. It should be made clear with ASEAN partners that a new course of action in ASEAN external trade relation 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 agenda of ASEAN countries with Dialogue Partners and the EU
- 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 LDC should negotiate as distinct subgroup of ASEAN. This

means, for instance, that FTA partners adopt a differentiated ASEAN offers, one for ASEAN and a second one for ASEAN LDC to take into account their special and different situation. It is simply anachronistic and self-defeating that ASEAN LDC countries are treated in the same league as higher income countries. The on-going 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 EU

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

ASEAN LDCs are expected to graduate from LDC status in the near future¹¹ 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) Prepare a short roadmap for a new partnership between ASEAN LDCs and the EU
- b) convene a meeting at high level among the ASEAN LDC to agree on a roadmap in June/July 2019
- c) upon nomination of the EU trade commissioner and EU parliament the ASEAN LDCs should request for a meeting with the new Trade commissioner to discuss such new partnership

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

Such actions should be undertaken as soon as possible to relay a message to garments 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. This document should be submitted on 29 April 2019 as agreed last November 2018 to the WTO Committee on Rules of Origin (CRO) and discussed during the CRO meeting of 15-16 May 2019. 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.

In a parallel fashion Cambodia and ASEAN LDCs should begin to study the possibility to have a series of bilateral FTAs with Japan that are providing 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 carried out in Table 1 clearly shows that China cannot replace the EU and US as market of destination for garments and bicycles. China could be a potential market for Rice exports and exports of agricultural products and processed foodstuff. However, the main obstacles to enter the Chinese market are not only tariffs but also Sanitary and phytosanitary requirements. In the

¹¹ See footnote 56 on page 11.

context of the 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 agreements¹².

On the basis of the abovementioned findings and analysis the following recommendations are made:

- (i) 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 scheduled to be held on 18 July 2019.
- (ii) 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 RCEP

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 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 agreement and LDC arrangements that Cambodia is already benefitting.

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 6000 lines. These figures alone provides a glimpse of the complexities of the negotiations. Once again there is no provision for LDCs 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 RCEP would be to “lock-in” in a contractual agreement unilateral trade preferences¹³. 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 to forfeit in advance its negotiating position as LDC during the current round of negotiations in RCEP

On the basis of the abovementioned findings and analysis the following recommendations are made:

1. As a matter of priority Cambodia with other ASEAN LDC 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

¹² For instance the EU-Vietnam SPS provisions contain a number of possible suggestions on how develop some WTO plus disciplines

¹³ These unilateral trade preferences are those granted under DFQF and related rules of origin by Australia, Japan, China, India, South Korea and New Zealand. However, it would have to be assessed if the tariff offers and rules of origin in RCEP are equivalent or better than those granted under the current DFQF granted by these preference giving countries.

2. 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 current RCEP and setting negotiating objectives 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.
3. 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 to provide even an initial assessment.

Negotiating CP-TPP 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 in 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 does 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 the case of the RCEP, the trade preferences granted under a FTA are not unilateral and are more permanent and stable in nature.

The CP-TPP is based on a series of a rule-based, market-oriented system 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, like Vietnam, is on a triple track¹⁴ scenario since the country a) participates to RCEP, b) is member of the CP-TPP and c) has entered a FTA with the EU. It follows that such multiple track route shared by other ASEAN countries attracts investors to such location since it provides multiple access to markets with respect other locations, such as ASEAN LDCs that are only engaged in RCEP.

Overall the main challenge of 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 condition for acceding to the CP-TPP

On the basis of the abovementioned findings and analysis the following recommendations are made:

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

Negotiating better preferences in Eurasian Customs union.

The analysis of the trade flows carried out in Table 1 clearly shows that the Eurasian customs cannot replace the EU and US 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 session of the WTO CRO committee on rules of origin scheduled for 15-16 May 2019. A document detailing where improvements on the current rules

¹⁴ Vietnam is member of 1) CPTPP, 2) RECEP, 3) is part of the network EU-ASEAN FTAs. In addition, Vietnam has entered a series of bilateral FTAs like the Vietnam-Japan FTA.

of origin provided by the Eurasian customs union should be prepared by ASEAN LDC and presented at the above-mentioned WTO committee. Subsequently Cambodia and other ASEAN LDC should launch initiatives to follow up on this matter to obtain better market access and rules of origin.

Preparing for WTO Ministerial Conference in Astana

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 to partners that Cambodia is an active player in the international trade.

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

- 1) Establish a consultation mechanism among the ASEAN LDCs delegations at WTO and in Capitals to coordinate negotiating positions and initiatives on the issues to be discussed in Astana, namely E-Commerce, Investment facilitation, MSME and other themes
- 2) Prepare intensively for the next CRO of on rules of origin for May 2019 and October and initiate consultations for the possible launching on a plurilateral initiative to simplify rules of origin
- 3) Coordinate with ASEAN LDC to raise joint concerns over SPS measure adopted by China on rice and other products of export interest at the WTO SPS committee of 18 July 2019 and follow up initiatives

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 are largely echoing those already made almost three years ago during a workshop organized by Ministry of Commerce and UNCTAD¹⁵. Such research and capacity building should assist the Government in taking informed decisions on trade policy at large and in carrying out related trade negotiations.

¹⁵ <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1233>

CONTENTS

Abstract	i
Table of Figures	ix
List of Tables	ix
1 A new trade policy and a positive agenda for Cambodia.....	1
1.1 Overview of Cambodia trade performance and export pattern	1
1.2 Overview of exports of selected sectors	2
1.3 The actual positioning of Cambodia in the international trade scene and potential leading role of an ASEAN LDC agenda.....	3
2 Cambodia and the emerging trade challenges – The erosion and loss of preferential market access and rules of origin and the quest for alternatives	5
2.1 The erosion and/or loss of trade preferences.....	5
2.2 The quest for alternatives: which partner for an FTA?	7
2.3 Building new trade initiative with the EU in view of the EU-ASEAN FTAs.....	11
2.3.1 The EU reform of rules of origin: what did it mean for Cambodia?	11
2.3.2 The EU’s Free Trade Agreements with ASEAN Members: Implications for Cambodia	13
3 RCEP and TPP11 – Challenges and Opportunities	17
3.1 Assessing the value of RCEP and options to improve market access trade with China	19
3.2 Joining the TPP 11	23
3.3 Cambodia trade relations with Japan: from GSP to ASEAN FTA and beyond.	28
4 Addressing SPS issues with China and other partners	28
5 A positive negotiating agenda for Cambodia at multilateral and regional level.....	30
Annexes	A-1

TABLE OF FIGURES

Figure 1: Cambodia Export Destination 2006 (left) and 2016 (right)	1
Figure 2: Export share by HS Chapters, 2006 (left), 2016 (right).....	2
Figure 3: EU imports from Cambodia and GSP utilization rates Art of apparel & clothing access, HS 61 knitted/ crocheted and HS 62 not knitted/ crocheted.....	11
Figure 4: EU imports from Cambodia and GSP utilization rates: Bicycles	12
Figure 5: RCEP, ASEAN, CPTPP and DFQF preferences: Overlapping memberships	17
Figure 6: Cambodia Export shares to RCEP/TPP markets and to the rest of the world, 2016	19
Figure 7: Cambodia Export shares to RCEP markets and to the rest of the world, 2016.....	19
Figure 8: Cambodia Export shares to CPTPP markets and to the rest of the world, 2016.....	24
Figure 9: Export share by Destination	B-2
Figure 10: Exports to selected countries/ regions (USD million).....	B-2
Figure 11: Exports to ASEAN, China, South Korea, Rest of World (without QUAD)	B-3
Figure 12: HS 61 Export shares by destination	B-3
Figure 13: EU - GSP utilization rates of HS 61 of selected countries	B-4
Figure 14: EU - GSP utilization rates of HS 62 of selected countries	B-4
Figure 15: EU – GSP utilization rates of HS 87.12 of selected countries	B-5

LIST OF TABLES

Table 1: New market prospects for Cambodian most Exported Products – China and Eurasian Customs Union	6
Table 2: Market Access and Rules of Origin Provisions – Comparison across FTAs	8
Table 3: SPS, TBT and Services Provisions – Comparison across FTAs	9
Table 4: Investments, ISDS, Labor and Environment Clauses – Comparison across FTAs.....	10
Table 5: Overlapping trade preferences available to Cambodia with RCEP and CP-TPP partners Comparative table on Market Access (MA) and Rules of Origin (RoO).....	18
Table 6: Market Access and Rules of origin treatment of most exported products from Cambodia to RCEP Partners in 2016	21
Table 7: Market Access and Rules of origin treatment of most exported products from Cambodia to CPTPP Partners in 2016	25
Table 8: Japanese Imports from Cambodia and Utilization Rates under ASEAN and GSP, 2017	27
Table 9: Total SPS measures imposed by Cambodia’s partners by products, 2016	29
Table 10: Exports of Postage, Stamps, Banknotes (HS 497000), in USD million	C-5
Table 11: Changes of provision on regional cumulation in the EU GSP reform in 2011	C-6
Table 12: Trade Effect for Cambodia (\$000000), Simulation model	C-7
Table 13: EU-Singapore, EU-South Korea and EU-Vietnam FTA PSRO HS 61, HS 62	C-8
Table 14: EU-Singapore and EU-South Korea FTA: Bicycles and part of bicycles	C-9
Table 15: Australian imports from Cambodia and Utilization Rates (\$000) – 2016.....	C-9
Table 16: South-Korean imports from Cambodia and Utilization Rates (\$000) – 2016	C-9
Table 17: Cambodian exports to RCEP countries and principal export destinations within the region 2016.....	C-11
Table 18: Cambodian exports to CPTT countries and principal export destinations within the region 2016.....	C-12
Table 19: Japanese Imports from Cambodia and Utilization Rates under ASEAN and GSP, 2017	13
Table 20: Non-tariff measures imposed by Cambodia’s partners.....	C-14
Table 21: Non-tariff measures imposed by Cambodia’s partners by products, 2016.....	C-15
Table 22: Bilateral SPS measures imposed by Cambodia’s partners by products, 2016.....	C-16
Table 23: Identification of possible deterrent bilateral SPS measures imposed by Cambodia’s partners, 2016.....	C-17

1 A NEW TRADE POLICY AND A POSITIVE AGENDA FOR CAMBODIA

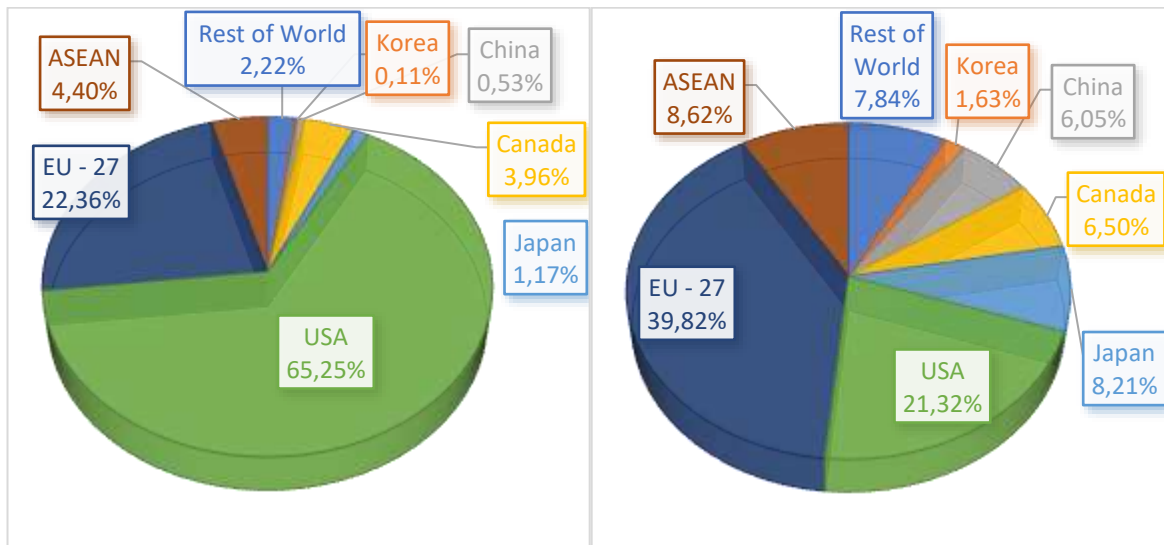
1.1 Overview of Cambodia trade performance and export pattern

As reported in the DTIS 2014, until recently Cambodia’s goods exports were highly dependent on the U.S. 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 markets than those in North America and Europe. However, this ambition was not followed up by specific actions during AEC implementation and ongoing negotiations in RECP. 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 Appendix Figure 9, US exports shares have in fact moderately declined in the last decade, while showing an increase of the EU share.

Figure 1 below shows the change in export shares¹⁶ on a 10-year time horizon and summarizes a long story in few words. Indeed, the reliance of Cambodia to the EU and US market is evident even if it has marginally decreased over the last decade.

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

Figure 1: Cambodia Export Destination 2006 (left) and 2016 (right)



Note: Excluding HS 490700

QUAD countries, especially the EU 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 Figure 10 shows the net increase of Cambodian exports to the EU and a rather stable trend in the US market with the exception of a negative peak in 2009.

¹⁶ Between 2006 and 2012, Cambodia trade statistics recorded important values of exports in HS 490700 in the overall exports of Cambodia (See Appendix 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.

As reported in the DTIS 2014, export growth to the EU was exceptionally strong. Exports to the EU surged by more than \$500 million between 2010 and 2011 alone, and the EU's share of Cambodian exports rose from 23 percent in 2007 to 30 percent in 2011. This trend, as shown in Figure 9 and Figure 10 in Annex, continued in the period 2011-2016. Japan and Canada also show increases even if more modest.

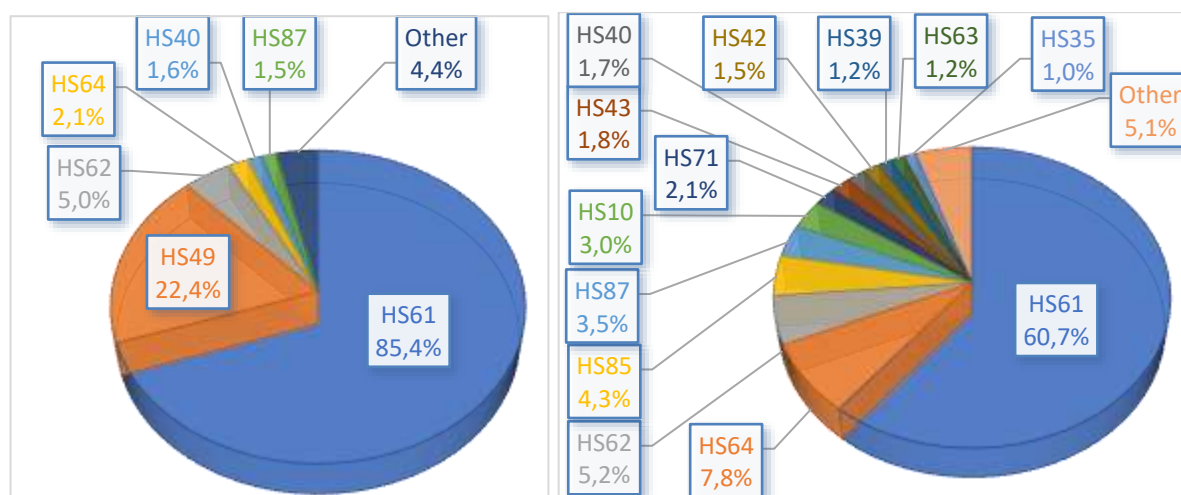
The shares of exports to ASEAN, China and South Korea increased – in the latter three countries from a low base as shown in Appendix Figure 11.

Exports of 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 Cambodia 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 below.

Figure 2: Export share by HS Chapters, 2006 (left), 2016 (right)



Note: Excluding HS 490700

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% to 61 % while garments of Chapter 62 have slightly increased by 0.2 pp. Bicycles under Chapter 87 have more than doubled in the period under consideration, from 1% to 3,5%. Footwear under Chapter 64 quadrupled from about 2% in 2006 to about 8% in 2016. In addition, exports of rubber under Chapter 40 marginally increased from 1,29% to 1,66%.

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

- Chapter 85: Ignition wiring sets of heading 8544¹⁷ and parts of telephones of heading 8517¹⁸;
- Chapter 10: Rice of heading 1006;
- Chapter 71: Gold of heading 7108¹⁹ and Diamonds of heading 7102²⁰;
- Chapter 43: Tanned or dressed furskins of heading 4302²¹, especially of mink;

¹⁷ Insulated (including enamelled or anodised) wire, cable (including co-axial 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.

¹⁸ 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.

¹⁹ Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form.

²⁰ Diamonds, whether or not worked, but not mounted or set.

²¹ Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading

- Chapter 39: Builders' ware of plastics of heading 3925²², packaging material of heading 3923²³ and polymers of heading 3902²⁴;
- Chapter 63: Bedlinen of heading 6302²⁵ and packaging sacks and bags of heading 6305²⁶;
- Chapter 35: Dextrins of heading 3505.²⁷

Figure 12 in Annex B 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% in 2006 to 26% in 2016.

1.3 The actual positioning of Cambodia in the international trade scene and potential leading role of an ASEAN LDC 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 EU and US 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 like Vietnam to enter into FTA initiatives may indirectly affect Cambodia as location for FDI.

Deterioration or an erosion of the preferential market access to EU and US 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 EU and US in the short term.

ASEAN and China are not only competing on the same products exported by Cambodia to EU and US, but the regional market access provided by ASEAN FTAs dialogue partners is more restricted than the one of the EU in terms of tariff and rules of origin. An early 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 under the existing ASEAN FTAs in combination with DFQF initiatives.

The CP-TPP 11 has now entered into force and is expected to provide increased market access to the most formidable competitor of Cambodia, this being Vietnam. Albeit constrained by stringent rules of origin demanding a yarn forward triple transformation Vietnam is set to progressively gain increased market access to Canada for garments as well as exploiting the provisions made in CP-TPP 11 for products in short supply.²⁸

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 benefitted for unilateral trade preferences. In fact, both Myanmar and Laos, albeit to a different extent than Cambodia, are showing high utilization rates of EBAs and other unilateral trade preferences. The buoyant performances of these two other ASEAN LDCs 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 high degree of uncertainty due to non-trade related conditionalities²⁹

43.03. (especially whole skins of mink; 430211).

²² Builders' ware of plastics, not elsewhere specified or included.

²³ Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics.

²⁴ Polymers of propylene or of other olefins, in primary forms.

²⁵ Bed linen, table linen, toilet linen and kitchen linen.

²⁶ Sacks and bags, of a kind used for the packing of goods.

²⁷ Dextrins and other modified starches (for example, pregelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches.

²⁸ See CP-TPP 11 appendix 1 to Annex 4-A, Textiles and Apparel product-specific rules of origin

²⁹ see <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1981>

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

In order to quickly react and fill up such gap there is an urgent need to develop an individual and collective coordinated policy response by ASEAN LDCs to be brought forward in the different negotiating fora. Most recently³⁰ the Geneva based delegates of the ASEAN LDCs have first met to initiate such a progress 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 EU-ASEAN FTAs.

It is recommended that that as matter of priority Cambodia reaches out to other ASEAN LDC to establish a consultative and coordinated group among Capitals and Geneva based delegation 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 scenario in WTO and at regional level as further outlined in section 5.

³⁰ A first meeting was held in December 2018 among the Ambassador of Cambodia to the WTO and the Counsellor of Myanmar and Laos.

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 the recent years. Cambodian exports enjoy duty-free market access under a variety of duty-free quota-free programs that developed and some developing countries have put in place for Least Developed Countries. 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 are a series of findings³¹ 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 (i.e. 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 EU, for example, the average MFN duty on garments is 12 percent, while the MFN duties on bicycles and shoes are 14 and 10³² percent, 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 U.S. pay the normal U.S. tariff rate. Still, Cambodia is benefitting from a margin of preference ranging from 11% the highest MN rate of duty for certain bicycles to 3.7% being the lowest for other kind of bicycles. The US SGP scheme has been retroactively renewed in March 2018 and is set to expire end of 2020. The US 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 US 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 the key element 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.

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

The initiation of the investigation by the European Union in February 2019 that may lead to the suspension of the EBA preferences and the Government's plan to graduate from LDC status in 2023 are indicating 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.

³¹ See ASEAN rules of origin Stefano Inama and Edmund Sim, Cambridge University Press 2015

³² Ranging between 3.5 and 17 depending on the tariff line considered.

Table 1: New market prospects for Cambodian most Exported Products – China and Eurasian Customs Union

HS Code	Product Description	KHM exports (\$ '000) and shares (%)							Chinese Import (\$ '000) from							EURASIAN Imports (\$ '000) from				
		to World			to 1 st Dest.		to 2 nd Dest.		World	1 st Supplier		2 nd Supplier		KHM	World	1 st Supplier		2 nd Supplier		KHM
		Value	%	Cum	ISO3	Value	ISO3	Value		ISO3	Value	ISO3	Value			ISO3	Value	ISO3	Value		ISO3	Value
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
610469	Women's or girls' trousers, bib & brace overalls, breeches & shorts (excl. swimwear), KoC, of TM **	1,058,325	10.48	10.48	EU27	516,833	USA	239,392	11,379	TUR	2,087	VNM	1,996	1,010	14,200	CHN	5,234	EU27	2,554	721
610910	T-shirts, singlets & other vests, KoC, of cotton	915,841	9.07	19.55	EU27	427,288	USA	194,651	396,922	BGD	78,859	EU27	73,281	25,519	367,686	BGD	99,104	UZB	76,908	4,175
610349	Men's or boys' trousers, bib & brace overalls, breeches & shorts (excl. swimwear), KoC, of other TM (excl. of 6103.41-6103.43)	733,139	7.26	26.81	EU27	323,619	USA	186,375	5,257	EU27	1,326	IDN	978	13	1,367	TUR	401	EU27	268	3
611090	Jerseys, pullovers, cardigans, waist-coats & similar articles, KoC, of TM other than wool or Kashmir or other fine animal hair *	549,197	5.44	32.25	EU27	291,976	USA	78,901	13,493	EU27	8,055	HKG	447	42	16,312	EU27	5,846	CHN	5,403	59
640320	Footwear, outer soles of leather & upper of leather straps across the instep & around the big toe	477,047	4.72	36.97	EU27	218,320	USA	90,961	4,575	EU27	3,439	USA	928	0	196	TUR	146	IND	5	0
871200	Bicycles & other cycles, not motorised	345,362	3.42	40.39	EU27	291,669	USA	22,370	53,867	EU27	2,177	KHM	1,950	1,950	87,934	CHN	66,018	EU27	7,486	1,187
610990	T-shirts, singlets & other vests, KoC, OTC	330,914	3.28	43.67	EU27	188,777	USA	45,756	194,112	VNM	43,056	LKA	24,167	10,536	136,127	CHN	33,295	EU27	22,400	7,375
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	303,544	3.01	46.68	EU27	179,935	CHN	71,253	1,336,571	VNM	658,296	THA	348,258	73,575	100,644	IND	36,457	PAK	22,582	1,544
610339	Men's or boys' jackets & blazers, KoC, of other TM (excl. of 6103.31-6103.33)	300,177	2.97	49.65	EU27	172,563	USA	53,005	3,241	EU27	1,710	TUR	213	0	342	EU27	120	TUR	63	48
610449	Women's or girls' dresses, KoC, of TM other than artificial fibres **	192,073	1.90	51.55	EU27	88,575	USA	62,376	4,985	EU27	3,186	USA	317	23	3,091	EU27	1,406	CHN	581	19
710812	Gold (incl. gold plated with platinum), unwrought	186,377	1.85	53.4	THA	168,765	SGP	17,612	60,601,572	CHE	31,047,966	HKG	10,128,138	0	34,084	UAE	12,446	CHE	9,107	0
640419	Footwear (excl. waterproof), outer soles of rubber or plastics & uppers of TM (excl. 6404.11)	186,021	1.84	55.24	EU27	103,942	USA	17,858	959,512	VNM	599,110	IDN	196,488	11,568	525,831	CHN	286,483	VNM	102,612	3,002
610839	Women's or girls' nightdresses/pyjamas, KoC, of TM*	177,856	1.76	57	USA	115,942	EU27	31,242	144	EU27	23	TUN	19	0	780	CHN	258	EU27	155	1
610439	Women's or girls' jackets & blazers, KoC, of textile TM**	172,956	1.71	58.71	EU27	93,904	USA	33,915	10,239	EU27	4,858	BGD	992	25	6,317	CHN	3,978	EU27	807	19
430211	Tanned or dressed furskins of mink, whole, with or without head or tail or paws, not assembled	172,064	1.70	60.41	CHN	144,953	HKG	27,111	320,766	KHM	141,431	VNM	100,267	141,431	4,770	EU27	1,315	CHN	128	0
611190	Babies' garments & clothing accessories, of other textile materials, OTC or synthetic fibres, KoC.	153,319	1.52	61.93	USA	105,788	EU27	17,729	1,033	USA	251	EU27	211	0	9,534	CHN	4,480	TUR	3,792	0
400129	Natural rubber other than latex or smoked sheets or technically spec. natural rubber	132,760	1.31	63.24	VNM	87,309	MYS	20,812	353,232	THA	167,438	LAO	78,636	267	1,267	VNM	1,035	IDN	30	0
851770	Parts of telephone sets, incl. telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data [...]	129,410	1.28	64.52	CHN	55,971	HKG	52,242	38,202,552	UNS	19,956,054	KOR	6,796,150	887	731,518	CHN	350,663	EU27	197,086	0
610690	Women's or girls' blouses, shirts/shirt-blouses, KoC, of TM *	123,246	1.22	65.74	EU27	46,972	USA	42,198	1,047	EU27	480	JPN	109	0	2,989	EU27	1,590	CHN	622	0
610590	Men's or boys' shirts, KoC, of other TM *	110,672	1.10	66.84	EU27	55,496	USA	18,977	5,548	EU27	2,958	TUR	1,548	0	3,425	CHN	1,774	EU27	788	9
350510	Dextrins & other modified starches	105,535	1.04	67.88	CHN	51,219	THA	46,758	375,574	THA	137,017	EU27	94,222	50,770	95,769	EU27	77,177	THA	7,287	0

* other than cotton or man-made fibres; ** other than wool or fine animal hair or cotton or synthetic fibres; TM: textile materials; KoC: knitted or crocheted; OTC: other than of cotton

It has to be clarified that in 2018, at the last triennial review of the LDCs list, the Committee for Development Policy (CDP) concluded that Cambodia was not pre-eligible for graduation. While the country met the Human Asset Index (HAI) graduation threshold (66.0) with a score of 68.9, with a GNI per capita of USD 1075 (< USD 1230) and an Economic Vulnerability Index (EVI) of 34.8 (> 32), Cambodia did not fulfil the two other criteria. 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 by 2021 and maintain 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 the LDC status is the preference erosion that Cambodia and other ASEAN LDC are suffering from the parallel trade initiatives undertaken by their ASEAN neighbours and in the region overall.

As discussed in the sections below the real challenge for Cambodia and other ASEAN LDC is the dynamism of the trade scenario in the ASIAN region where a number of neighbouring countries are engaged in dual of triple track negotiation in different trade agreements such as RCEP, CP-TPP and EU-ASEAN FTAs

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

It clearly emerges from Table 1 above that both China and Eurasia markets are not a substitute for the EU and US markets as far as exports of Cambodia garments and bicycles since the import figures in both China and Eurasia are minimal for garments and bicycles. The table clearly shows China may be a prospective market for rice as further discussed in the sections below.

2.2 The quest for alternatives: which partner for an FTA?

As shown in the following sections there are a number of alternatives and possibilities that Cambodia and ASEAN LDC may pursue in the quest for possible trade partners. In any case Cambodia has to 1) first assess the value added that each initiative may bring to the current market access 2) identify the conditions for acceding to such Agreement as in the case of the CP -TPP or the offers and concessions that Cambodia is making during negotiations like in the case of RCEP and 3) assess what are the costs and benefits to enter into FTAs that are containing WTO plus commitment or new issues such as the CP-TPP.

This is a complex exercise that may not be undertaken in the current chapter but it highly recommended that Cambodia conduct further analysis at sectorial level and expand the skeleton comparison tables below (Table 2; Table 3; Table 4)³³.

For ASEAN, ACFTA hasn't reached the expected target both in trade and investment side. There is a gap of benefit experienced by China and ASEAN member states. Thus, on the trade sector, ASEAN needs to strengthen the 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 in ASEAN³⁴.

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

³³ 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

³⁴ See 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	EU-Vietnam	CP-TPP
Market access						
According to ATIGA, DFQF treatment to Cambodia exports to ASEAN countries	Market access in terms of tariff phase out should have been completed by 2015. However such commitment is subject to reciprocity clauses and exclusions	Market access in terms of tariff phase out would be completed by 2026. There are at least 5 tariff schedule types where tariff lines indicated with “A” shall be eliminated as from the date of entry into force of the agreement. ³⁵	Tariffs on over 4000 product lines have been eliminated by 2016. Product tariff elimination is subject to two tracks: normal track and Sensitive track. For products under the normal track, their respective applied MFN tariff rates 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. Product 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 phase out have 7 types of tariff schedule, which has different time period spanning from immediate removal of tariff up to 16 equal annual stages of removing tariff, beginning from the date of entry of the agreement. ³⁶	The tariff cut for the initial six countries to ratify the CPTPP took place on December 30, 2018. The second tariff cut will be on January 1 2019, except Japan, which is scheduled on April 1 2019. Vietnam has two tariff cuts in terms of Canadian imports but only one for all other countries. Tariff elimination information for the remaining CPTPP countries (i.e. Brunei, Chile, Malaysia, and Peru) will be made available once those countries ratify the Agreement. ³⁷
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 A of this chapter	The main text of Rules of Origin has 11 pages ³⁸ product Specific Rules of Origin contains 63 pages ³⁹	The main rules of origin text have 26 pages and the PSRO contains 27 pages. ⁴⁰	The main text is 111 pages long and the text of PSROs is even longer	The EU –Vietnam FTA rules of origin are product specific contained in the Annex II of Protocol 1 of the agreement ⁴¹ . The rules of origin for garments of chapter 61 and 62 requires double transformation and rules of origin for bicycles require a value of non-originating material not exceeding 45%. ASEAN cumulations is only for octopus and squid. Extended cumulation with South Korea for fabrics	CP-TPP rules of origin are of a modern type product specific garments PSROs are requiring triple transformation on garments

³⁵ See <https://www.asean.org/storage/images/archive/agreements/AJCEP/Annex1.pdf> for further details

³⁶ See http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157340.pdf for further details.

³⁷ See 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.

³⁸ See Chapter 3 of ASEAN-Japan FTA Comprehensive agreement at <http://ajcep.asean.org/wp-content/uploads/2014/05/Agreement.pdf> for further details.

³⁹ See <http://ajcep.asean.org/wp-content/uploads/2014/05/Annex2.pdf> for further details.

Table 3: SPS, TBT and Services Provisions – Comparison across FTAs

AEC	ASEAN-China	ASEAN-Japan	ASEAN -India	RCEP	EU-Vietnam	CP-TPP
SPS and TBT						
NO WTO plus in ATIGA apart a mechanism to settle NTM	A protocol has been signed under ACFTA with no evident WTO plus significant provisions	No explicit WTO plus provision on SPS	No provision on SPS in the text	As 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 ACFTA 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 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

⁴⁰ See <http://www.thailandntr.com/en/goods/roo> for further details.

⁴¹ http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157381.pdf

Table 4: Investments, ISDS, Labor and Environment Clauses – Comparison across FTAs

AEC	ASEAN-China	ASEAN-Japan	ASEAN -India	RCEP	EU-Vietnam	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 appendixes. Among these chapters, a clear investment protection rights are specified on Chapter 2 while details on dispute settlement mechanisms are detailed in Chapter 15 entitled “Dispute settlement.”	CPTPP 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.
Labor clauses						
Not present	Not present	Not present in the FTA text	Not present	Information not available	The EU and Vietnam have agreed to implement the core labour standards and Conventions of the International Labour Organization (ILO). Vietnam has so far only ratified 5 of the 8 core ILO conventions; whereas it has not ratified ILO Convention No 87 on Freedom of Association and Protection of the Right to Organise, No 98 on the Right to Organise and Collective Bargaining, or No 105 on the Abolition of Forced Labour. ⁴²	The CP-TPP include a chapter requiring that the basic workers’ rights ⁴³ 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 EU-Vietnam includes environmental clauses specifically focusing on renewable energy. ⁴⁴	The CPTPP Agreement includes provisions to enhance environmental protection in the CPTPP region and to address global environmental challenges

⁴² 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.

⁴³ As contained in the [International Labour Organization 1998 Declaration on Fundamental Principles and Rights at Work](#)

⁴⁴ See http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157353.pdf for further details.

2.3 Building new trade initiative with the EU in view of the EU-ASEAN FTAs

2.3.1 The EU reform of rules of origin: what did it mean for Cambodia?

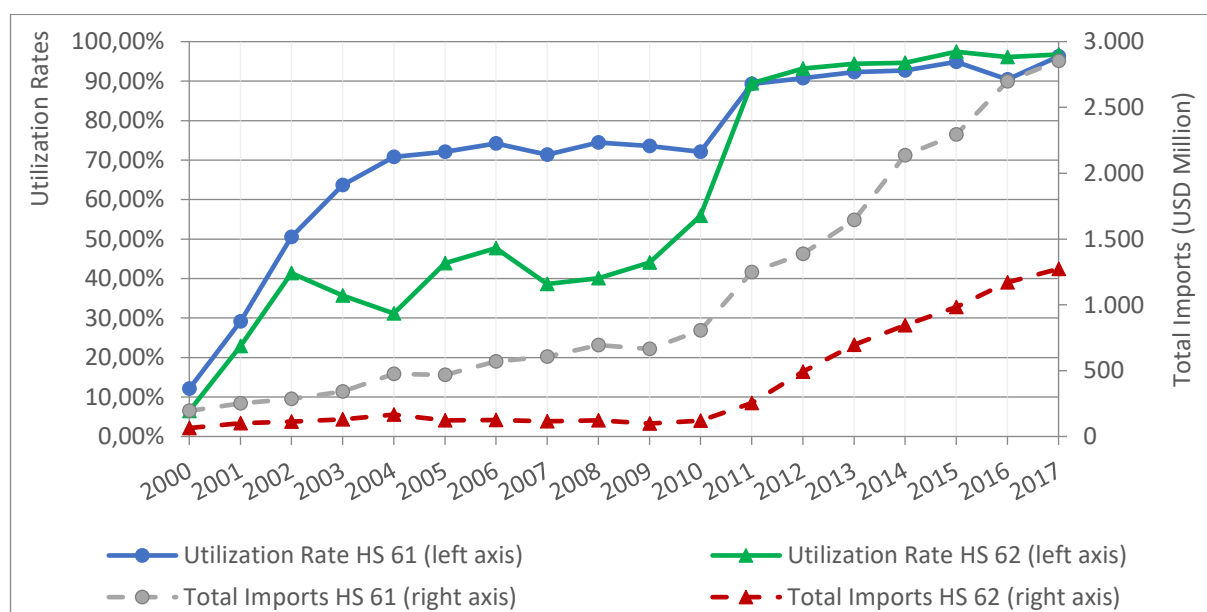
The EU reform on the rules of origin which entered into force in 2011⁴⁵ contained drastic changes to the EU rules of origin in favour of both, LDCs and developing countries, as follows:

- Introduced a differentiation in favour of LDCs that are benefitting of more lenient rules of origin than Developing countries in certain sectors;
- Allowed a single transformation process in textiles and clothing- a request 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 EU. This change produced an immediate reaction: Garment exports to the EU 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 EU increased from 57 per cent to 90 per cent. This surge in exports to the EU market between 2010 and 2011 is particularly strong for Cambodian products of chapter HS 62, with a rise in EU imports of 96 per cent (see Figure 3).

Figure 3: EU imports from Cambodia and GSP utilization rates
Art of apparel & clothing access, HS 61 knitted/ crocheted and HS 62 not knitted/ crocheted



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,

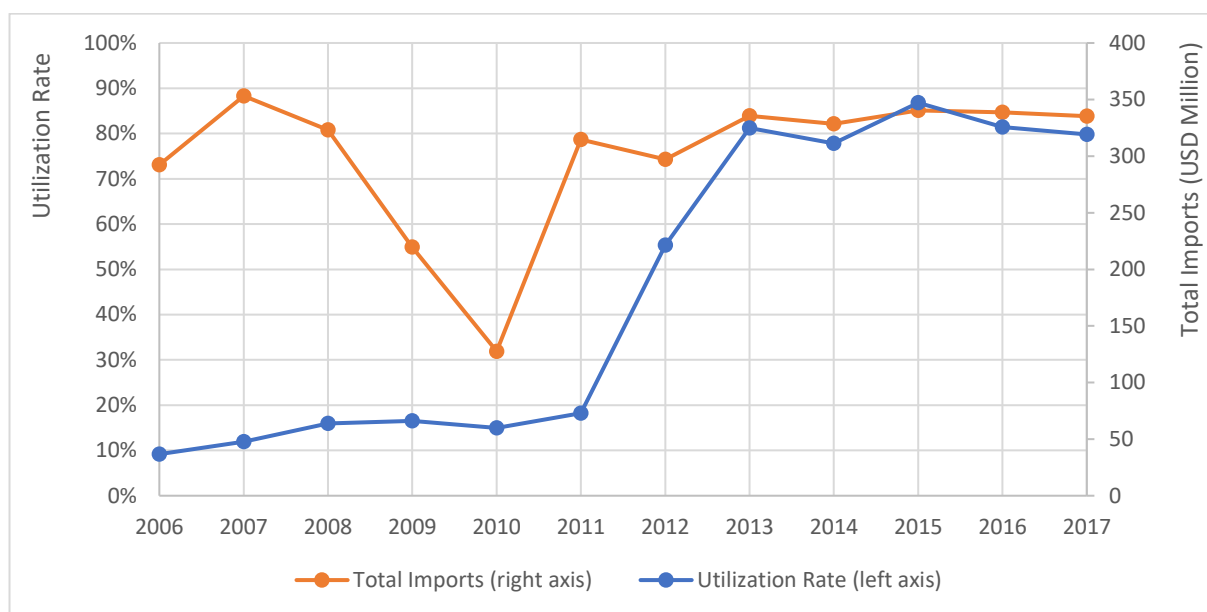
⁴⁵ See Commission regulation No 1063/2010 of 18 November 2010 amending Regulation (EEC) No. 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code See Inama, *Per aspera ad Astra*, the reform of the EU GSP rules of origin, Journal of World Trade, 2011. 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, *Per aspera ad Astra*, the reform of the EU GSP rules of origin, Journal of World Trade, 2011

Cambodian exporters used the GSP preferences with a rate of 74 per cent in 2010 and of 94 per cent in 2011. The rise in import values was nevertheless significant: US\$2 billion (+33 per cent) for all LDCs and US\$379 million for Cambodia (+56 per cent).

The reform on rules of origin introduced in 2010 and implemented in 2001 by the EU, has produced an impact beyond the traditional garment sector. In fact, the EU reform substantially liberalized the rules of origin not only for clothing but also in a variety of other sectors, allowing up to 70% of non-originating materials for bicycles and easing ASEAN cumulation.

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

Figure 4: EU imports from Cambodia and GSP utilization rates: Bicycles



A critical liberalizing factor of the reformed EU rules of origin 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 Table 11 in Annex C, the wording of the two articles concerning the allocation of origin are compared and commented.

This new cumulation rule allowed bicycles manufacturers based in Cambodia to use ASEAN parts like bicycle frames made in Vietnam and 'Shimano' gears made in Malaysia and these inputs were not to be counted against the 70 % threshold of non-originating materials. Moreover, the origin of the finished bicycle would remain in Cambodia and entitled to duty free treatment in the EU as long as the working or processing in Cambodia goes beyond simple assembly. The combination of the higher allowance threshold of 70 % 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 in Cambodia from neighbouring countries.

However, in the case of bicycles, it has to be mentioned that the following changes introduced in the EU 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.⁴⁶

The Royal Government of Cambodia requested two derogations to the EU Commission to continue to consider the ASEAN inputs from Malaysia to be eligible for cumulation during a transition period. The

⁴⁶ Available from <http://www.cbsa-asfc.gc.ca/publications/dm-md/d11/d11-4-4-eng.html>

requests were finally granted with a quota on the amount of bicycles that can make use of cumulation⁴⁷ and a time limitation of three years in the first derogation⁴⁸ and two in the second derogation⁴⁹ As reported by bicycles 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 half way 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 has 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.⁵⁰

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 graduated countries from the GSP (Malaysia and Singapore) and, in the near future, the other ASEAN countries like Vietnam that have signed an FTA with the EU after a transitional period of two years.

The actions undertaken in 2016 and 2017 by the Government of Cambodia to apply for extended cumulation⁵¹ and to bring to the attention of the EU Commission the imbalances and the implications deriving from such policy on ASEAN cumulation have yet to bear any fruits. This is a first concrete and potentially case for joint action by the ASEAN LDCs since it affecting all of them equally.

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

2.3.2 The EU’s Free Trade Agreements with ASEAN Members: Implications for Cambodia

ASEAN Members, namely Singapore, Thailand, Vietnam, Indonesia, Philippines and Malaysia have started the negotiating process⁵² or have finalized FTAs with the EU. The EU – Vietnam FTA and EU-Singapore FTAs⁵³ are expected to be ratified in 2019⁵⁴. When these FTAs are ratified, these ASEAN countries, mostly Vietnam 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:

- 1) Once the FTAs with the EU 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 longer used by Cambodia under ASEAN cumulation. The impact of the exclusion from ASEAN cumulation of Malaysia has been discussed in the section above. In addition the exclusion of Vietnam from ASEAN cumulation will surely have an impact on its bicycles industry since such Vietnamese inputs are a key to the viability of such industry;
- 2) Once the FTAs with the EU are concluded these ASEAN countries will be progressively able to cumulate among themselves while Cambodia and other ASEAN LDCs will not be able to

⁴⁷ See Commission implementing regulation (EU) 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 generalised tariff preferences in respect of bicycles produced in Cambodia regarding the use under cumulation of bicycle parts originating in Malaysia.

⁴⁸ The derogation was implemented by Regulation EU 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.

⁴⁹ [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)

⁵⁰ Available from: https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5815925_it

⁵¹

⁵² The EU – Malaysia negotiations are currently on hold; EU – Thailand are continuing; Vietnam and Singapore in the process of ratification. Negotiations with the Philippines are underway.

⁵³ <http://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-singapore-fta>

⁵⁴ See: <http://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-vietnam-fta>

accumulate with them. This is almost the reverse of the present situation where Cambodia has been benefitting substantially from cumulation with ASEAN countries, albeit reduced with the graduation of Malaysia. Ultimately ASEAN cumulation under EBA will be progressively reduced to ASEAN LDCs cumulation with little or no value in terms of availability of intermediate inputs to manufacture finished products for exports to the EU,

The cumulation provisions inserted in the EU-FTAs with ASEAN countries are a telling example of what are the prospects for cumulation within ASEAN as far as exports to the EU are concerned. Paragraph 2 of article 3 of protocol 1 to the EU –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 EU – Vietnam 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, Figure 13, Figure 14 and Figure 15 in Annex showing 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

1. higher preferential margin under EBA than under EU GSP scheme;
2. more lenient PSRO applicable to LDCs under the EU reform of rules of origin and EBA;
3. 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 EU 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 significantly erode at the time of entry into force of the EU-Vietnam FTA since double transformation (weaving and CMT: Cut Make and Trim) will remain the applicable requirement, however cumulation with South Korea fabrics provided under the EU-Vietnam FTA may provide a source of concern and competition for Cambodian producers since thanks to that possibility Vietnam could source originating fabrics from South Korea;
- c) the cumulation advantage of ASEAN LDCs with respect to other ASEAN partners having entered an FTA with the EU will progressively turn into a disadvantage since ASEAN countries having signed an FTA with EU will be able to cumulate among themselves while the ASEAN LDC will be left with the only option of cumulating among themselves leading to further marginalization.

Table 12 in Annex shows the trade effects of Thailand, Vietnam and Malaysia under the FTA with the EU, Philippines being granted GSP+ and China having been graduated from EU GSP in 2015. ASEAN countries show the biggest export increase in the EU market at the expense of China that 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 EU. The remaining ASEAN countries benefitting from their FTAs with the EU are set to get the lion share at the expense of China.

In a way this table speaks for itself for a rapidly changing trade scenario where Cambodia and ASEAN LDCs should quickly devise a timely trade policy response to seize the challenges deriving from the

increased market access opportunities deriving from increased trade pressures of the US Trump administration on China and the fact that ASEAN partners having signed an FTA with EU may gain market access in the EU. Such combined factors may provide incentives to MNEs to move production in such ASEAN members away from 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 mere market access issues as contained in other chapters of this CTIS. As shown in Table 14 and Table 13 in Annex C, both the EU-Singapore, EU-Vietnam, but also the EU-South Korea FTA do not show significant better PSRO for chapter 61 and 62 and 87.12 (Bicycles). Garments still require a double transformation as under the current GSP rules.

In the case of the EU-Singapore FTA the EU rules of origin for their free trade agreement partners allow a free trade partner to cumulate inputs produced in other free trade partners. To take a concrete example, once the network of EU-ASEAN free trade agreements are in place, a Vietnamese producer of bicycles would be able to count parts imported from Malaysia⁵⁵ as Vietnamese for purposes of determining whether a Vietnamese bicycle meets EU 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 will expire.

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 percent of the ex-factory price should consist of inputs that are non-originating, i.e. non-Cambodian. It is unlikely that the PSRO for Vietnam will be comparable. However by virtue of cumulation a bicycle producer in Vietnam will clearly have more flexibility in sourcing inputs from ASEAN countries and Vietnam may become the preferred investment destination for bicycle manufacturers seeking duty free access to the EU market.

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

The DTIS 2014 argued that negotiation of free trade agreements between the EU and Malaysia, Thailand, and Vietnam was not likely to affect the competitive position of Cambodian garment or footwear producers. Apart that this statement would need to be revisited this argument took into account only the EU market while countries like Vietnam are currently engaged in FTA on multiple fronts, the EU-Vietnam FTA the TPP11, RCEP and a series of bilaterals. 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 investor to relocate in Vietnam in spite of the more stringent rules of origin that Vietnam may face under CP-TPP11.

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 EU to define a new trade relation that is going beyond EBA.

ASEAN LDCs are expected to graduate from LDC status in the near future⁵⁶ 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.

⁵⁵ On the condition that Malaysia has also entered an FTA with the EU

⁵⁶ In contrast to Cambodia that only met the HAI graduation threshold at the last triennial review of the LDC list, both Lao PDR and Myanmar fulfilled eligibility criteria for the first time in 2018:

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

1. Cambodia should prepare a short roadmap for a new partnership between ASEAN LDCs and the EU and discuss it with other ASEAN counterparts at the nearest opportunity during the summer 2019
2. Convene a meeting at high level among the ASEAN LDC to agree on a roadmap in June/July 2019
3. Upon nomination of the EU trade commissioner and EU parliament in early fall 2019 the ASEAN LDCs should request for a meeting with the new Trade commissioner to discuss such new partnership

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

The request for extended cumulation⁵⁷ to the EU requires that Cambodia engage in early discussion with Vietnamese counterparts to seek their support for extended cumulation. In this context it has to be recalled that it took months to secure an understanding from the Malaysia authorities to issue certificate for origin under the derogation. A similar if not longer time frame may be expected with Vietnam and early contacts should be made with Japan to secure a similar approach.

Such action should be undertaken as soon as possible in spring summer 2019 to relay a message to bicycle and garments manufacturers that the Government is actively pursuing a viable trade strategy.

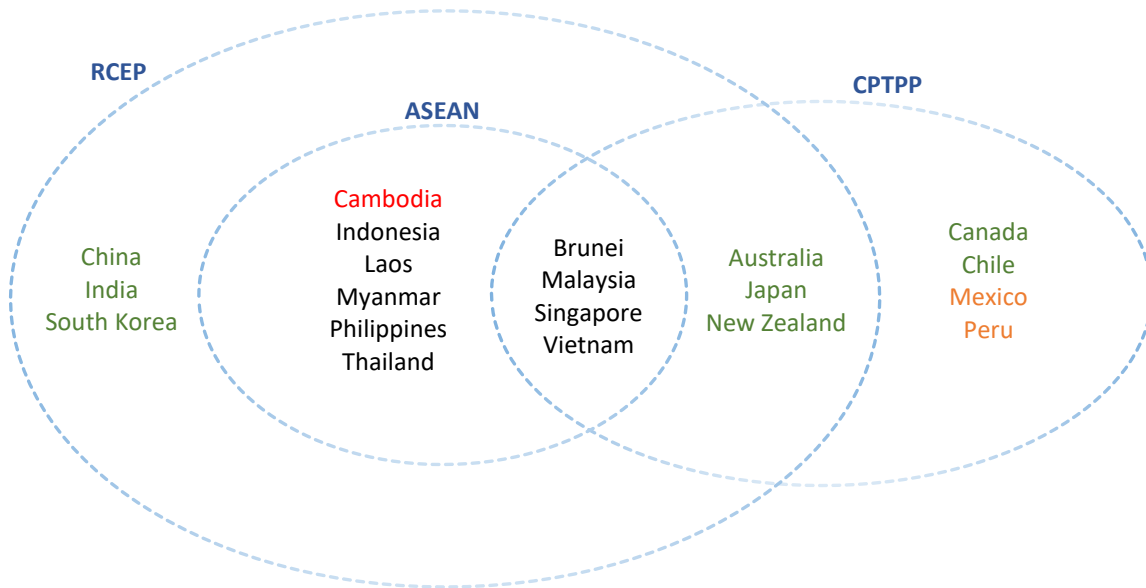
	GNI per Capita (USD)		Human Asset Index (HAI)		Economic Vulnerability Index (EVI)	
	Value	Graduation Threshold	Value	Graduation Threshold	Value	Graduation Threshold
Cambodia	1.075	1230 USD or above	68,9	66.0 or above	34,8	32 or below
Laos	1.996		72,8		33,7	
Myanmar	1.255		68,5		31,7	

Laos PDR 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 years grace period.

⁵⁷ Extended cumulation is a system, conditional upon the granting by the EU Commission, on a request lodged by a beneficiary country and whereby certain materials, originating in a country with which the European Union has a free-trade agreement 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 RCEP AND TPP11 – CHALLENGES AND OPPORTUNITIES

Figure 5: RCEP, ASEAN, CPTPP and DFQF preferences: Overlapping memberships



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

As shown in Figure 5 above, CPTPP and RCEP negotiations are partially overlapping existing trade preferences under DFQF and ASEAN FTA with dialogue partners. More specifically, among CPTPP member countries, only Mexico and Peru do not have any preferential arrangement with Cambodia at present. Exports to Australia, Japan, New Zealand, Canada, and Chile benefit from DFQF Market access while the remaining members are part of ASEAN network of FTA with dialogue partners. In the case of RCEP, all members have already 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 CPTPP11 difficult and complicated. In fact, the benefits of joining RCEP/CPTPP11 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 11 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 this arrangements. In reality and with a broader perspective this chapter is aimed at identifying precisely what are the main products exported by Cambodia to RCEP/CPTPP11 partners comparing 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 are playing 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 (MA) and Rules of Origin (RoO)

Cambodia partners	MA scheme	Product Coverage	RoO
ASEAN	ATIGA	All products DFQF	RVC 40% and PSROs
Australia	DFQF	All Products	Last Manufacturing Process performed in LDC; Minimum 50% of total factory cost; Minimum 75% when cumulation is used
	FTA	99% of all products ⁵⁸	40% 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% of non-originating when cumulation is used
Chile	MFN	Include MFN Averages (6%) ⁵⁹	Not Applicable
	DFQF	All products except wheat, wheat flour, and sugar Products ⁶⁰	Minimum Regional Value Content of 50%
China	DFQF	97% of all products ⁶¹	Minimum 40% of originating materials
	ASEAN China FTA	90% of all products ⁶²	Minimum Regional Value Content of 40% using direct method and maximum value of non-originating material of 60% using indirect method; Product Specific Rules of Origin containing 22 pages. ⁶³
India	DFQF	95.5% of all products ⁶⁴	Minimum 30% of originating materials; Product Specific Rules
	ASEAN India FTA	90% of all products	Minimum Regional Value Content of 35%; Product Specific Rules of Origin
Japan	DFQF	All products	Maximum value of non-originating materials of 40%; Product Specific Rules
	FTA	All products except for machine parts and petroleum oil products ⁶⁵	Minimum Regional Value Content of 40% and product specific rules of origin containing 161 pages. ⁶⁶
Mexico	MFN	Include MFN averages (6.9%) from WTO	Not applicable
Peru	MFN	Include MFN averages (2.4%)	Not applicable

In 2016, RCEP and CPTPP markets represented 33% of Cambodia total exports, with 13% directed to countries that are part of both agreements (Figure 6).

⁵⁸ See <https://aanzfta.asean.org/asean-australia-new-zealand-free-trade-arrangement/> for further details.

⁵⁹ See <http://stat.wto.org/tariffprofile/wsdbrtariffpview.aspx?Country=cl&Language=E> for further details.

⁶⁰ See <https://www.un.org/ldcportal/chile-to-grant-dfqf-to-ldcs/> for further details.

⁶¹ See <https://www.un.org/ldcportal/preferential-market-access-chinas-dfqf-scheme-for-ldc-products/> for further details.

⁶² See <http://www.asean-cn.org/index.php?m=content&c=index&a=show&catid=267&id=84> for further details

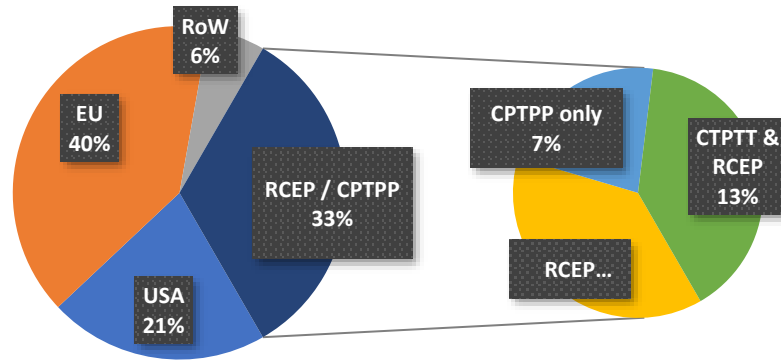
⁶³ See <https://fta.miti.gov.my/miti-fta/resources/auto%20download%20images/558b8bd2cc77f.pdf> for further details.

⁶⁴ See http://commerce.gov.in/writereaddata/UploadedFile/MOC_636434269763910839_international_tpp_DFTP.pdf for further details.

⁶⁵ See <https://www.mofa.go.jp/policy/economy/fta/asean/part3-2.pdf> for further details.

⁶⁶ See https://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/pdfs/ajcep_k2.pdf for further details.

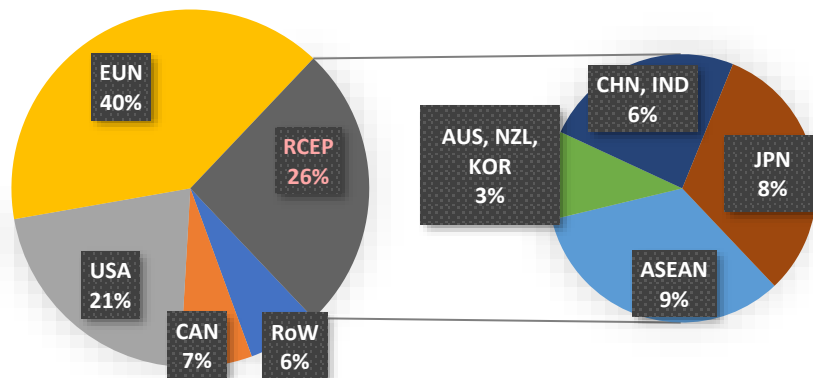
Figure 6: Cambodia Export shares to RCEP/TPP markets and to the rest of the world, 2016



3.1 Assessing the value of RCEP and options to improve market access trade with China

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

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



Despite that Australia already provides DFQF market access to Cambodia, the average utilization of the scheme by Cambodia exporters amounted to about 72% in 2016, with important variations between products. Pockets of low utilization rates combined with preference margin (PM) above 2 percentage point have been identified and reported in Table 15 in annex. Similarly, pockets of low utilization of the South Korean DFQF scheme where the preference margin is above 2 percentage points are reported in Table 16.

Finally, according to data notified at the WTO, in 2016, Cambodia has not been able to use the DFQF scheme offered by India, with 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 below.

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 as Singapore or Malaysia while there is a clear divide in terms of export capacity and level of development among 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 agreement and LDC arrangements that Cambodia is already benefitting.

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 6000 lines. These figures alone provides a glimpse of the complexities of the negotiations. Once again there is no provision for LDCs 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 RCEP would be to “lock-in” in a contractual agreement some unilateral trade preferences.⁶⁷ Even this assumption would have be further assessed.

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

Recommendations

On the basis of the abovementioned findings and analysis the following recommendations are made:

- 1. As a matter of priority Cambodia with other ASEAN LDC should insist that other RCEP partners make a differentiated offer on tariffs and rules of origin for ASEAN LDCs in RCEP**
- 2. an overall and product specific assessment has to be made using the methodology adopted adopted in Table 6 to measure what additional market is granted under current RCEP and setting negotiating objectives accordingly.**
- 3. An overall assessment have 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 being made public it is not possible to provide even an initial assessment**

⁶⁷ Like the DFQF and rules of origin granted by Japan, India and Japan but it would have to be assessed if the tariff offers and rules of origin in RCEP are equivalent of better that those granted under the current DFQF granted by these preference giving countries.

Table 6: Market Access and Rules of origin treatment of most exported products from Cambodia to RCEP Partners in 2016
(sorted in descending values, cumulative export share < 65%)

Product		Exports	Principal KHM export destinations within RCEP members												
HS Code	Description	Value (\$000)	1st Destination				2nd Destination				3rd Destination				PSRO
			ISO3 Code	Share (%)	MFN (%)	Applied reduction in RECP (EIF)	ISO3 Code	Share (%)	MFN (%)	Applied reduction in RECP (EIF)	ISO3 Code	Share (%)	MFN (%)	Applied reduction in RECP (EIF)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	ALL PRODUCTS	2,602,410	JPN	31.8	.		CHN	23.4	.		THA	16.1	.		
710812	Gold in unwrought forms non-monetary	186,377	THA	90.6	0.0	Not Applicable	SGP	9.4	0.00	Not Applicable		.	.		RVC40 or CC*
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)	CC* ; Options (ASEAN) 1. CC, 2.CC ex 6002-6006
610469	Women's or girls' trousers, etc, of other textile, 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) 1. CC, 2.CC ex 6001-6006
430211	Tanned or dressed whole skins of mink, not assembled	144,953	CHN	100.0	12.0	0		.	.			.	.		RVC40 or CTH (JPN: CC)*
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	WO* ; RVC40 or CTH (JP;KR) RVC40 or CTSH (AU;NZ)
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	CC* ; Options (ASEAN) 1. CC, 2.CC ex 6001-6006
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	WO* ; CC (AU,NZ)
854430	Ignition wiring sets&oth 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	RVC40 or CTH
640320	Sandles, with leather soles and straps (over instep, around big toe)	99,660	JPN	58.4	22.8	Not Available	KOR	14.1	13.0	n/a	CHN	13.1	24.0	Not Available	RVC40 or CTH* ; RVC40 or CTH ex 6406 (CN); CC (JP)
350510	Dextrins and other modified starches	97,977	CHN	52.3	12.0	0	THA	47.7	5.0	0		.	.		RVC40 or CTH* ; CTH ex 1108 (JP); RVC40 or CTSH (NZ)

ADVANCED, UNEDITED VERSION. THIS DOCUMENT HAS NOT BEEN FORMALLY EDITED.

Product		Exports	Principal KHM export destinations within RCEP members												
HS Code	Description	Value (\$000)	1st Destination				2nd Destination				3rd Destination				PSRO
			ISO3 Code	Share (%)	MFN (%)	Applied reduction in RECP (EIF)	ISO3 Code	Share (%)	MFN (%)	Applied reduction in RECP (EIF)	ISO3 Code	Share (%)	MFN (%)	Applied reduction in RECP (EIF)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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	n/a	CC* ; Options (ASEAN) 1. CC, 2.CC ex 6001-6006
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	RVC40 or CTH
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	n/a	CC
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) 1. CC, 2.CC ex 6001-6006
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	WO*; RVC40 or CTH (JP;KR) RVC40 or CTSH (AU;NZ)
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 ex12 (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	n/a	CC* ; Options (ASEAN) 1. CC, 2.CC ex 6001-6006
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		.	.		RVC40 or CTSH ex 8504.32-8504.34
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	CC* ; Options (ASEAN) 1. CC, 2.CC ex 6001-6006

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 TPP 11

The CP-TPP agreement is a modern FTA encompassing a series of WTO –Plus disciplines both in terms of coverage and in 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 does 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 tariff 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 a FTA are not of unilateral nature and are more permanent and stable in nature.

The CP-TPP is based on a series of a rule- based, market -oriented system 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, like Vietnam, is on a triple track⁶⁸ scenario since it participates to RCEP, is member of the CP-TPP and has entered a FTA with the EU.

Table 7 below 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 the CP-TPP rules of origin for garments requires triple transformation.

With respect to investment (Chapter 9), the CPP –TPP parties agreed to suspend the application of the provisions related to an “investment authorization”, including the submission of ISDS claims (i.e. limiting the submission of claims to the breach of the treaty obligation) and the selection of arbitrators (in part).

Regarding other aspects of CPTPP Chapter 9 it is noteworthy that the investment chapter includes several reform-oriented elements. For example, it refines definitions of investor and investment; clarifies the meaning of key standards to preserve regulatory space (e.g. clarifying 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), clarifying what does and what 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 CPTPP Contracting Parties used side letters to bilaterally opt out of ISDS or otherwise modify the ISDS arrangements applicable between them.² For example, bilateral side letters provide that there is no ISDS available between Australia and New Zealand and New Zealand and Peru. In the bilateral relationships between New Zealand and three other parties (Brunei, 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 CPTPP ISDS provisions allow disputing parties to submit written comments to the tribunal concerning any aspect of the proposed decision or award (CPTPP Art.9.23) and establish joint bodies with a mandate to issue binding interpretations of treaty provisions (CPTPP Art. 9.25(3)).

At the same time, many CPTPP parties remain bound by ISDS provisions found in earlier treaties signed between them in different constellations. Examples include the ASEAN Investment

⁶⁸ See footnote 14.

Comprehensive Investment Agreement (2009) (of which Cambodia is a party), the Energy Charter Treaty (1994), other TIPs and BITs signed between the CPTPP parties.

Some CPTPP 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 CPTPP investment chapter, under the terms set out in the relevant side letters. In that

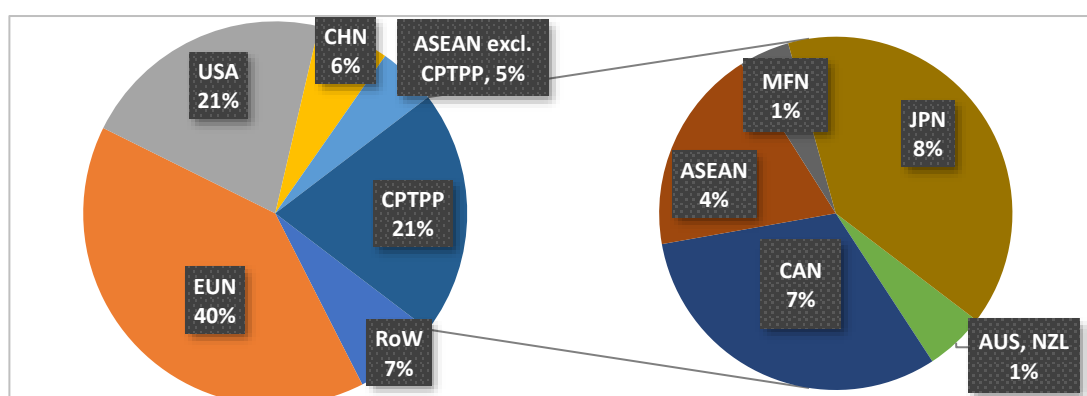
respect the CPTPP offers an opportunity to replace old-generation treaties with a treaty containing more modern clauses.³

When considering accession to the CPTPP 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 strategy⁶⁹ (In addition to assessing the arguments put forward in favour and against IIAs⁷⁰ and the arguments brought forward in favour or against to ISDS⁷¹ this would also include an assessment of the individual investment-related obligations contained in the CPTPP.

Among others, consideration would have to be given to the extent to which more modern CPTPP clauses could help modernize (i.e. replace) old-generation clauses in pre-existing IIAs (e.g. 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 of 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 condition for acceding to the CP-TPP

Figure 8: Cambodia Export shares to CPTPP markets and to the rest of the world, 2016



On the basis of the abovementioned findings and analysis the following recommendations are made:

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

⁶⁹ see, e.g. page 74 in UNCTAD's Investment Policy Framework for Sustainable Development, 2015 version4).

⁷⁰ (see, e.g. page 19, table 1 in UNCTAD's Reform Package for the International Investment Regime5)

⁷¹ (see, e.g. page 48, table 5 in UNCTAD's Reform Package)

Table 7: Market Access and Rules of origin treatment of most exported products from Cambodia to CPTPP Partners in 2016
(sorted in descending values, cumulative export share < 65%)

Product		Exports	Principal KHM export destinations within CPTT members												PSRO
HS Code	Description	Value (\$000)	1st Destination				2nd Destination				3rd Destination				
			ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	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 textile, KoC	238,279	CAN	47.2	18	4.5% 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% 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% 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% 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% under build-down method
640320	Sandles, 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% reduction per year	CTC with exceptions or min. RVC of 45% under the build-up method or 55% under the build-down method.
610339	Men's or boys' jackets... of other textiles, nes, KoC	48,281	CAN	47.6	18	4.5% 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% 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% 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% reduction per year	AUS	11.4	2.5	0.00	CTC with exceptions or min. RVC of 45% under the build-up method or 55% under the build-down method.
610439	Woman's or girls' jackets, of other textiles, KoC	32,492	CAN	44.1	18	4.5% reduction per year	JPN	42	8.4	0.00	AUS	9	5	0.00	CTC with exceptions*
854430	Ignition wiring sets&oth wiring sets of a kind used in vehicles, aircraft	31,877	JPN	97.8	0	0.00	VNM	2.2	15	5% 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.

ADVANCED, UNEDITED VERSION. THIS DOCUMENT HAS NOT BEEN FORMALLY EDITED.

Product		Exports	Principal KHM export destinations within CPTT members												
HS Code	Description	Value (\$000)	1st Destination				2nd Destination				3rd Destination				PSRO
			ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	ISO3 Code	Share (%)	MFN (%)	Pref	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	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% 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% 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% 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% reduction per year	AUS	2.8	5	5.00	CTC with exceptions*
871200	Bicycles and other cycles (including delivery tricycles), not motorised	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 of USD*)

Product		Imports from Partner (\$ 000)							GSP Utilization Rate (%)	ASEAN Utilization Rate (%)
HS2 Code	HS Chapter Description	Total Value	MFN Dutiable	Covered GSP	Covered ASEAN	NOT Receiving pref.	Receiving GSP Pref.	Receiving ASEAN Pref.		
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	168,840	188,582	26,997	136,844	39,265	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 signes; prefabr. buildings	6,154	956	956	956	10	946	0	98.95	0.00
67	Prepared feathers & 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 thousands USD reported in Annex Table 19

3.3 Cambodia trade relations with Japan: from GSP to ASEAN FTA 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 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. This document should be submitted on 29 April as agreed last November 2018 to the WTO Committee on Rules of Origin (CRO) and discussed during the CRO meeting of 15-16 May. 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

In a parallel fashion Cambodia and ASEAN LDCs should begin to study the possibility to have a series of bilateral FTAs with Japan that are providing 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.

On the basis of the abovementioned findings and analysis the following recommendations are made:

- 1. As a matter of priority, Cambodia and other ASEAN LDC with the assistance development partners take advantage of the set agenda of the LDC core group on rules of origin in order to table a document to**
 - a. highlight the changes to be made in the product specific rules of origin of the GSP of japan;**
 - b. request to expand the scope of Japan cumulation provision for ASEAN to include Cambodia;**
 - c. take the opportunity of the CRO to open a dialogue on better rules of origin for ASEAN LDC under the different trade arrangements currently being negotiated like RCEP or in the near future a bilateral Japan- ASEAN FTA.**
- 2. Cambodia should carry out a comparative study on the different FTAs entered by Japan to secure and argue better trade preferences and determining the content of possible close trade relations with Japan.**

4 ADDRESSING SPS 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 US and the EU as main market for the garments and bicycles are 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 Table 20. Some measures are imposed on a multilateral basis while some other are imposed to 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 Table 21 in Annex C. Exports of semi-milled or wholly milled rice represent 12% 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 Sanitary and Phytosanitary measures (SPS) to be the most problematic for Cambodian exporters of agricultural/food products.

Table 9: Total SPS measures imposed by Cambodia's partners by products, 2016
(sorted in descending values of Cambodia's exports, KHM export share > 5%, Total SPS > 2)

Country	HS 6	Description	Bilateral SPS	Multilateral SPS	Total SPS	KHM Exports (\$000), 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	Sandles, with leather soles and straps (over instep, around big toe)	0	3	3	4'617	8%
ARE	640320	Sandles, 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, < 50kg	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%. 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 is affected by SPS measures not only in China but in Brunei, New Zealand, Saudi Arabia, Ghana, Algeria, Senegal and Mauritania. However, in the latter countries, the measures are imposed at a multilateral level, making more difficult to solve the issue with trade policy instruments such as trade agreement.

Table 22 in Annex C 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 USD) on which bilateral SPS are imposed. A similar product (HS 151329) faces bilateral SPS measure in Thailand.

SPS measures may also have an impact in sector where we do not observe high trade values. It is likely to be the case if the SPS has a deterrent effect on Cambodian exporters that are not able to penetrate the foreign market. In an attempt to identify these cases, Table 23 in Annex C shows the sectors-country pairs where exports from Cambodia to the world is above 400'000 USD while exports to the specific country imposing at least 2 bilateral measures is below 5'000 USD.

Results show that Semi-milled or wholly milled rice is not exported to Indonesia and Japan while the total exports from Cambodia amount to 297 million USD. 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 within the same HS sub-heading.

Recommendation

The analysis of the trade flows carried out in Table 1 clearly shows that China cannot replace the EU and US as market of destination for garments and bicycles. China could be a potential market for Rice exports and exports of agricultural products and processed foodstuff. However the main obstacle to enter the Chinese market are not only tariffs but also Sanitary and phytosanitary requirements. In the context of the 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 contains WTO-Plus elements that permits an enhanced dialogue with China and where possible equivalence and mutual recognition agreements.

On the basis of the abovementioned findings and analysis the following recommendations are made:

- 1. Cambodia joined with other ASEAN LDCs should raise specific concern over the SPS measure applied by China on rice imports and other related agricultural products in the next session of the WTO SPS committee scheduled to be held on 18 July 2019.**
- 2. Cambodia should develop a negotiating strategy with other ASEAN LDC to ensure that the RCEP provision on SPS contains WTO plus elements that could facilitate market access to China.**

5 A POSITIVE NEGOTIATING AGENDA FOR CAMBODIA AT MULTILATERAL AND REGIONAL LEVEL

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 EU 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 next 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 of this chapter while on other areas further research has to be carried out as outlined below:

- 1. The actual positioning of Cambodia in the international trade scene and potential leading role of an ASEAN LDC agenda.**

It is recommended that that as matter of priority Cambodia reaches out to other ASEAN LDC to establish a consultative and coordinated group among Capitals and Geneva based delegation 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 scenario in WTO and at regional level as further detailed below:

- a) Establish a consultation mechanism among the ASEAN LDCs delegations at WTO and in Capitals to coordinate negotiating positions and initiatives on the issues to be discussed in Astana, namely E-Commerce, Investment facilitation, MSME and other themes
- b) Prepare intensively for the next CRO of on rules of origin for May 2019 and October and initiate consultations for the possible launching on a plurilateral initiative to simplify rules of origin
- c) Coordinate with ASEAN LDC to raise joint concerns over SPS measure adopted by China on rice and other products of export interest at the WTO SPS committee of 18 July 2019 and follow up initiatives

2. Building new trade initiative with the EU in view of the EU-ASEAN FTAs

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

ASEAN LDCs are expected to 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

Cambodia should prepare a short roadmap for a new partnership between ASEAN LDCs and the EU and discuss it with other ASEAN counterparts at the nearest opportunity during the summer 2019

Convene a meeting at high level among the ASEAN LDC to agree on a roadmap in June/July 2019

upon nomination of the EU trade commissioner and EU parliament in early fall 2019 the ASEAN LDCs should request for a meeting with the new Trade commissioner to discuss such new partnership

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

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

Such action should be undertaken as soon as possible in spring summer 2019 to relay a message to bicycle manufacturers that the Government is actively pursuing a viable trade strategy.

3. RCEP and CP-TPP11 – Challenges and Opportunities

➤ RCEP

- As a matter of priority Cambodia with other ASEAN LDC 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 current RCEP and setting negotiating objectives accordingly.

- 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 being made public it is not possible to provide even an initial assessment
- CP TPP 11
 - Conduct a deeper and comprehensive assessment of the CP-TPP and initiate consultations with other ASEAN LDCs for a possible join initiative to accede to the TP-CPP as ASEAN LDC group
 - Initiate informal consultations either directly or indirectly to identify the possible flexibilities and carve out that may be discussed upon accession, especially on ISDS provision and other aspects.
- Japan
 - As a matter of priority, Cambodia and other ASEAN LDC with the assistance development partners 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 to expand the scope of Japan cumulation provision for ASEAN to include Cambodia;
 - take the opportunity of the next WTO CRO on 15-16 May 2019 to open a dialogue on better rules of origin for ASEAN LDC under the different trade arrangements currently being negotiated like RCEP or in the near future a bilateral Japan- ASEAN FTA.
 - Cambodia should carry out a comparative study on the different FTAs entered by Japan to secure and argue better trade preferences and determining the content of possible close trade relations with Japan.

4. Addressing SPS issues with China and other partners

- Cambodia joined with other ASEAN LDCs should raise specific concern over the SPS measure applied by China on rice imports and other related agricultural products in the next session of the WTO SPS committee scheduled to be held on 18 July 2019.
- Cambodia should develop a negotiating strategy with other ASEAN LDC to ensure that the RCEP provision on SPS contains WTO plus elements that could facilitate market access to China.

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 are largely echoing those already made almost three years ago during a workshop organized by Ministry of Commerce and UNCTAD⁷². Such research and capacity building should assist the Government in taking informed decisions on trade policy at large and in carrying out related trade negotiations.

⁷² <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1233>

ANNEXES

A. ASEAN-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 RVC of not less than 40 per cent, CTC 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 and (c) Article 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/ boy' overcoats & similar articles of wool/ fine animal hair, not knitted or crocheted

B. FIGURES

Figure 9: Export share by Destination⁷³

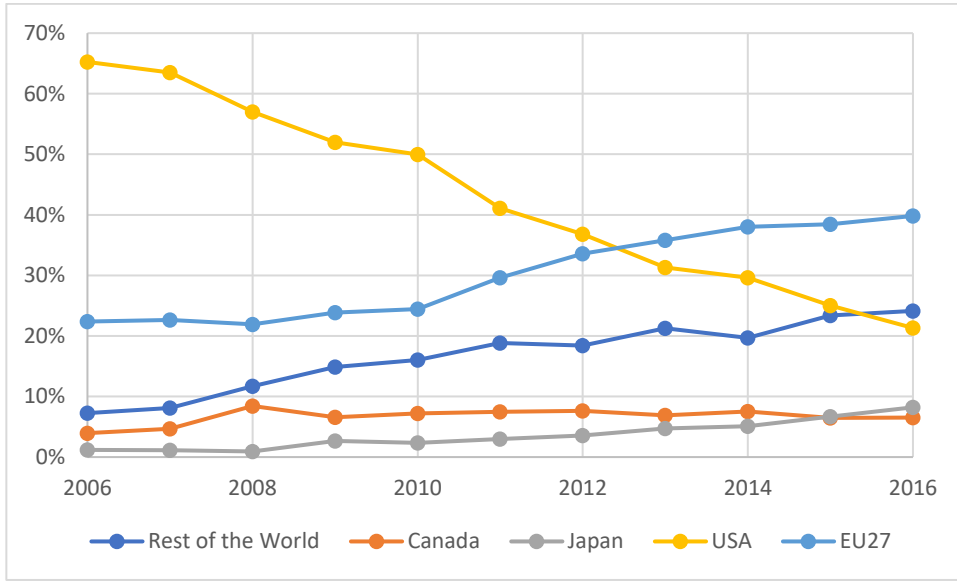
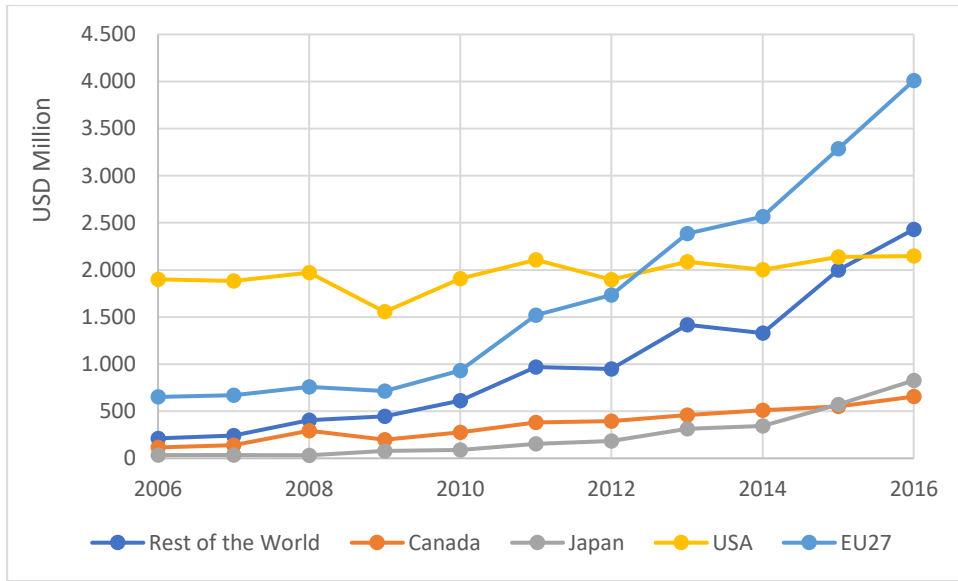


Figure 10: Exports to selected countries/ regions (USD million)⁷⁴



⁷³ Excluding trade flows of banknotes, as discussed in footnote 16.

⁷⁴ Excluding trade flows of banknotes, as discussed in footnote 16.

Figure 11: Exports to ASEAN, China, South Korea, Rest of World (without QUAD)⁷⁵

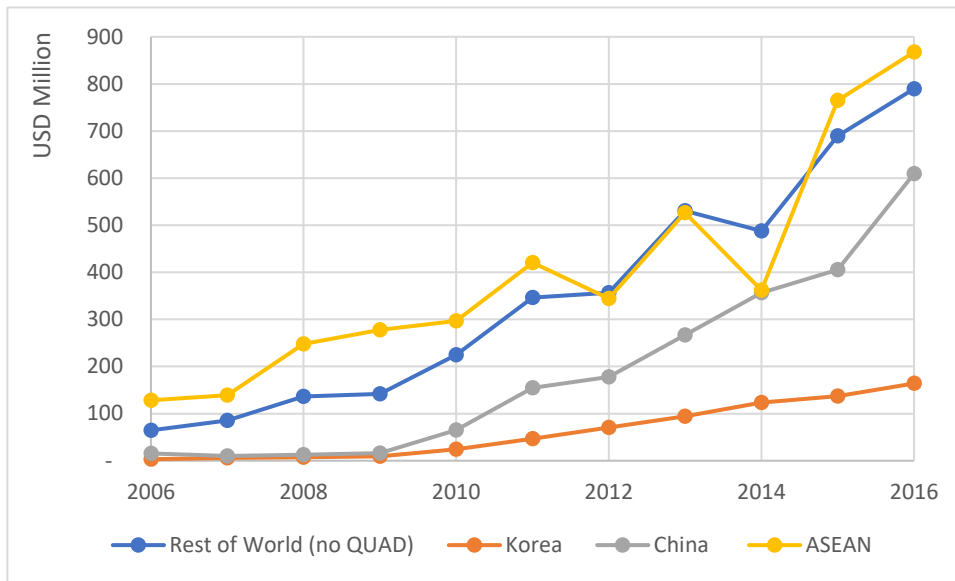
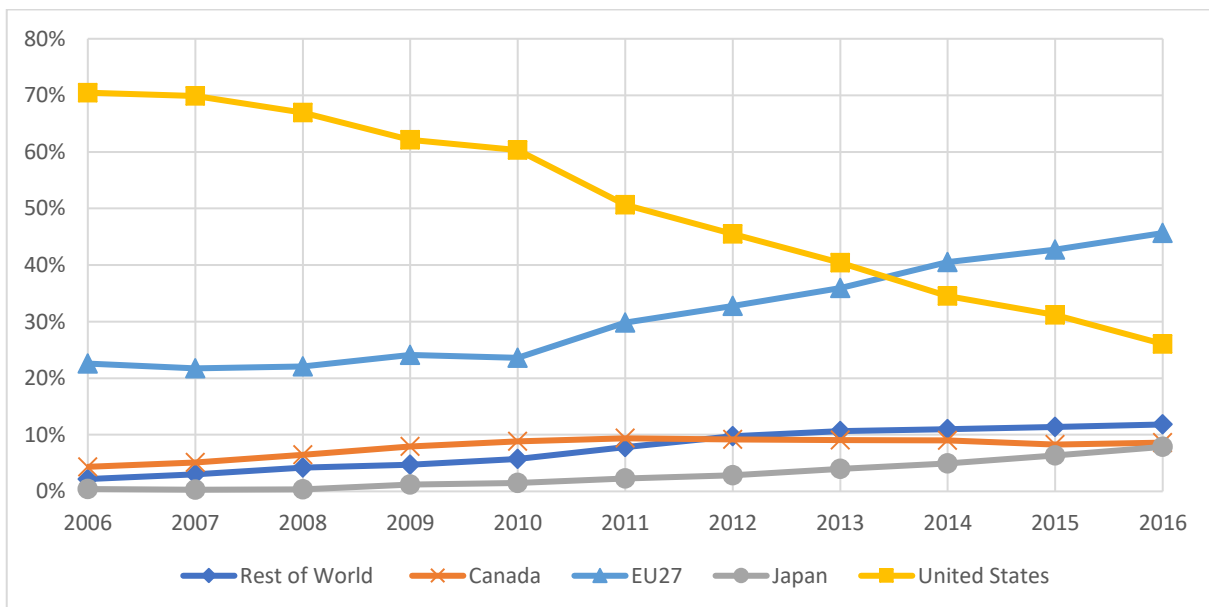


Figure 12: HS 61 Export shares by destination



⁷⁵ Excluding trade flows of banknotes, as discussed in footnote 16.

Figure 13: EU - GSP utilization rates of HS 61 of selected countries

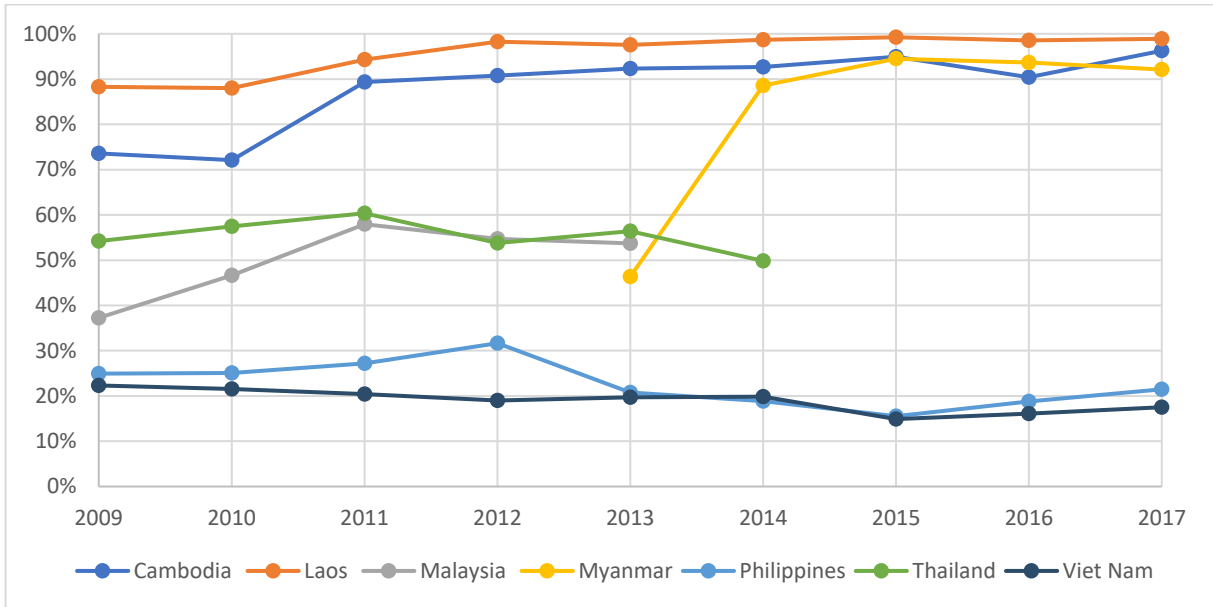


Figure 14: EU - GSP utilization rates of HS 62 of selected countries

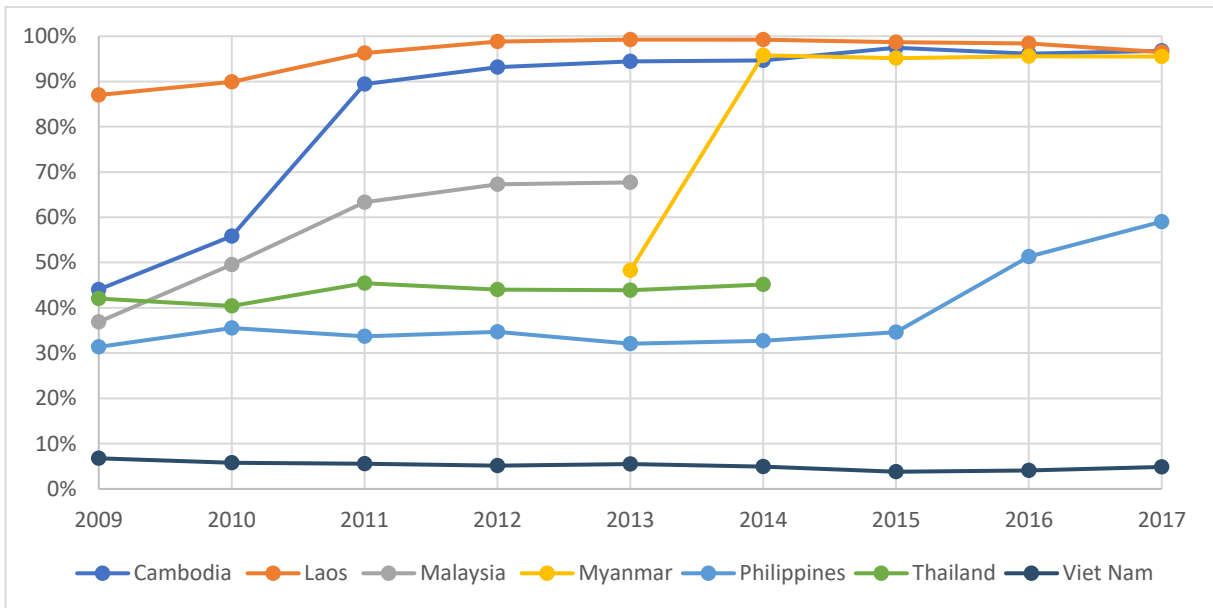
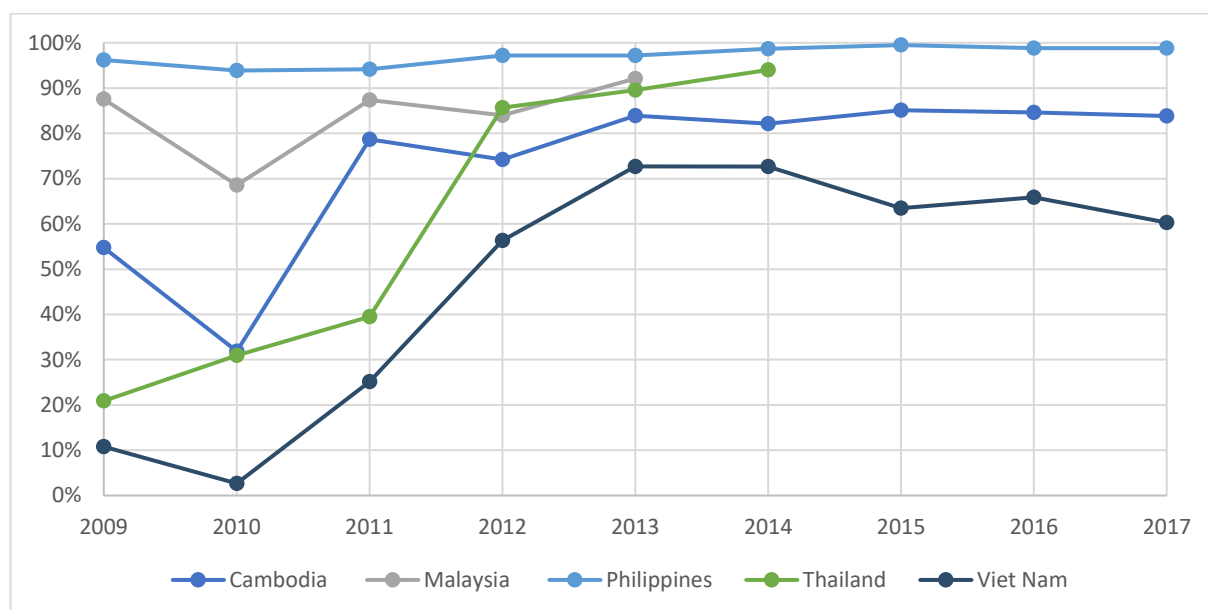


Figure 15: EU – GSP utilization rates of HS 87.12 of selected countries



C. TABLES

Table 10: Exports of Postage, Stamps, Banknotes (HS 497000), in USD million

Year	Total	Australia	Germany	Hong Kong	Malaysia	Singapore	Thailand	UK	Vietnam
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	2001.56	2.03	0.31	1631.86	0.10	364.94	2.69	0.00	0.00
2010	1776.97	1.83	0.00	1368.92	0.11	406.21	0.00	0.00	0.00
2011	1574.93	2.65	0.00	1157.12	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	8207.66	14.70	1.09	6548.99	0.46	1632.86	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 EU GSP reform in 2011

<i>Old regulation</i>	<i>New regulation</i>	<i>Comments</i>
<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.t</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: (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. (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 cumulation⁷⁶.</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 clothing⁷⁷</p>

⁷⁶ The wording of this article has been changed in the Union Customs code but the substance remains the same

⁷⁷ Working such as: fitting of buttons and/or other types of fastenings, making of button-holes, 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 (\$000000), Simulation model

HS	Description	EU Imports from (\$000'000)							Trade Effects for Cambodia			Trade Effects for ASEAN			Total Trade Effect for	
HS	Description	MFN	World	KHM	ASEAN	CHN	Other GSP	Other countries excl. GSP&LDCs	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: EU-Singapore, EU-South Korea and EU-Vietnam FTA PSRO
HS 61, HS 62**

FTA	PSRO	Cumulation	Intermediate rule
EU-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
EU-South 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 a FTA with the EU	As above
Garments HS 61	Weaving accompanied by making-up (including cutting)		
EU-Vietnam			
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, mercerising, 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 % of the ex-works price of the product.		

Table 14: EU-Singapore and EU-South Korea FTA: Bicycles and part of bicycles

FTA	PSRO	Cumulation	Intermediate rule
EU-Singapore			
Bicycles	Manufacture in which the value of all the materials used does not exceed 40 % 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 % of the ex-works price of the product	As above	As above
EU-South Korea			
Bicycles	Manufacture in which the value of all the materials used does not exceed 45 % of the ex-works price of the product	Possibility of cumulation with other Countries who entered in a FTA with the EU	As above
Parts of bicycles	Manufacture in which the value of all the materials used does not exceed 45 % of the ex-works price of the product	Possibility of cumulation with other Countries who entered in a FTA with the EU	As above

Table 15: Australian imports from Cambodia and Utilization Rates (\$000) – 2016

(sorted in descending order of MFN received imports (>600'000 USD), filtered: UR<70%, 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 textile 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 motorised	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, waist-coats 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: South-Korean imports from Cambodia and Utilization Rates (\$000) – 2016

(sorted in descending order of MFN received imports (>1 million USD), filtered: UR<70%, PM>2pp)

HS	Product	Dutiable	Covered imports	Receiving DFQF pref.	MFN Received	Other Scheme	UR
611030	Jerseys, pullovers, cardigans, waist-coats, 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 motorised	1'650	0	1'274	376	0.0	8.0

ADVANCED, UNEDITED VERSION. THIS DOCUMENT HAS NOT BEEN FORMALLY EDITED.

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 not-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
(sorted in descending values, cumulative export share < 65%)

Product		KHM Exports				Principal KHM export destinations within RCEP members											
HS Code	Description	Value (\$000)	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 textile, 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&oth 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	Sandles, 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

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
(sorted in descending values, cumulative export share < 65%)

Product		KHM Exports				Principal KHM export destinations within CPTT members											
HS Code	Description	Value (\$000)	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 textile, 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	Sandles, 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&oth 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 motorised	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

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
(sorted in descending order of MFN Dutiable Imports <= 1 million USD)

Product		Imports from Partner (\$ 000)							GSP Utilization Rate (%)	ASEAN Utilization Rate (%)
HS2 Code	HS Chapter Description	Total Value	MFN Dutiable	Covered GSP	Covered ASEAN	NOT Receiving pref.	Receiving GSP Pref.	Receiving ASEAN Pref.		
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
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 furskins) 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.; basketware & 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	Furskins 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
(sorted in descending values of total NTM, KHM exports > 1 million USD)

country	Bilateral NTM	Multilateral NTM	Total NTM	KHM Exports (\$000), 2016
China	21	5685	5706	609'277
United States of America	769	3995	4764	2'147'050
New Zealand	177	1847	2024	8'043
Australia	10	1629	1639	105'460
Canada	49	1577	1626	654'750
Thailand	29	1088	1117	419'153
Brazil	16	1047	1063	16'495
Japan	38	1025	1063	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
Lebanese Republic	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 products, 2016
(sorted in descending values of total NTM, KHM exports > 4 million USD, share in total trade > 5%, Total NTM > 3)

ISO3	HS6	Description	Bi-lateral NTM	Multi-lateral NTM	Total NTM	KHM Exports (\$000)	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 textile, 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	Sandles, 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 textile, 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	Sandles, 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 textile, KoC	0	8	8	517'155	13%
MEX	640320	Sandles, 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 textile, 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	Sandles, with leather soles and straps (over instep, around big toe)	0	4	4	34'092	5%
JPN	640320	Sandles, 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 USD highlighted in red.

Table 22: Bilateral SPS measures imposed by Cambodia's partners by products, 2016
(sorted 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 (\$000), 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 mangosteens, 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 vulcanised 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%	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%, <=6%	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

(sorted in descending values of Cambodia's exports to the world > 400'000 USD, KHM exports to partner > 5'000 USD , Bilateral SPS >= 2)

Partner	HS 6	HS Description	Bilateral SPS	Multilateral SPS	Total SPS	KHM Exports (\$000)	
						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	Furskins; tanned or dressed	2	4	6	0	4'460
CHE	420299	Cases and containers; n.e.c. in heading 4202, of vulcanised 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 < 50kg	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