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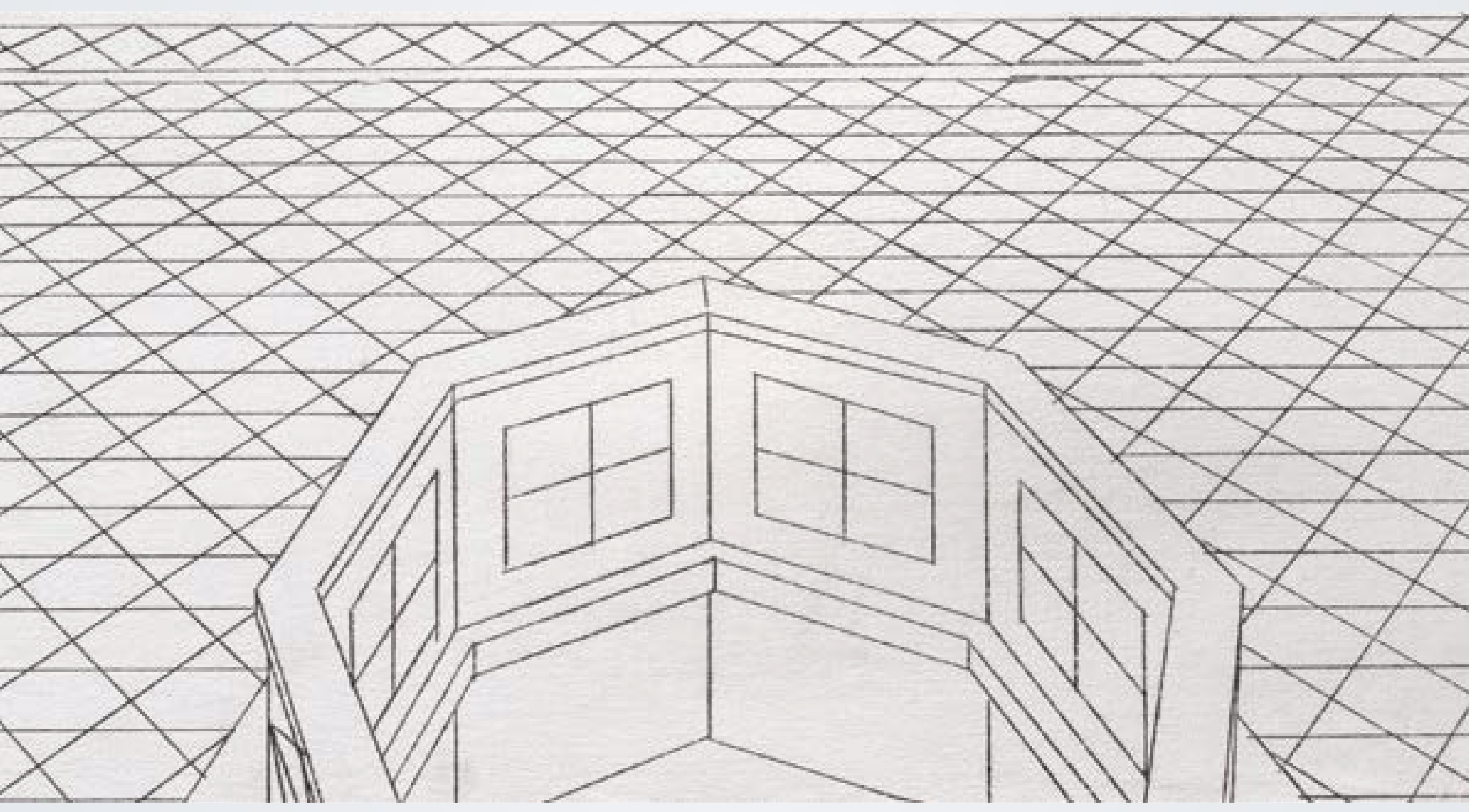
CAMBODIA DIAGNOSTIC TRADE INTEGRATION STUDY 2019–2023

UNCTAD'S CONTRIBUTION TO CHAPTER 1

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



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

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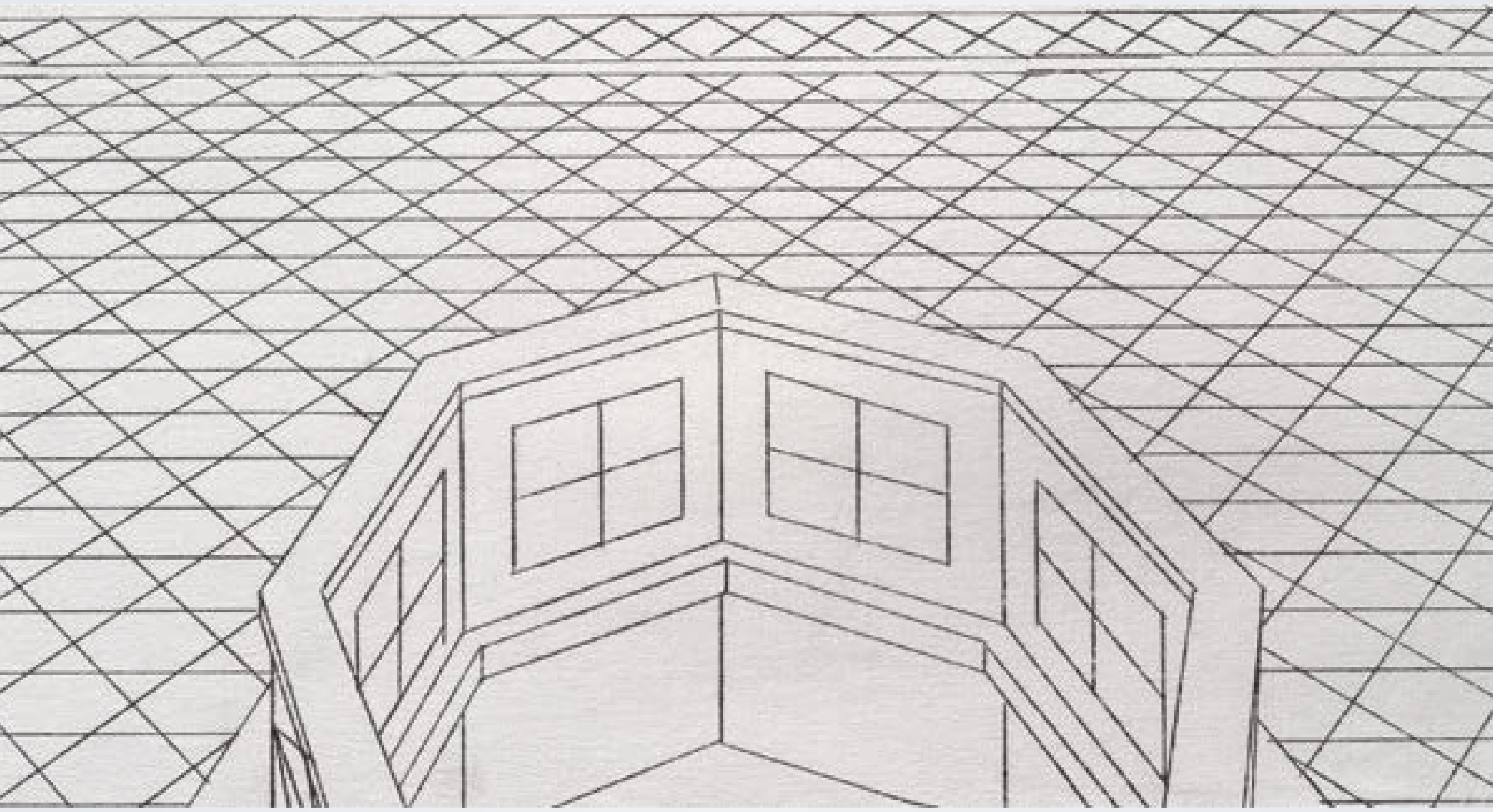

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This study has been drafted by Stefano Inama and Pramila Crivelli as chapter 1 of the Cambodia Trade Integration Study (CTIS) available on the Cambodian Corner website (trade policies and strategies section)[1] and launched by H.E. Hung Sen, Prime Minister of Cambodia in July 2019. The original document has been updated to take in account the main changes that occurred till April 2020.

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

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Abstract

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

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

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

Margins of preferences provided in the European Union market are sizable by any measurement, especially when matched with the export composition of Cambodia, which mainly consists of garments (European Union MFN: 12 per cent) and bicycles

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

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

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

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

According to the Government, "The target of Cambodia is to graduate from the least developed countries by