

PRESS RELEASE

14 February 2020

The Cambodian Private Sector Regrets the Decision by the European Commission to Partially Withdraw Preference Granted to the Kingdom of Cambodia under Everything but Arms Arrangement

Phnom Penh, Cambodia – The Cambodian Chamber of Commerce and signatories, as representatives of the Cambodian private sector, regrets the decision taken by the European Commission to partially withdraw preferences granted to the Kingdom of Cambodia under the Everything but Arms (EBA) arrangement, following the review it initiated on 12 February 2019.

From 12 August 2020, tariffs will be applied to 20% of Cambodia's exports to the European Union, representing approximately US\$1.3 billion of the total US\$5.8 billion of goods exported annually to the European Union (approximately 45% of Cambodia's overall exports). Specifically, tariffs will be introduced on 20% of selected garment products and 30% of selected footwear products, and all travel goods and sugar. Bicycles and rice exports are therefore not impacted by this decision, though safeguarding measures have applied to Cambodian rice since January 2019.

In previous communication with the Trade Commissioner, the Cambodian Private Sector called to consider the socio-economic impact of the Commission's decision as well as the need for Cambodia to diversify its exports, we note that textile products with a high added value will continue to be duty free. However, we estimate that this targeted approach will result in a price increase of approximately US\$140 million for the selected goods.

Over the last 12-months, the Royal Government of Cambodia has undertaken extensive structural reforms to eliminate unnecessary burdens and improve trade facilitation that are intended to reduce the cost of doing business in the Kingdom. The projected negative impact of this partial withdrawal can be offset by the cost savings of these reforms, if properly enforced and in combination with fiscal stimulus from the Royal Government of Cambodia's US\$3 billion in reserves.

Looking forward, Cambodia will continue to benefit from trade preferences for 80% of its exports to the European Union. Therefore, we respectfully call on the European Commission and the Royal Government of Cambodia to continue to engage in dialogue on the issues raised by the Commission's review.

We have full trust in the resilience of the Cambodian people, and are committed to working with those most affected by this decision to mitigate the potential damage to trade and investment, and the Kingdom's reputation. We will continue to work closely with international brands and development partners to strengthen and promote the values of human and labour rights in Cambodia, in accordance with international best practices.

The decision by the Commission, while regrettable, is viewed by the private sector as an opportunity to initiate further structural reforms that strengthen legal compliance and reduce unfair competition, which will help to accelerate the diversification of Cambodia's economy, export markets and sources of investment. The Cambodian private sector is dedicated to working with all investors, development partners and the Royal Government of Cambodia to review and implement additional measures and legislation that will enable a more conducive environment for all businesses, employees and Cambodian society.

This has been endorsed by:

1. Cambodia Chamber of Commerce
2. European Chamber of Commerce in Cambodia
3. American Chamber of Commerce in Cambodia
4. Association of Banks in Cambodia
5. Benelux Cambodia
6. British Chamber of Commerce in Cambodia
7. Cambodia Freight Forwarders Association
8. Cambodia Tourism Federation
9. Cambodia Restaurant Association
10. Canadian Chamber of Commerce in Cambodia
11. Federation of Associations for Small and Medium Enterprises of Cambodia
12. French Cambodia Chamber of Commerce and Industry
13. German Business Group Cambodia
14. Indian Chamber of Commerce in Cambodia
15. Insurance Association of Cambodia
16. International Business Chamber
17. Italian-Cambodian Business Association
18. Malaysian Business Council of Cambodia
19. Nordic Chamber of Commerce in Cambodia
20. Young Entrepreneurs Association of Cambodia

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