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Senior Partner

April 24, 2025

GLOBAL TRADE TENSIONS: ARE YOU TARIFF READY?

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1

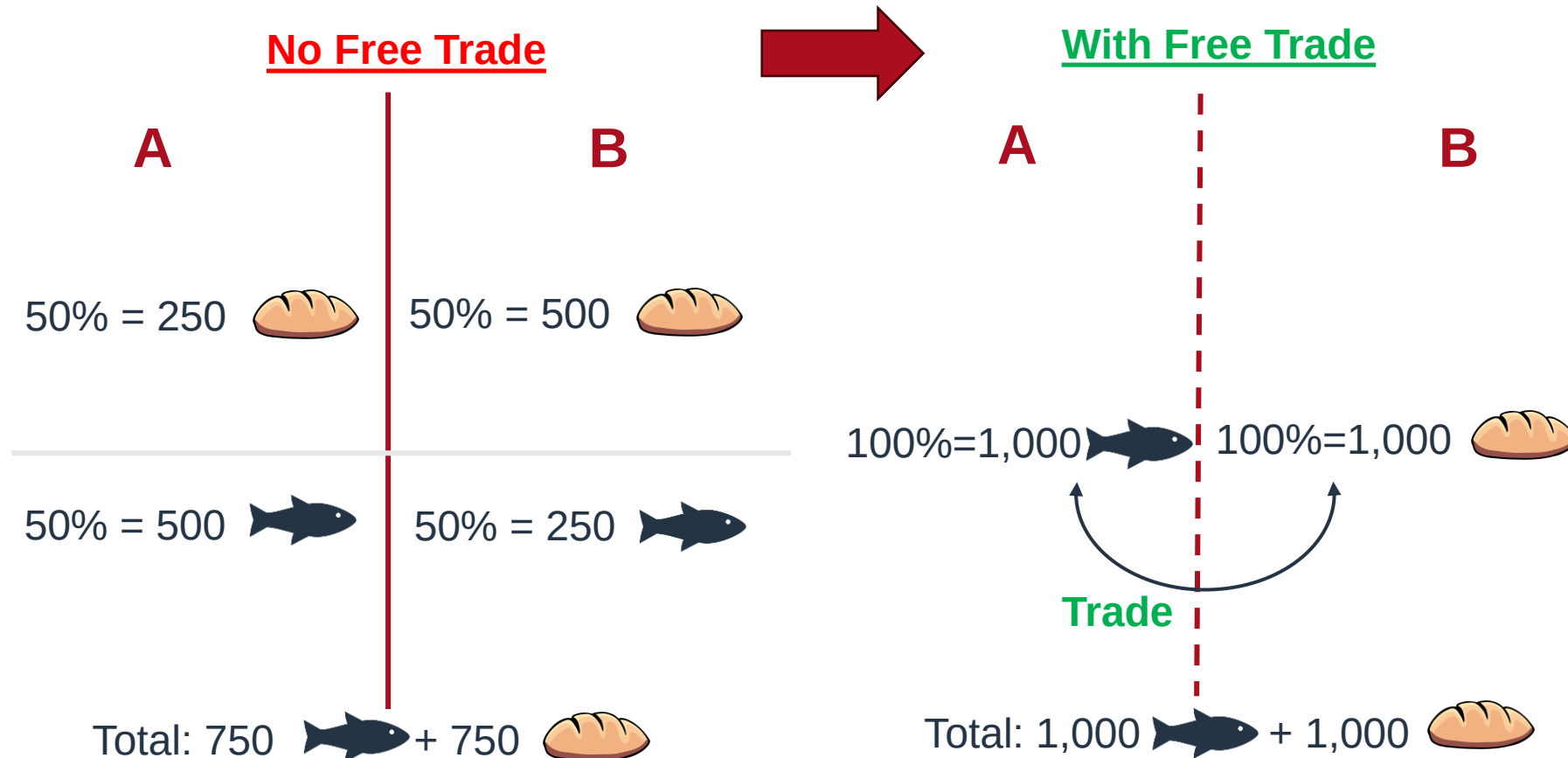
THE RATIONALE OF TRADE LIBERALIZATION

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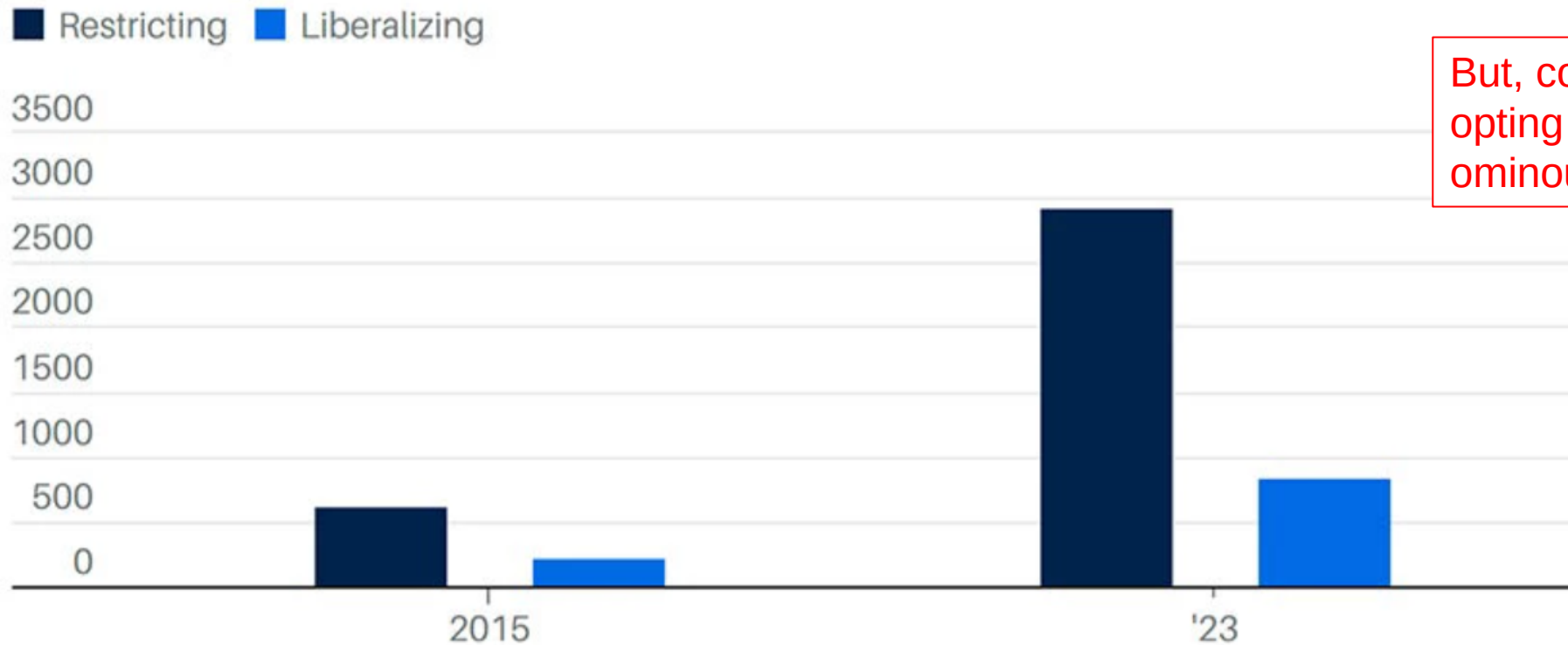


K=10 L=100	PRODUCTIVITY FISH	PRODUCTIVITY BREAD
A	1	0.5
B	0.5	1

$$Y = K^{\alpha} L^{\beta}$$



Bottom line: As a general rule, it is a waste of resources to produce what someone else producer better than you. Trade is much more efficient.



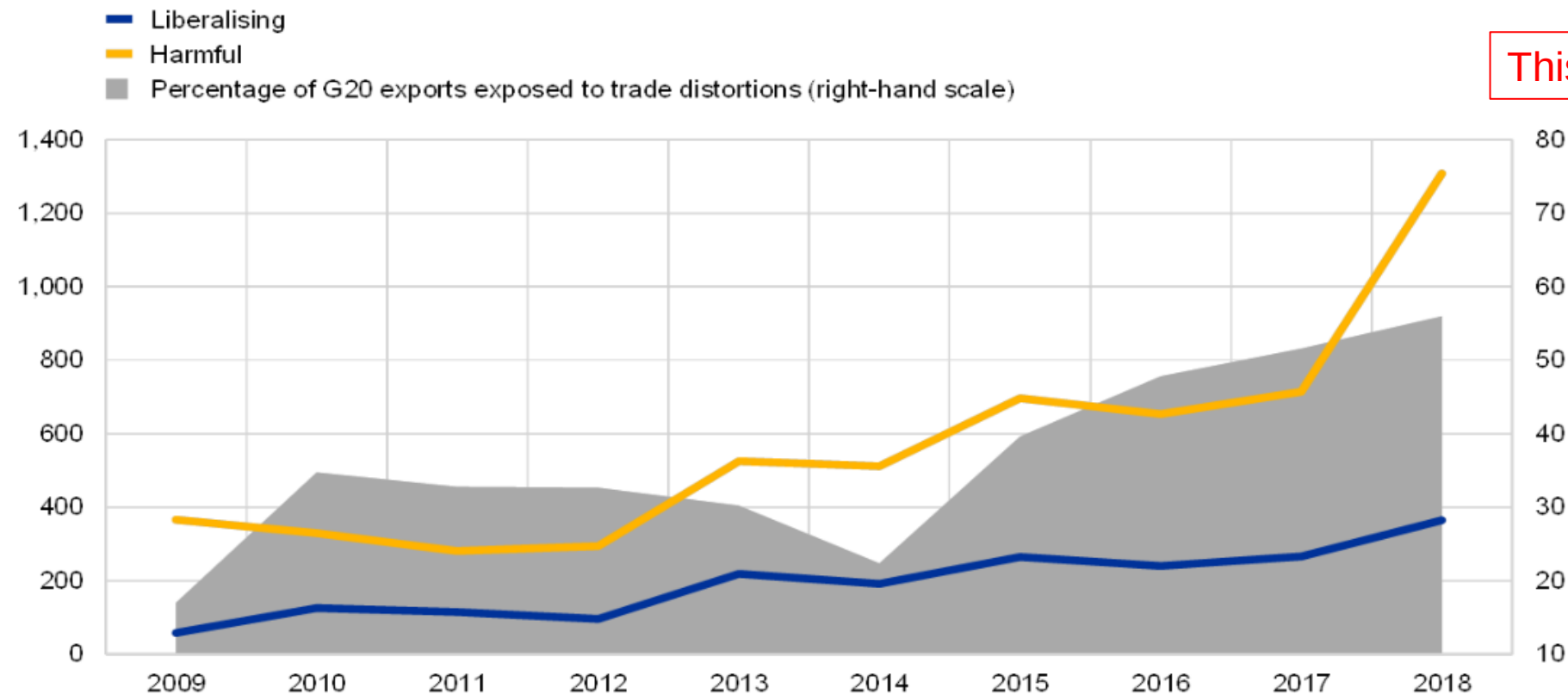
But, countries are increasingly opting for trade restrictions, an ominous sign for global growth.

Note: The number of trade policy interventions affecting goods and services trade. Restricting (Liberalizing) measures are interventions that discriminate against (benefit) foreign commercial interests. Adjusted data for reporting lags as of December 31, 2023.

Source: Global Trade Alert; World Bank

New trade measures announced

(left-hand scale: number; right-hand scale: percentages)



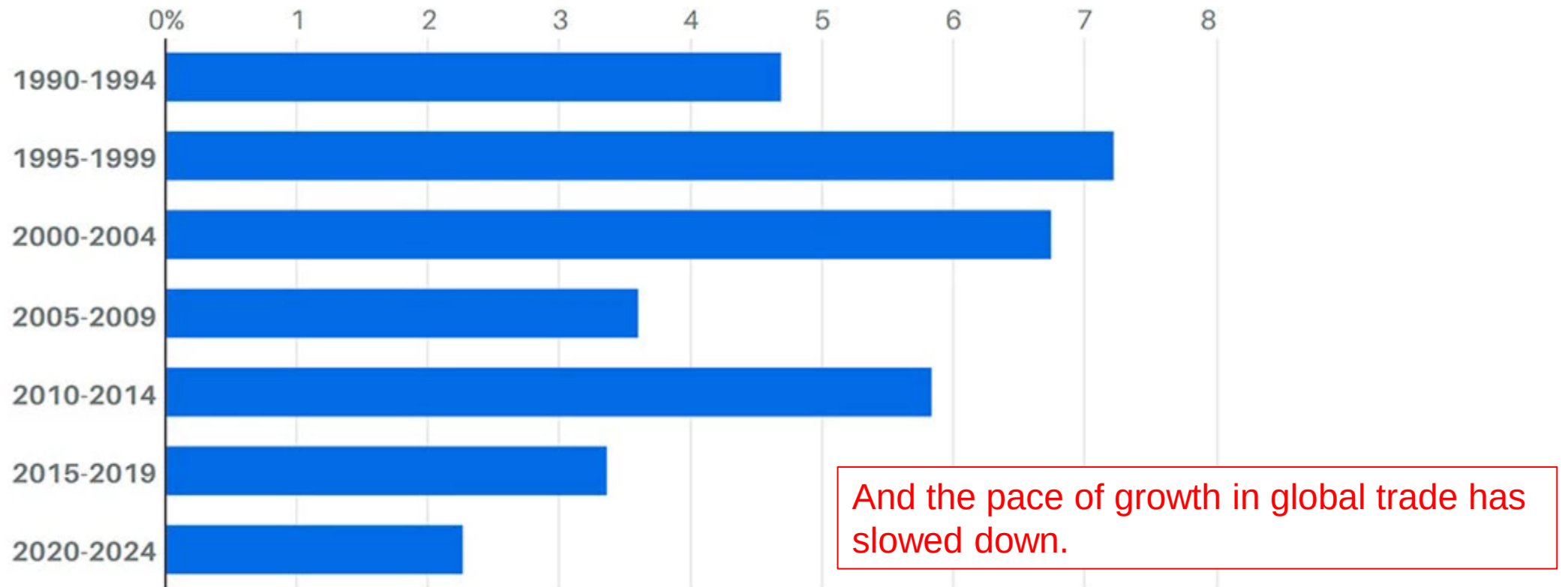
This started in 2012.

Source: Global Trade Alert database.

Notes: Data have been adjusted for reporting lags. The cut-off date for each year is 31 December.

Global trade growth is slowing

By the end of 2024, global trade will register the slowest half-decade of growth since the 1990s.



Source: World Bank

2

**WHAT THE
HECK JUST
HAPPENED?**

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4 main theories about the rationale for renegotiating US trade agreements through this approach:

1. Reducing the US trade deficit?
2. Reshoring manufacturing industry to the US?
3. Raising non-income tax revenue?
4. Irrational motives?

Possible responses - *choose one or more from the below:*

- Lobby for the US delays, exceptions, ... (but lobby whom?)
- Sue the US for violating international trade norms (Canada, China)
- Renegotiate trade deals bilaterally (but MFN!)
- Renegotiate multilaterally (see the Multi-Party Interim Appeal Arbitration Arrangement - MPIA !) (EU?)
- Renegotiate at WTO level (China)
- Improve own trade compliance (IP, Non-Tariff Barriers, ...)
- Other?

$$\Delta \tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

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Weird. This is not the symbol for multiplication that mathematicians normally use.

$$\Delta \tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

Adds nothing, just means related to one country, which is obvious.

$$\Delta \tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

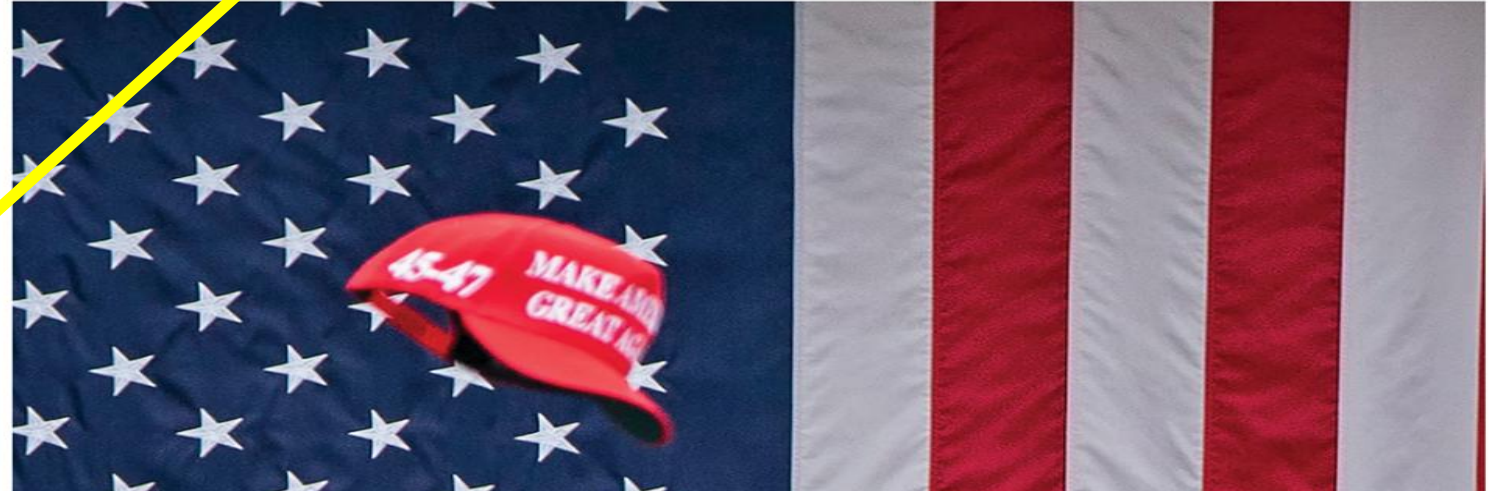
- φ = the pass-through elasticity; to which extent will a tariff increase be transferred by the importer into the price of the product, or not (absorbed)
- φ is fixed at 0.25, attributed to Prof. Cavallo, but that should be almost 1.00, not 0.25
- ε = elasticity of demand, set at 4.00 (???), remarkably so that it cancels out φ .
- Some of the research quoted by USTR has been disputed or renounced by the scholar who was referenced.
- Wrong place, mathematically makes more sense on the other side of this equation, because relates to the impact of the tariff.



The Salt Lake Tribune

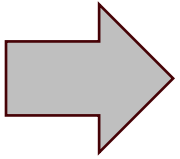
Opinion: The Trump White House cited my research to justify tariffs. They got it all wrong.

A look inside the administration's methodology is a real eye-opener.



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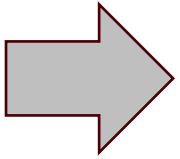
$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$


 The additional tariff that is needed to reduce the US trade deficit with this country

= Trade deficit divided by the exports from this country to the US, as a percentage

/ 2

$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$


 The additional tariff that is needed to reduce the US trade deficit with this country
 $=$
 Trade deficit divided by the exports from this country to the US, as a percentage
 $/ 2$

For **Cambodia**, in millions (2024)

$$49\% = (12,661 - 322) = 12,340 / 12,661 / 100 = 97\% / 2$$

Cambodia exports to US (goods only)

US imports in Cambodia

Trade deficit

U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES, DECEMBER 2024

Release Number: CB 25-17, BEA 25-04

February 5, 2025 — The U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced today that the goods and services deficit was \$98.4 billion in December, up \$19.5 billion from \$78.9 billion in November, revised.



U.S. Department of Commerce
U.S. CENSUS BUREAU
census.gov



Bureau of Economic Analysis
U.S. DEPARTMENT OF COMMERCE

Country	Balance			Exports			Imports					
	(Customs imports)			Domestic & Foreign, F.A.S. basis			Customs basis			C.I.F. basis		
	December	Annual	Rank	December	Annual	Rank	December	Annual	Rank	December	Annual	Rank
TOTAL	-118,724.4	-1,202,217.5	(X)	166,071.5	2,065,180.0	(X)	284,795.9	3,267,397.5	(X)	292,527.6	3,359,319.1	(X)
Afghanistan	-1.5	-11.1	88	0.9	11.4	199	2.4	22.6	161	2.5	23.9	158
Albania	7.6	13.4	130	13.0	141.7	140	5.4	128.3	124	5.6	133.1	125
Algeria	-122.2	-1,447.1	44	181.1	1,014.5	82	303.3	2,461.6	66	313.2	2,540.9	66
Andorra	0.1	1.5	116	0.3	4.9	206	0.1	3.4	196	0.1	3.4	196
Angola	-130.9	-1,186.9	47	39.7	682.4	92	170.5	1,869.2	72	174.9	1,912.5	72
Anguilla	7.6	71.3	154	7.6	72.5	160	(-)	1.2	213	(-)	1.3	213
Antigua and Barbuda	44.7	550.0	195	45.4	573.8	97	0.8	23.8	157	0.8	24.0	157
Argentina	188.5	2,078.8	215	873.1	9,171.0	38	684.6	7,092.2	47	716.7	7,410.8	47
Armenia	7.5	39.2	141	18.1	160.8	133	10.6	121.6	126	11.4	129.0	126
Aruba	63.3	714.8	203	63.9	725.5	90	0.6	10.7	172	0.7	10.9	173
Australia*	367.1	17,907.8	230	2,714.2	34,593.3	14	2,347.1	16,685.5	28	2,377.8	17,061.3	29
Austria	-1,250.2	-13,097.8	17	309.6	4,474.2	50	1,559.7	17,572.0	26	1,590.8	17,964.9	26
Azerbaijan	8.8	97.3	159	12.9	255.1	121	4.0	157.8	121	4.3	162.8	121
Bahamas	154.2	3,847.4	223	520.6	5,639.7	45	366.4	1,792.4	74	373.8	1,839.1	74
Bahrain*	-13.0	441.9	189	95.8	1,646.2	73	108.8	1,204.3	80	114.8	1,272.3	80
Bangladesh	-492.8	-6,151.8	24	163.0	2,214.0	64	655.9	8,365.8	40	686.7	8,780.9	40
Barbados	52.8	724.0	204	56.9	772.6	88	4.1	48.6	141	4.3	50.6	141
Belarus	-0.6	-9.4	89	0.9	10.6	200	1.5	20.0	163	1.6	21.2	163
Belgium	170.2	6,328.1	226	2,334.5	34,177.9	15	2,164.3	27,849.9	21	2,197.3	28,274.8	21
Belize	33.4	509.3	193	37.6	509.4	95	4.2	81.1	123	5.0	86.4	132
Benin	2.1	167.8	176	2.1	216.4	125	1.0	48.8	140	0.0	53.5	139
Cambodia	-936.0	-12,340.2	18	27.0	321.6	117	963.0	12,661.8	35	1,021.2	13,364.9	33
Bosnia and Herzegovina	-13.5	-126.1	67	2.3	18.9	173	12.9	179.1	133	186.2	116	
Botswana	-8.1	-300.8	60	11.8	104.3	151	19.9	405.1	99	20.5	415.0	99
Brazil	504.3	7,350.7	227	4,289.1	49,667.0	9	3,784.9	42,316.3	18	3,932.8	44,183.2	17
British Indian Ocean Territories	0.6	5.0	122	0.6	5.5	205	(-)	0.5	220	(-)	0.5	220
British Virgin Islands	26.8	252.7	180	27.6	312.9	118	0.8	60.2	137	0.8	60.4	137
Brunei	6.9	-111.6	70	8.9	127.2	146	2.0	238.8	109	2.1	248.6	108
Bulgaria	-62.1	-1,000.7	49	82.2	489.4	106	144.2	1,490.1	76	150.3	1,545.7	76
Burkina Faso	5.1	49.8	148	5.1	54.4	170	(-)	4.5	190	(-)	4.7	190
Burma	-55.0	-579.3	57	5.0	77.2	159	60.0	656.5	93	62.3	683.2	93
Burundi	0.2	2.9	118	0.4	6.6	204	0.2	3.7	193	0.2	3.8	193
Cabo Verde	0.4	7.8	125	0.6	12.2	196	0.3	4.5	191	0.3	4.7	191
Cambodia	-936.0	-12,340.2	18	27.0	321.6	117	963.0	12,661.8				

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Assume Cambodia **doubles** its goods imports from the US:

$$47\% = (12,661 - 644) = 11,997 / 12,661 / 100 = 94\% / 2$$

That would hardly make a dent in the 49% tariff.

Cambodia would have to import nearly 50% of
all its imports in goods from the US
instead of the current <3%



What does this really mean?

All countries should buy the same value of goods from the US as vice versa, even when US products are not in demand, or when other products are better or cheaper.

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The Guardian

Analysis

Trump's 'idiotic' and flawed tariff calculations stun economists

Richard Partington

Senior economics correspondent

TIME

APR 4, 2025 4:11 AM IT

Why Economists Are Horrified by Trump's Tariff Math



by Rebecca Schneid
REPORTER

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What does this really mean?

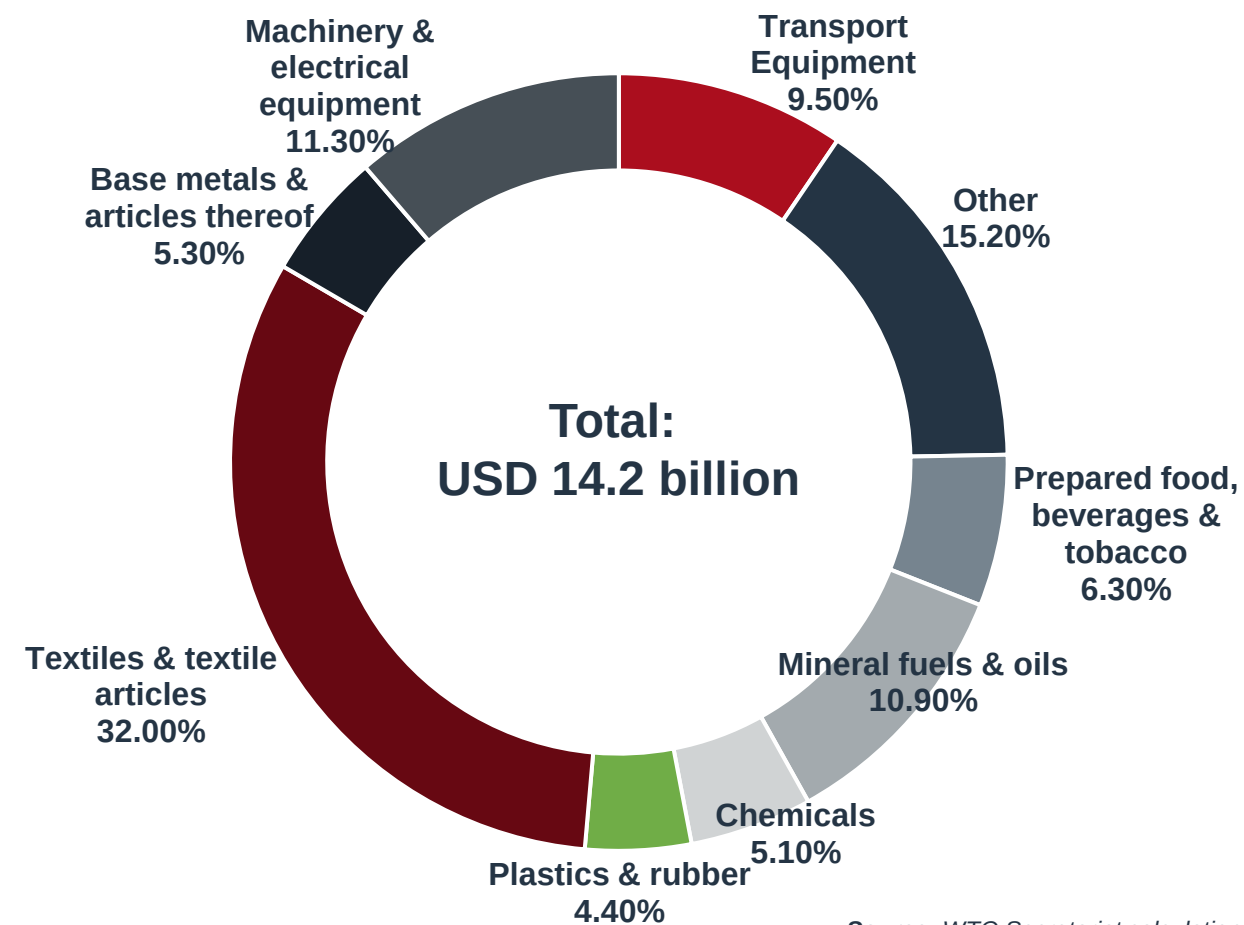
All countries should buy the same value of goods from the US as vice versa, even when US products are not in demand, or when other products are better or cheaper.

"This is the equivalent of calculating the square footage of your house by dividing your phone number by your dog's age" (John Oliver)

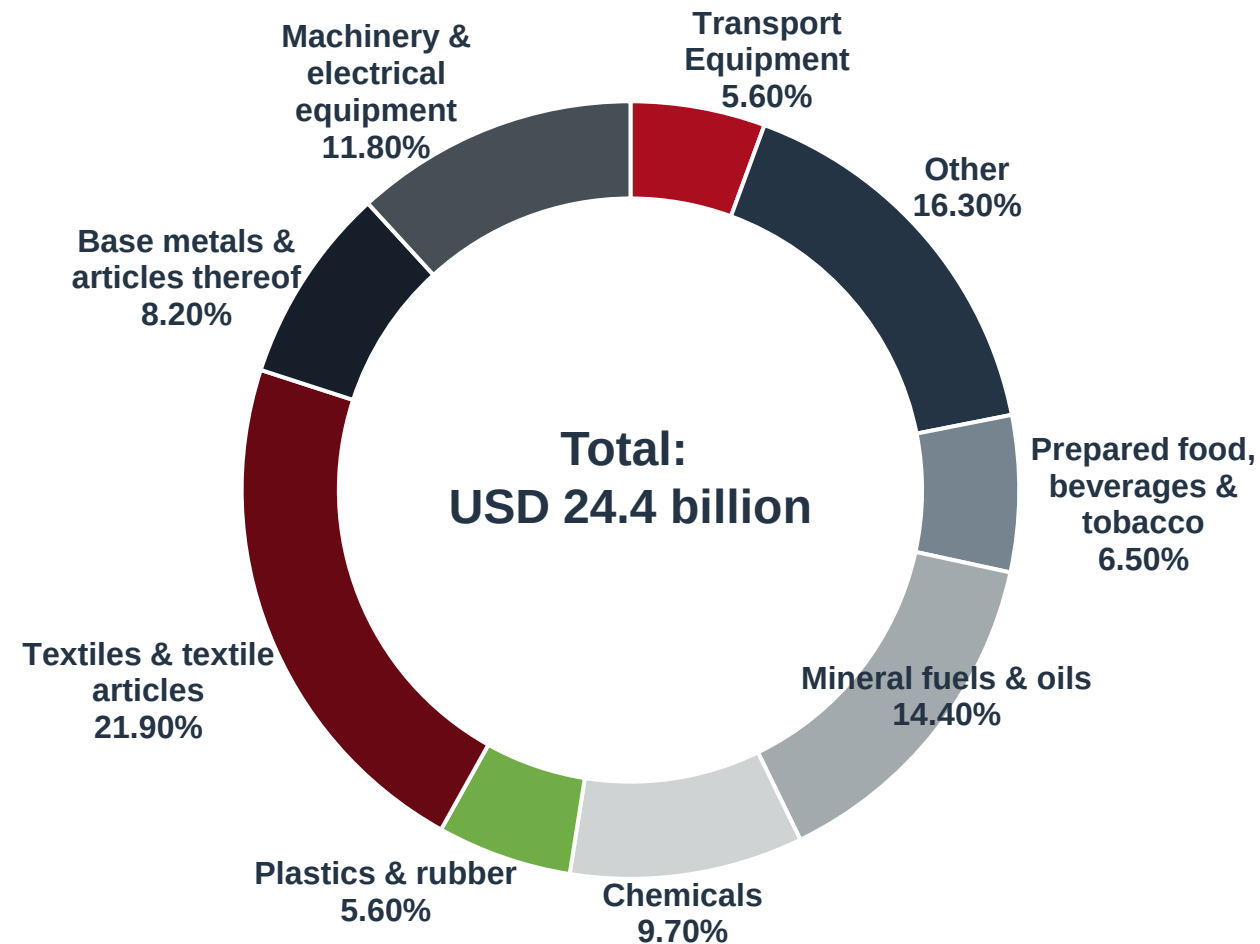


Imports of goods (c.i.f.)

2017



2023



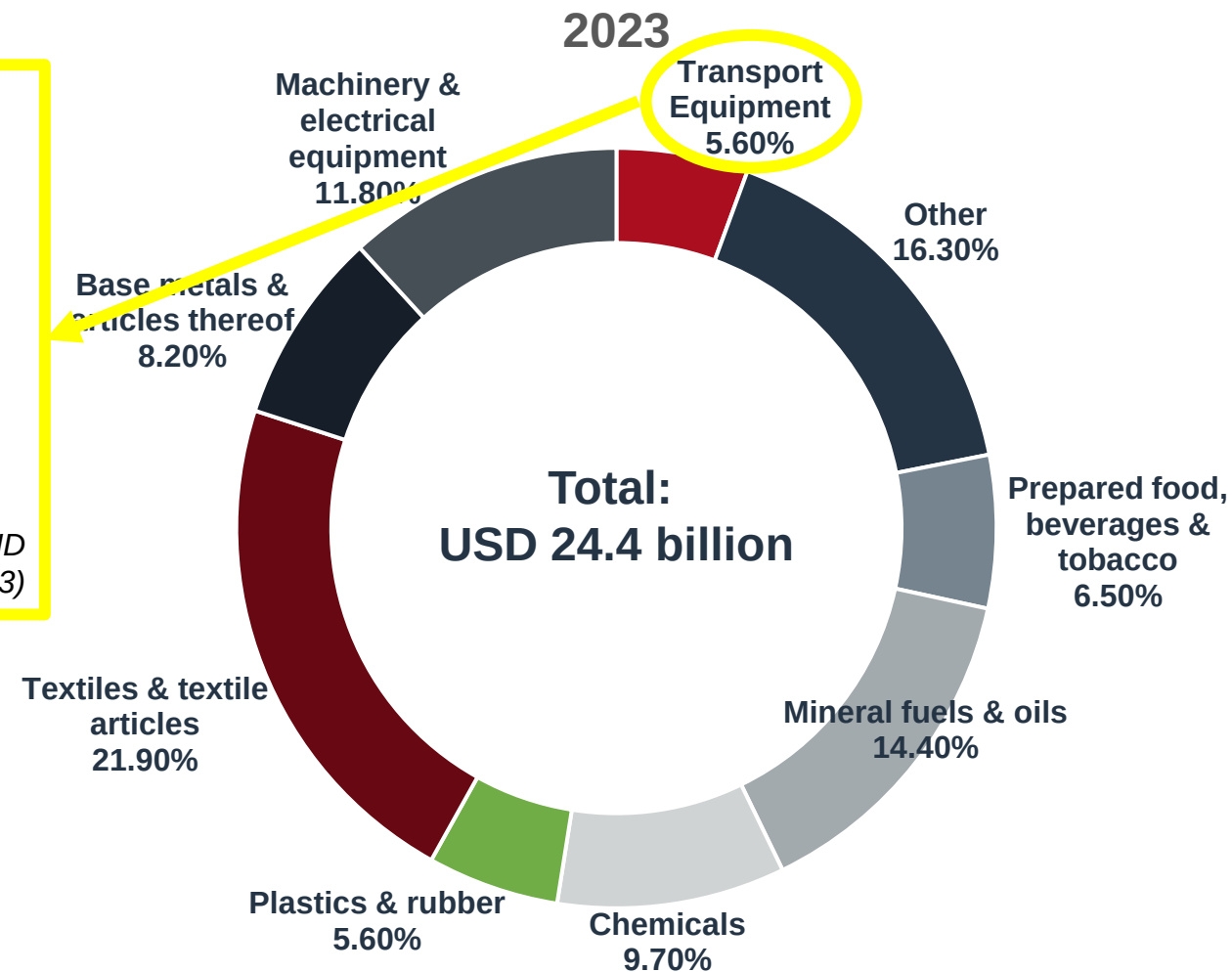
Source: WTO Secretariat calculations, based on data provided by the authorities.

Imports of goods (c.i.f.)

Used Car Import Sources (2023)

Thailand	20%
China	18%
Indonesia	12%
Japan	12%
USA	10%
Others	28%

*FOB, before adjustment LHD/RHD
(WITS World Bank, 2023)*



Source: WTO Secretariat 2025.

Imports of goods (c.i.f.)

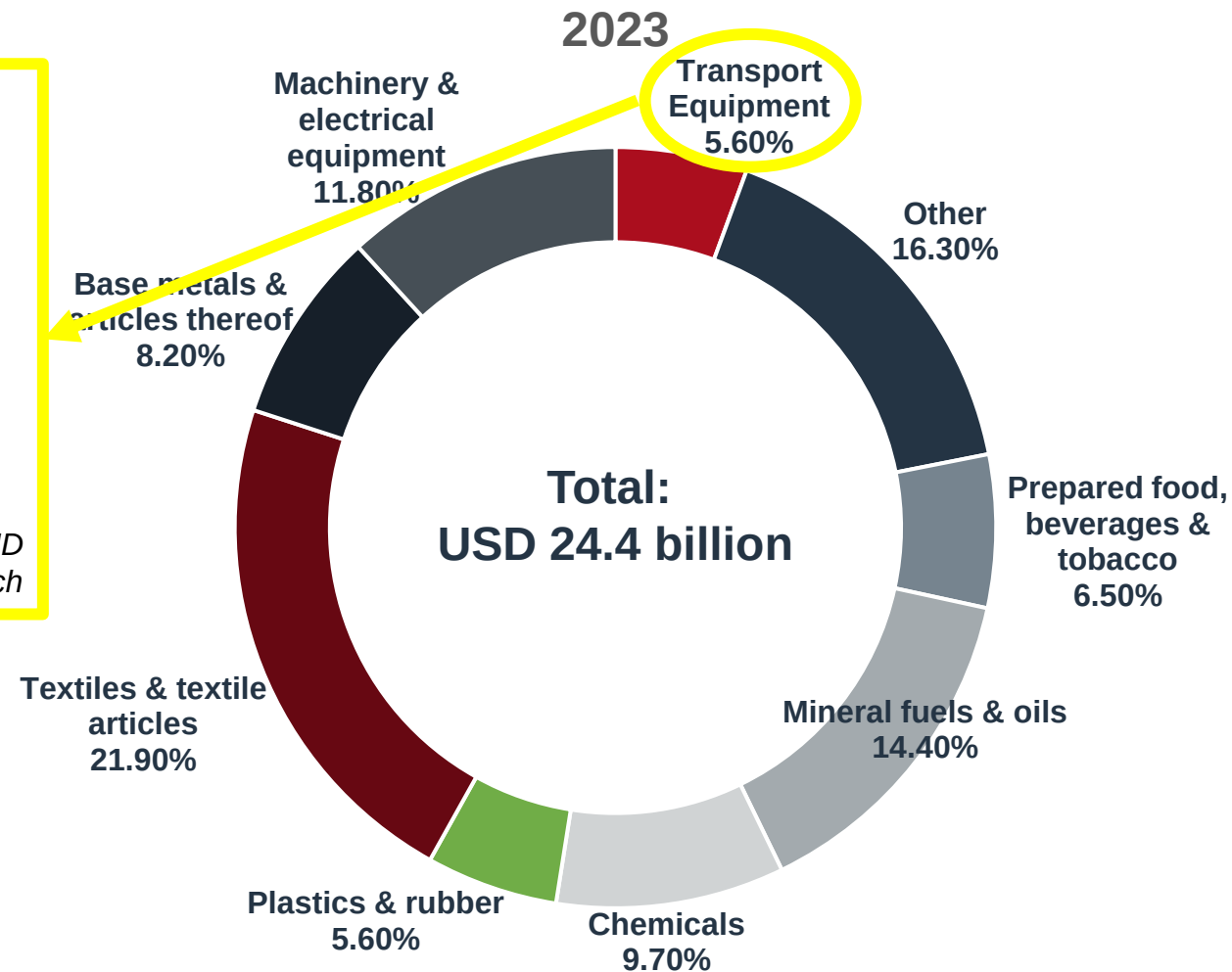
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av. price of 2020 Camry = \$15,000
av. price of 2020 Camry = \$25,000

FOB, before adjustment LHD/RHD

Source: WITS World Bank, 2023 & vehicle trade database search



Source: WTO Secretariat 2025.

Imports of goods (c.i.f.)

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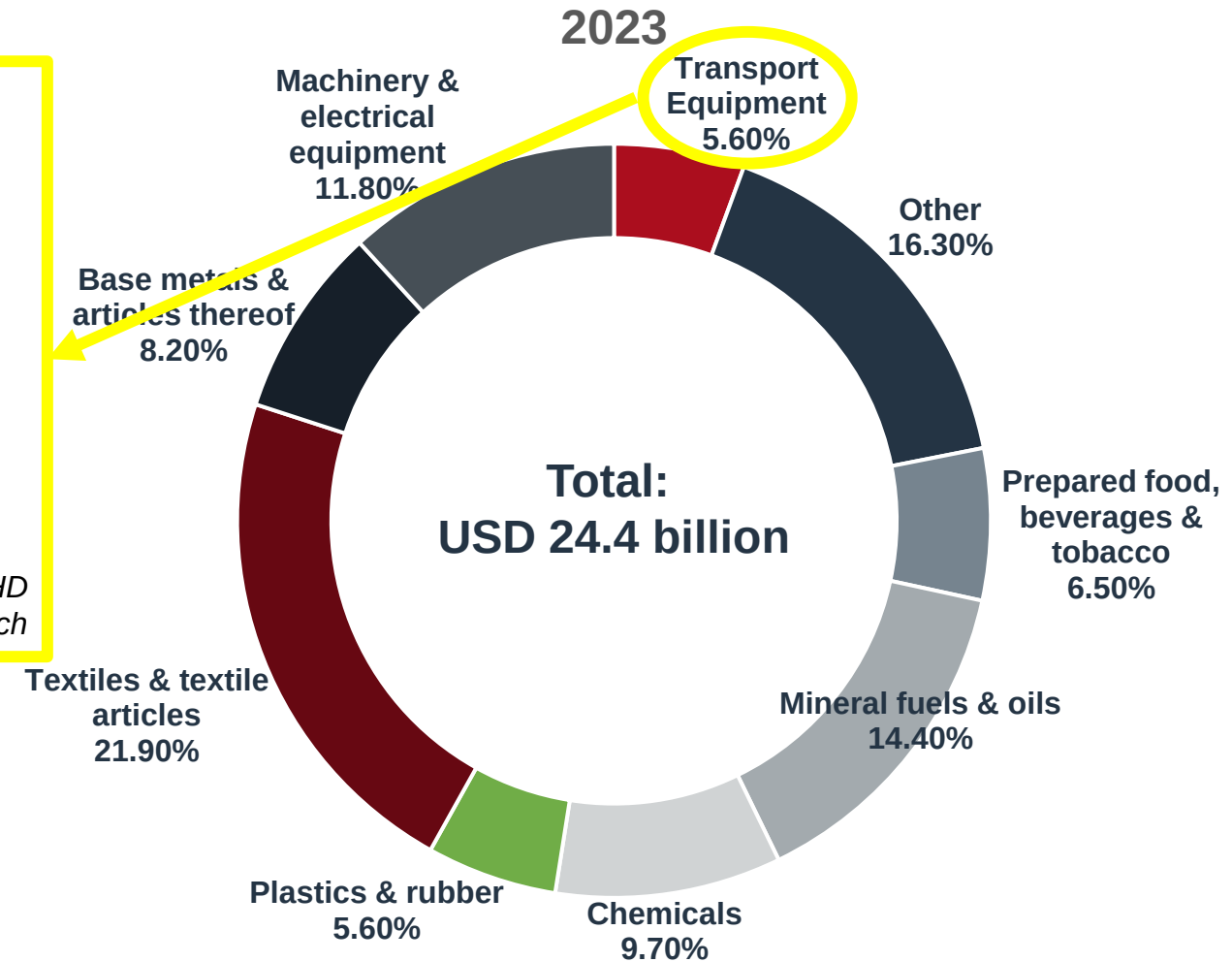
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Source: WITS World Bank, 2023 & vehicle trade database search

RCEP



Source: WTO Secretariat 2025.

3

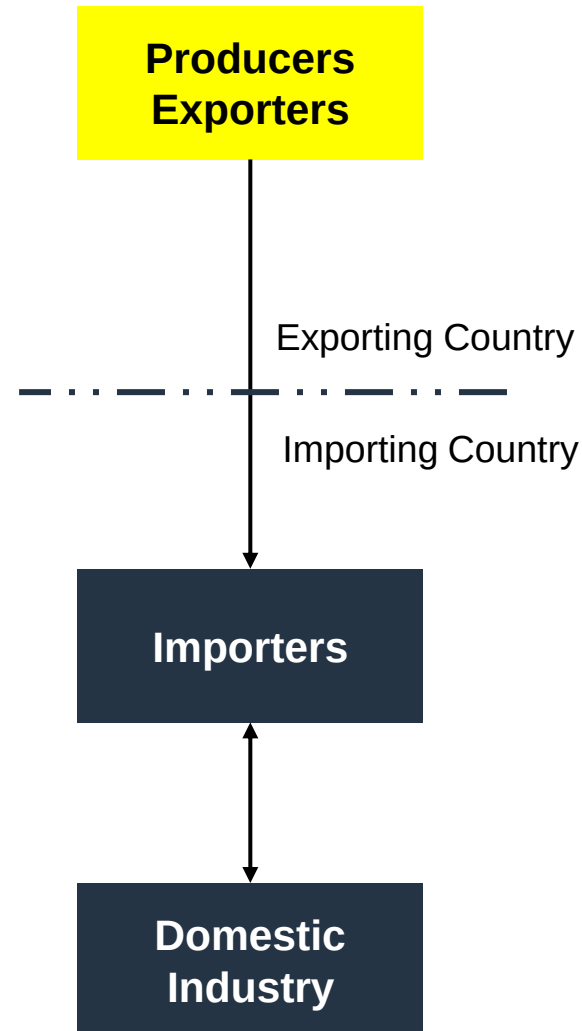
IS THIS LEGAL?

(UNDER INTERNATIONAL PUBLIC LAW)

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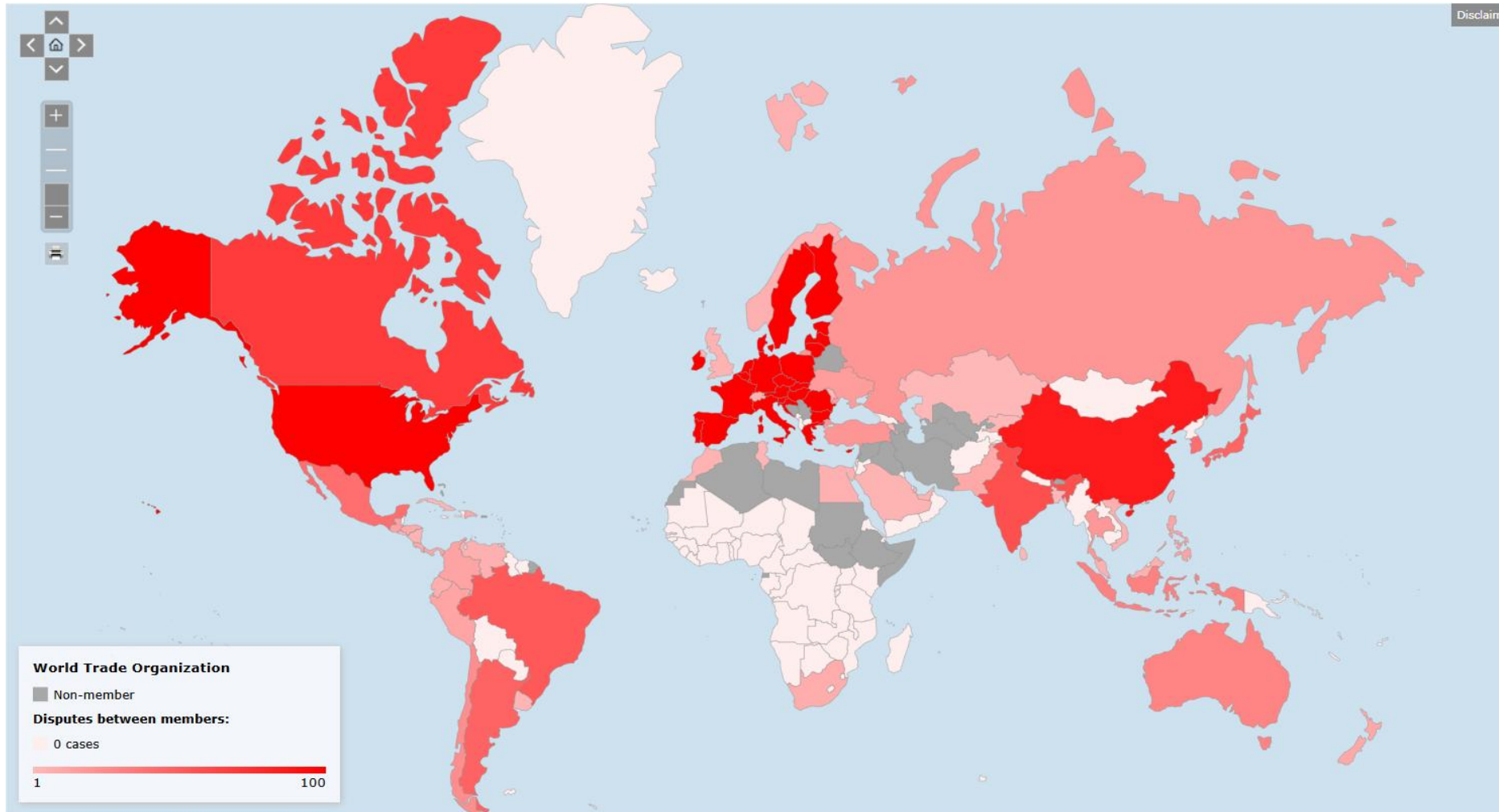
How do trade remedies and disputes work?



International challenge:
Exporting Country starts dispute proceeding against the Importing Country about its extra duties/tariffs (incl. the process) before WTO Panel or FTA arbitration tribunal for violating WTO or FTA obligations.

National challenge:
Producers and Exporters sue Importing Country about its extra duties/tariffs (incl. the process) before its own courts for violating WTO or FTA obligations as implemented in national law.

Map of disputes between WTO Members



Note: In its communication of 4 January 2021 (WT/GC/226), the United Kingdom indicated that until the expiry of the transition period on 31 December 2020, the United Kingdom was treated as a Member State of the European Union for the purpose of ongoing WTO disputes to which the European Union was a party.

Source: https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm



(25-0841)

UNITED STATES – ADDITIONAL TARIFF MEASURES ON GOODS FROM CHINA

REQUEST FOR CONSULTATIONS BY CHINA

The following communication, dated 4 February 2025, from the delegation of China to the delegation of the United States, is circulated to the Dispute Settlement Body in accordance with Article 4.4 of the DSU.

1. My authorities have instructed me to request consultations with the Government of the United States of America pursuant to Articles 1 and 4 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* ("DSU"), and Article XXIII of the *General Agreement on Tariffs and Trade 1994* ("GATT 1994") with respect to the United States' tariffs measures on goods originating in China.

I. MEASURES AT ISSUE

2. On 1 February 2025, the United States issued the fact sheet¹ and Executive Order² implementing a 10% additional tariff on goods originating in China. The 10% additional tariff measures are imposed under section 1702(a)(1)(B) of International Emergency Economic Powers Act (IEEPA), as part of an alleged attempt to address the "national emergency" with respect to alleged influx of synthetic opioids into the United States³. As a consequence, all products of China, as defined by the Federal Register notice⁴, shall be subject to an additional 10% ad valorem rate of duty, effective on 4 February 2025⁵.

Inconsistency with WTO agreements and, if applicable, PTAs* in relation to:

- Schedule of Commitments (art. II GATT 1994)
- MFN (art. I GATT 1994)
- Subsidies (art. 3 ASCM)
- Others

*Preferential Trade Agreement, such as a Free Trade Agreement or a Regional Trade Agreement



Art. XXI GATT 1994 Security Exception

“Nothing in this Agreement shall be construed (b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests [...]

*“It follows from the Panel's interpretation of Article XXI(b), as vesting in panels the power to review whether the requirements of the enumerated subparagraphs are met, rather than leaving it to the unfettered discretion of the invoking Member, that Article XXI(b)(iii) of the GATT 1994 is **not totally 'self-judging'** in the manner asserted by Russia”.*

Panel Report, *Russia – Traffic in Transit*, paras. 7.102-7.103.

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A WTO dispute settlement proceeding will lead to a Panel Report confirming the US's measures are inconsistent with WTO Agreements, as China and Canada have set out to do, but that has limited legal value once 'appealed into the void'.

The WTO Appellate Body is not functional since the Obama administration, because the US will not appoint its judges.

So, no complete proceedings but the MPIA is a multilateral work-around.

Cambodia could join this multilateral effort effort.



DISPUTE SETTLEMENT: APPELLATE BODY

Appellate Body

The Appellate Body was established in 1995 under Article 17 of the Understanding on Rules and Procedures Governing the Settlement of Disputes ([DSU](#)). It is a standing body of seven persons that hears appeals from reports issued by panels in disputes brought by WTO Members. The Appellate Body can uphold, modify or reverse the legal findings and conclusions of a panel, and Appellate Body Reports are adopted by the Dispute Settlement Body ([DSB](#)) unless all members decide not to do so. The Appellate Body has its seat in Geneva, Switzerland.

Is the US policy a violation of customary international law as well as WTO Law?

- Arguably, yes, particularly if directed against a vulnerable State.
- State responsibility for wrongful acts/ acts that are not wrongful.
- The economic measures by a State may constitute violations of the international law of human rights (International Bill of Rights), such as the right to life, health, a private family life, which are clearly binding on all members of the UN.
- The general legal principles of cooperation, the right to development, the right to (economic) self-determination, fairness and equity may be relevant.
- But would an international court have jurisdiction? They might be some instances, yes, but only very few States might want to sue the US.



International Court of Justice, The Hague

COUNTRY	GDP PER CAPITA (US\$)	UNITED STATES EXPORTS (US\$ MILLION)	AS A % OF U.S. EXPORTS
Cambodia	2,458	322	0.02%
Lao People’s Democratic Republic	1,958	40	0.00%
Myanmar	1,147	77	0.00%

4

WHAT DOES THE US WANT FROM CAMBODIA?

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What does the US want from Cambodia?



President Donald Trump holds up a report authored by the Office of the U.S. Trade Representative that he cited as instrumental in his tariff policy.

KENT NISHIMURA/BLOOMBERG



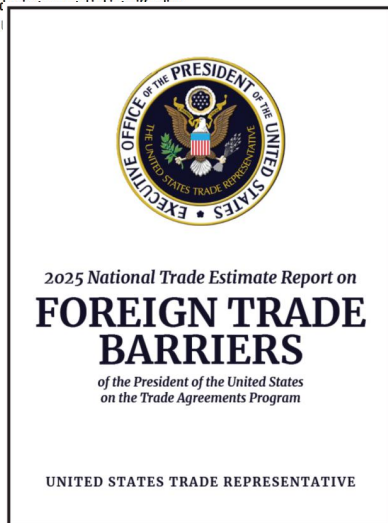
Conflicting statements, unclear in a multi-purpose strategy which one of the objectives is the more important one to the US.

Typical “**Non-Tariff Barriers**” are import licenses and permits, labelling, technical requirements, etc. If unreasonable or excessive, they are protectionist. .

Non-tariff barriers



President Donald Trump holds up a report authored by the Office of the U.S. Trade Representative that he cited in his executive order.
KENT NISHIMOTO



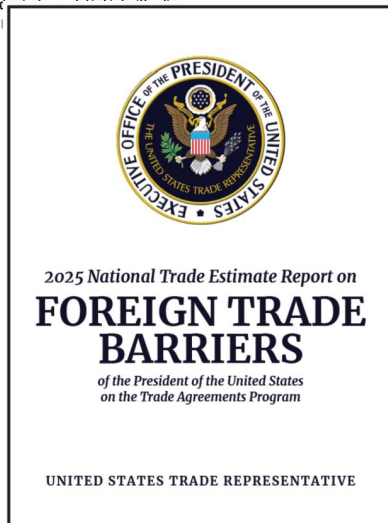
The US main complaints about Cambodia:

- “HS classification disputes with GDCE”
- “Lack of transparency in government procurement (means it may be hard for US suppliers to sell goods or services to the government)”
- “Counterfeit goods sold at markets for tourists”
- “National Internet Gateway?”
- “Tax audits (as an investment barrier)”

Non-tariff barriers



President Donald Trump holds up a report authored by the Office of the U.S. Trade Representative that he cited in his executive order on trade policy.
KENT NISHIMOTO



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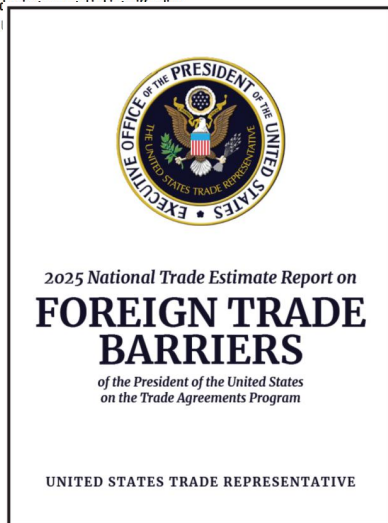
- “HS classification inconsistent with GDCE”
- “Lack of transparency in government procurement (means it is hard for US suppliers to get goods or services from government)”
- “Country goods sold at market prices”
- “No Internet Gateway?”
- “Tax audits (as an investment barrier)”

Nothing on typical NTBs or NTMs???



President Donald Trump holds up a report authored by the Office of the U.S. Trade Representative that he cited

KENT NISHIMI



The US main complaints about Cambodia:

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- “Counterfeit goods sold at markets for tourists”
- “National Internet Gateway?”
- “Tax audits (as an investment barrier)”

Cambodia could quite easily and with minimal costs make GDCE information services easier and more accessible. A quick win.

Law on Public Procurement was already passed, but it remains challenging.

Targeted enforcement. A quick win,

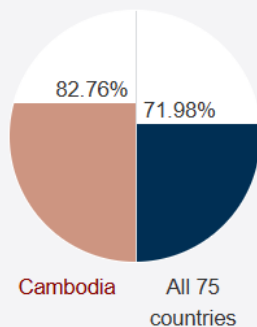
Not implemented.

Has been addressed, in part.

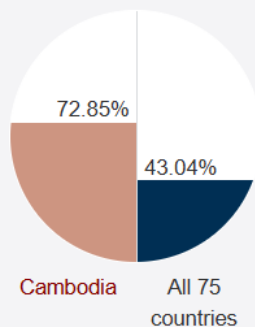
Imports

Looking for specific products?

Coverage ratio



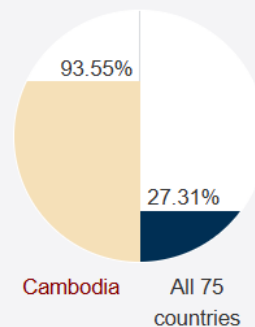
Frequency ratio



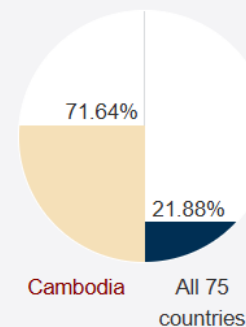
Exports

Looking for specific products?

Coverage ratio



Frequency ratio



IMPORTS

COUNTRY	COV	FREQ
Cambodia	82	72

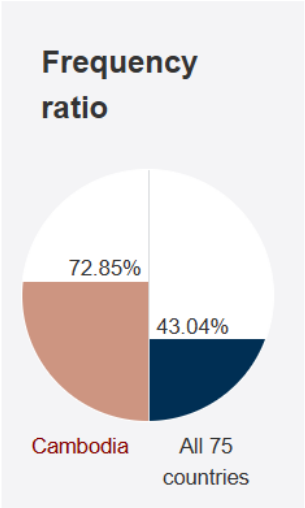
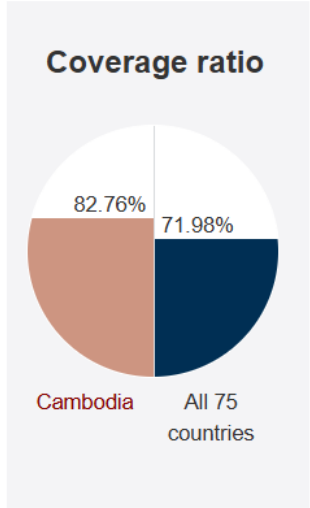
Importations of Cambodia have a coverage ratio of 82.76% and a frequency ratio of 72.85% for non-tariff measures. Exports of Cambodia have a coverage ratio of 93.55% and a frequency ratio of 71.64% for non-tariff measures.

Source: WITS data on Non-Tariff Measures

[Cambodia Non-Tariff Measure \(NTM\) Summary | WITS | Data](#)

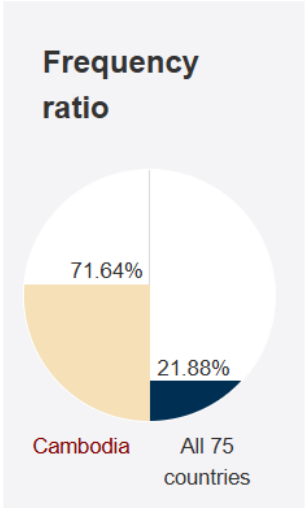
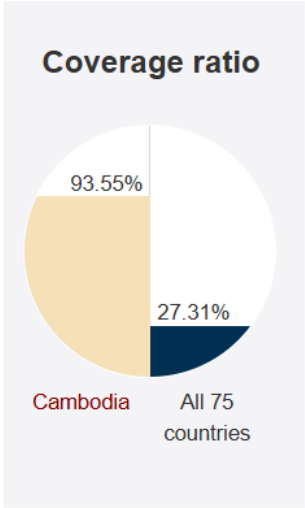
Imports

Looking for specific products?



Exports

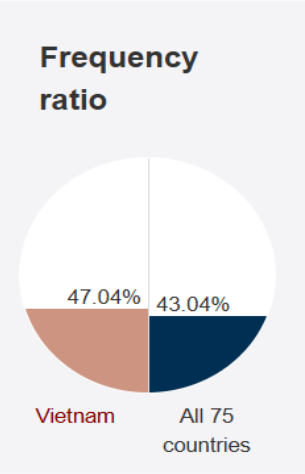
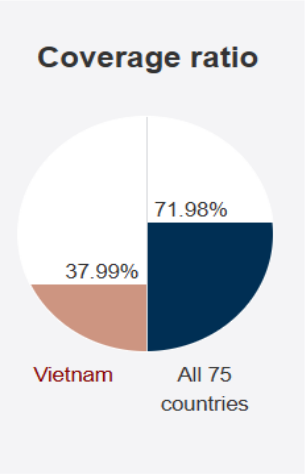
Looking for specific products?



IMPORTS		
COUNTRY	COV	FREQ
Cambodia	82	72
Vietnam	37	47

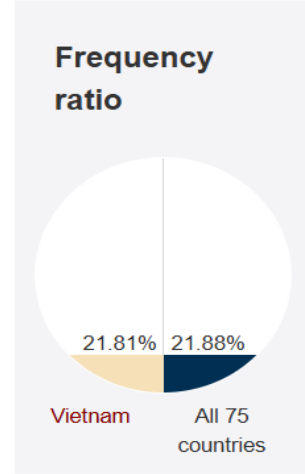
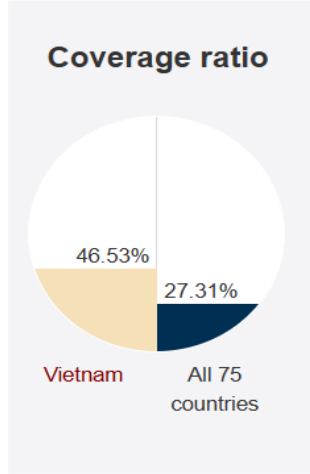
Imports

Looking for specific products?



Exports

Looking for specific products?

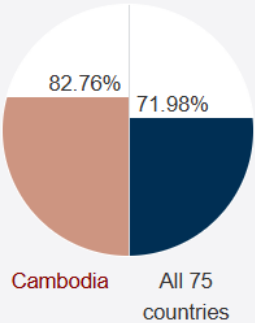


Importations of Vietnam have a coverage ratio of 37.99% and a frequency ratio of 47.04% for non-tariff measures. Exports of Vietnam have a coverage ratio of 46.53% and a frequency ratio of 21.81% for non-tariff measures.

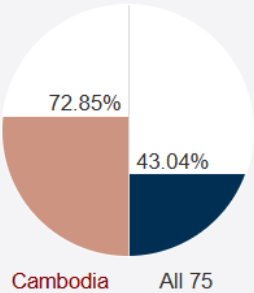
Imports

Looking for specific products?

Coverage ratio



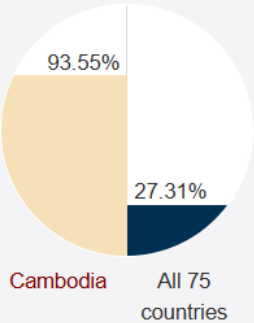
Frequency ratio



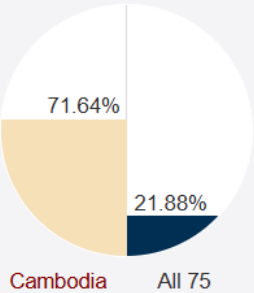
Exports

Looking for specific products?

Coverage ratio



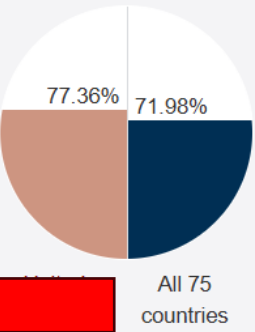
Frequency ratio



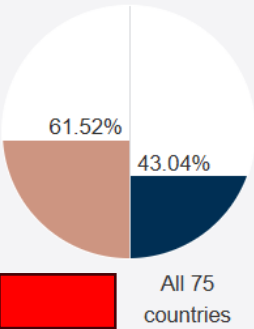
Imports

Looking for specific products?

Coverage ratio



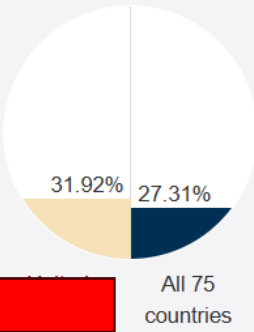
Frequency ratio



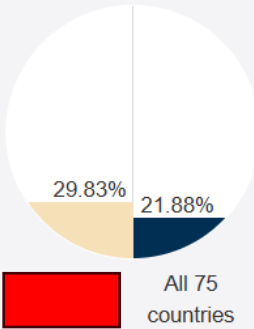
Exports

Looking for specific products?

Coverage ratio



Frequency ratio

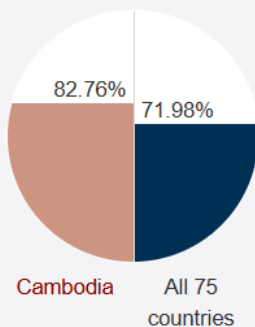


IMPORTS		
COUNTRY	COV	FREQ
Cambodia	82	72
Vietnam	37	47
????	77	61

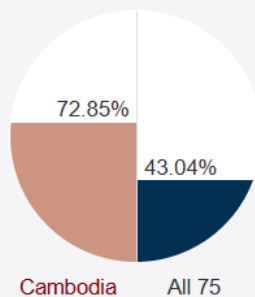
Imports

Looking for specific products?

Coverage ratio



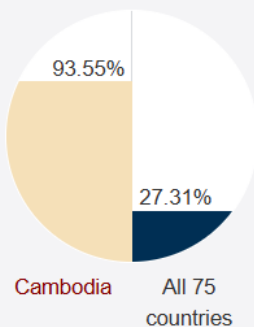
Frequency ratio



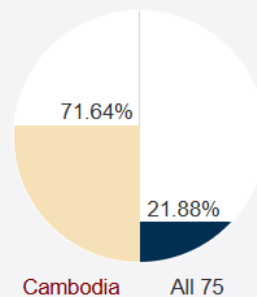
Exports

Looking for specific products?

Coverage ratio



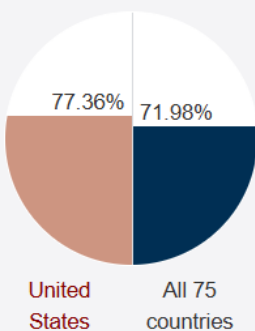
Frequency ratio



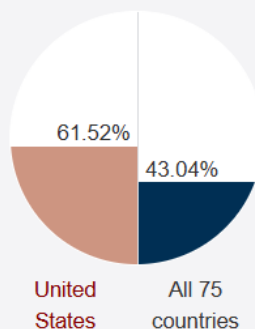
Imports

Looking for specific products?

Coverage ratio



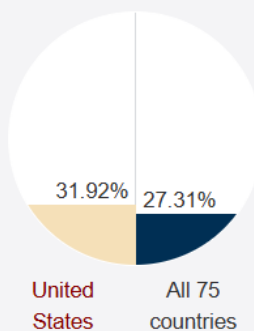
Frequency ratio



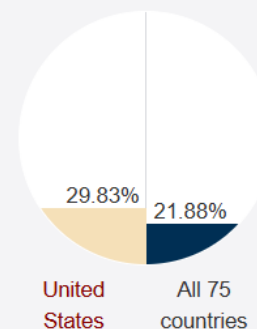
Exports

Looking for specific products?

Coverage ratio



Frequency ratio



IMPORTS

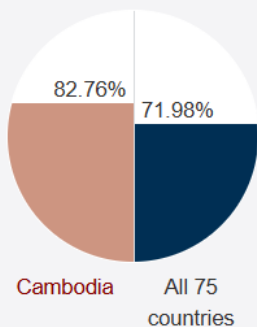
COUNTRY	COV	FREQ
Cambodia	82	72
Vietnam	37	47
United States	77	61

Importations of United States have a coverage ratio of 77.36% and a frequency ratio of 61.52% for non-tariff measures. Exports of United States have a coverage ratio of 31.92% and a frequency ratio of 29.83% for non-tariff measures.

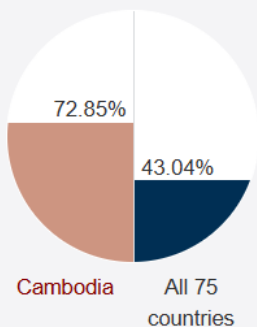
Imports

Looking for specific products?

Coverage ratio



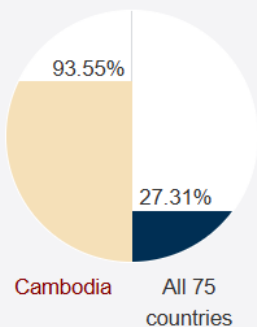
Frequency ratio



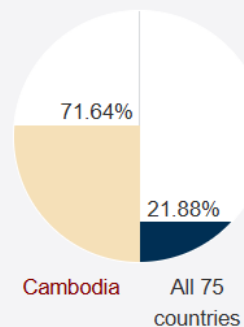
Exports

Looking for specific products?

Coverage ratio



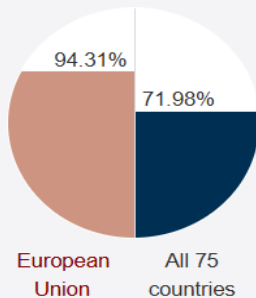
Frequency ratio



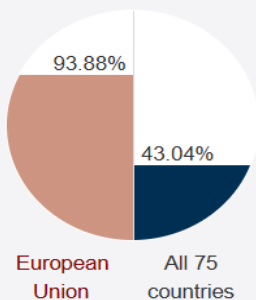
Imports

Looking for specific products?

Coverage ratio



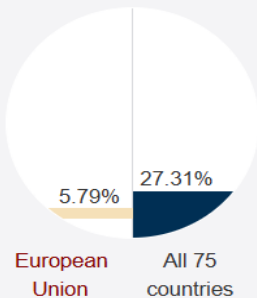
Frequency ratio



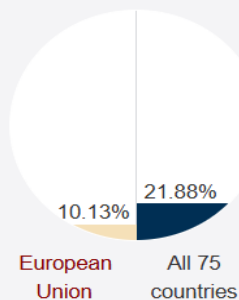
Exports

Looking for specific products?

Coverage ratio



Frequency ratio



IMPORTS

COUNTRY	COV	FREQ
European Union	94	93
United States	77	61
Cambodia	82	72
Vietnam	37	47
Malaysia	54	36
Singapore	39	27

Importations of European Union have a coverage ratio of 94.31% and a frequency ratio of 93.88% for non-tariff measures. Exports of European Union have a coverage ratio of 5.79% and a frequency ratio of 10.13% for non-tariff measures.

Subsidies – Solar panels case



Final Affirmative Determinations in the Antidumping and Countervailing Duty Investigations of Crystalline Photovoltaic Cells Whether or Not Assembled into Modules from Cambodia, Malaysia, Thailand, and the Socialist Republic of Vietnam

On April 21, 2025, the U.S. Department of Commerce (Commerce) announced its final affirmative determinations in the antidumping and countervailing duty investigations of crystalline photovoltaic cells whether or not assembled into modules from Cambodia, Malaysia, Thailand, and the Socialist Republic of Vietnam.

Bangkok Post

US imposes new duties on solar imports from Southeast Asia

The duties announced on Monday are the culmination of a yearlong trade probe that found solar manufacturers in Cambodia, Vietnam, Malaysia and Thailand were unfairly benefiting from government subsidies and selling exports to the US at rates lower than the cost of production. The investigation was sought by domestic solar manufacturers and initiated under former president Joe Biden.

EXPORTER/PRODUCER	SUBSIDY RATES (PERCENT)
Solarspace New Energy (Cambodia) Co., Ltd.	534.67
Jintek Photovoltaic Technology Co., Ltd.	3,403.96*
Hounen Solar Inc Co., Ltd.	3,403.96*
ISC Cambodia	3,403.96*
Solar Long PV-Tech (Cambodia) Co., Ltd.	3,403.96*
All Others	534.67

* Rate based on facts available with adverse inferences.



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China measures deemed cross-border subsidies by US DOC to Cambodian producers

1. Business Recovery Guarantee Scheme
2. Co-Financing Guarantee Scheme
3. Policy Lending from Chinese Banks for BRI Capacity Cooperation Projects
4. Cross-Border Provision of Polysilicon Inputs from the Government of China for LTAR
5. Cross-Border Provision of Silver Paste from the Government of the People's Republic of
6. China for LTAR

Cambodian measures taken into account as potential Subsidies by US DOC in this case

1. Income Tax Exemption for QIP under the Law on Investment
2. Special Depreciation for Qualified Investment Activities under the Law on Investment
3. Tax Deduction for Certain Activities under the Law on Investment
4. Tax Incentives for QIPs in SEZs
5. Custom Duty Exemption for Zone Investors in SEZs (Customs Duty Exemption and Related Incentives for Raw Materials for Export QIP*; Customs Duty Exemption and Related Incentives for Production Equipment for Export QIP and Supporting Industry QIP*)
6. Property Tax Exemption for SEZs
7. Non-tax (electricity fee)

[= indeed deemed a subsidy for certain producers in this case]*

WTO Subsidies & Countervailing Measures Agreement

Article 1: Definition of a Subsidy

1.1 For the purpose of this Agreement, a subsidy shall be deemed to exist if:

(a)(1) there is **a financial contribution by a government** or any **public body** within the territory of a Member (referred to in this Agreement as “government”), i.e. where:

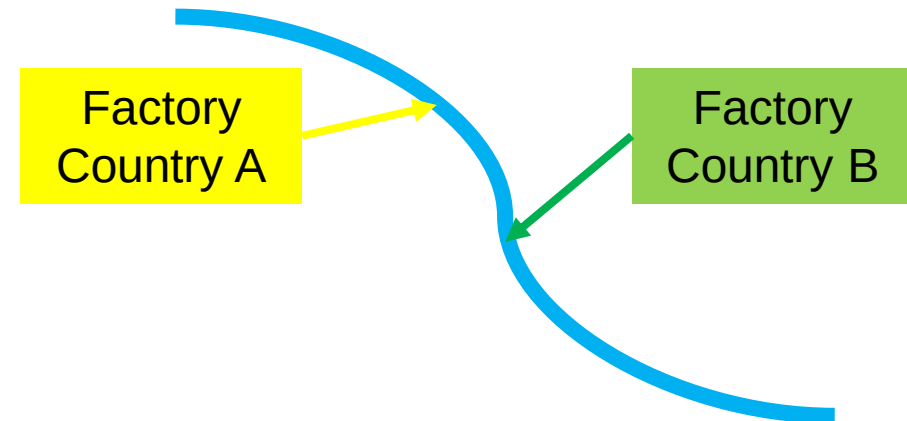
- (i) a government practice involves a direct transfer of funds (e.g. grants, loans, and equity infusion), potential direct transfers of funds or liabilities (e.g. loan guarantees);
- (ii) **government revenue that is otherwise due** is foregone or not collected (e.g. fiscal incentives such as tax credits);
- (iii) **a government provides goods or services** other than general infrastructure, or purchases goods;
- (iv) a government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions illustrated in (i) to (iii) above which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments;

or

(a)(2) there is any form of **income or price support** in the sense of Article XVI of GATT 1994;

and

(b) a **benefit** is thereby conferred.



Both factories pollute the river. Country B provides a subsidy to clean it up, Country A does not.

Under WTO rules, can Country A now apply a countervailing measure because of the subsidy in B?

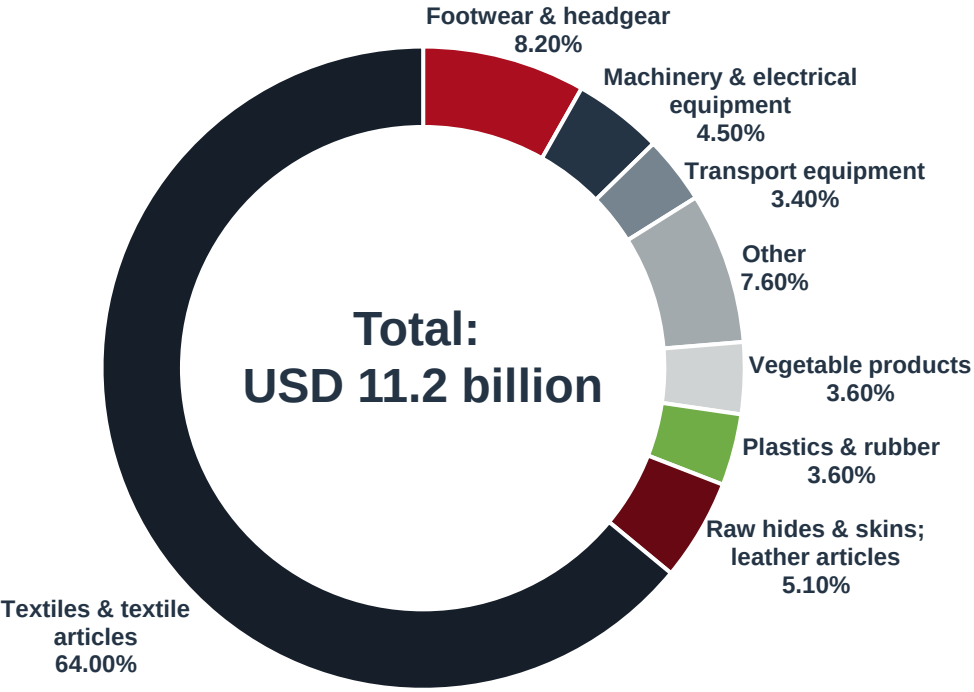
5

HOW IS THIS GOING TO AFFECT CAMBODIA'S TRADE POSTURE?

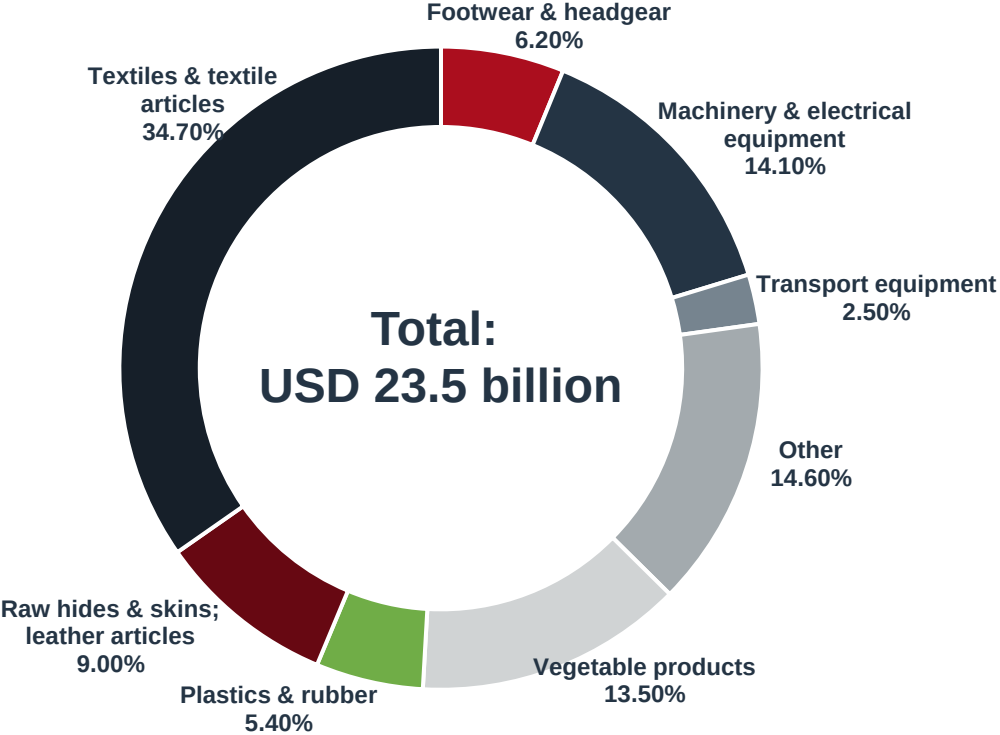
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Cambodia Exports 2017



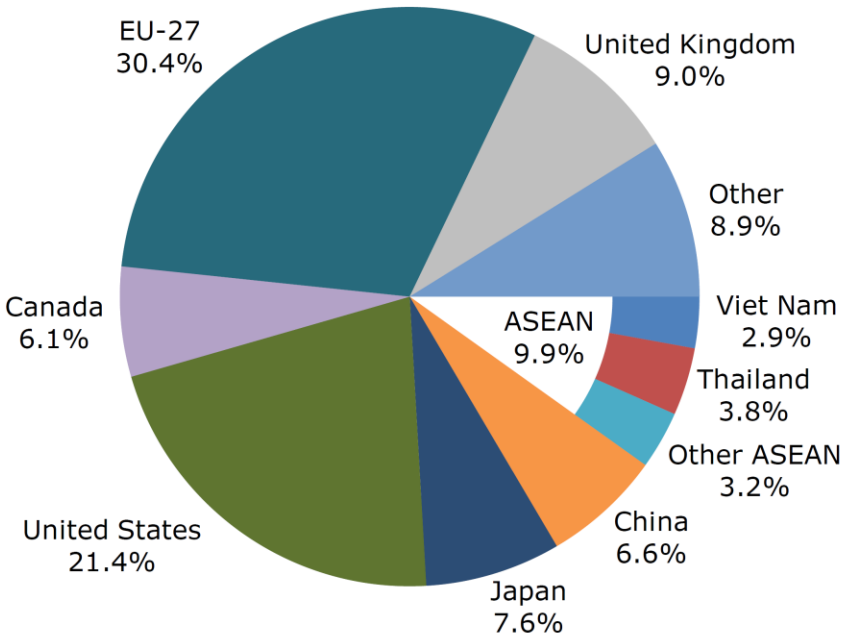
2023



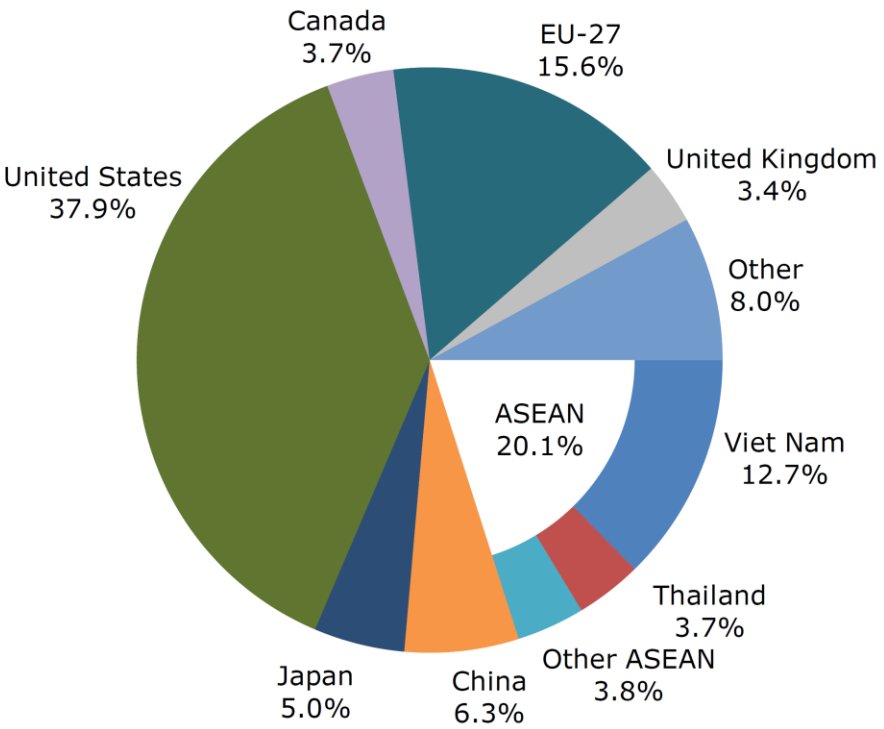
Source: WTO Secretariat calculations, based on data provided by the authorities.

In the past 6 years, Cambodia has managed to somewhat diversify its exports from textile, notably into electrical equipment (from 4.5% to 14.1%), leather products (5.1% to 9%) and vegetables (3.6^ to 13.5%).

Exports (f.o.b.)



Total: USD 11.2 billion

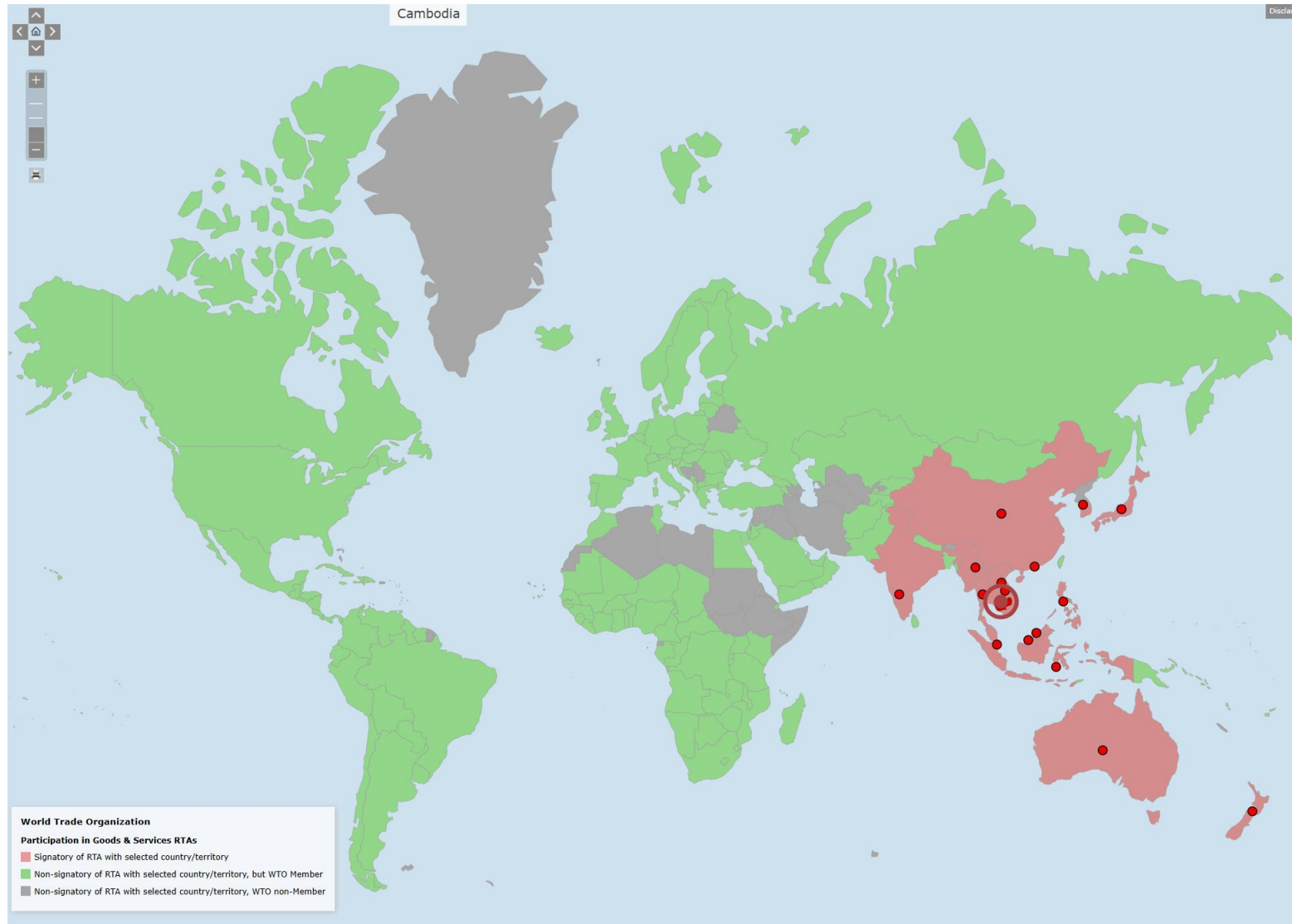


Total: USD 23.5 billion

In 2017-2024, the US has overtaken the EU as Cambodia's main export market. Dependence on the US as an export market has increased from 21.4% to 37.9%.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Cambodia's WTO and FTA network



www.news.cn
新华网 Asia&Pacific
www.xinhuanet.com

Editions ▾
Saturday, March 22, 2025

Cambodia's trade with RCEP countries hits 34.52 bln USD in 2024

Source: Xinhua | 2025-01-20 22:00:30 | Editor: huaxia

PHNOM PENH, Jan. 20 (Xinhua) -- Cambodia's trade with the Regional Comprehensive Economic Partnership (RCEP) member countries reached 34.52 billion U.S. dollars in 2024, up 17.7 percent from 29.32 billion dollars in the year before, said an official report on Monday.

The kingdom's export to fellow RCEP member countries was valued at 9.06 billion dollars last year, up nearly 13 percent from 8.04 billion dollars a year earlier, said the General Department of Customs and Excise's report.

Regional Comprehensive Economic Partnership (RCEP) (2022)



China



South Korea



Japan



Australia



New Zealand



Chile



Peru

ASEAN FTA (AFTA) (1993)



Laos



Myanmar



Indonesia



Brunei



Malaysia



Philippines



Thailand



Cambodia



Singapore



Vietnam

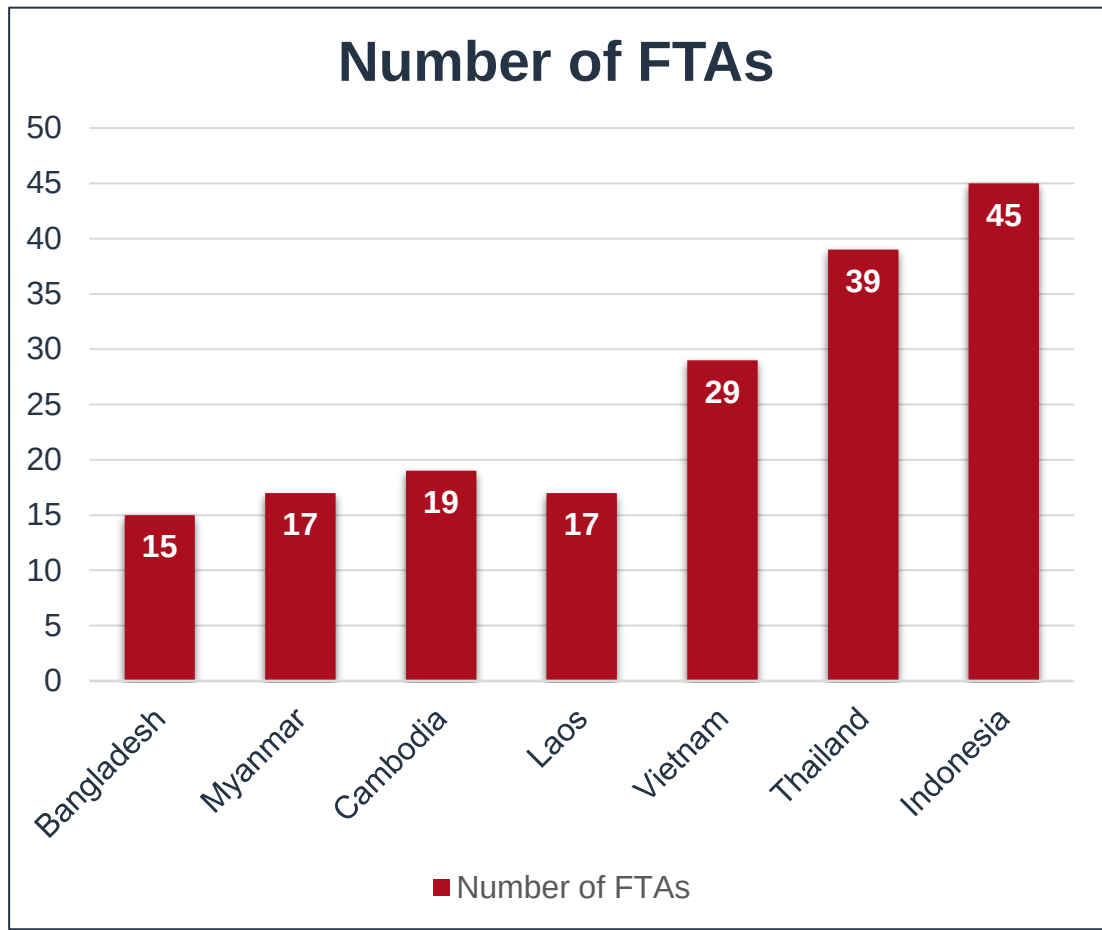
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (2018)

Cambodia FTAs in force

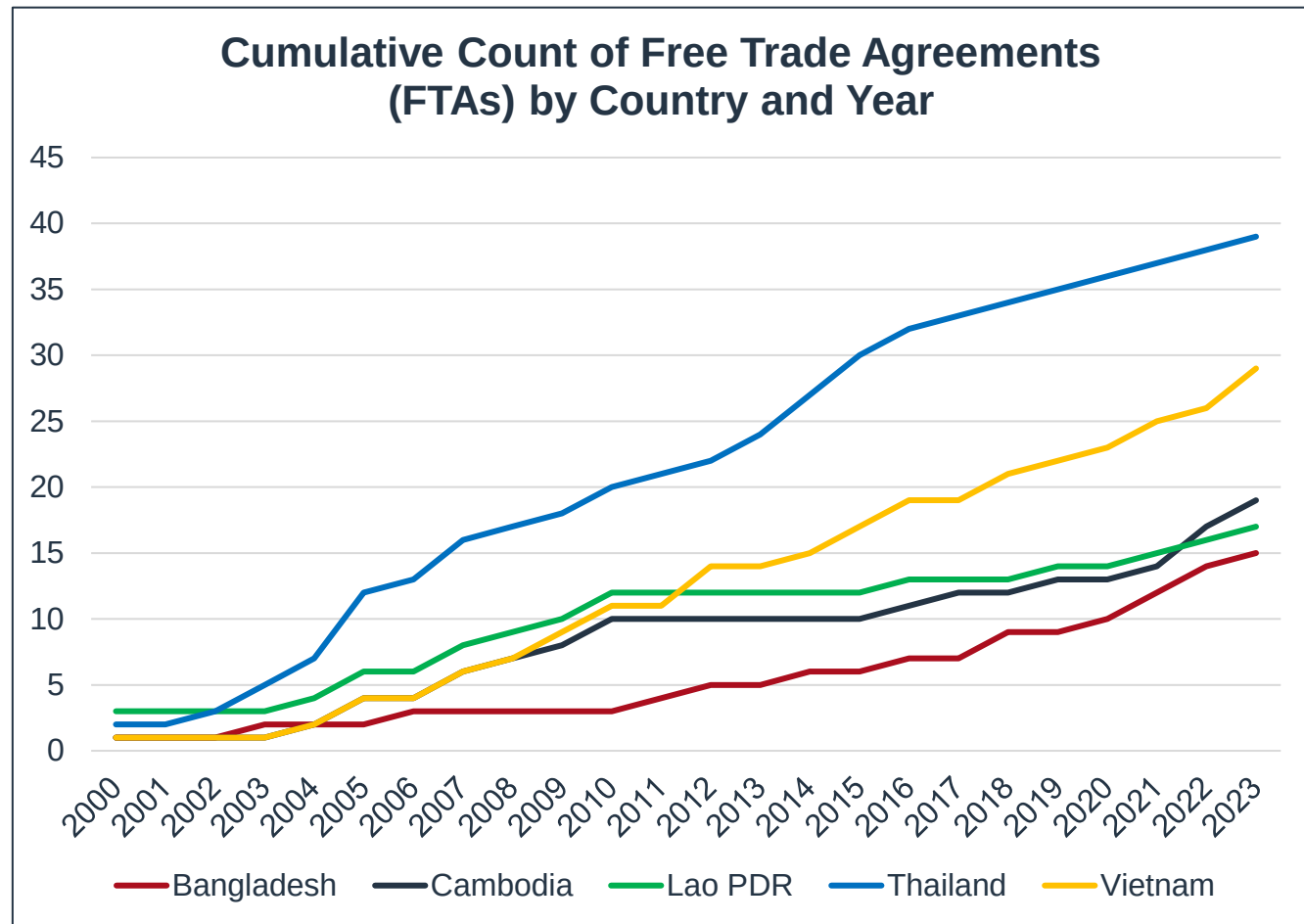
FTAs	SIGNED AND IN EFFECT
ASEAN Free Trade Area (AFTA)	1 January 1993
ASEAN-India Comprehensive Economic Cooperation Agreement (ASEAN-India CECA)	1 January 2010
ASEAN-Republic of Korea Comprehensive Economic Cooperation Agreement (AKFTA)	1 June 2007
ASEAN-Japan Comprehensive Economic Partnership (AJCEP)	1 December 2008
ASEAN-Australia and New Zealand Free Trade Agreement (ASEAN-ANZ FTA)	1 January 2010
ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement (ACFTA)	1 July 2005
ASEAN-Hong Kong, China Free Trade Agreement (ASEAN-Hong Kong, China FTA)	11 June 2019
Regional Comprehensive Economic Partnership (RCEP)	1 January 2022
Cambodia-People's Republic of China Free Trade Agreement (Cambodia-People's Republic of China FTA)	1 January 2022
Cambodia-[Republic of] Korea Free Trade Agreement (Cambodia-[Republic of] Korea FTA)	1 December 2022
Cambodia-United Arab Emirates Comprehensive Partnership Agreement (Cambodia-United Arab Emirates CEPA)	2024

FTAs

Number of FTAs



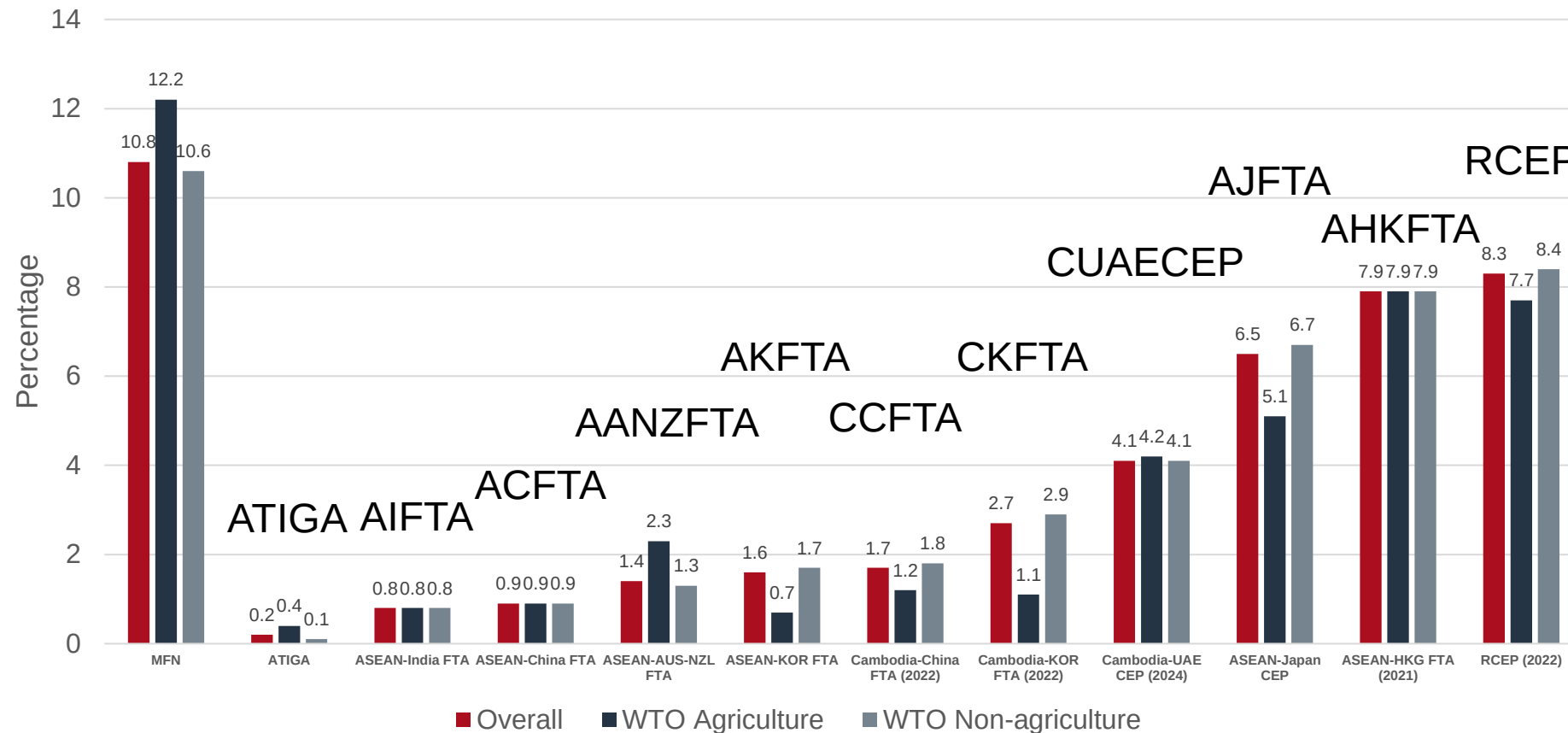
Cumulative Count of Free Trade Agreements (FTAs) by Country and Year



Note: All are WTO members!

Which one of Cambodia's FTAs/RTAs is the most beneficial?

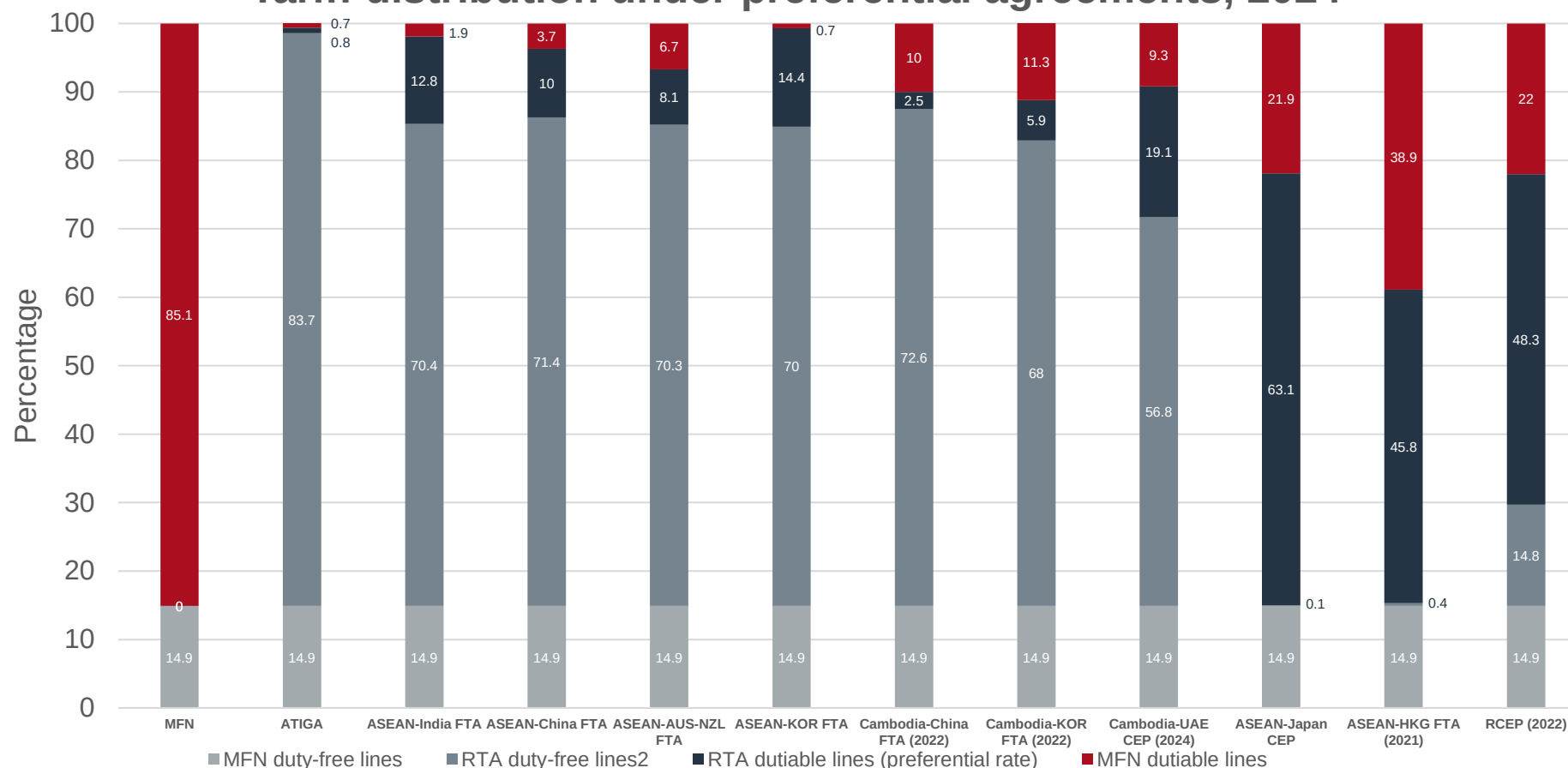
Tariffs under preferential agreements, 2024



Note: Year of ratification in parenthesis for RTAs implemented during the review period.
The tariff schedule for some RTAs is provided in HS12 or HS17 nomenclatures. The concordance to HS22 nomenclature is done to the best possible extent.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Tariff distribution under preferential agreements, 2024



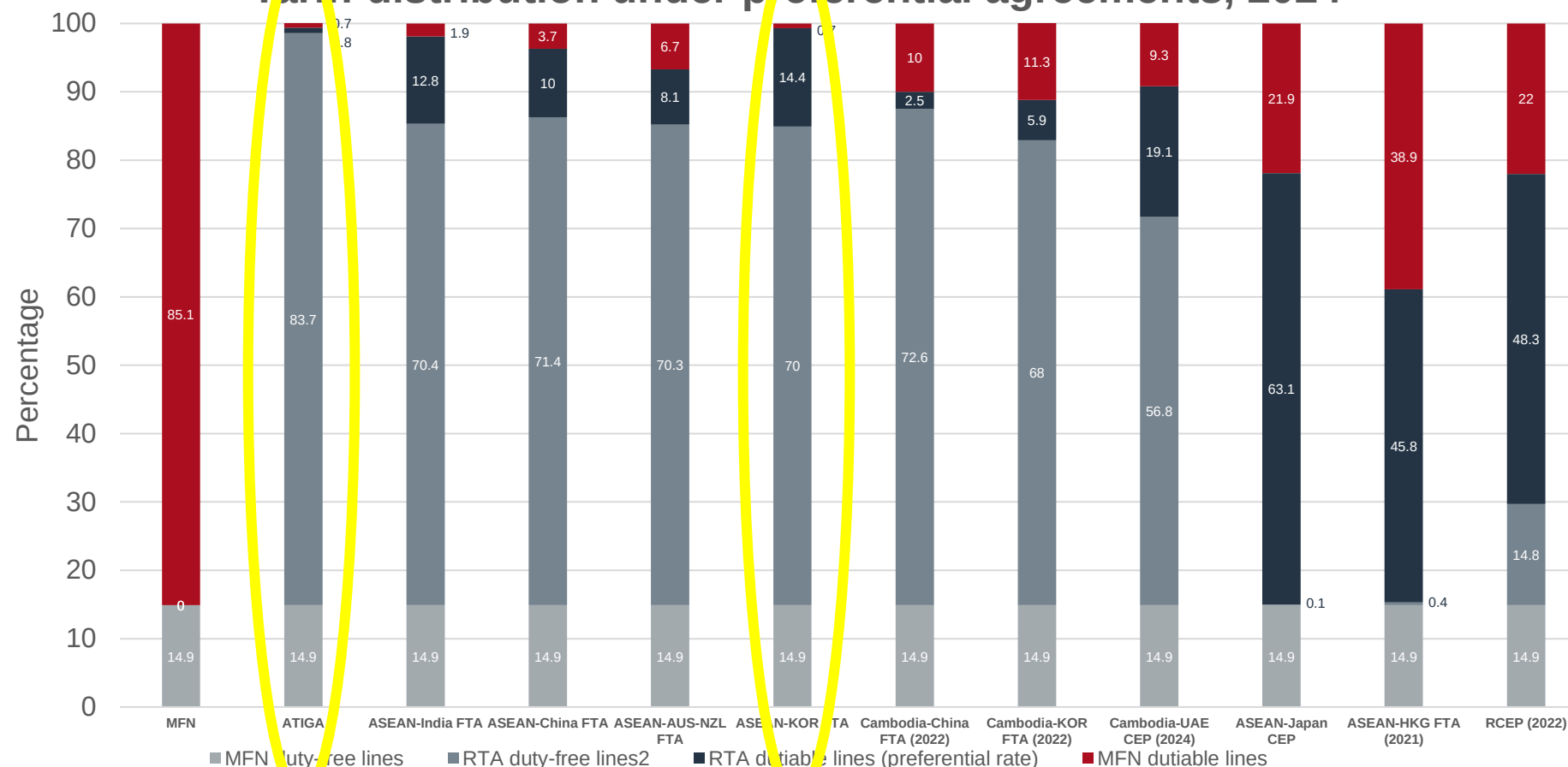
Note: Year of ratification in parenthesis for RTAs implemented during the review period.

The tariff schedule for some RTAs is provided in HS12 or HS17 nomenclatures. The concordance to HS22 nomenclature is done to the best possible extent.

Source: WTO Secretariat calculations, based on data provided by the authorities, and the Cambodia-United Arab Emirates CEPA.

Cambodia's PTAs with the least amount of dutiable tariff lines are ATIGA (Asean) and Asean-Korea

Tariff distribution under preferential agreements, 2024



Note: Year of ratification in parenthesis for RTAs implemented during the review period.

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How to find customs duties in Cambodia?

Cambodia's base rate (= MFN = WTO) you find here:

<https://customs.gov.kh/en/publications/14043-customs-tariff-of-cambodia-km-2022>

FTA Rates you find here:

<https://customs.gov.kh/en/publications/4192-preferential-treatment%E2%80%8B-under-agreements>

Or at the FTA partner website such as here:

<http://fta.mofcom.gov.cn/topic/encambodia.shtml>



Head	Tariff code	Description of goods	Unit	Duty and Tax (%)			
				Imp.			Exp.
				CD	ST	VAT	ET
1702		Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel.					
	1702.90	- Other, including invert sugar and other sugar and sugar syrup blends containing in the dry state 50 % by weight of fructose :					
	1702.90.20	-- Artificial honey, whether or not mixed with natural honey	kg	7	0	10	0

CAMBODIA-CHINA FTA 1702.90.20

No	HS Code	Base Rate	Category	Year 1 (%)	Year 2 (%)	Year 3 (%)	Year 4 (%)	Year 5 (%)	Year 6 (%)	Year 7 (%)	Year 8 (%)	Year 9 (%)	Year 10 (%)	Year 11 (%)	Year 12 (%)	Year 13 (%)	Year 14 (%)	Year 15 (%)	Year 16 (%)	Year 17 (%)	Year 18 (%)	Year 19 (%)	Year 20 (%)
1349	1702.90.20	7	A0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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CAMBODIA-CHINA FTA 1702.90.20

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	1702.90	- Other, including invert sugar and other sugar and sugar syrup blends containing in the dry state 50 % by weight of fructose :					
	1702.90.20	-- Artificial honey, whether or not mixed with natural honey	kg	7	0	10	0



You need to check the year.

No	HS Code	Base Rate	Category	Year 1 (%)	Year 2 (%)	Year 3 (%)	Year 4 (%)	Year 5 (%)	Year 6 (%)	Year 7 (%)	Year 8 (%)	Year 9 (%)	Year 10 (%)	Year 11 (%)	Year 12 (%)	Year 13 (%)	Year 14 (%)	Year 15 (%)	Year 16 (%)	Year 17 (%)	Year 18 (%)	Year 19 (%)	Year 20 (%)
1349	1702.90.20	7	A0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Cambodia - Customs And Other Import Duties (% Of Tax Revenue)



Be careful about Post-Clearance Audits by GDCE, particularly on service fees and royalties that are a condition of sale of imported goods.

Export to the EU, Japan instead?

- Risk of anti-dumping

“Export Price”

- = TV (transaction value) from customs records
- ‘Netted back’ to the ex-works price, because we are going to compare on EXW basis.
- Problem: what if related party sales? Then adjust for a reasonable profit margin on the basis of the next unrelated party sales.

“Normal Value”

- In ordinary course of trade
 - For a like product
 - In domestic market
- Exception: ‘constructed normal value’ in case of:
- No domestic sales of like product (or < 5%)
 - They are related party sales
 - They are sales below cost
 - ‘not a market economy’

Country of importation		Country of production	
		<u>“Normal Value”</u>	<u>“Constructed Normal Value”</u>
		Production costs	70
		SG&A exp	20 → 25
		Profit	10 → 15
			<u>100</u>
			<u>110</u>

“Export Price”

= **US\$100**

* If NV = US\$100 also → no dumping

* If CNV = US\$110 → dumping @ US\$10

↓

EU can impose US\$10 Anti-Dumping Duty

- Reject NV because eg not in ordinary course of trade (e.g. no domestic sales) or below cost
- Constructed NV = now you can
 - * re-allocate SG&A
 - * replace profit with “reasonable profit” (eg manufacturer sells to related parties)

6

A US-CHINA TRADE WAR: DOES CAMBODIA BENEFIT?

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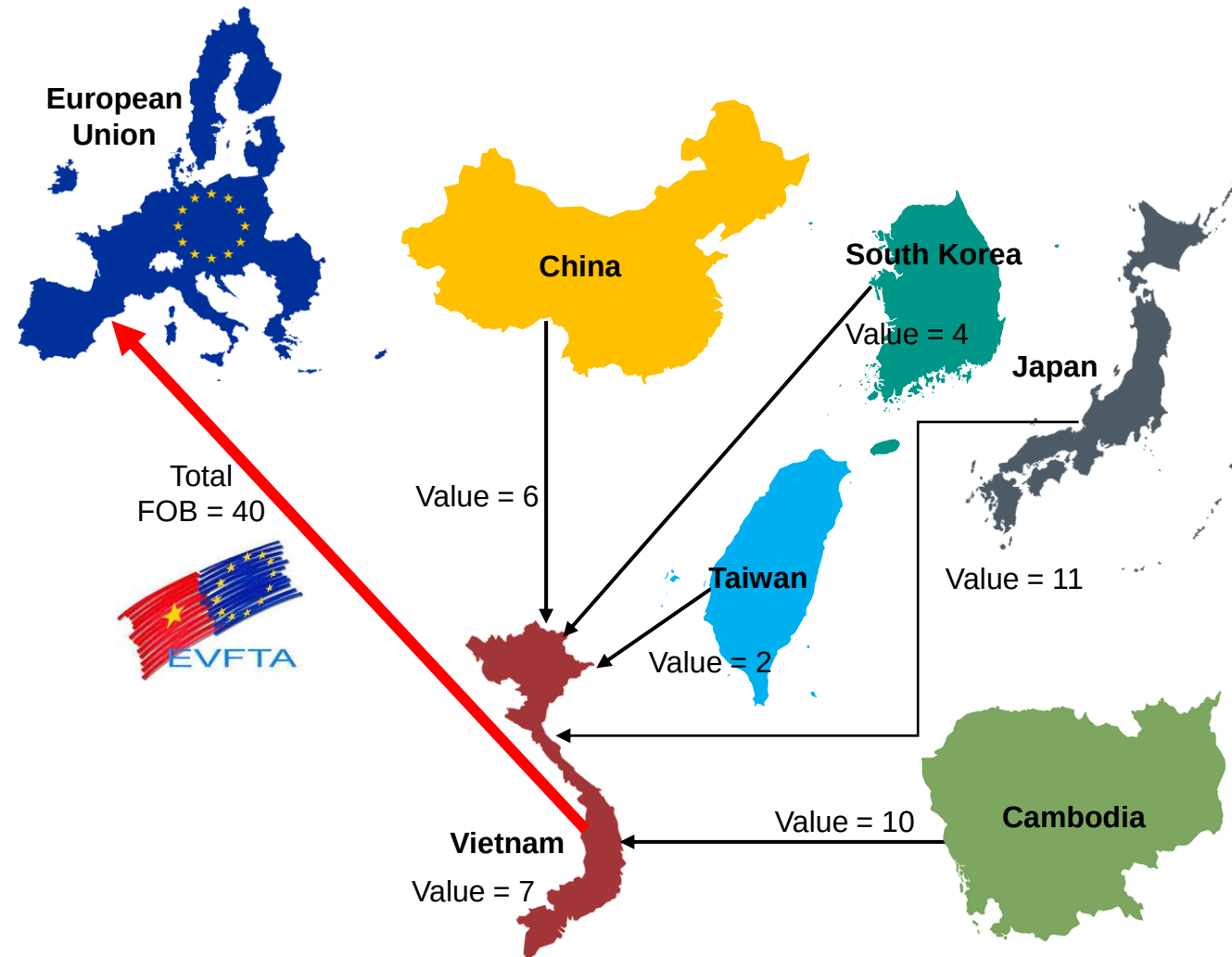


Rules of origin & regional cumulation

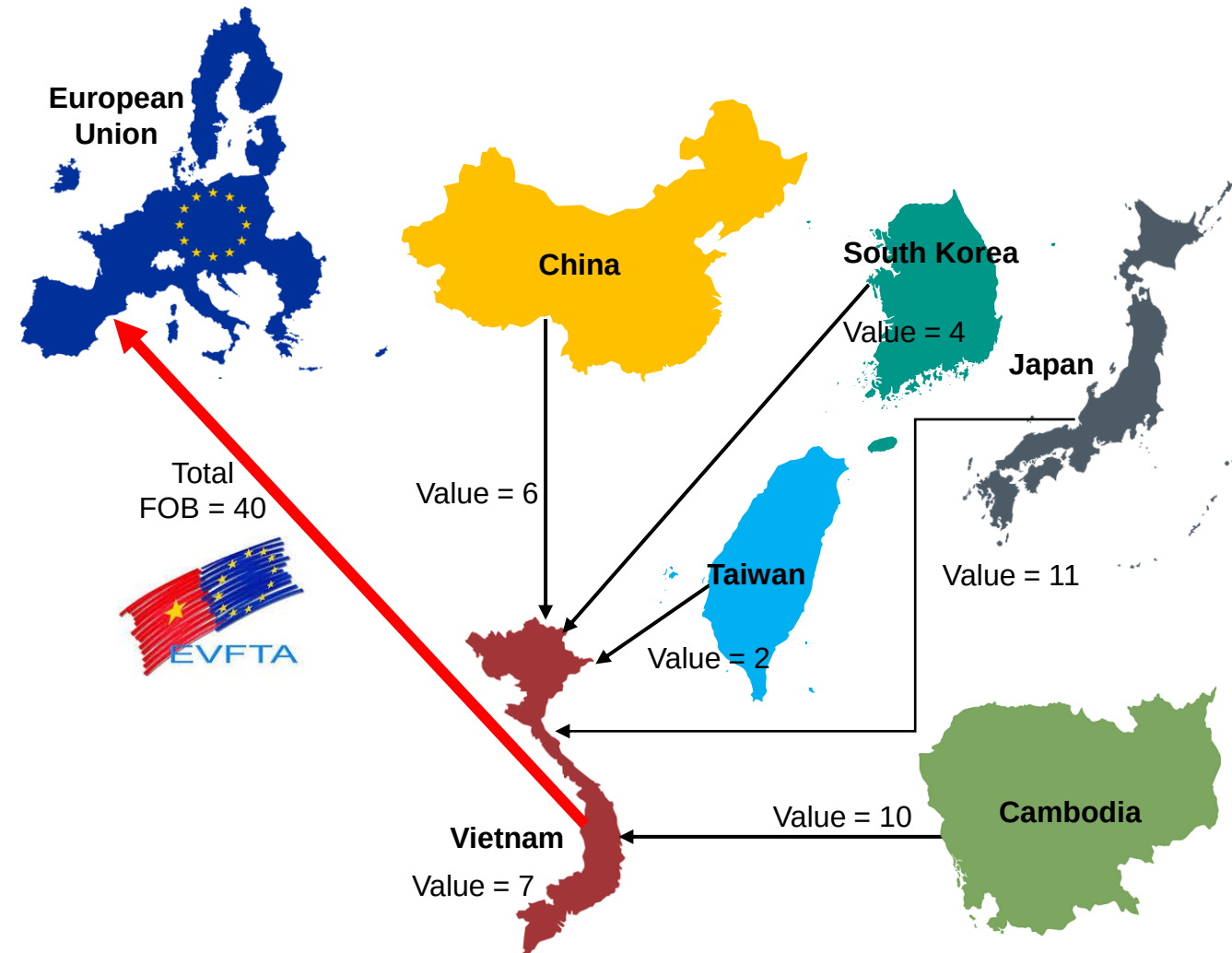
- Transshipment is never origin.
- When is a product deemed to originate from a country so as to qualify for preferential tariffs is RTA, FTO, (or GSP)?

- Origin
 - **HSTN change in Chapter, Heading or Subheading**
 - **% added value**
 - **Specific manufacturing process required**
 - **“Insufficient working” (list in the FTA) (& non-alteration)**

- These can be in general, for a group of products or they are specific for each product line in the HS.



UPPER MATERIAL	HS CODE	ORIGIN	VALUE
Material 1	5910	China	6
Material 2	3920	Taiwan	2
Material 3	5407	Korea	4
BOTTOM UNIT	HS CODE	ORIGIN	VALUE
Material 4	3921	Japan	11
Material 5	6406	Vietnam	7
Material 6	6406	Cambodia	10
Total FOB (USD)			40



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“Ex 6202, ex 6204, ex 6206, ex 6209 and ex 6211 women's, girls' and babies' clothing and clothing accessories for babies, embroidered; Weaving accompanied by making- up (including cutting); or manufacture from unembroidered fabric, **provided that the value of the unembroidered fabric used does not exceed 40 % of the ex-works price of the product**”.

“Footwear, gaiters and the like; parts of such articles; except for: **Manufacture from materials of any heading, except from assemblies of uppers affixed to inner soles or to other sole components of heading 6406**”.

Article 6

Insufficient Working or Processing

- The following operations shall be considered as insufficient working or processing to confer the status of originating products, whether or not the requirements of Article 5 (Sufficiently Worked or Processed Products) are satisfied: (a) preserving operations to ensure that the products remain in good condition during transport and storage; (b) breaking-up and assembly of packages; (c) washing, cleaning, removal of dust, oxide, oil, paint or other coverings; (d) ironing or pressing of textiles and textile articles; (e) simple painting and polishing operations; [...]

Article 3

Cumulation of Origin

- Notwithstanding Article 2 (General Requirements), products shall be considered as originating in the exporting Party if such products are obtained there by incorporating materials originating in the other Party, provided that the working or processing carried out in the exporting Party goes beyond the operations referred to in Article 6 (Insufficient Working or Processing).
- 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).

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DOES NOT CURRENTLY APPLY

“Ex 6202, ex 6204, ex 6206, ex 6209 and ex 6211 women's, girls' and babies' clothing and clothing accessories for babies, embroidered; Weaving accompanied by making- up (including cutting); or manufacture from unembroidered fabric, **provided that the value of the unembroidered fabric used does not exceed 40 % of the ex-works price of the product**”.

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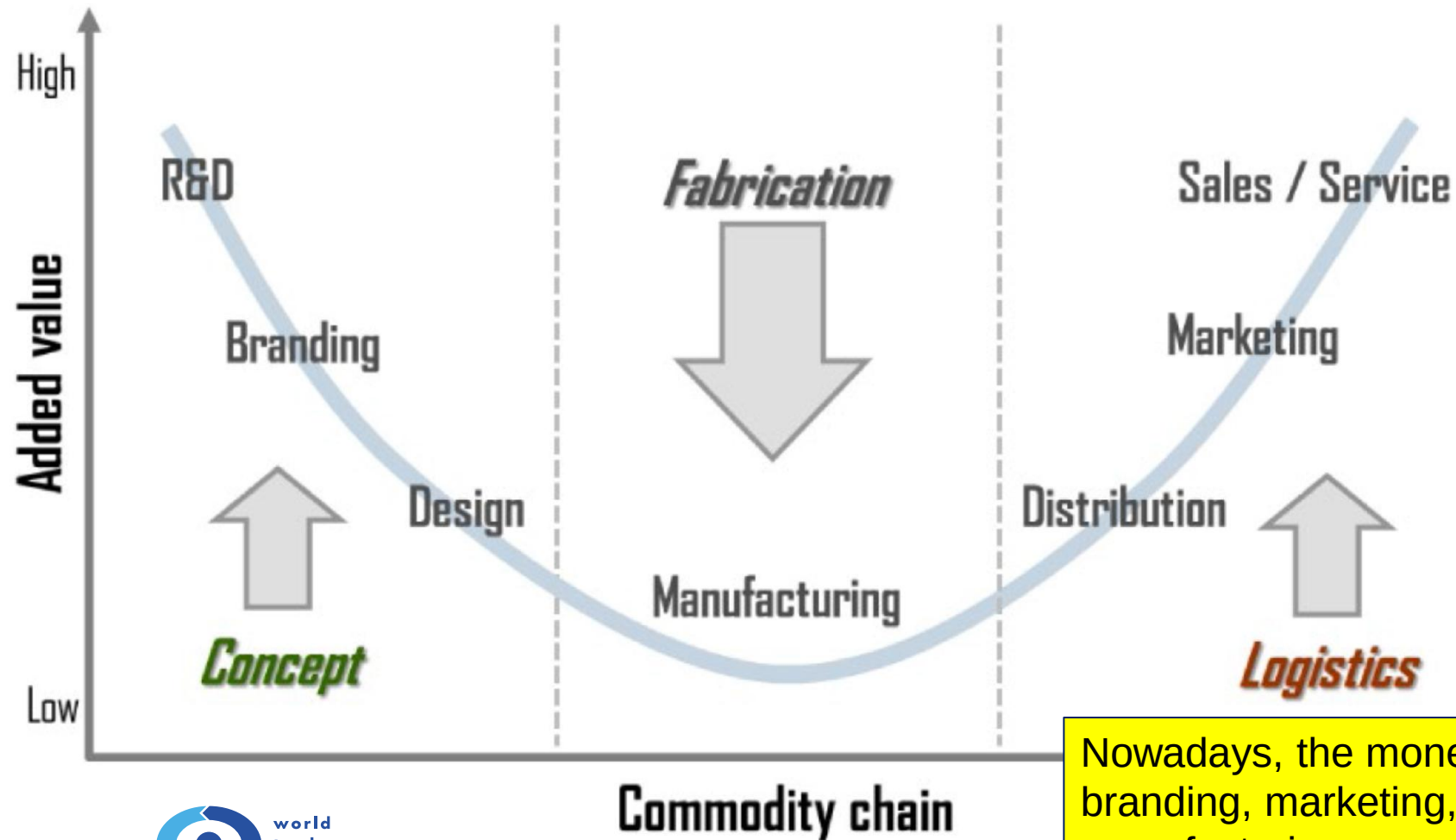
7

**SERVICES ARE
KEY TO
GROWTH**

ANDERSEN®



Global Value Chains



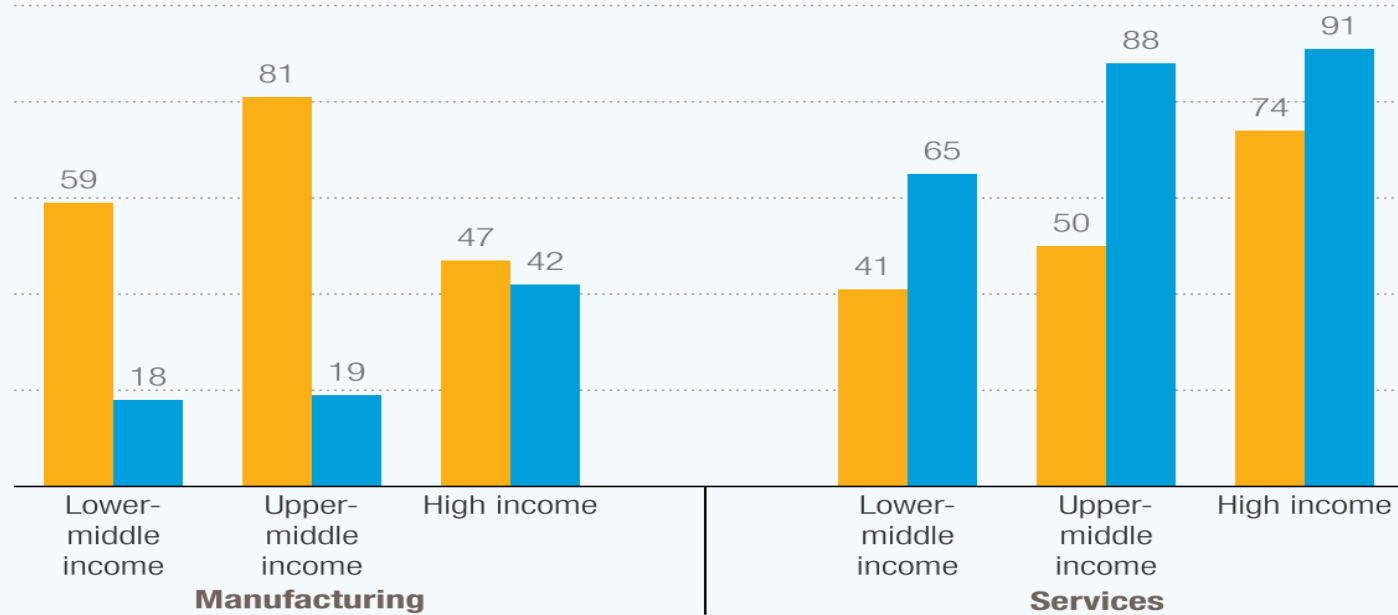
Nowadays, the money is in R&D, design, branding, marketing, sales. Not in manufacturing.



Manufacturing-led export growth is declining while services-led export growth is booming

Share of economies experiencing manufacturing- and/or services-led export growth, selected income groups, percentage

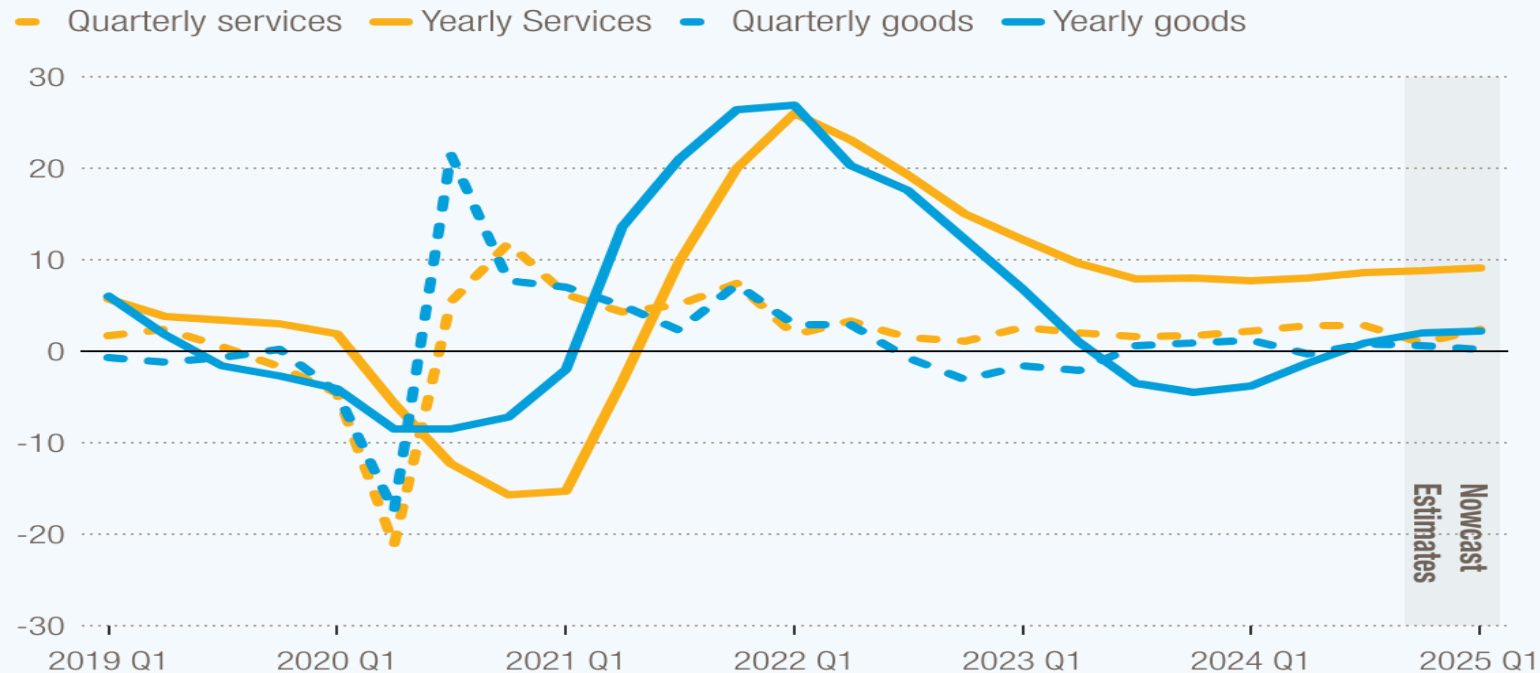
1995–2008 2008–2020



Source: Baldwin RE (2024). Is export-led development even possible anymore? Factful Friday blog. 7 June.
Note: This figure reports the percentage of countries within each income group that experienced export-led growth in manufacturing and services during the two considered periods. A country is considered as having export-led growth in one of the two sectors if the value added in sector exports grew faster than GDP. A country can register both types of export-led growth simultaneously. Services-led export growth only considers information and communications technology-enabled services trade and excludes transportation and tourism. The lower-middle-income country group contains 17 economies, the upper-middle-income one 16 and the high-income group comprises 43 economies.

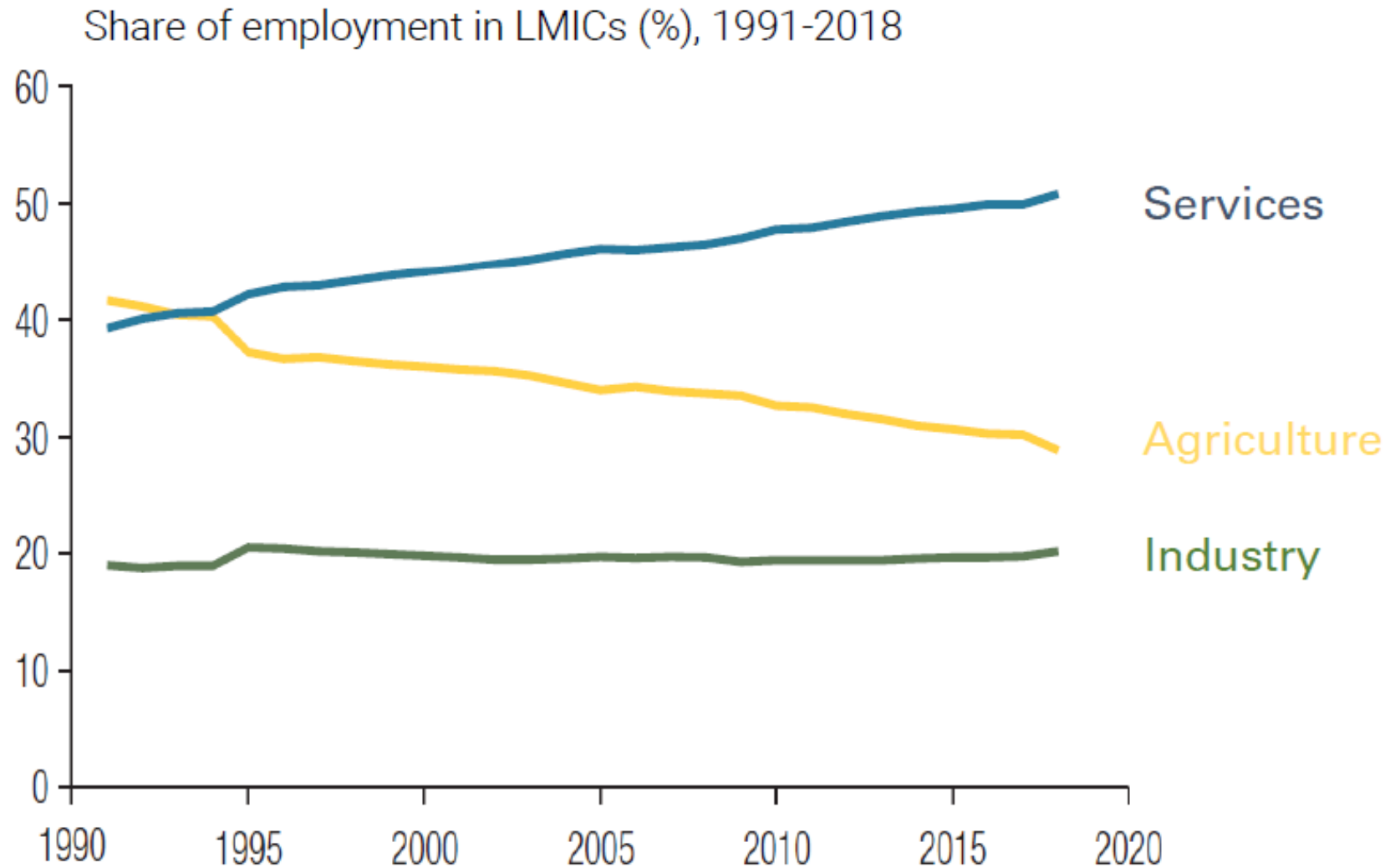
Global trade growth levels off in 4th quarter of 2024

Annual and quarterly growth in the value of trade in goods and services, 2019 Q1 – 2025 Q1



Source: UNCTADstat; UN Trade and Development (UNCTAD) calculations based on national statistics.

Note: Quarterly growth is the quarter-over-quarter growth rate of seasonally adjusted values. The annual growth is calculated using a trade-weighted moving average over the past four quarters. Figures for Q4 2024 are estimates. Q1 2025 is a nowcast as of 5 March 2025.



More and better paid jobs are found in services, not manufacturing, even for LMIC's

For Cambodia, import of services is mainly constituted by tourism and some transportation.

Source: World Development Indicators database.

Trade in Services

- Example: Educational Services (cross border, consumption abroad, commercial presence (= FDI) and natural persons)

CHINA-CAMBODIA FTA			
Cambodia-Schedule of Specific Commitments			
Modes of supply: (1) Cross-border supply; (2) Consumption abroad; (3) Commercial presence; (4) Presence of natural persons			
Sector or sub-sector	Limitations on market access	Limitations on national treatment	Additional commitments
V. EDUCATIONAL SERVICES			
3. Higher education services (CPC 923)	(1) None	(1) None	Cambodia will seek to establish an independent national accrediting process for market purposes in education and professional services which is in keeping with global practice.
4. Adult education (CPC 924)	(2) None	(2) None	
5. Other education services (CPC 929)	(3) None	(3) None	
	(4) Unbound, except as indicated in the horizontal section.	(4) Unbound, except for measures concerning the categories of natural persons referred to in the market	
WTO GATS			
B. SECTOR-SPECIFIC COMMITMENTS			
Modes of supply: (1) Cross-border supply; (2) Consumption abroad; (3) Commercial presence; (4) Presence of natural persons			
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Trade in Services

- Example: Educational Services (cross border, consumption abroad, commercial presence (= FDI) and natural persons)

Market Access = no limit to

- the number of service suppliers
- total value of service transactions, assets or an ENT
- total number of service operations or ENT
- total number of natural persons
- specific types of legal entity or joint venture through
- maximum percentage limit on foreign shareholding

CHINA-CAMBODIA FTA		
Cambodia-Schedule of Specific Commitments		
supply; (2) Consumption abroad; (3) Commercial presence; (4) Pr		
Limitations on market access	Limitations on national treatment	
None	(1) None	C
None	(2) None	a
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WTO GATS		
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National Treatment

“each Member shall accord to services and service suppliers of any other Member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service suppliers”

8

5 THINGS TO DO NEXT

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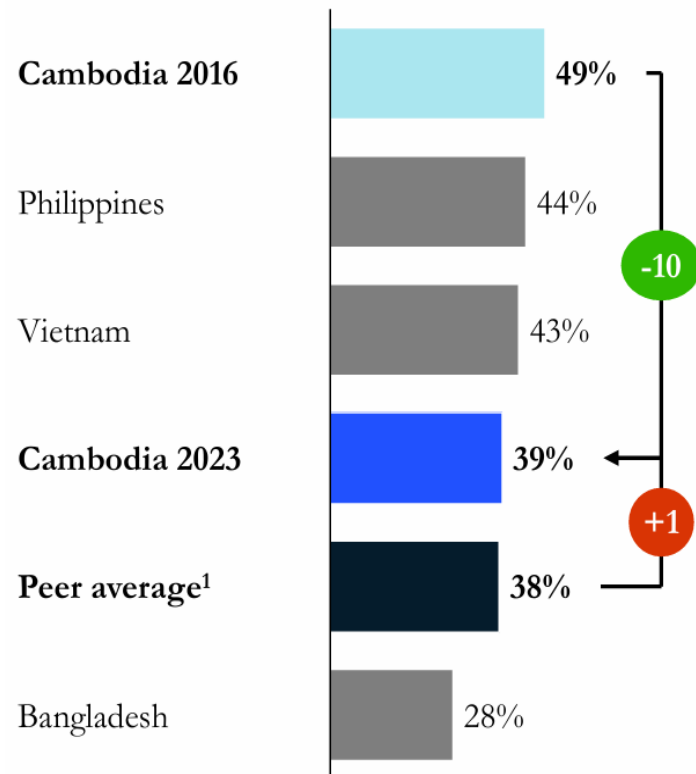


What can Cambodia do? What can you do?

1. See this as **an opportunity to further liberalize trade**. Reduce tariffs on both sides (see Vietnam strategy). Seriously concentrate on eliminating excessive licenses and permits, enhance transparency, simplification and predictability for suppliers and investors.
2. **Join alliances with others**. Use ASEAN and the WTO. Bilaterally one is always weaker. In a rules-based system, the weaker have (almost) the same rights as the super-powers -> Support the WTO platform!
3. **Access more markets**: Cambodia needs an FTA with the EU, Eurasian, Canada, Mercosur, Turkey, etc. Many (ASEAN) FTAs are not progressing enough. Diversify but prepare for (more) Anti-Dumping challenges in markets meant to absorb overproduction.
4. **Services are the key!** Urgently improve value offering of tourism and hospitality industry is Cambodia's safest bet to increase its lagging in the services sector. Prof. Pierre Sauvé (World Bank) "4T-strategy" = Trade, Technology, Training and Targeting
5. **Long-term strategic improvements** in education of skills, rule of law, government administration, taxation and general education.

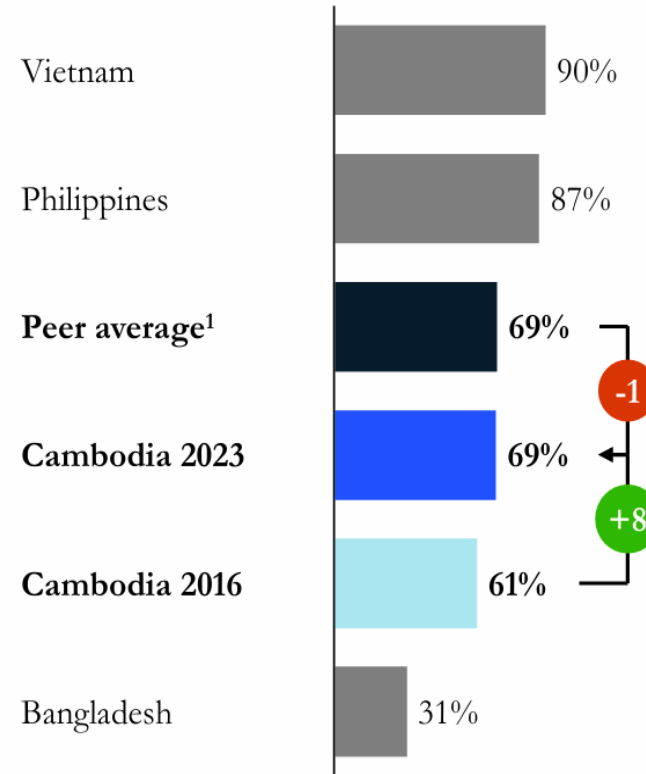
Obstacle by country

Share of firms choosing inadequately educated workforce as an obstacle by country (%)



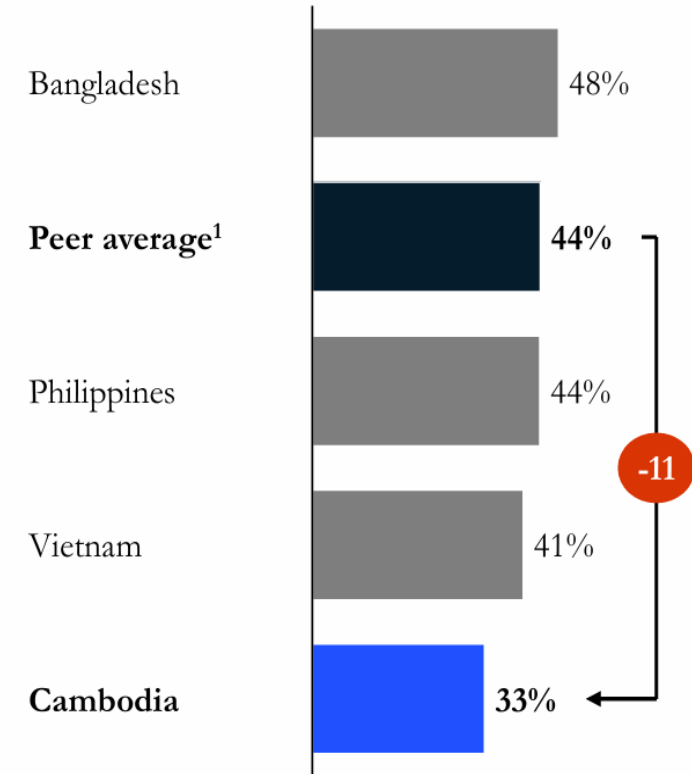
Workforce finished high school

Average proportion of permanent, full-time employees completing high-school by country (%)



Workforce high-skilled

Average proportion of high-skilled employees by country (%)



Note: Peer group includes Bangladesh, the Philippines, and Vietnam.

Source: Enterprise Surveys for Bangladesh (2022), Cambodia (2016 and 2023), the Philippines (2023), and Vietnam (2023), World Bank.

Cambodia FTAs not yet in force

FTAs	SIGNED AND IN EFFECT
ASEAN-EU Free Trade Agreement (ASEAN-EU FTA)	
East Asia Free Trade Area (ASEAN+3) (EAFTA (ASEAN+3))	<i>Under Negotiation</i>
Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6)	
ASEAN-Pakistan Free Trade Agreement (ASEAN-Pakistan FTA)	
ASEAN-Eurasian Economic Union Free Trade Agreement (ASEAN-Eurasian Economic Union FTA)	
ASEAN-Canada FTA (ASEAN-Canada FTA)	
ASEAN-Gulf Cooperation Council Free Trade Agreement (ASEAN-Gulf Cooperation Council FTA)	
Cambodia-Eurasian Economic Union FTA (Cambodia-Eurasian Economic Union FTA)	



RCEP



Thank You