

Possible removal of trade preferences for Cambodia

amfori calls on the European Commission to intensify its efforts to persuade Cambodia to implement the improvements needed for it to retain its trade preferences.

Background

In July 2018, a delegation from the European Commission visited Cambodia to determine whether the country was honouring its commitments to the Generalised Scheme of Preferences under which it has “Everything but Arms” (EBA) status. The delegation confirmed that electoral rights and civil society activities had been seriously curtailed. In addition, it found serious deficiencies in freedom of association and collective bargaining rights and to land dispute resolution. As a result, the Commission announced it intended to open an official investigation to determine whether the EBA trade preferences enjoyed by Cambodia should be removed.

Why Cambodia is important

The EBA preferences granted to Cambodia allow EU companies to import all products (other than armaments) free of duties. In 2017 those imports included €3.7Bn of clothing and €630m of footwear – which accounted for 87% of Cambodia’s total exports to the EUⁱ. When one considers that normal EU duties on such products are 12% for clothing, and 8% or 17% for footwear this represents a saving of €535m. Therefore, EBA is a significant incentive on which EU companies will base their sourcing decisions.

amfori would prefer that Cambodia is able to retain its EBA preferences as it benefits more than 130 of our members sourcing from almost 400 factories. In addition, amfori believes strongly that such preferences increase trade; which in turn increases production and therefore employment levels. The garment and footwear sector of Cambodia is benefiting greatly from the duty-free access to the EU market and employs approximately 700.000 workersⁱⁱ. Importantly, the recent Better Factories Cambodia report, issued annually by the ILO, showed a significant increase in the number of factories compliant with critical issues.

Our message

However, as the leading business association for open and sustainable trade, amfori cannot ignore the serious shortcomings in human and labour rights that exist. With that in mind, amfori is:

- calling on the European Commission to make every effort to ensure that its investigation against Cambodia results in significant improvements to the conditions in the country.
- urging the Cambodian government to consider the serious economic and social impact that will occur should it lose its EBA status and to cooperate fully with the investigation and put into practice all the changes required to avoid this.

- advising companies with business links to Cambodia to engage in direct dialogue with the government, and local authorities, and support a satisfactory outcome of the investigation process.

amfori believes that the investigation will achieve a mutually beneficial solution with Cambodia meeting the conditions required to retain its EBA preferences so that the livelihood of its workers in the garment and footwear industry will not be affected. The consequences of removing preferences would almost certainly be a fall in exports which would result in a lowering of development and employment. However, amfori would support any such decision, as a last resort, to lend credibility to the GSP system and show that penalties, as well as advantages, can occur.

Next steps

amfori will play a constructive and prominent role in the investigation and will offer its support and advice, when required and appropriate, towards the common objective of stable sustainable economic relations between the EU and Cambodia.

ⁱ Source: Eurostat

ⁱⁱ Source: ILO (2017)

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