

The Regional Comprehensive Economic Partnership (RCEP) and Cambodia Economy

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FTA

Key Facts

- **20 November 2012:** Negotiation launched in Phnom Penh
- **15 Nov 2020:** RCEP signed
- **1 Jan 2022:** RCEP Entry into Force (Cambodia ASEAN Chairmanship)
- Members: **15** countries
- The World's Largest FTA
- **Agreement:** 14,411 pages



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RCEP Key Features

- **Modern:** It updates the coverage of traditional ASEAN FTAs and takes into consideration changing and emerging trade realities, including the age of **electronic commerce**, the potential of SME, and the complexity of market competition.
- **Comprehensive:** The RCEP Agreement is comprehensive, both in coverage and in depth of commitments.
- **High Quality:** The RCEP Agreement contains provisions that go well **beyond existing ASEAN FTAs** with individual partners, while recognising the individual and diverse circumstances of the Participating Countries.
- **Mutual Beneficial:** The RCEP Agreement brings together countries divergent in so many ways, especially in terms of level of development.

A Glance to RCEP Negotiations Process

- **Members composition:** developed, developing, and least developed members.
- **Text negotiation** (29 Chapters)
- There are **9 Working Groups (WG)** and **7 Sub-WG**.
- **Trade Negotiating Committee (TNC):** 31 full rounds, 9 Intersessional, and 4 Special TNC
- **Ministers level:** 8 ministerial, 11 inter-sessional, special AEM, and AEM Caucus, in total around 30 rounds
- **RCEP Summits:** 4 times (2017 in Philippines, 2018 in Singapore, 2019 in Bangkok, and 2020 VC)

Basic for Negotiation

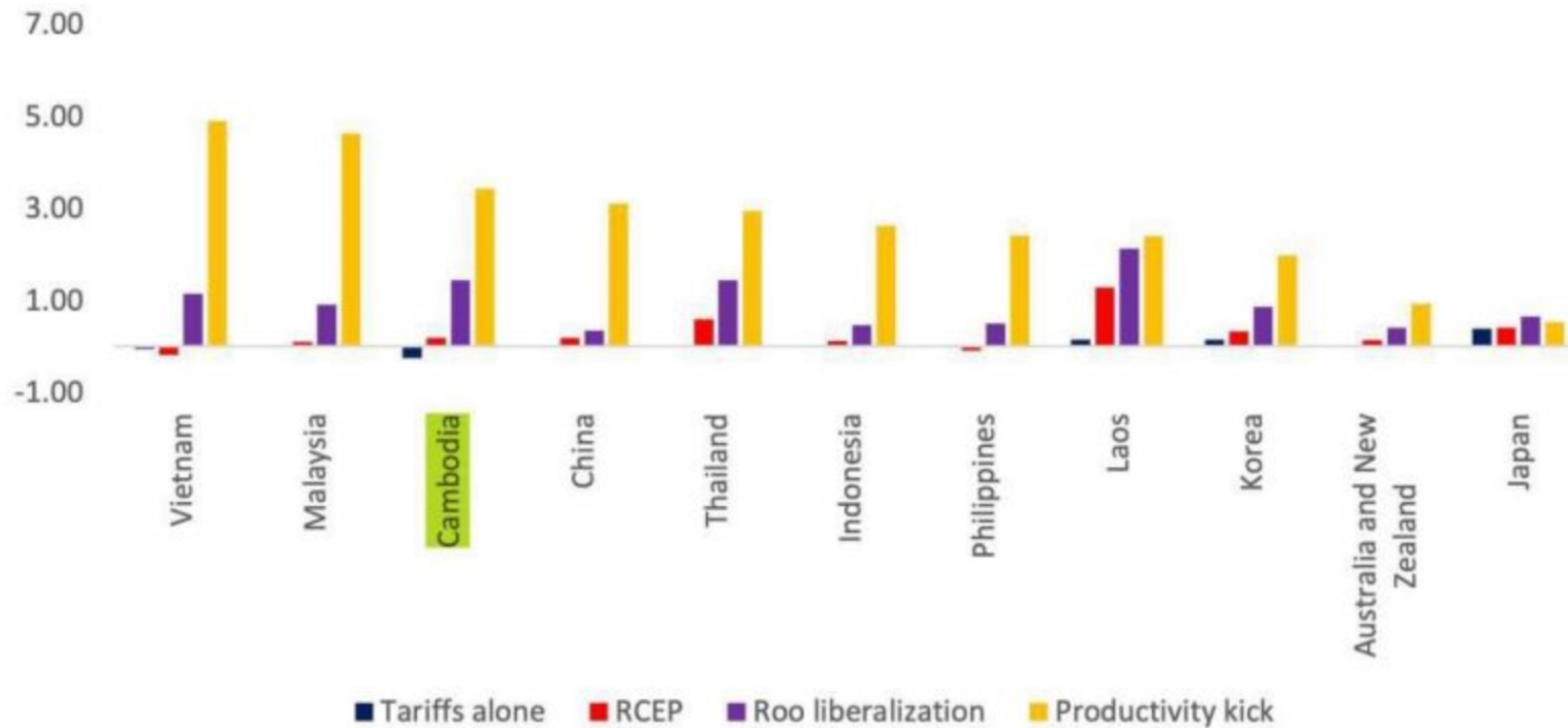
- To get higher level of market access liberalization (goods, services, and investment), taking into account **Cambodia potential interests**, including of private sector
- More **flexibilities and special and differential treatment** for LDCs like Cambodia in implementing the commitments
 - Lower level of market access liberalization
 - Longer transition period
 - Exempted from implementing certain commitments
- Base result of consultation with related ministries/institutions and related private sector

Market Access (TIG)

AFPs	KH's Offer (trade value)	KH gets (trade value)
Australia	48.19%	95.74%
China	72.43%	85.30%
Japan	46.42%	99.85%
Republic of Korea	58.28%	87.52%
New Zealand	45.27%	94.88%

Cambodia ranked third in RCEP revenue increase, export growth

Figure 7. Real income gains by country in RCEP: Percentage change relative to business-as-usual scenario, 2035



Cambodia ranked third in RCEP revenue increase in World Bank's research paper entitled "Eliminating the Economic and Distributional Impacts of the Regional Comprehensive Economic Partnership (RCEP)". WORLD BANK

Potential Impact of RCEP on Cambodia

Table 8-2: Simulations of Export Growth on the Cambodian Economy (4-digit product classification)

	RCEP Impact of Annual Export Changes	
	Export Growth: 9.4% (Manufacturing and Services)	Export Growth: 18% (Manufacturing and Services)
GDP Growth	2.0%	3.8%
Employment Growth	3.2% (283,281)	6.2% (542,453)
Tax Revenue*	2.0%	3.9%

Notes: The figures in parentheses reflect the number of employees.

* Tax revenue includes direct and indirect taxes. The tax revenue reflects the gross revenue and does not include the tariff elimination effects on tax revenue.

<https://www.eria.org/news-and-views/president-of-eria-and-cambodias-minister-of-commerce-launch-monograph-on-rcep/>

RCEP Statistics

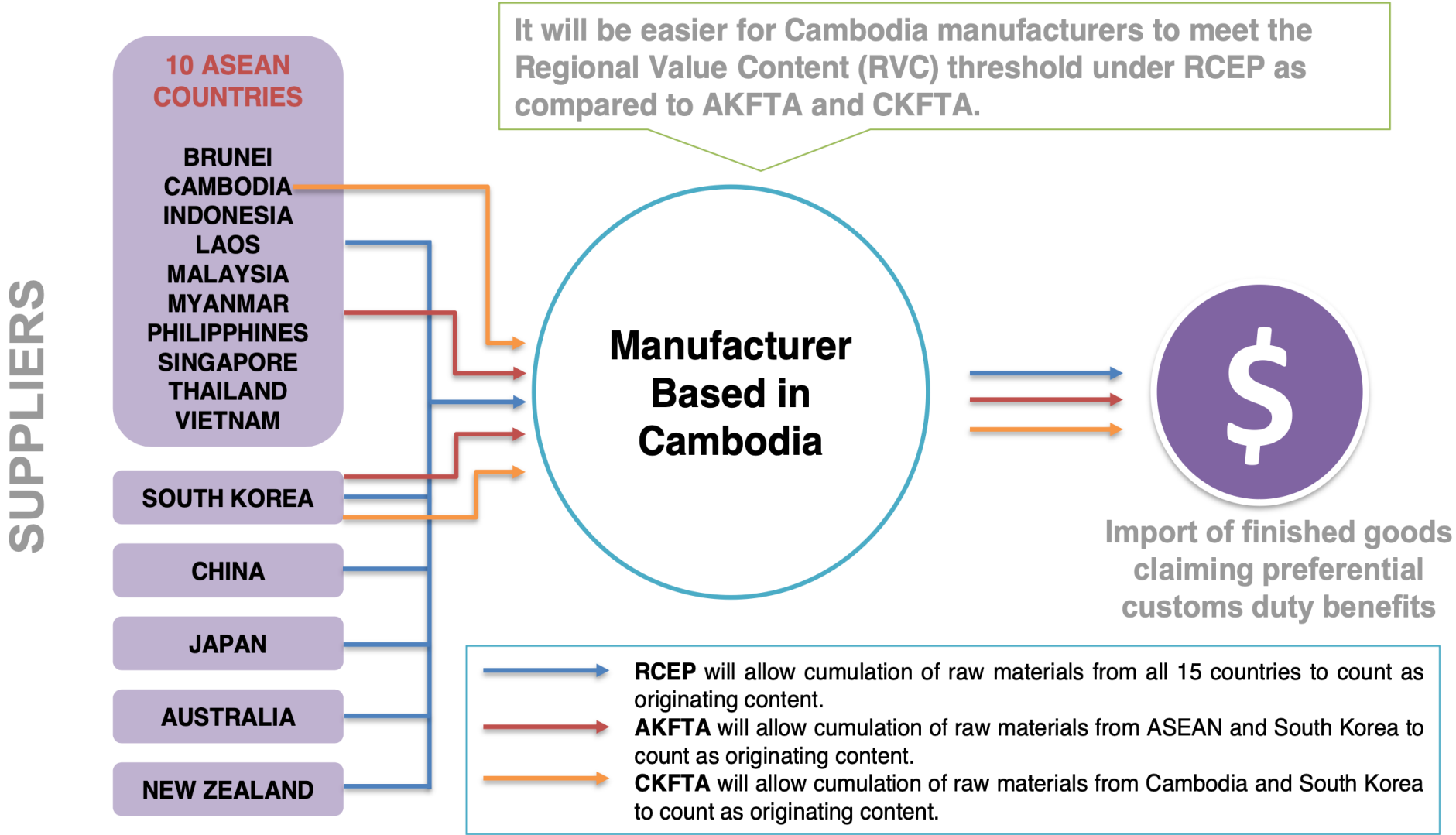
ស្ថិតិពាណិជ្ជកម្មកម្ពុជា និងប្រទេសអាស៊ីប (ឯកតា: លានដុល្លារអាមេរិក)

No.	DESTINATION	2021			2022			CHANGE					
		EXPORT	IMPORT	TOTAL TRADE	EXPORT	IMPORT	TOTAL TRADE	EXPORT	IMPORT	TOTAL TRADE			
1	THE WORLD	19,309	28,703	48,012	22,483	29,942	52,425	▲	16%	▲	4%	▲	9%
2	RCEP	5,935	23,963	29,898	6,344	24,687	31,031	▲	7%	▲	3%	▲	4%
3	ASEAN	2,914	12,924	15,838	3,297	12,756	16,053	▲	13%	▼	-1%	▲	1%
	Brunei Darussalam	5.75	0.003	5.75	8.85	12.73	21.57	▲	54%	▲	397596%	▲	275%
	Indonesia	31.78	607.95	639.73	36.84	911.69	948.53	▲	16%	▲	50%	▲	48%
	Lao PDR	2.72	158.21	160.92	2.61	208.14	210.75	▼	-4%	▲	32%	▲	31%
	Malaysia	101.32	401.69	503.00	111.85	508.52	620.37	▲	10%	▲	27%	▲	23%
	Myanmar	10.20	19.84	30.04	1.08	24.56	25.64	▼	-89%	▲	24%	▼	-15%
	Philippines	37.54	32.30	69.84	42.73	60.53	103.25	▲	14%	▲	87%	▲	48%
	Singapore	119.90	5,097.11	5,217.00	92.58	3,230.37	3,322.94	▼	-23%	▼	-37%	▼	-36%
	Thailand	620.21	3,463.35	4,083.56	831.77	3,832.50	4,664.28	▲	34%	▲	11%	▲	14%
	Viet Nam	1,985.08	3,143.53	5,128.62	2,168.62	3,967.14	6,135.76	▲	9%	▲	26%	▲	20%
4	Australia	205	120	325	379	145	524	▲	85%	▲	20%	▲	61%
5	China	1,510	9,684	11,195	1,241	10,446	11,686	▼	-18%	▲	8%	▲	4%
6	Japan	1,094	641	1,734	1,173	775	1,948	▲	7%	▲	21%	▲	12%
7	Korea, Republic of	194	580	774	234	545	779	▲	20%	▼	-6%	▲	1%
8	New Zealand	17	14	31	20	21	41	▲	22%	▲	45%	▲	33%

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No.	DESTINATION	2022 (Jan-Apr)			2023 (Jan-Apr)			CHANGE					
		EXPORT	IMPORT	TOTAL TRADE	EXPORT	IMPORT	TOTAL TRADE	EXPORT	IMPORT	TOTAL TRADE			
1	THE WORLD	7,606	10,043	17,650	7,234	7,927	15,161	▼	-5%	▼	-21%	▼	-14%
2	RCEP	2,493	8,211	10,704	2,892	6,931	9,823	▲	16%	▼	-16%	▼	-8%
3	ASEAN	1,472	4,176	5,648	1,865	3,072	4,937	▲	27%	▼	-26%	▼	-13%
	Brunei Darussalam	4.56	2.465	7.03	0.29	8.17	8.45	▼	-93.72%	▲	231.26%	▲	20.31%
	Indonesia	8.82	299.87	308.69	14.16	377.91	392.06	▲	60.58%	▲	26.02%	▲	27.01%
	Lao PDR	1.65	64.89	66.55	2.30	60.89	63.19	▲	39.41%	▼	-6.17%	▼	-5.04%
	Malaysia	35.17	170.01	205.17	29.61	144.60	174.21	▼	-15.80%	▼	-14.94%	▼	-15.09%
	Myanmar	0.44	7.94	8.37	0.70	8.65	9.35	▲	59.96%	▲	8.99%	▲	11.64%
	Philippines	12.62	38.73	51.35	19.29	6.80	26.09	▲	52.87%	▼	-82.45%	▼	-49.19%
	Singapore	50.22	1,151.76	1,201.98	223.84	256.95	480.79	▲	345.69%	▼	-77.69%	▼	-60.00%
	Thailand	381.65	1,114.68	1,496.33	393.46	958.95	1,352.41	▲	3.10%	▼	-13.97%	▼	-9.62%
	Viet Nam	977.27	1,325.26	2,302.53	1,181.46	1,248.98	2,430.44	▲	20.89%	▼	-5.76%	▲	5.55%
4	Australia	126	54	180	119	46	164	▼	-6.05%	▼	-15.22%	▼	-8.79%
5	China	424	3,507	3,931	440	3,454	3,894	▲	3.73%	▼	-1.50%	▼	-0.93%
6	Japan	389	246	636	372	202	573	▼	-4.55%	▼	-18.19%	▼	-9.83%
7	Korea, Republic of	76	222	298	91	149	239	▲	19.33%	▼	-33.09%	▼	-19.73%
8	New Zealand	5	6	11	6	9	15	▲	22.86%	▲	48.29%	▲	36.28%

Benefits Cambodian Businesses



The production is completed in **Cambodia** with all the materials used in the production are originating materials.

Flour:
imported from
Thailand and
originated in
Thailand
(secondary material)



Originating materials
of Cambodia

(primary and
originating materials)



Noodle: **origin of
Cambodia**



A manufacturer produces Men's Shirt made of cotton (HS. 6105.10) in Cambodia for exporting to Korea using the RCEP. He imports all materials used to produce the Men's Shirt from third country/countries (non-originating), namely Cotton Yarn (HS. 5207.10) from India.



The product specific rule (PSR) for Men Shirt made of cotton (HS. 6105.10) under RCEP is “CC”. In terms of the CC criterion, this means that the **non-originating materials** used to produce Men's Shirt must have a **two-digit tariff classification** (at Chapter level) different from that of the Men's shirt.

The manufacturer chooses to apply “CC” rule to prove the origin of the Men's Shirt. Since the first two digit of the HS codes of the non-originating cotton yarn are different from that of the Men's Shirt, the Men's Shirt satisfy the PSR and are considered to be originating in **Cambodia**, therefore they are eligible for RCEP preferential tariff treatment when imported to South Korea.

Contribution of Trade Agreements

- Average Economic Growth 7%
- RCEP 2% - 3.8%
- Concluded FTA around 0.85% and coming FTAs around 4%
- Cambodia became the 9th largest **garment producer** in the world
- Ranks number 1 in ASEAN and number 5 in the world in terms of **exports bike**

Cambodia Vision 2050 (High-income Country)

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