

ERIA Discussion Paper Series**No. 453****Potential Impact of RCEP and Structural Transformation on Cambodia¹**Shandre M THANGAVELU²*Jeffrey Cheah Institute on Southeast Asia, Sunway University, Malaysia*

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October 2022

Abstract: *This paper examines the potential impact of the Regional Comprehensive Economic Partnership (RCEP) on the Cambodian economy in terms of trade, output growth, and employment. It also provides quantitative (structural gravity model estimation and simulation) and qualitative trade policy evaluation in terms of exports, output, and the structural transformation of the economy in global and regional value chains. The results highlight the importance of RCEP for the pandemic and post-pandemic recovery and the structural transformation of the Cambodian economy. The paper also provides key policy recommendations to fully maximise the benefits of RCEP for Cambodia for inclusive and sustainable growth.*

Keywords: Free Trade Agreement; Export; Global Value Chains; Structural Transformation

JEL Classification: F15; F17

¹ The views expressed in this chapter are those of the authors. They do not represent the views of the respective institutions. The paper was presented at ERIA workshop on ERIA Project on Regional Economic Comprehensive Partnership (RCEP), Jakarta, 25–26 January 2022. We would like to thank Fukunari Kimura, Shujiro Urata, Jay Menon, Sim Sokheng, Chan Sopheap, Triv Chealing, and Ban Sopheap for their valuable comments on an earlier draft.

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1. Introduction

Cambodia is one of the most progressive Association of Southeast Asian Nations (ASEAN) Member States in terms of its market access to regional and global activities. Cambodia completed the Regional Comprehensive Economic Partnership (RCEP), the largest free trade agreement, on 15 November 2020, comprising 10 members of ASEAN (Brunei Darussalam, Cambodia, Indonesia, the Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) and five other regional countries that ASEAN had existing free trade agreements with – Australia, China, India, Japan, the Republic of Korea (henceforth, Korea), and New Zealand (ASEAN Secretariat 2020a; 2020b). The RCEP agreement came into force on 1 January 2022 with ratification by four non-ASEAN members (Australia, China, Japan, and New Zealand) and six ASEAN members (Brunei, Cambodia, the Lao PDR, Singapore, Thailand, and Viet Nam) (ASEAN Secretariat, 2022). Cambodia also completed the Cambodia–China Free Trade Agreement (CCFTA) negotiations in 2020, which came into effect on the same date as RCEP.

In line with the open regionalism³ and progressive liberalisation of the domestic economy to regional trade and investment, the government also started the negotiation of the Cambodia–Korea FTA (CKFTA) in 2020. The negotiations for the CKFTA were concluded in February 2021, and the agreement was signed in October 2021. A key component of the CKFTA is that both countries have indicated a strong ambition to conclude a bilateral FTA that will have strong welfare impacts for the two countries as well as their business communities. The structure of the CKFTA is to improve and build on the existing ASEAN–Korea FTA (AKFTA) and consider the currently concluded multilateral free trade agreements (FTAs) of RCEP across the 15 member countries of ASEAN and Australia, China, Japan, Korea, and New Zealand.

³ Open regionalism in ASEAN is described by Drysdale (2017) as, ‘Open regionalism seeks to promote economic integration amongst participants without discrimination against other economies’, and ASEAN and the AEC are built on such a foundation. Cambodia actively participates in ASEAN and adopts ASEAN’s regional integration framework.

Currently, RCEP is the world's largest regional trading bloc, consisting of a combined population of 2.2 billion people (30% of the world's population), total regional gross domestic product (GDP) of around US\$38,813 billion (30% of global GDP in 2019), and nearly 28% of global trade. It sets an important agenda for trade and investment in global trade in terms of opening large domestic markets (demand), releasing huge resources for trade and investment, and creating dynamic regional and global value chain (GVC) activities (see Annex 1, Table A-1). The RCEP agreement is expected to benefit not only the East Asian region but will also have a global impact, as indicated by recent studies (Park, 2022; Itakura, 2022; Petri and Plummer, 2020). Open regionalism and global trade will be significantly enhanced by the RCEP agreement, and it is expected to have a significant impact on the post-pandemic recovery of the region.

In this chapter, we examine the impact of RCEP on the Cambodian economy in terms of trade in goods, measuring the revealed comparative advantage at the 8-digit trade classification, and GVC activities based on the specific chapters of the RCEP agreement. The chapter also highlights the importance of RCEP for the post-pandemic recovery and structural transformation of the Cambodian economy. The key policy recommendations to fully optimise the benefits of RCEP for Cambodia for inclusive and sustainable growth are also discussed in the chapter.

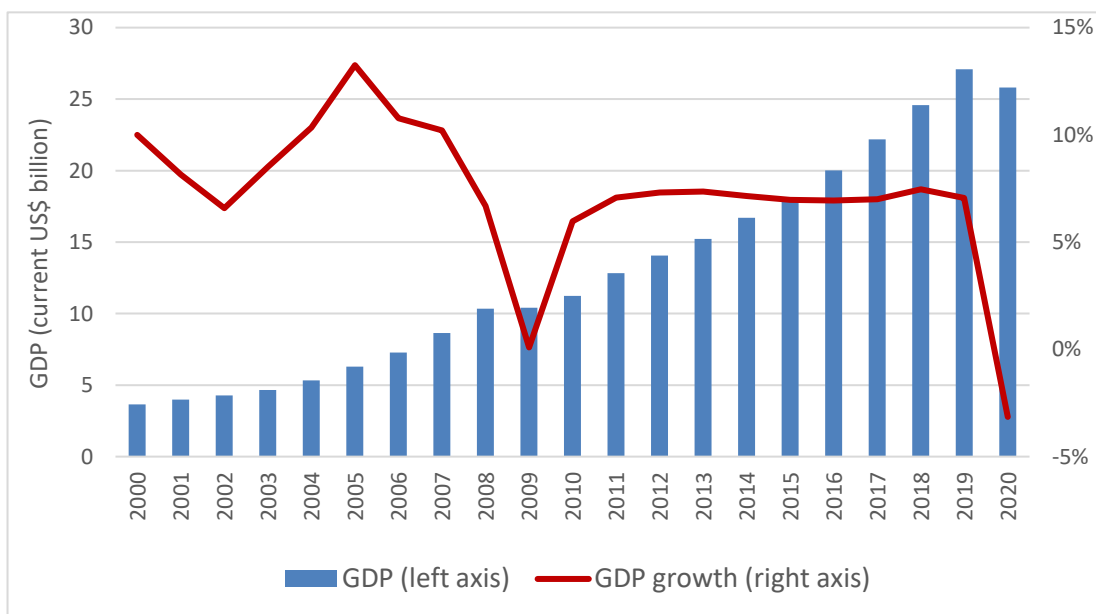
2. Structure of the Cambodian Economy

The Cambodian economy is one of the fastest-growing economies in ASEAN. The average annual growth of Cambodia has been around 7%–8% for the past decade (see Figure 1). In addition, Cambodia is also in a transition and is transforming its economy into a lower middle-income growth economy in terms of its industrial transformation. The manufacturing industry is growing at an average rate of 11.9% with a share of nearly 30% of GDP, services with a growth rate of 8.1% with a share of 40% of GDP, and agriculture accounting for 25% of GDP with an annual growth rate of 3.8% in 2017.

The growth of the Cambodian economy has been driven by the liberal and open economic and trade policy adopted by the government. Cambodia is one of the most

liberal and open economies in ASEAN. The economy adopts an open economic policy in terms of trade and foreign direct investment (FDI). However, several key issues have affected the growth of the economy in terms of key fundamentals on progressive institutions, human capital development, and the strong competitiveness of domestic industries. In Figure 1, we observe a structural shift in GDP after the global financial crisis (GFC), when the economy shifted from double-digit growth to around an average of 5% from 2010 to 2019.

Figure 1: Economic Performance (GDP) of Cambodia



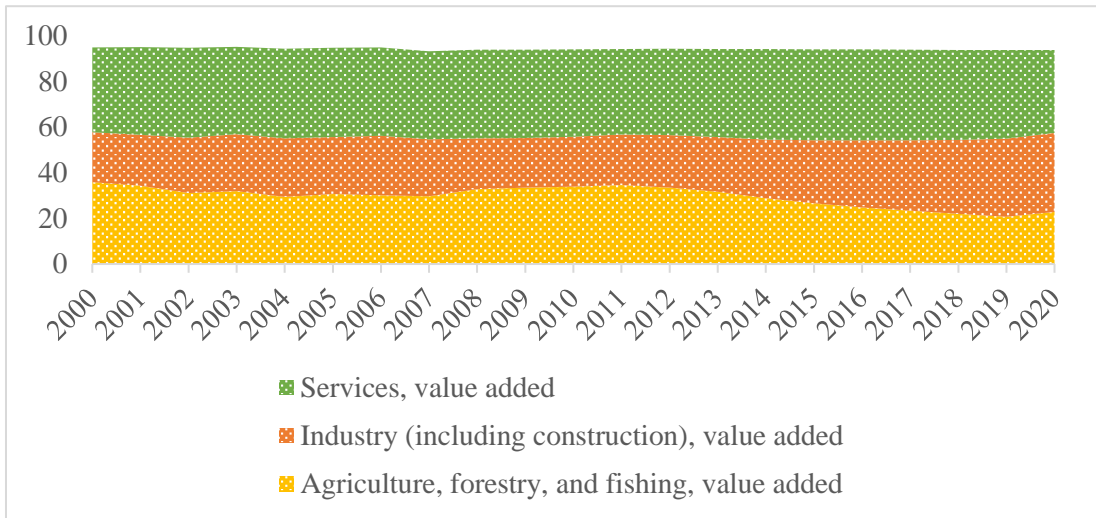
GDP = gross domestic product.

Source: World Development Indicators (accessed 1 August 2021).

2.1. Sectoral structure of the economy

The Cambodian economy is driven by manufacturing and services as the twin engines of growth (see Figure 2). The manufacturing sector accounted for 36.5% of GDP in 2019 and has shown a rising trend since GFC. We also observe a rising share of services in GDP since the GFC, rising from 40% in 2010 to 41% in 2019. Although the agriculture sector has remained an important sector, its share of GDP declined from 36% in 2010 to around 22% in 2019 through the rapid industrialisation of the economy.

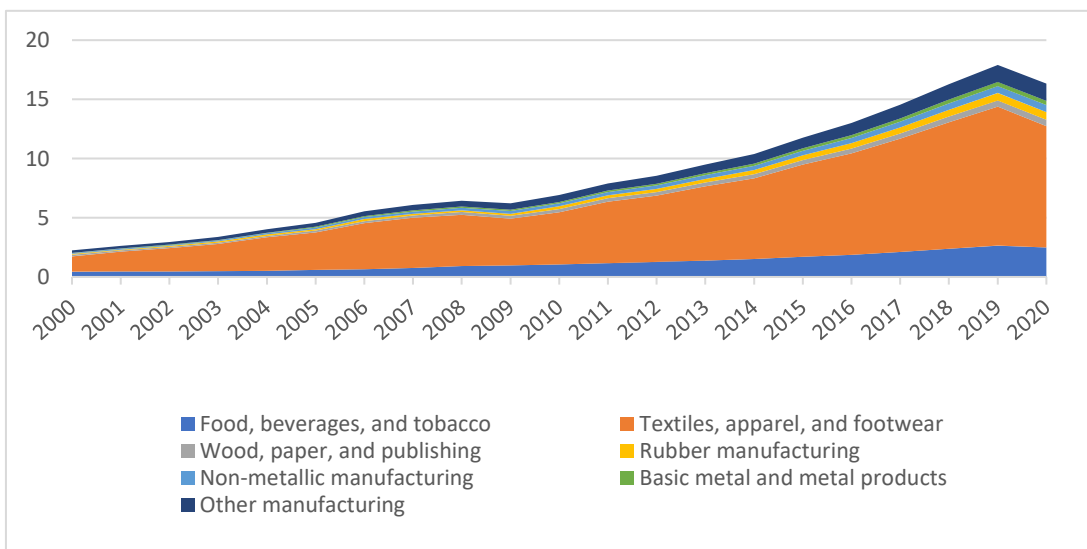
Figure 2: Sectoral GDP (% of GDP)



Source: World Development Indicators (accessed 1 August 2021).

In manufacturing activities, the textile and garment sector remain the dominant sector, accounting for a major part of production and export activities. The other key manufacturing activity is in the food, beverage, and tobacco sector, which maintains economic activity of around 10%. We also observe rising trends in non-metallic manufacturing, transport equipment, and electronics parts and components (see Figure 3).

Figure 3: Cambodia’s Manufacturing Subsectors (KR trillion)



Source: National Institute of Statistics (accessed 1 August 2021).

2.2. Labour force structure

Cambodia’s labour force consists of a young and dynamic workforce. According to World Population Prospects (2017), the population of Cambodia in 2017 was about 16 million, and this is projected to increase to 18.8 million in 2030 and 22 million in 2050. With the annual population growth rate at 1.9% in the past decade, Cambodia on average added approximately 164,000 people to the labour market each year. The working-age population (15–64) reached 10.1 million in 2015 for the first time, from 8.3 million in 2007.

As the structural transformation accelerates, the share of employment in agriculture has shown a sharp decline. Figure 6 explains the change in sectoral employment in Cambodia from 2004 to 2016 (Cambodia Socio-Economic Surveys). As clearly shown, employment in agriculture dropped from 58% in 2007 to around 30% in 2019. Correspondingly, the employment share in industry and service sectors steadily increased, absorbing new entrants to the labour market. The share of employment was around 40% for services, and the share of manufacturing was around 30%, respectively, in 2019 for the Cambodian economy (see Figure 4). We also observe that the unemployment rate in the economy is showing a declining trend and was less than 1% in 2019.

Figure 4: Labour Structure (% of total employment)

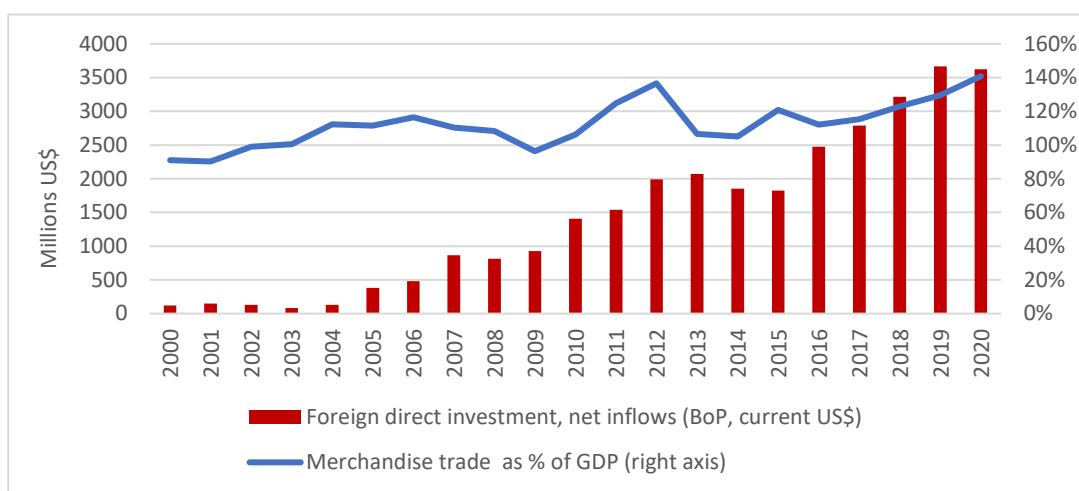


Source: World Bank (accessed 1 August 2021).

2.3. Trade and investment

Cambodia is an open economy that relies heavily on trade and investment for economic growth. Merchandise trade accounted for more than 100% of GDP for the past 2 decades. The economy has been running a current account deficit as domestic production could not support the demand, leading to an excessive import of industrial materials as well as consumption of products from abroad. In 2020, imports accounted for almost 63.9% of GDP, whilst exports were around 62.4% of GDP.

Figure 5: Trade and Foreign Direct Investment (US\$ million)



Source: World Development Indicators (accessed 1 August 2021).

The economy relies heavily on FDI to augment its domestic investment in economic activities in the domestic economy. FDI activities have been stable from 2000 to 2020. China continued to be the leading investment capital source for Cambodia, followed by the ASEAN region. In 2020, FDI from China, including Hong Kong and Taiwan, accounted for 47.4% of the country's total FDI, an increase of 0.3% compared to the previous year. It was followed by FDI from ASEAN, namely Singapore, Malaysia, and Thailand, accounting for 19.5% of the total in 2020.

3. Potential Impact of RCEP for ASEAN Least Developed Countries: The Case of Cambodia

There are large potential gains from RCEP for ASEAN and ASEAN least developed countries (LDCs), particularly Cambodia. In this section, we explore the key RCEP agreement chapters in relation to the impact of RCEP on the Cambodian economy.

3.1. RCEP impact on key sectors

3.1.1. RCEP impact on manufacturing exports in GVCs: Simplification of rules of origin

RCEP will accelerate GVC effects and regional integration through the simplification of the rules of origin (RoOs) (see a summary of RoOs in RCEP in Annex 2). It will facilitate business activities in GVCs in terms of the movement of goods. Under RCEP, there is an agreement for a single ROO framework that could be applied across the 15 member countries in RCEP. Current studies highlight that the co-sharing rule is less restrictive across other forms of ROO rules and regulations (Thangavelu, Narjoko, and Urata, 2021). RCEP allows for a co-sharing rule under the ROO framework. For example, under the machinery and mechanical appliances (Chapter 84) and electrical machinery and equipment (Chapter 85), many articles can be found adopting either CTSH or RVC40, or CTH or RVC40. For automobile-related products, motor cars for the transport of persons (HS8703) and motor vehicles for the transport of goods (HS8704) adopt RVC40, whilst parts for motor vehicles (HS8708) are mostly in CTH or RVC40.

Under RCEP, businesses need to show that a product has the regional value content (RVC) level of 40% or has undergone a change in tariff heading (CTH) at the 4-digit HS code level classification. The single ROO framework under RCEP will have important implications for GVC activities in the region in terms of greater intra-industry trade and investment, and it is likely to create more value-added activities in the region. RCEP also includes a flexible provision for an ROO framework in terms of tariff differentials, where an importing party applies different tariff treatments for the same originating good. The different tariff treatment refers to the additional requirements that the members with tariff differential tables impose on an originating good. The additional requirement means the requirement that an

exporting party of an originating good must have no less than 20% of the total value of the originating good that has been added in the production of that originating good, as calculated, *mutatis mutandis*, under Article 3.5 (Calculation of Regional Value Content). There are six RCEP Members with tariff differential tables: China, Korea, Japan, Viet Nam, Thailand, the Philippines, and Indonesia. The rest of the members adopt common concessions. Tariff differential tables consist of less than 100 products.

3.1.2. Structural transformation and export diversification in garments and textiles and agri-processing

The RCEP agreement provides an opportunity for Cambodia to induce structural transformation in the Cambodian economy and to diversify from more concentrated textile and garment exports. Revealed comparative advantage (RCA) analysis for China, Japan, and Korea (CJK) shows that Cambodia's exports to CJK are in consumer final products, which are labour-intensive in terms of 'cut, make, and trim' in clothing exports (see Annex 6). It is important to develop more functional service activities in garments and export such as branding, marketing, and sourcing that will allow the textile and garment industry in Cambodia to move up the value chain.

RCEP also provides an opportunity to develop agricultural exports in agri-processing, production, and exports. Key to agri-production and exports are the GVC activities in key agricultural services, such as branding, marketing, warehousing, and storage, that allow for the movement of agricultural products to key destinations. In addition, the key value-added activities are in the manufacturing and processing of agri-products in GVCs.

3.1.3. Enhancing trade facilitation and technical standards under RCEP: Non-tariff barriers

RCEP provides the framework to harmonise trade regulations and enhance the adoption of best international practices in trade facilitation. Non-tariff measures (NTMs) suggest more transparent customs rules and procedures that enable greater trade facilitation for the RCEP member countries. RCEP also provides a framework

for standards and technical regulations for more transparent and better regulatory frameworks for regional trade.

Trade liberalisation through tariff reductions has been the key element in increasing trade and investment in the region for the past 2 decades. Recent evidence indicates rising non-tariff barriers as impediments to regional trade and investment. In fact, the application of NTMs tends to be more complicated and difficult to manage, going beyond the key objectives of ensuring safety and health, public goods, and protecting the welfare of people, animals, and the environment. NTMs by the respective RCEP countries in terms of the types of NTMs are given in Annex 3, Figure A-1. China has the highest number of NTMs in technical barriers to trade, sanitary and phytosanitary, and export measures. We also observe high NTMs in Australia, Korea, Thailand, and New Zealand. The NTMs in Cambodia are one of the lowest amongst the RCEP countries (see Annex 3, Figure A-2 for specific NTMs for Cambodia). The RCEP framework will reduce the current non-tariff barriers by reducing and creating more transparency in NTMs.

The RCEP agreement includes a trade facilitation framework and elements that are World Trade Organization (WTO)-plus, i.e. going beyond the commitments in the WTO Trade Facilitation Agreement in terms of the release of goods, perishable goods, and advance rulings. The agreement provides a transparent framework for customs clearance and management in terms of advance ruling based on tariff classification, a timeline for the issuance of advance rulings, and a risk management approach for customs controls and post-clearance audits. In addition, the sanitary and phytosanitary (SPS) framework under RCEP for biosecurity and food safety will be critical in the post-pandemic recovery of the region.

The RCEP agreement also allows for differential treatment for respective member countries to adopt and implement the commitments under the Trade Facilitation chapter. For example, Cambodia is given a 5-year extension to implement the application of digital technology in its customs control and management system.

3.1.4. Services and structural transformation of the Cambodian economy

It is expected that RCEP will induce structural transformation in the region by accelerating technology adoption in digital technologies, increasing regional connectivity in hard and soft infrastructure and the development of small and medium-sized enterprises (SMEs), and allowing for stronger investment activities and commitment in the East Asia region. The services liberalisation from the RCEP agreement will have a significant impact on service sector development and services trade for Cambodia.

The key trends of services trade across RCEP member countries and Cambodia are given in Annex 4. Table A-3 shows the share of services trade in GDP for the RCEP countries in 2010 and 2019. Cambodia has the second-largest services trade share in GDP across the RCEP countries, after Singapore. In fact, services trade has increased significantly since 2010, rising from 27% to 35% of GDP in 2015.

ASEAN is the largest trading partner in services trade for Cambodia. The services trade of Cambodia with ASEAN increased from US\$214 million in 2010 to nearly US\$437.5 million in 2015. The CJK impact on services trade for Cambodia is also significant and important. The services trade of Cambodia with CJK increased from US\$85.3 million in 2010 to US\$4,222.4 million in 2015. We observe a significant increase in services trade with China, where services trade increased from US\$42 million in 2010 to US\$133 million in 2015. We also observe significant services trade between Australia and Cambodia, with an increase to US\$85.3 million in 2015 from US\$52.8 million in 2010. Cambodia's exports of services to RCEP members are mostly in traditional services trade, such as transportation and accommodation and food services (tourism sector), and this is followed by a rising trend in telecommunications, information, finance and other business services (see Annex 4).

Figure A-4, Annex 4 shows the Services Trade Restrictiveness Index (STRI), indicating that most of the RCEP member countries still have high restrictiveness in services trade. For Cambodia, the average percentage of the STRI is 24%. In Table A-4, we observe that the financial sector has less restrictiveness in Cambodia as compared to other services trade.

In the post-pandemic recovery, the liberalisation and reforms in the services sector will play an important role in the post-pandemic recovery. There is a need to reform traditional trade in services, such as tourism, logistics, aviation, financial, and medical tourism. These forms of services trade rely heavily on the movement of people (Mode 4) to remain competitive in the region, and the transformation to the ‘new normal’ in the post-pandemic period will reduce the activities in traditional services trade. Recent evidence indicates the rising services share in GDP for Cambodia in these sectors. RCEP is expected to provide the framework for structural transformation in services trade.

Under RCEP, there will be greater market access to services trade in the region as services trade is expected to grow nearly as much as 65% as member countries open up for trade and investment. RCEP also emphasises the key framework for deeper service liberalisation in the sectors of e-commerce, financial, telecommunications, and professional services. The service sector liberalisation under RCEP also highlights the shift from the ‘positive’ list approach, where only certain service sectors are open for trade and investment, to the ‘negative’ list approach, where most service sectors are open for trade and investment unless specifically excluded. The RCEP members are also given a certain time period to shift to the ‘negative’ list approach after entry into the RCEP agreement. It is important to highlight that the emphasis of RCEP member countries to shift to the ‘negative’ list approach goes beyond the existing ASEAN Plus 1 FTAs. The negative list approach reduces the uncertainty in service sector liberalisation and increases regional trade and investment in service sectors.

The RCEP agreement will enable the Cambodian economy to structurally transform its services activities to more digital- and technology-based services trade. The RCEP services chapter highlights the importance of e-commerce, financial, professional, and telecommunications services, and provides the liberalisation framework for the development of the key new service sectors to become part of deeper liberalisation across the 15 member countries.

3.1.5. Investment facilitation

The investment chapter under RCEP goes beyond the investment framework provided in the ASEAN Plus 1 FTAs. The RCEP agreement on investment highlights the importance of: (a) the protection of foreign investment, (b) liberalisation, (c) promotion, and (d) facilitation. Investment liberalisation also adopts the ‘negative’ list approach with a ratchet mechanism framework. The key rules-based investment activities will provide more investment in critical industries and GVC activities in the Cambodian economy.

3.1.6. RCEP and SMEs

The SME chapter under RCEP is very critical and important for ASEAN LDCs, especially for the development of SMEs in ASEAN. SMEs play an important role in creating employment and also service linkages to manufacturing activities in GVCs. It is critical to examine the role of SMEs in traditional services (tourism, aviation, and logistics) as well as in the RCEP-focused services of financial, professional, and telecommunications services.

The SME agreement under RCEP will provide the potential to develop local businesses to participate in regional GVC activities. The framework could provide necessary policy developments in terms of financial inclusion, market access, and developing critical skills and training for the internationalisation of SMEs in the region.

3.1.7. E-commerce and RCEP

The development of e-commerce will be critical in managing the post-pandemic recovery in Cambodia and the ASEAN region. The importance of digital trade and the creation of the necessary institutional and infrastructure framework for e-commerce activities will be critical for ASEAN. The RCEP framework for e-commerce could provide the necessary framework for ASEAN to develop a competitive e-commerce sector in the region.

4. Export Comparative Advantage of Cambodia in Higher Value-added GVC Activities

4.1. Increasing the competitiveness of higher value-added activities in GVCs: Electronics and electrical, machinery, and transport equipment

We explore the sectoral results that we obtained from our gravity model in terms of the integration and diversification of the exports of Cambodia in electronics and electrical equipment, machinery, and transport equipment (see the results below). It is expected that RCEP will accelerate the intensity and integration of Cambodia in regional GVCs. Recent evidence indicates that the production structure of Cambodia is diversifying to more intermediate input production, particularly in (a) computers, electronics, and optics, and (b) transport equipment.

A recent study by Obashi (2020) shows that Cambodia and Viet Nam's competitiveness (empirical comparative advantage) in (a) computers, electronics, and optics and (b) transport equipment is improving and closely following similar trends in Viet Nam. The study highlights that both countries are increasing their participation in parts-and-components activities in regional GVCs. Viet Nam appears to have attracted assembly bases and has transformed them into an export platform of electronics and electrical equipment. Whilst Cambodia has been much slower in this GVC transformation, we can observe similar trends in the shift in competitiveness (see Annex 5, Figure A-5). RCEP is expected to accelerate the GVC transformation of Cambodia's production and exports.

4.2. Cambodia's export comparative advantage in higher value-added GVC activities

We explore the dynamic comparative advantage of Cambodian exports in higher value-added activities by analysing the RCA index of key exports. The key discussions on the derivation of the RCA index are given in Annex 6. In summary, the RCA index ranges from 0 to infinity, with 1 as the break-even point, where an RCA value of less than 1 means that the product has no export comparative advantage, whilst a value above 1 indicates that the product has an export comparative advantage. In this study, we utilised the export data from 2004 to 2019 at the 6-digit level of HS code (analysis undertaken at the 8-digit level and aggregated to a 6-digit classification) by using Cambodia as the reporter and UNCTAD-SoPs for

grouping the products by the stage of processing into raw materials, intermediate goods, consumer goods, and capital goods.

Based on the results of the RCA calculation by broad categories (see Annex 6, Figure A-6), we observe a rise in the comparative advantage of intermediate goods since 2012, indicating a shift in Cambodian export competitiveness in higher value-added GVC activities. The rise in the RCA for intermediate goods indicates that Cambodia is positioning deeper GVC activities in terms of greater intra-industry activities as intermediate inputs for further production. However, the rising comparative advantage in intermediate goods exports is still less than 1, indicating there is a need for further reforms at the border and behind-border issues in the intermediate goods industries. The rising RCA of intermediate goods exports over time is consistent with the observation by Obashi (2020) of the rising comparative advantage of Cambodia in the exports of computers, electronics and electrical products, and transport equipment. We also observe the positive impact of RCEP on these intermediate goods exports in our gravity model estimation.

4.3. Impact of RCEP and GVCs: Export comparative advantage to China, Japan, and Korea

The key element of RCEP is the CJK impact on regionalism, as the regional agreement allows for the free movement of goods across these countries. The CJK impact will be significant for ASEAN as RCEP is the first agreement to allow for a free trade framework for CJK for trade and investment.

We examine the competitiveness of Cambodian exports to China, Japan, and Korea and the GVC impact. We examine the RCA of Cambodian exports at the 6-digit and 8-digit trade classification to China, Japan, and Korea for the top 20 products from 2015 to 2019. We classified the top 20 products into (a) consumer final goods, (b) intermediate inputs, and (c) raw materials (see Annex 6). For the top 20 export products, we observe rising RCA (competitiveness) for exports of intermediate goods from Cambodia to China, Japan, and Korea. We observe a rising RCA for parts and components products in motor parts, and parts and accessories for export to China; electrical conductors exports to Korea; and ignition wire sets for motor vehicles exports for Japan. The CJK impact of RCEP will accelerate the GVC

transformation of Cambodia for greater competitiveness in parts-and-components activities in the region.

We do not observe any shift in comparative advantage for raw materials. We also observe that most of the textiles and garment goods exports are in final consumption goods to CJK, and, generally, the RCA is stable at the disaggregated product level. However, the overall trend of the RCA for final consumption goods exports, as given by Figure A-6, indicates a declining trend, which suggests a need to diversify the export industries in Cambodia. The RCEP framework is likely to provide the necessary framework for the structural transformation of Cambodia to higher value-added activities.

5. **Impact of RCEP on Cambodia's Potential Trade and GVC Activities**

We examine the economic impact of RCEP on trade and then calculate the export potential that Cambodia would have had with RCEP member countries. We adopt a structured gravity model that allows us to capture multi-country and multi-sectoral effects using disaggregated trade data (Pfaferamy, 2020; Yotov et al., 2016). There are several advantages to the gravity model. It is very flexible and based on a strong theoretical foundation that not only can explain bilateral trade flow but also allows one to capture the average effect of trade policies. This unique feature has made the gravity model more popular in applied international trade analysis (Head and Mayer, 2014; Yotov et al., 2016). The current literature on the structured gravity model also allows for counterfactual simulations of various policy scenarios.

The structured gravity model is given as:

$$\ln X_{ijt} = \alpha \times RTA_{ijt} + \mathbf{Z}'_{ij}\boldsymbol{\beta}_1 + \mathbf{Z}'_{it}\boldsymbol{\beta}_2 + \mathbf{Z}'_{jt}\boldsymbol{\beta}_3 + \epsilon_{ijt}, \quad (1)$$

where X_{ijt} is the export values from countries i to j in year t . \mathbf{Z}_{ij} , \mathbf{Z}_{it} , and \mathbf{Z}_{jt} are vectors of time-invariant country pairs, time-variant exporters, and time-variant importer characteristics, respectively. The time-invariant country pair characteristics include geographical distance, language similarity, and cultural similarity. GDP and multinational resistance (e.g. the price index) are examples of time-variant exporter

and importer characteristics. ϵ_{ijt} is a disturbance term. The coefficient for the RTA dummy indicates the trade creation effects of RTAs, that is, the average effects of RTAs on trade amongst RTA member countries. The RTA dummy in our model captures all the current FTAs that are implemented in Cambodia, which includes AFTA and ASEAN Plus 1 FTAs (the Cambodia–China FTA is excluded as it was only concluded in 2020).

There are a few empirical issues in the estimation of the above gravity model. Firstly, it is important to introduce multilateral resistance terms in the gravity model estimation (Anderson and van Wincoop, 2003). As suggested in Feenstra (2002), since those elements differ by country, we control for these by introducing exporter-year and importer-year fixed effects. Secondly, there is the issue of zero-value trade as trade values could be systematically zero and eliminating them in the sample would potentially remove useful information and also develop sample selection bias (Melitz, 2003). We adopted the Pseudo-Poisson Maximum Likelihood (PPML) technique to overcome this issue (Silva, Santos, and Tenreyro, 2006). Finally, there is the endogeneity issue on the RTA dummy variable as it could be influenced by trade activities. A recent study by Baier and Bergstrand (2007) highlighted that the most plausible estimates of RTA effects on international trade are obtained from the gravity estimation using panel data with time-invariant country-pair fixed effects. We introduce the country-pair fixed effects to control for the endogeneity of the RTA variable in our estimation.

In our empirical model, we use more recent trade data at the 4-digit trade classification of products for Cambodian bilateral exports during 2002–2019 obtained from the UN Comtrade World Integrated Trade Solution (WITS) dataset. All the key gravity variables are obtained from CEPII. The WITs data for Cambodia consists of exports for nearly 110 countries that Cambodia trades with. We also undertake the gravity estimation with the Trade in Value Added (TiVA) database obtained from OECD–WTO that allows for sectoral analysis from 2005 to 2015. The TiVA database consists of bilateral trade with 64 countries for 36 sectors. The results of the gravity model for Cambodia are reported in Table 1.

Table 1: Impact of FTAs and RCEP on Cambodia's Aggregate Exports

Variables	(1) OLS (WITS)	(2) PPML (WITS)	(3) PPML (TiVA)
Distance	0.592*** (0.000125)		
Contiguity	3.586*** (0.000308)		
Common colony	1.575*** (0.000118)		
FTA	0.141*** (0.000389)	0.250*** (1.15e-05)	0.280* (2.34e-09)
Constant	-11.04*** (0.000956)	4.428*** (0.170)	-4.832** (7.18e-09)
Observations	29,142	29,145	7,106
R-squared	0.216	0.078	0.142
Exporter-time FE	Yes	Yes	Yes
Importer-time FE	Yes	Yes	Yes
Pair country FE	No	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

FE = fixed effects, FTA = free trade agreement, OLS = ordinary least squares, PPML = Pseudo-Poisson Maximum Likelihood, TiVA = Trade in Value Added.

Source: Authors' calculations.

The fully accounted results controlled for endogeneity effects are given in columns 2 and 3. The coefficients are positive for RCEP (FTA) indicating that FTAs have a positive impact on the export activities of Cambodia for both datasets. Based on the estimated coefficients, the positive impact of RCEP is given by an average increase in exports of around 9.2%–18.4% for the Cambodian economy.

The second stage of our analysis is to translate the export changes from FTAs to output and employment. The results obtained from the structured gravity model are adopted for input–output (2017 Input–Output Table from the Asian Development Bank) simulations of the Cambodian economy. The results are shown in Table 2.

The results indicate that RCEP's impact of a 9.4% increase in exports could have an annual growth impact of 2.0% on the baseline growth rate. We also see a positive impact on employment with a 3.2% increase in employment. We also simulated a higher impact of an 18% increase in exports on the domestic economy,

which translates into a 3.8% increase in GDP and a 6.2% increase in employment. This expansion of trade reflects the ‘catching-up’ and ‘leap-frogging’ phase for Cambodia in terms of investment in key human capital and skills and the alignment of key industries in the GVC.

**Table 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.

**The higher threshold reflects full liberalisation of the Cambodian economy, including the movement of skills, behind border issues, trade facilitation, investment facilitation, and institutional and labour market reforms.

Source: Authors’ calculations.

The second-stage simulation of RCEP’s effects on the domestic economy is similar to the simulation by Itakura (2022) using a recursive dynamic computational general equilibrium (CGE) model with more current data on population demographics, GVC frameworks for East Asia, and the tariff elimination effects of RCEP for the Cambodian economy. Itakura (2022) shows that the Cambodian economy benefits significantly from RCEP implementation with a positive impact on GDP and investment. The Itakura (2022) results show a GDP growth rate with respect to the baseline of 1.8% with tariff reductions for manufactured to services trade (based on RCEP Annex 1 for manufactured goods and ad valorem tariff equivalents of services trade are reduced by 20% over 10 years); and 6% GDP growth for the full implementation of RCEP commitments with trade and investment facilitation, improving the logistics cost and implementing services commitments under RCEP. We also observe an 11.5% increase in investment from the full implementation of RCEP commitments with trade and investment facilitation in the Cambodian economy.

5.1. Sectoral gravity analysis

We also examine the impact of FTA and RCEP on exports in the key manufacturing sectors. The results of the gravity model are given in Table 3. The coefficients are robust and statistically significant for exports of electronic and electrical equipment, machinery equipment, and transport equipment. However, we do not find statistically significant coefficients for food and beverage and textile and garment exports. The results clearly indicate that FTAs will have a greater impact on those emerging competitive industries than those sectors that are already very liberalised sectors such as the textile and garment sector. The textile and garment sector is very liberalised with few impediments for trade and most of the export products of the textile and garments of Cambodia are already having very low or zero tariff rates. This result clearly suggests greater and deeper border and behind-border reforms to increase the competitiveness of the textile and garment sector to shift to higher value-added exports in the GVC. In contrast, FTAs tend to complement and support competitive and emerging industries such as electronic and electrical, machinery equipment, and transport equipment that experience greater barriers to trade.

Table 3: Impact of FTA and RCEP on Cambodia's Sectoral Export

	(1) Food & Beverage	(2) Textiles & garments	(3) Electronic, Electrical & Machinery equipment	(4) Transport equipment
FTA	-0.0294 (0.363)	-0.307 (0.573)	0.989*** (7.92e-11)	0.659* (0.371)
Observations	411	604	704	336
R-squared	0.180	0.022	0.656	0.767
Exporter-time FE	Yes	Yes	Yes	Yes
Importer-time FE	Yes	Yes	Yes	Yes
Pair country FE	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, *p<0.1

Source: Authors' calculations.

The sectoral results point out the importance of FTAs and multilateral agreements such as RCEP in fostering structural transformation and diversification of Cambodia's exports. The evidence also signifies that RCEP would further accelerate the GVC transformation of Cambodian production and export. It is expected that RCEP will accelerate the intensity and integration of Cambodia into the regional GVC through a number of channels. First, RCEP brings together CJK (China, Japan and Korea) into a broader and rule-based trade and investment liberalisation that allows for freer movement of parts and components across the region. The CJK impact will be significant for Cambodia as they are the important connectors for regional and global value-chain activities in ASEAN and the East Asian region. Second, RCEP has a simpler rule of origin that facilitates business activities in the GVC in terms of the movement of goods. Under RCEP there is an agreement for a single ROO framework that could be applied across the 15-member countries in RCEP (see a summary of ROOs in RCEP at Annex 2). RCEP also includes the flexible provision for ROO framework in terms of tariff differentials, where different tariff treatment that an importing party applies for the same originating good. Current studies highlight that the co-sharing rule is less restrictive across other forms of ROO rules and regulations (Thangavelu, Narjoko, Urata, 2021). Such a new dimension in the ROOs embodied in RCEP will develop and expand the regional and global supply chain activities in East Asia.

The results of the sectoral analysis are also in line with Ando, Kimura, and Yamanouchi (2022) on the impact of RCEP on international production networks in the GVC. Their study highlights the importance of GVC impacts on machinery trade and CJK impacts on international production networks in regional and GVC production networks for RCEP members. Cambodia has the potential (difference between actual and potential trade) to increase its machinery trade by 55% to ASEAN, 53% to CJK, and 48% to the total global trade (total world) using 2019 as the baseline.

5.2. Export potential with RCEP members

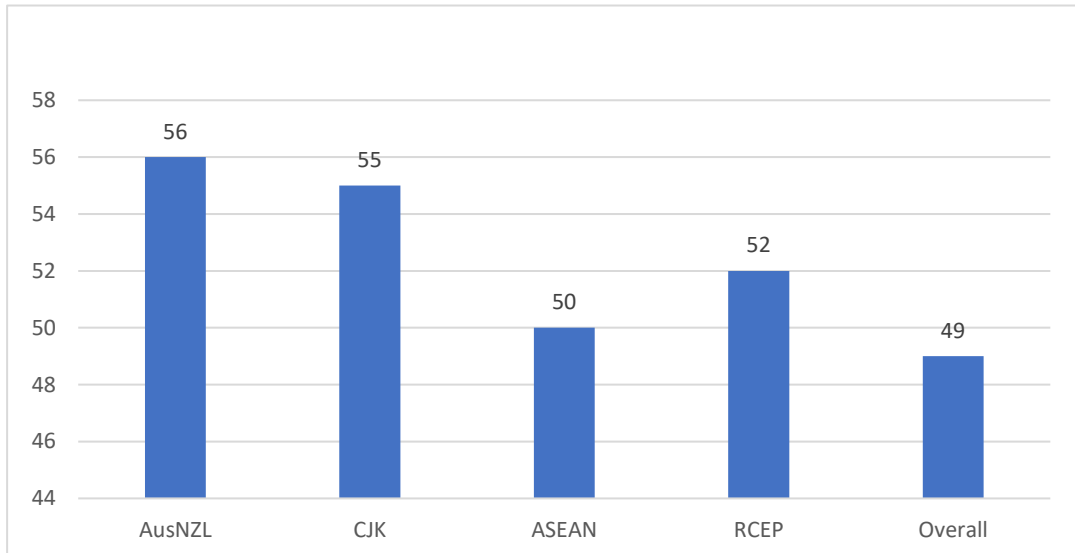
We analyse Cambodia's trade potential with RCEP partners using the gravity model. Specifically, we adopted the framework used by Mulabdic and Yasar (2021)

to construct what they call the ‘index of missing exports’ based on observed and predicted trade flows. The index of missing exports is calculated as follows:

$$\text{Index of missing exports} = \left(\frac{\sum_j \hat{X}_{ijt} - \sum_j X_{ijt}}{\sum_j \hat{X}_{ijt} + \sum_j X_{ijt}} \right) * 100$$

Where \hat{X}_{ijt} is the predicted export value from Cambodia to partner country j at time t , and X_{ijt} is the actual export value. The value of the missing exports index varies from -100 , which represents minimal exports, to 100 , implying the highest export potential. We calculate the index at the aggregate and country-pair levels. The results of Cambodia’s bilateral index of missing exports are given in Figure 6.

Figure 6: Cambodia’s Aggregate and Bilateral Index of Missing Export



ASEAN = Association of Southeast Asian Nations, AusNZL = Australia and New Zealand, CJK = China, Japan, and the Republic of Korea, RCEP = Regional Comprehensive Economic Partnership.

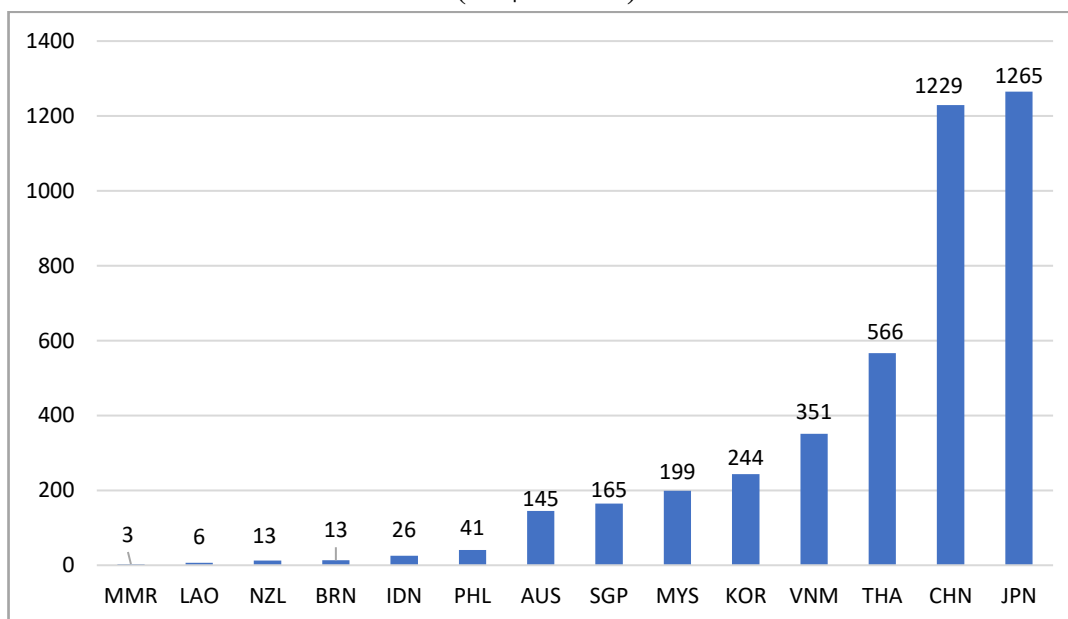
Source: Authors’ calculations after gravity estimation based on trade data from WITS.

The aggregate index is equal to 49, which suggests that Cambodia exports less than its potential exports to the East Asian region, reflecting there is a greater potential to increase its exports to the region. The level of untapped exports to RCEP members is higher at an index score of 52. Amongst RCEP members, Australia and New Zealand represent the highest export potential for Cambodia, followed by

China, Japan, and Korea. The results indicate the window of opportunity associated with RCEP for Cambodia to expand its exports.

To better understand the export potential of Cambodia based on the market size, we predict export flows in value terms for 2019. As shown in Figure 7, Cambodia’s export potential is much higher than the actual value, and it could have been exporting US\$4.27 billion extra to the RCEP countries. China, Korea, and Japan offer a larger opportunity for Cambodia’s exports, with export potential amounting to US\$2.74 billion. The results provide extra evidence of the importance of CJK in promoting export and integration in regional value chain activities. Further, the large export potential for Cambodia is in implementing the RCEP commitments and undertaking deeper structural reforms to align the domestic economy with regional integration.

**Figure 7: Cambodia’s Trade Potential with RCEP Countries, 2019
(US\$ million)**



Source: Authors’ calculations after gravity estimation based on trade data from WITS.

6. Policy Discussion

RCEP is expected to have a significant impact on ASEAN and ASEAN LDCs. In particular, we expect a positive impact on the Cambodian economy. This chapter examined the impacts of RCEP on the structural transformation and border and behind-border issues of the Cambodian economy. The key policy recommendations are as follows:

1. Firstly, the progressive market-based reforms in Cambodia in both manufacturing and services have been successful in lifting Cambodia closer to the next stage of growth. Cambodia has to maintain the progressive market-based reforms in the post-pandemic recovery for deeper regional integration with the framework provided by RCEP (Kimura et. al, 2020).
2. RCEP provides the opportunity to undertake key structural reforms in domestic industries to higher value-added activities. Specifically, reforms to the ROOs in RCEP will accelerate GVC activities in the region. The empirical analysis in this chapter and also the recent evidence from Obashi (2020) indicate the rising export competitiveness in (a) computers, electronics, and electrical products; (b) machinery parts and components; and (c) transport equipment. However, the upward shift of these industries in the GVC was only moderate and, thus, there is a need to accelerate the competitiveness of these industries. There is a need to attract more GVC activities and multinational activities in these industries into Cambodia.
 - a. There is a need to increase the competitiveness and linkages of Special Economic Zones (SEZs) to GVC activities to attract multinational activities in these industries. Recent evidence indicates that SEZs are losing their attractiveness in higher value-added activities to create linkages to regional GVCs (Thangavelu, Soklong, and Hing, 2021). There is a need to update SEZs to higher value-added activities to attract more quality FDI into the Cambodian economy.
 - b. There is a need to improve and increase GVC linkages, such as logistic service linkages and infrastructure, and increase the participation of domestic SMEs in regional GVC activities. The logistic service linkages are

critical for the movement of intermediate goods in higher value-added activities.

- c. Higher value-added activities are driven by strong human capital and the semi-skilled and skilled labour force. Cambodia needs to improve the skills of workers to more technical and vocational skills that will complement and increase the adoption of new technologies in higher value-added industries. This is very critical for Cambodia at this stage of development.
3. RCEP provides a key framework for CJK to form a regional agreement for trade and investment. The CJK framework under RCEP is expected to intensify the GVC network and activities in the region, thereby increasing the trade and investment activities of ASEAN countries that have strong trade linkages to CJK. Cambodia is in a unique position to take advantage of the trade linkages to the CJK framework under RCEP and structurally transform the domestic economy. It is expected that light manufacturing, advanced manufacturing, and trading services are expected to grow under the CJK framework in RCEP.
 - a. A key dimension of RCEP is the alignment of the free trade arrangements of CJK in terms of trade and investment. Cambodia could play an important role in the CJK effect in terms of the effects on lower-tier parts and components GVC activities in the region. There is a need to map and align domestic industries to the regional GVC activities.
 - b. There is a need to align domestic service industries supporting manufacturing activities with CJK GVC activities. The logistics and transportation activities are expected to increase with the GVC activities driven by CJK.
4. The RCEP agreement provides an opportunity for Cambodia to induce structural transformation in the Cambodian economy and to diversify from more concentrated textile and garment exports in the post-pandemic recovery. Labour-intensive production is expected to undergo significant structural changes in the post-pandemic recovery due to restrictions on the movement of people. This will provide an opportunity to induce structural changes in the textile and garment industry in Cambodia.

- a. The RCA analysis for CJK shows that Cambodia's exports to CJK are in consumer final products, which are labour-intensive in terms of 'cut, make, and trim' in clothing exports. It is important to develop more functional services activities in garments exports in services; such as branding, marketing, and sourcing, that will allow the textile and garment industry in Cambodia to move up the value chain.
 - b. There is a need to introduce more capital-intensive production and innovation into the garment and textile industries to shift to higher value-added activities.
 - c. There is also a need to improve the skills of workers to improve their productivity and ability to work with new technologies.
5. RCEP also emphasises a key framework for deeper services liberalisation in the sectors of e-commerce, financial, telecommunications, and professional services. The service sector liberalisation under RCEP also highlights the shift from a 'positive list' approach, where only certain service sectors are open for trade and investment, to a 'negative list' approach, where most service sectors are open for trade and investment unless specifically excluded.
 - a. It is important to highlight that Cambodia's need to shift to the negative list approach goes beyond the existing ASEAN Plus 1 FTAs. The negative list approach reduces the uncertainty in service sector liberalisation and increases regional trade and investment in service sectors.
 - b. The RCEP agreement will enable the Cambodian economy to structurally transform its services activities to more digital- and technology-based services trade. The RCEP services chapter highlights the importance of e-commerce, financial, professional, and telecommunications services and provides the liberalisation framework for the development of key new service sectors to become part of deeper liberalisation across the 15 member countries.
 6. There is a need to reform the traditional trade in services, such as tourism, logistics, aviation, financial, and medical tourism. This services trade relies heavily on the movement of people (Mode 4) to remain competitive in the region, and the transformation to the 'new normal' in the post-pandemic era will

reduce activities in traditional services trade. RCEP could provide the regional cooperative framework to increase the competitiveness of the traditional services sector by focusing on (a) digitalising some of the traditional services trade, (b) increasing the technical capacity of the labour force in the traditional services, and (c) creating a new ‘pandemic’ protocol for the movement of people at the regional level (Thangavelu, Urata, and Narjoko, 2021).

7. RCEP is expected to induce innovation in services through e-commerce, financial services, telecommunication services, and professional services. These services are likely to be driven by digital and telecommunications technologies. However, these services are likely to be more effective and dominant in the big cities and megacities that have high technology densities and urban connectivity.
 - a. Cambodia needs to undertake key reforms to move key cities to higher innovation and technology-driven urban centres. These urban centres will be key focal points for digital services and trade in terms of connections to other key major cities in the region, driving key service activities and trade in digital platforms.
 - b. The key investments in infrastructure linking several domestic regions of Cambodia will provide the key resources to move key activities to major cities, such as Phnom Penh, Siem Reap, and Sihanoukville, which will allow first-tier cities to drive key economic growth in the economy and also provide key linkages for the growth of second-tier cities. The city linkages will provide service linkages for managing the movement of people and the movement of goods across the cities.
8. Investment liberalisation adopts the ‘negative list’ approach with a ratchet mechanism framework, which is critical for aligning industrial policy strategies with the trade policy framework at the regional level. The RCEP agreement provides a key platform for the alignment of domestic industrial policy strategies with the regional integration framework. The key rules-based investment activities will provide more investment in critical industries and GVC activities in the Cambodian economy.

9. RCEP provides the framework to harmonise trade regulations and enhance the adoption of best international practices in trade facilitation. NTMs suggest more transparent custom rules and procedures that enable greater trade facilitation for the RCEP member countries. RCEP also provides a framework for standards and technical regulations for a more transparent and better regulatory framework for regional trade. There is a need to improve trade facilitation in Cambodia by introducing more digital technology for the customs clearance and management system.
10. The role of SMEs will be critical in the alignment of domestic industrial policy with the regional GVC integration framework. RCEP provides the framework for a stronger role for SME activities in manufacturing and services. There is a need to undertake a mapping of SME activities with services and manufacturing activities in the GVC framework for greater regional integration.
11. The young population will provide the key impetus for developing critical human capital for deeper integration in GVC activities based on the RCEP framework. The development of skills in technical and vocational education and training is critical for the workers in Cambodia.
12. The policy of open regionalism adopted by the Cambodian government, such as the current bilateral FTAs with China and the initial FTA negotiations with Korea and the Eurasian Economic Union (EAEU), will also provide a more dynamic framework for structural reforms to align the domestic resources for more competitive activities in the region.
13. There is a need to increase public–private partnership activities in Cambodia focusing on key areas such as (a) training and re-tooling for workers, (b) vocational training and education, (c) SME linkages and technology transfers, and (d) internships and on-the-job training for workers.
14. Under the RCEP agreement, there is differential treatment for member countries to implement the RCEP commitments and also economic cooperation support in terms of Official Development Assistance (ODA) and aid for domestic capacity building and trade reforms in the domestic economy. The Cambodian government can provide a framework to increase technical assistance and economic cooperation for economic reforms in key sectors and increase their

competitiveness. In particular, technical assistance for human capital development will be a key area of consideration.

15. However, there are still several challenges facing Cambodia in terms of developing the human capital needed for GVC activities in the next stage of value-added activities in GVCs. Secondly, there is a need for more coordination in linking foreign investment to domestic activities, thereby developing the domestic capacity of local businesses to undertake more value-added activities in the region. Thirdly, it is important for Cambodia to create leading domestic companies in key GVC activities that will provide key linkages to regional and global activities (Hing, Thangavelu, and Narjoko, 2020).

For ASEAN and Cambodia to fully benefit from regional integration and diversify to the global production value-chain, there is a need for further liberalisation and deeper structural reforms of the domestic economy in terms of improving the competitiveness of domestic firms, especially SMEs, developing key soft and hard infrastructures, facilitating new domestic and foreign investment, improving service linkages and services trade, creating digital trade and investments, and developing key human capital in skills that will allow for greater GVC activities in the region.

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Annex 1

Table A-1: Economic Impact of East Asian Regional Integration

	Real Gross Domestic Product (US\$ billion)		Trade (US\$ billion)		Foreign Direct Investment Inflows (US\$ billion)		Population (Billions)	
		Share		Share		Share		Share
World	81,984.30		21,045.70		1,495.20		7.6	
United States	19,611.80	0.24	1,917.40	0.09	253.5	0.17	0.33	0.04
China	13,376.10	0.16	2,624.90	0.12	138.3	0.09	1.43	0.19
Japan	4,536.90	0.06	747.90	0.04	9.8	0.01	0.13	0.02
Germany	3,573.90	0.04	1,634.00	0.08	73.5	0.05	0.08	0.01
France	2,570.70	0.03	620.30	0.03	38.1	0.03	0.07	0.01
India	2658	0.03	366.80	0.02	42.1	0.03	1.35	0.18
Korea, Rep. of	1,598.10	0.02	616.90	0.03	12.1	0.01	0.05	0.01
Australia	1,340.00	0.02	325.00	0.02	68	0.05	0.02	0.00
Brunei Darussalam	12.7	0.00	6.90	0.00	0.4	0.00	0.0004	0.00
Cambodia	22.2	0.00	15.90	0.00	3.2	0.00	0.016	0.00
Indonesia	999.1	0.01	195.70	0.01	15.5	0.01	0.267	0.04
Lao PDR	17.4	0.00	6.70	0.00	1.3	0.00	0.007	0.00
Malaysia	348.6	0.00	255.00	0.01	7.6	0.01	0.031	0.00
Myanmar	75	0.00	20.20	0.00	3.5	0.00	0.002	0.00
Philippines	354.6	0.00	75.90	0.00	6.6	0.00	0.106	0.01
Singapore	337.9	0.00	492.60	0.02	79.7	0.05	0.005	0.00
Thailand	449.2	0.01	263.20	0.01	10.3	0.01	0.069	0.01
Viet Nam	234.7	0.00	259.20	0.01	15.5	0.01	0.095	0.01
New Zealand	196.9	0.00	41.50	0.00	1.9	0.00	0.006	0.00
ASEAN	2,851.90	0.03	1,596.80	0.08	148.9	0.10	0.65	0.09
RCEP (less India)	23,899.90	0.29	5,953.30	0.28	379.10	0.25	2.29	0.30
ASEAN+3	22,363.00	0.27	5,586.80	0.27	309.2	0.21	2.26	0.30
ASEAN–China	16,228.00	0.20	4,221.70	0.20	287.20	0.19	2.08	0.27
ASEAN–Korea	4,450.00	0.05	2,213.70	0.11	161.00	0.11	0.70	0.09
ASEAN–Japan	7,388.80	0.09	2,344.70	0.11	158.70	0.11	0.78	0.10

ASEAN- ANZ	4,388.80	0.05	1,963.30	0.09	218.80	0.15	0.68	0.09
European Union	14,511.10	0.18	6,343.20	0.30	349.8	0.23	0.51	0.07
NAFTA	22,516.70	0.27	2,897.10	0.14	331.7	0.22	0.49	0.06
CPTPP	10,384.40	0.13	3,246.10	0.15	274.8	0.18	0.5	0.07

ANZ = Australia and New Zealand, ASEAN = Association of Southeast Asian Nations, RCEP = Regional Comprehensive Economic Partnership,

Source: Computed from UNCTAD Statistics (2017).

Annex 2

Rules of origin in RCEP

The Rules of Origin (ROO) Chapter comprises 35 Articles that are divided into two sections:

- (i) Section A: Rules of Origin (from Article 3.1 to Article 3.15), and
- (ii) Section B: Operational Certification Procedures (from Article 3.16 to Article 3.35).

The chapter comes with two Annexes:

- (i) Product-specific Rules, which cover all tariff lines at the HS 6-digit level; and
- (ii) Minimum Information Requirements, listing the required information for a Certificate of Origin and a Declaration of Origin.

Key features of RCEP's ROOs

One of the key benefits of RCEP is that it consolidates the existing ASEAN+1 agreements into one single trade platform. This provides traders with a single set of rules and procedures for preferential tariff treatment to access tariff preferences for trade with other RCEP parties, which should reduce complexity and compliance costs for participating traders who previously had to navigate origin rules under various ASEAN+1 agreements.

RCEP's common ROOs could foster contemporary production processes and trade logistics arrangements, and thereby provide greater levels of certainty and consistency for businesses in managing their supply chains across the region.

Under the Product-specific Rules (PSR), most products adopt co-equal rules, which provide some flexibility for traders to utilise either a change in tariff classification (CTC) or a regional value of content (RVC) rule of 40% to meet the ROO requirement. With RCEP, this will provide the opportunity to include multiple countries in the calculation of origin rules and access to preferential duty rates, which is critical with global supply chains. For machinery and mechanical appliances (Chapter 84) and electrical machinery and equipment (Chapter 85), many articles can be found adopting either CTSH or RVC40, or CTH or RVC40. Automobile-related

products, motor cars for the transport of persons (HS8703), and motor vehicles for the transport of goods (HS8704) adopt RVC40, whilst parts for motor vehicles (HS8708) are mostly in CTH or RVC40.

Table A-2: ROOs and Chapters

Chapters	Product-specific Rules
Article 10: Cereals (Rice...)	WO (Wholly Obtained)
Article 11: Products of the Milling Industries, Malt, Starches, Inulin, Wheat Gluten	CC (Change in Classification) CC except from Chapter 10
Chapter 84: Machinery and mechanical appliance	CTSH (Change in Tariff Sub-Headings) or RVC40 (Regional Value Content of 40%) CTH (Change in Tariff Headings) or RVC40
Chapter 85: Electrical Machinery and equipment	CTSH or RVC40 CTH or RVC40
Chapter 87: Vehicles and parts and accessories thereof	RVC40 CTH or RVC40 CC or RVC 40

Source: Rules of Origin Chapter in RCEP Agreement.

In terms of Proof of Origin, RCEP provides exporters with flexibility in either obtaining a:

- a. Certificate of Origin, or
- b. Declaration of Origin by an approved exporter, or
- c. Declaration of Origin by an exporter or producer.

It should be noted that for (c), 12 member states are given 10 years to implement the Declaration of Origin by an exporter or producer, whilst Cambodia, the Lao PDR, and Myanmar are given up to 20 years after the entry into force to implement it.

Another main feature of RCEP is the regional cumulation between the 15 participating members. The cumulation provision allows manufacturers to source materials and utilise production processes from across the RCEP Parties and then include these materials and processes in the final determination of whether a good has origin status. This cumulation is limited to originating goods only, that is goods that already have origin status.

However, there is a provision for RCEP Parties to undertake a future review to consider the full cumulation, which allows inputs, whether or not they meet the originating criteria, to be counted as part of the qualifying content for goods produced and traded between all RCEP Parties.

Tariff differentials

As stipulated in Article 2.6 of Chapter 2 on Trade in Goods, a Tariff Differential refers to different tariff treatments that an importing party applies for the same originating good. The different tariff treatment refers to the additional requirements that the members with tariff differential tables impose on an originating good.

An Additional Requirement means the requirement that an exporting party of an originating good is the party where no less than 20% of the total value of the originating good has been added in the production of that originating good, as calculated, *mutatis mutandis*, under Article 3.5 (Calculation of Regional Value Content).

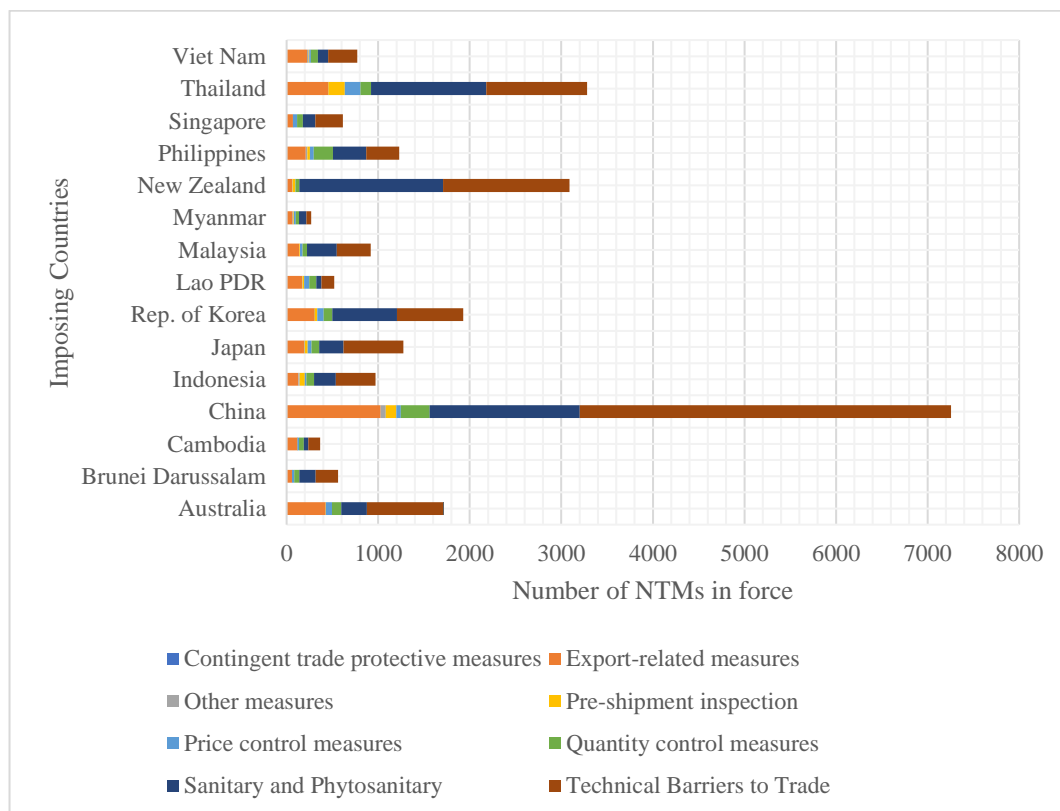
There are six RCEP Members with Tariff Differential tables: China, Korea, Japan, Viet Nam, Thailand, the Philippines, and Indonesia. The rest of the members adopt common concessions. Tariff Differential tables consist of less than 100 products.

Annex 3

Analysis of non-tariff measures in RCEP countries

The study has utilised the available data on non-tariff measures (NTMs) that are imposed by the RCEP countries from the TRAINS database, which is the global database on NTMs developed by the WTO and adapted by UNCTAD. The results have shown that the top five countries amongst all 15 RCEP countries, which have largely imposed NTMs, are China, Thailand, New Zealand, Australia, and Korea. However, since the NTM applications have principally involved the degree of transparency, predictability, and accountability in the respective countries, a large number of the NTMs imposed by each country cannot fully explain the restrictiveness of the application of the NTMs or their use as a basis for comparison with other countries. Nevertheless, based on the database for all NTMs, the technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures appear to be the two main NTMs that have been mostly imposed by the RCEP countries.

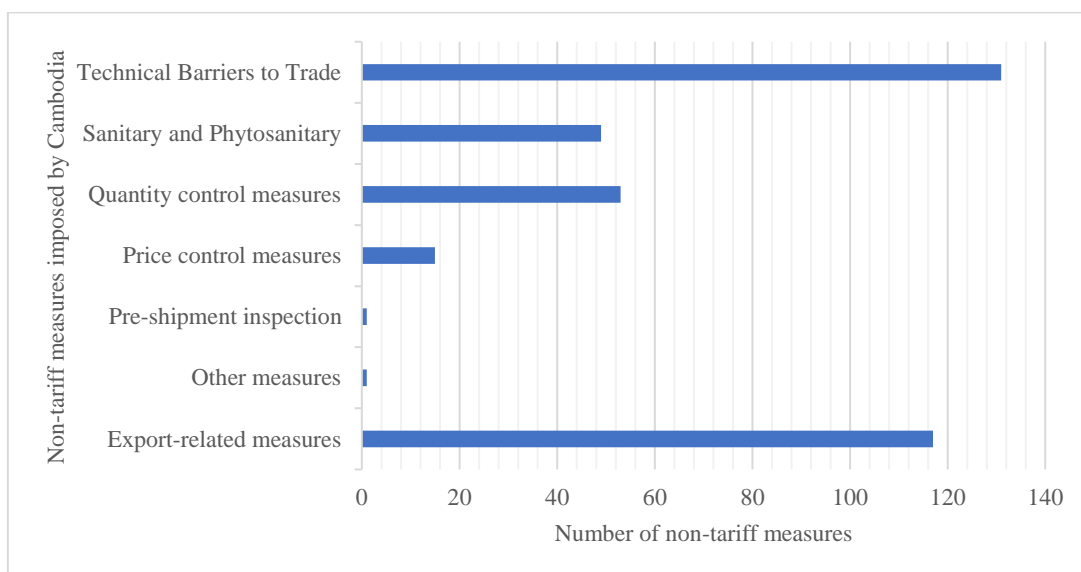
Figure A-1: Non-Tariff Measures in RCEP Countries



Source: Extracted from TRAINS; RCEP countries as reporters, as of 27 May 2021 (in force).

On a closer look, the NTMs imposed by Cambodia largely include TBT, export-related measures, quantity control measures, and SPS. Interestingly, NTMs of export-related measures are the second-largest NTM imposed by Cambodia. These could potentially create unwanted barriers to exportation. The NTMs on export-related measures of Cambodia should be scrutinised and streamlined to facilitate trades flow and boost exports from Cambodia.

Figure A-2: Non-Tariff Measures in Cambodia



Source: Extracted from TRAINS; Cambodia as the reporter, as of 27 May 2021 (in force).

Annex 4

Trade in services

Table A-3 shows the share of services trade to GDP for the RCEP countries in 2010 and 2019. Cambodia has the second-largest services trade share of GDP amongst the RCEP countries, after Singapore. Services trade has increased significantly since 2010, rising from 27% to 35% of GDP. Cambodia stands third amongst RCEP countries in terms of changes in the share of services trade in GDP (7.45%), where the share of services to GDP increased from 27.1% in 2010 to 34.55% in 2019. Singapore achieved the fastest growth with a 24.77% difference between the two periods. ASEAN LDCs have also seen their shares of GDP increase significantly.

Table A-3: Trade in Services (% of GDP)

No	Country	Trade in Services (% of GDP)*		Change in share: 2019– 2010**
		2010	2019	
1	Singapore	83.78	108.55	24.77
2	Myanmar	2.34	13.60	11.26
3	Cambodia	27.10	34.55	7.45
4	Brunei Darussalam	12.63	18.00	5.37
5	Philippines	14.30	18.36	4.06
6	Thailand	22.18	25.39	3.21
7	Japan	5.25	8.14	2.89
8	Lao PDR	10.86	13.35	2.49
9	Australia	8.55	10.24	1.69
10	New Zealand	14.88	16.00	1.12
11	China	4.25	5.25	1.01
12	Indonesia	5.71	6.34	0.63
13	Korea, Rep. of	15.72	14.47	-1.25
14	Viet Nam	14.99	13.60	-1.39
15	Malaysia	26.40	23.20	-3.20

	RCEP average	17.93	21.94	4.01
	ASEAN average	22.03	27.49	5.46

ASEAN = Association of Southeast Asian Nations, RCEP = Regional Comprehensive Economic Partnership.

*Trade in services is the sum of service exports and imports divided by the value of GDP, all in current US dollars.

** Sorted in descending order.

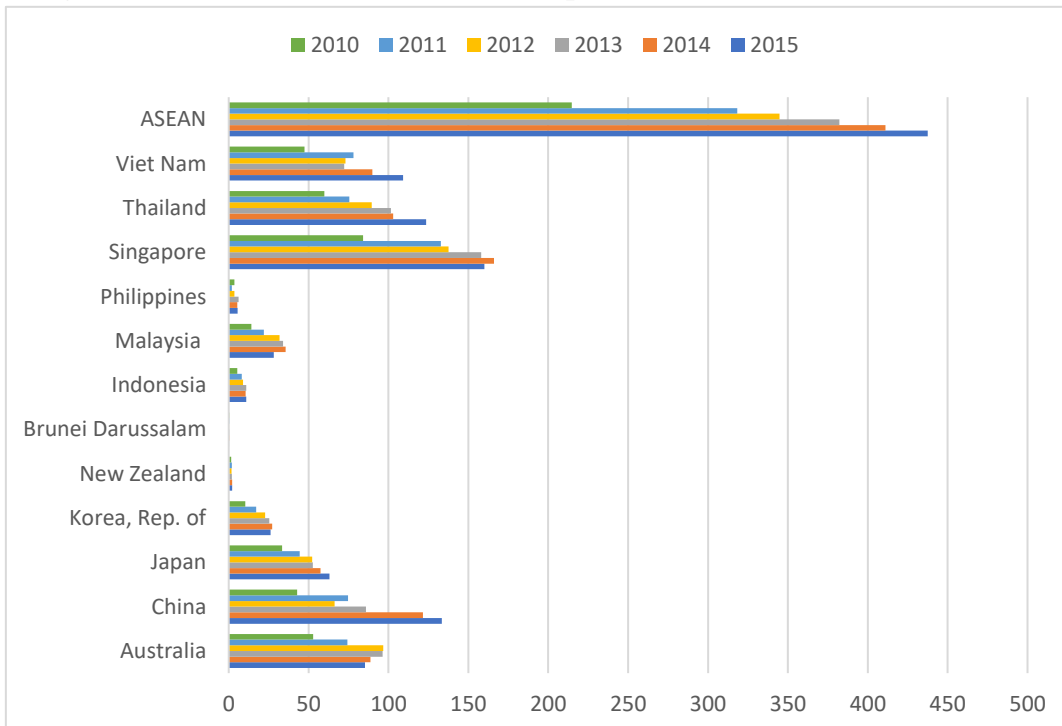
Source: World Bank, World Development Indicators.

Cambodia's services exports

Figure A3 illustrates Cambodia's total services exports to the RCEP member countries. Services trade with ASEAN increased from US\$214 million in 2010 to nearly US\$437.5 million in 2015. Overall, Cambodia's services exports continued to increase since 2010.

Cambodia's exports of services to RCEP members are mostly in traditional services trade, such as transportation and accommodation and food services (tourism sector), followed by a rising trend in telecommunications, information, finance, and other business services.

Figure A-3: Cambodia's Total Services Exports to RCEP Members (US\$ million)



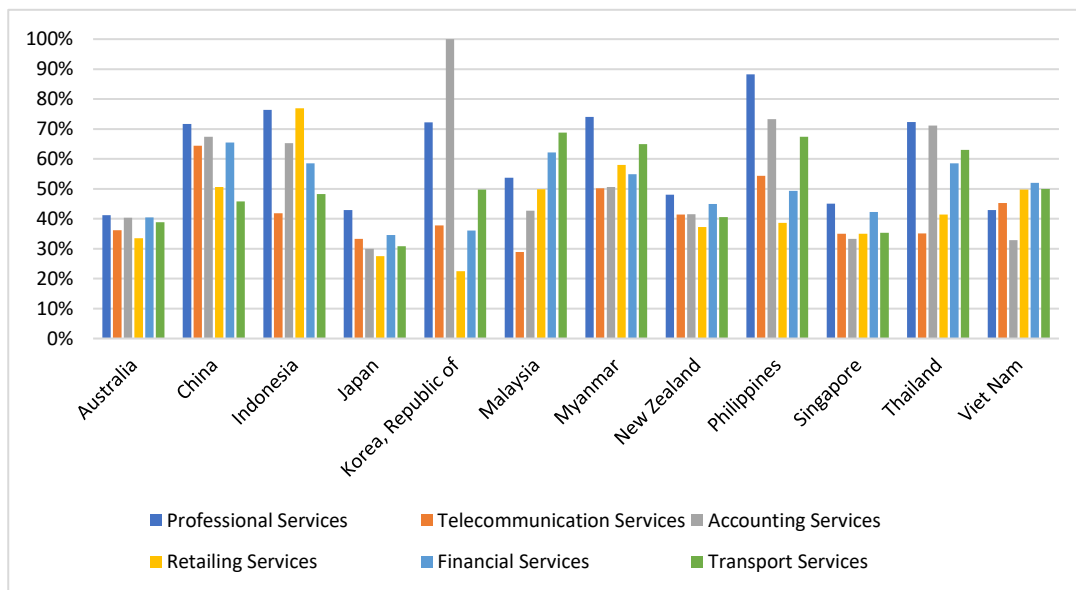
ASEAN = Association of Southeast Asian Nations.

Source: OECD Statistics.

Services Trade Restrictiveness Index

Figure A4 shows the Services Trade Restrictiveness Index (STRI) indicating that most of the RCEP member countries still have high restrictiveness in services trade. For Cambodia, the average percentage for the STRI is 24%. In Table A-4, we observe that Cambodia’s financial sector is less restrictive compared to other services trade.

Figure A-4: Services Trade Restrictiveness Index by Industry for RCEP Member Countries, 2016



Source: World Bank’s Service Trade Restrictions Database.

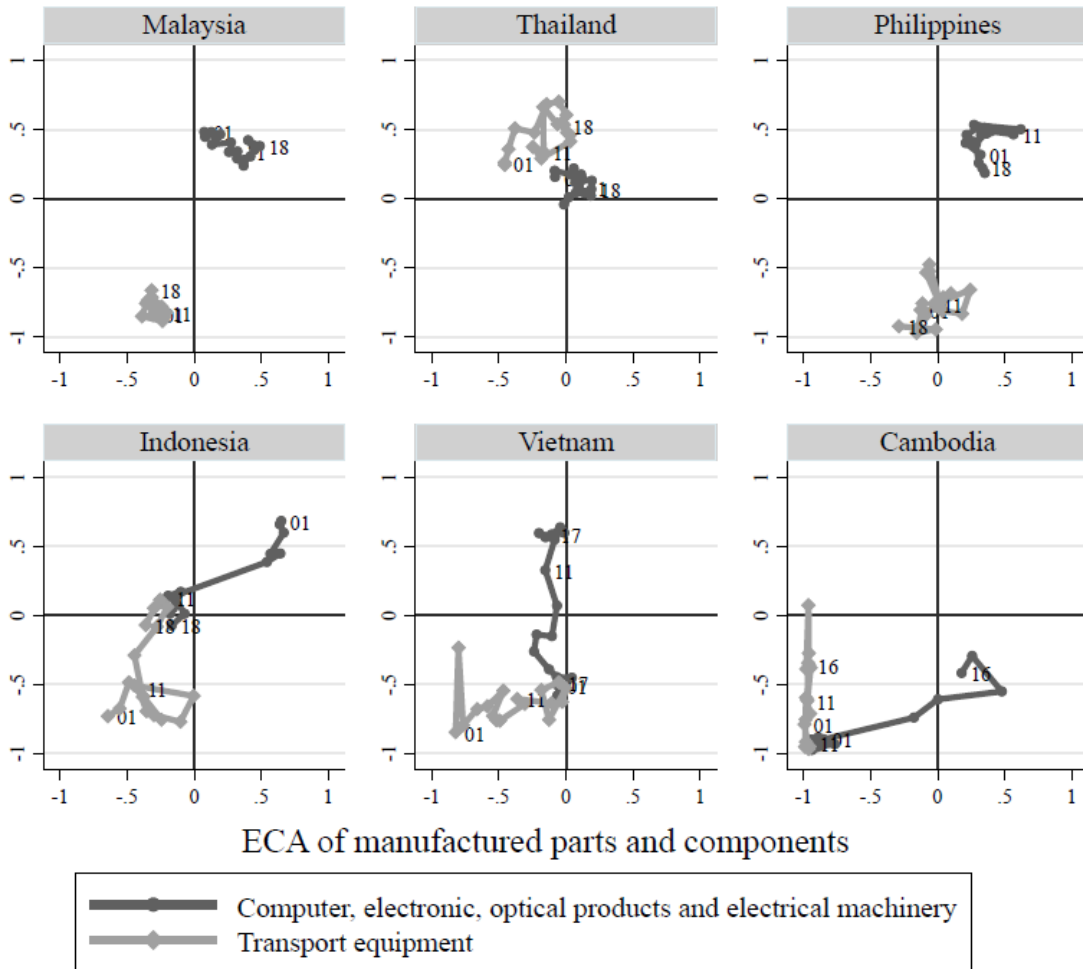
Table A-4: Cambodia's Services Trade Restrictiveness Index, 2017

Industry	Percentage	Mode 1	Mode 3	Mode 4
Average	23.7	42.95	18.73	75
Finance	5.8	29.08	3.23	NA
Banking	NA	NA	NA	NA
Lending by banks	NA	NA	NA	NA
Acceptance of deposits by banks	NA	NA	NA	NA
Insurance	15	75	8.33	NA
Automobile insurance	10	100	NA	NA
Life insurance	10	100	NA	NA
Reinsurance	25	25	25	NA
Telecommunications	25	NA	25	NA
Fixed-line telecommunications	25	NA	25	NA
Mobile telecommunications	25	NA	25	NA
Retail	NA	NA	NA	NA
Transportation	35.5	25	34.03	NA
Air passenger domestic	NA	NA	25	NA
Air passenger international	38.8	50	12.5	NA
Maritime shipping international	7.5	NA	25	NA
Maritime auxiliary services	75	NA	75	NA
Road freight domestic	25	NA	25	NA
Rail freight domestic	25	NA	25	NA
Professional	60	66.67	40	75
Accounting and auditing	70	100	50	75
Accounting	70	100	50	75
Auditing	70	100	50	75
Legal	53.3	NA	33.33	75
Legal advice foreign law	10	NA	NA	25
Legal advice domestic law	50	NA	NA	100
Legal representation in court	100	NA	100	100

Source: ERIA Research Project Report 2019, No. 16.

Annex 5

Figure A-5: Cambodia's Export Diversification in Electronics, Computers, and Transport Equipment



ECA = empirical comparative advantage.

Source: Obashi (2020).

Annex 6

Revealed comparative advantage

The revealed comparative advantage (RCA) measure, as proposed by Balassa (1965), defines the export performance of a specific product/industry from a country – as measured by the revealed comparative advantage index – as the relative share of the country’s exports of the product in world exports of the same product, divided by the overall share of the country in world exports. The RCA index can be defined as below:

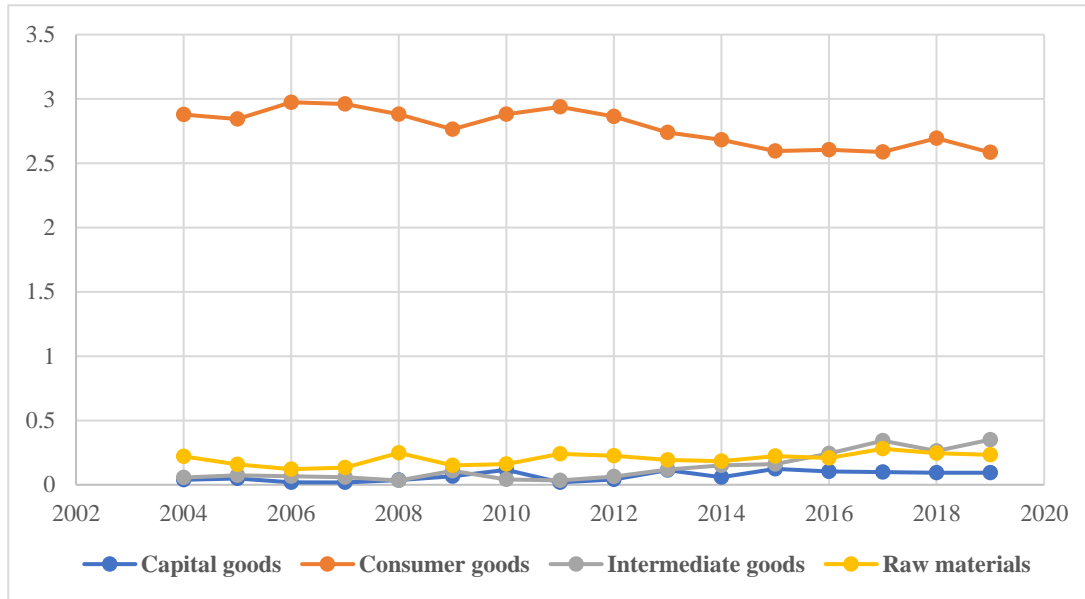
$$RCA = \frac{\frac{X_{Ai}}{\sum_{i \in P} X_{Ai}}}{\frac{X_{wi}}{\sum_{i \in P} X_{wi}}}$$

Where

- P is the set of all products (with $i \in P$),
- X_{Ai} is country A’s exports of product i ,
- X_{wi} is the world’s exports of product i ,
- $\sum_{j \in P} X_{Aj}$ is country A’s total exports (of all products j in P), and
- $\sum_{j \in P} X_{wj}$ is the world’s total exports (of all products j in P).

The RCA index ranges from 0 to infinity, with 1 as the break-even point, where an RCA value of less than 1 means that the product has no export comparative advantage, whilst a value above 1 indicates that the product has an export comparative advantage.

Figure A-6: Revealed Comparative Advantage of Cambodia, 2004–2019



Source: Authors' calculations based on data from Trade Map.

Export RCA between Cambodia and China

**Table A-5: Cambodia's Top 20 Export Products to China, 2015–2019
(US\$ thousand)**

No.	Product Code	Product Label	Average 2015–2019		Staging Category	Product Level
			Value	Share		
1	43021100	Tanned or dressed whole fur skins of mink, not assembled	188,154.8	17.67%	A	I
2	90139020	Parts & accessories of appliances of 9013.8030	76,104.8	7.15%	A	I
3	10063010	Semi or wholly milled long grain	59,354.2	5.57%	F	C
4	10063020	Semi or wholly milled rice (length 6mm or l-w ratio 2)	46,915.2	4.41%	F	C
5	61102000	Jerseys, pullovers, etc, of cotton, knitted or crocheted	36,150.4	3.39%	B	C
6	61091000	T-shirts, singlets & other vests, of cotton, knitted or crocheted	29,401.8	2.76%	B	C
7	74031111	Refined copper cathodes, Cu99.9935% by wt., unwrought	26,965	2.53%	B	I
8	85011099	Electric motors of an output 37.5 W, nes	26,181.2	2.46%	A	I
9	61112000	Babies' garments, etc, of cotton, knitted or crocheted	25,716.4	2.41%	C	C

10	61034200	Men's or boys' trousers, etc, of cotton, knitted or crocheted	21,299.4	2.00%	A	C
11	61103000	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	20,825.8	1.96%	C	C
12	64039900	Footwear with rubber... soles, leather uppers, not covering the ankle	18,465.4	1.73%	A	C
13	85044014	Other DC voltage-stabilised suppliers, < 1 kW, accuracy to 0.0001	17,368.2	1.63%	A	I
14	11081400	Manioc (cassava) starch	15,918.2	1.49%	A	I
15	61099090	T-shirts, singlets, etc, of other textiles, nes, knitted/crocheted	15,091.2	1.42%	B	C
16	35051000	Dextrins & other modified starches	13,844.4	1.30%	A	C
17	25051000	Silica sands & quartz sands	13,477.8	1.27%	A	R
18	07141020	Dried manioc	13,115	1.23%	A	R
19	64041990	Other footwear with outer soles of rubber/plastics, and uppers of textile materials	12,664	1.19%	D	C
20	62034390	Men's or boys' trousers, breeches, nes, of synthetic fibres	11,758.8	1.10%	B	C
Total of top 20 products			688,772	64.67%		
Rest of the products			376,255.2	35.33%		
Total			1,065,027.2	100.00%		

* Staging Category: 'A' means 0% at the entry into force, 'B' means 10-year elimination, 'C' means 15-year elimination, and 'F' means exclusion.

** Product Level: C – final consumption, I – intermediate input, R – raw materials (based on UNIDO classification).

Source: Extracted from Trade Map (2015–2019); China as the reporter; HS 8-digit level.

Table A-6: RCA of Cambodia's Top 20 Export Products to China, 2015–2019

No.	Product Code	Product Label	Revealed Comparative Advantage						
			2015	2016	Average 2015–2016	2017	2018	2019	Average 2017–2019
1	430211	Tanned or dressed whole fur skins of mink, not assembled	241.7	494.0	367.9	569.29	566.34	466.05	533.9 (↑)
2	901390	Parts & accessories of appliances of 9013.8030	0	0	0	0	0	0.001	0.001 (↑)
3	100630	Semi or wholly milled long grain	32.2	33.5	32.9	30.8	31.9	27.6	30.1(↓)
4	100630	Semi or wholly milled rice (length 6mm or 1-w ratio 2)	32.2	33.5	32.9	30.8	31.9	27.6	30.1(↓)
5	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	4.1	3.9	4.0	6.2	11.5	28.0	15.3 (↑)
6	610910	T-shirts, singlets & other vests, of cotton, knitted or crocheted	75.3	63.4	69.4	59.2	54.4	28.3	47.3 (↓)
7	740311	Refined copper cathodes, Cu99.9935% by wt., unwrought	0	0	0	0.001	0.001	0.002	0.002 (↑)
8	850110	Electric motors of an output 37.5 W, nes	2.5	3.1	2.8	4.88	5.54	8.18*	6.2 (↑)
9	611120	Babies' garments, etc, of cotton, knitted or crocheted	10.9	20.8	15.8	36.8	29.9	56.4	41.0 (↑)
10	610342	Men's or boys' trousers, etc, of cotton, knitted or crocheted	28.8	23.9	26.3	27.4	40.5	49.8	39.3 (↑)
11	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	0.52	1.97	1.2	3.2	6.3	21.4	10.3 (↑)
12	640399	Footwear with rubber... soles, leather uppers, not covering the ankle	1.8	1.8	1.8	0.9	1.6	6.0	2.8 (↑)
13	850440	Other DC voltage-stabilised suppliers, < 1 kW, accuracy to 0.0001	0.1	0.2	0.1	0.3	0.2	1.2*	0.6 (↑)

14	110814	Manioc (cassava) starch	22.0	14.3	18.1	29.2	29.7	19.1	26.0 (↑)
15	610990	T-shirts, singlets, etc, of other textiles, nes, knitted/crocheted	44.6	39.5	42.0	41.8	45.0	34.5	40.4 (↓)
16	350510	Dextrins & other modified starches	21.5	50.6	36.0	30.1	2.03	0.01	10.7 (↓)
17	250510	Silica sands & quartz sands	2.1	1.0	1.5	7.2	8.2	2.7	6.0 (↑)
18	071410	Dried manioc	15.8	16.1	15.9	11.8	10.5	2.4	8.2 (↓)
19	640419	Other footwear with outer soles of rubber/plastics, and uppers of textile materials	20.0	16.8	18.4	16.3	19.9	12.4	16.3 (-)
20	620343	Men's or boys' trousers, breeches, nes, of synthetic fibres	1.6	2.9	2.2	4.3	7.2	20.5	10.6 (↑)

* Rising comparative advantage in part and components.

Source: Extracted from Trade Map (2015–2019); Cambodia as the reporter; HS 6-digit level.

Export RCA between Cambodia and the Republic of Korea

**Table A-7: Cambodia's Top 20 Export Products to the Republic of Korea, 2016–2020
(US\$ thousand)**

No.	HS Code	Product Label	Average 2016–2020		Under RCEP		Product Level
			Average Value	Average %	Base Rate	Staging Category (RCEP)	
1	85444929	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s. ...	21,659.2	11.64%	8	C	I
2	76020000	Aluminium waste or scrap	11,273.2	6.06%	0	A	R
3	64034000	Footwear, incorporating a protective metal toecap, with outer soles of rubber, plastics, leather ...	9,695.6	5.21%	13	A	R
4	22071000	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	9,342	5.02%	-	U	I
5	64032000	Footwear with outer soles of leather, and uppers which consist of leather straps across the ...	7,795	4.19%	13	A	C
6	61034900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	5,138.2	2.76%	13	A	C
7	61091010	T-shirts, singlets and other vests of cotton, knitted or crocheted: Of cotton: For men or boys	4,773.4	2.57%	13	A	C
8	61046900	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, ...	4,033	2.17%	13	A	C
9	61109000	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	3,580.8	1.92%	13	A	C
10	61091020	T-shirts, singlets and other vests of cotton, knitted or crocheted:	3,552.6	1.91%	13	A	C

		Of cotton: For women or ...					
11	61082100	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, ...	3,290.8	1.77%	13	A	C
12	40012950	Natural rubber in primary forms or in plates, sheets or strip (excl. smoked sheets, technically ...	3,281.2	1.76%	0	A	R
13	61034300	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	3,118.4	1.68%	13	A	C
14	61082900	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, ...	2,999.8	1.61%	13	A	C
15	61099020	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excl. cotton): ...	2,921.8	1.57%	13	A	C
16	42022900	Handbags, whether or not with shoulder strap, incl. those without handle, with outer surface ...	2,407.4	1.29%	8	A	C
17	64041900	Footwear with outer soles of rubber or plastics and uppers of textile materials (excl. sports ...	2,315	1.24%	13	A	C
18	61102000	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	2,297.8	1.23%	13	C	C
19	61032900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	2,279	1.22%	13	A	C
20	61046200	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, ...	2,061.4	1.11%	13	A	C
Total top 20			107,815.6	57.95%			
Rest of the products			78,244.2	42.05%			

	Total	186059.8	100.00%		
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* Staging category: 'A' means 0% at the entry into force, 'C' means 15-year elimination, 'U' means exclusion.

**Product Level: C – consumer final products, I – intermediate products, R – raw materials.

Source: Extracted from Trade Map (2016–2020); Cambodia as the reporter; HS 8-digit level.

Table A-8: RCA of Cambodia's Top 20 Export Products to the Republic of Korea

HS Code	Product Label	Revealed Comparative Advantage (RCA)				
		2016	2017	2018	2019	Average RCA
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	1.7	1.2	1.6	2.3	1.7 (↑)
760200	Aluminium waste or scrap	1.4	1.9	1.9	2.0	1.8 (↑)
640340	Footwear, incorporating a protective metal toecap, with outer soles of rubber, plastics, leather ...	0.2	0.2	14.6	20.5	8.9 (↓)
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	1.4	4.0	2.0	2.3	2.4 (↑)
640320	Footwear with outer soles of leather, and uppers which consist of leather straps across the ...	1,159.8	1119.6	1016.5	708.7	1001.2 (↓)
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	822.5	786.3	757.6	306.7	668.3 (↓)
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	53.8	50.9	47.3	25.3	44.3 (↓)
610469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	669.7	681.2	605.9	281.0	559.5 (↓)
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted ...	368.0	349.3	320.9	173.7	303.0 (↓)
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	53.8	50.9	47.3	25.3	44.3 (↓)
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	28.1	30.3	31.0	19.8	27.3 (↓)
400129	Natural rubber in primary forms or in plates, sheets or strip (excluding smoked sheets, technically ...	488.8	448.5	504.8	510.7	488.2 (-)
610343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	6.6	13.1	18.8	51.5	22.5 (↑)
610829	Women's or girls' briefs and panties of textile materials, knitted or crocheted (excluding ...	201.2	231.5	454.3	181.9	267.2 (↑)

610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	32.5	34.4	37.4	29.3	33.4 (-)
420229	Handbags, whether or not with shoulder strap, incl. those without handle, with outer surface ...	134.4	188.5	292.0	205.1	205.0 (↑)
640419	Footwear with outer soles of rubber or plastics and uppers of textile materials (excluding ...	14.6	14.1	17.9	11.5	14.5 (-)
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	4.4	6.9	12.5	29.2	13.3 (↑)
610329	Men's or boys' ensembles of textile materials (excluding wool, fine animal hair, cotton or ...	665.9	607.3	674.9	186.1	533.5 (↓)
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted ...	19.1	16.8	21.0	38.4	23.8 (↑)

Source: Extracted from Trade Map (2016–2020); Cambodia as the reporter; HS 6-digit level.

Export RCA between Cambodia and Japan

Table A-9: Cambodia's Top 20 Export Products to Japan, 2016–2020 (US\$ thousand)

No.	HS Code	Description	Average Value 2015–2019	Share	Staging Category	Product Level
1	620462200	Women's/girls' trousers and shorts, of cotton, not knitted: Other	10,1587.8	7%	EIF	C
2	620342200	Men's/boys trousers and shorts, of cotton, not knitted: Other	64,243.6	5%	EIF	C
3	640399029	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	47,790.8	4%	Y15	C
4	420292000	Travelling-bags, toilet bags, rucksacks, shopping-bags, map-cases and similar containers, with ...	46,689.6	3%	Y15	C
5	'854430010	Ignition wirg sets & oth wirg sets usd in vehicles, aircraft etc: For motor vehicles	38,675.2	3%	EIF	I
6	640419290	Footwear o/t sports, w outer soles of rubber/plastics & uppers of tex mat: Other: With the uppers ...	33,563.6	2%	Y15	C
7	620463200	Women's/girls; trousers and shorts, of synthetic fibres, not knitted: Other	31,255.8	2%	EIF	C
8	620469200	Women's/girls' trousers & shorts, of other textile materials, not knitted: Other	30,272.6	2%	EIF	C
9	640399015	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	30,230.2	2%	Y15	C
10	620343200	Men's/boys trousers and shorts, of synthetic fibres, not knitted: Other	26,457.8	2%	EIF	C
11	620311200	Men's/boys suits, of wool or fine animal hair, not knitted: Other	22,691.4	2%	Y15	C
12	610910020	T-shirts, singlets and other vests, of cotton, knitted: Other	21,960.8	2%	EIF	C
13	640399016	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	21,792.6	2%	Y15	C
14	620520000	Men's or boys' shirts, of cotton	19,201.8	1%	EIF	C

15	611030099	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	17,231.6	1%	U	C
16	620312200	Men's/boys suits, of synthetic fibres, not knitted: Other	17,083.0	1%	Y15	C
17	620630210	Women's/girls' blouses and shirts, of cotton, not knitted: Other: Blouses, shirt-blouses, open ...	17,026.2	1%	EIF	C
18	660199000	Other umbrellas	16,039.6	1%	Y15	C
19	640299010	Footwear with outer soles and uppers of rubber or plastics (excl. covering the ankle or with ...	15,374.8	1%	Y15	C
20	640219000	Sports footwear, excluding ski footwear, with outer soles and uppers of rubber or plastics	13,299.4	1%	Y15	C
Total top 20 products			632,468.2	47%		

* Staging category for RCEP tariff elimination.

** Product Level: C – consumer final product, I – intermediate product, R – raw materials.

Source: Extracted from Trade Map (2016–2020); Cambodia as the reporter; HS 10-digit level.

Table A-10: RCA of Cambodia's Top 20 Export Products to Japan

No.	HS Code	Description	Revealed Comparative Advantage					
			2015	2016	2017	2018	2019	Average
1	620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	68.5	58.1	54.4	55.7	57.3	58.82 (↓)
2	620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	45.1	39.9	37.1	37.8	30.9	38.2 (↓)
3	640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather ...	89.0	68.1	74.1	58.2	46.7	67.2 (↓)
4	420292	Travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, shopping-bags, map-cases, ...	8.9	7.9	8.9	11.8	11.1	9.7 (↑)
5	854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	4.4	3.8	4.4	3.4	5.4	4.5 (↑)
6	640419	Footwear with outer soles of rubber or plastics and uppers of textile materials (excluding ...	10.4	13.8	12.4	11.6	13.0	12.2 (↑)
7	620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres ...	26.6	25.0	26.6	26.6	24.8	25.9 (-)
8	620469	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials ...	55.6	50.0	75.3	72.8	65.6	63.9 (↑)
9	620343	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres (excluding ...	14.8	15.4	15.1	18.2	23.8	17.4 (↑)
10	620311	Men's or boys' suits of wool or fine animal hair (excluding knitted or crocheted, tracksuits, ...	35.9	27.7	32.4	26.8	26.9	29.9 (↓)
11	610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	11.2	14.7	20.5	18.7	20.5	17.1 (↑)
12	620520	Men's or boys' shirts of cotton (excluding knitted	9.1	15.4	17.1	18.9	22.8	16.7 (↑)

		or crocheted, nightshirts, singlets and ...						
13	611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	10.1	11.3	11.0	13.0	12.9	11.7 (↑)
14	620312	Men's or boys' suits of synthetic fibres (excluding knitted or crocheted, tracksuits, ski suits ...	45.6	50.0	50.1	48.3	46.7	48.2 (↑)
15	620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted ...	19.2	16.4	15.0	18.7	21.6	18.2 (↓)
16	660199	Umbrellas and sun umbrellas, incl. walking-stick umbrellas (excluding umbrellas having a telescopic ...	32.7	30.8	36.9	58.4	66.4	45.0 (↑)
17	640299	Footwear with outer soles and uppers of rubber or plastics (excluding covering the ankle or ...	4.6	3.7	5.9	9.3	10.3	6.8 (↑)
18	640219	Sports footwear with outer soles and uppers of rubber or plastics (excluding waterproof footwear ...	42.4	55.0	42.9	32.4	36.0	41.7 (↓)

Source: Extracted from Trade Map (2016–2020); Cambodia as the reporter; HS 6-digit level.

Export RCA between Cambodia and Australia

**Table A-11: Cambodia's Top 20 Export Products to Australia, 2015–2019
(US\$ thousand)**

No.	Product Code	Product Label	Average 2015–2019		Staging Category*
			Value	Share	
1	6404119003	Sports footwear; tennis, basketball, gym and training shoes and the like, with outer soles ...	7,059	4.77%	A
2	6111209071	Babies' ensembles, playsuits, romper suits, suits and track suits, of cotton, knitted or crocheted	6,061	4.10%	A
3	1006300010	Semi-milled or wholly milled rice, whether or not polished or glazed	5,510	3.72%	A
4	6104630038	Women's or girls' trousers (excl. padded skiwear or jeans) of synthetic fibres, knitted or ...	5,077	3.43%	A
5	7108130026	Non-monetary gold (incl. gold plated with platinum), semi-manufactured	4,586	3.10%	A
6	6109100037	Women's, girls' or infants' singlets and other vests (excl. t-shirts), of cotton, knitted or ...	4,091	2.76%	A
7	6107110030	Men's or boys' underpants and briefs, of cotton, knitted or crocheted	3,851	2.60%	A
8	6203430004	Men's or boys' shorts of synthetic fibres (excl. padded skiwear and of knitted or crocheted ...	3,240	2.19%	A
9	6110200057	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	3,207	2.17%	A
10	6109100006	Women's, girls' or babies' t-shirts, of cotton, knitted or crocheted	3,127	2.11%	A
11	6103420011	Men's or boys' trousers (excl. jeans), of cotton, knitted or crocheted	2,956	2.00%	SL
12	6203420023	Men's or boys' shorts and breeches (excl. trousers and swimwear), of cotton	2,732	1.85%	SL
13	6109100005	Men's or boys' t-shirts, of cotton, knitted or crocheted	2,670	1.80%	A
14	6210101001	Garments, made up of fabrics of felt or of nonwovens, or being fabric not impregnated or coated	2,619	1.77%	A

15	6110300053	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	2,243	1.52%	A
16	6403910007	Male footwear exceeding size 1, 2nd series, with outer soles of rubber, plastics or composition ...	2,091	1.41%	A
17	6109900037	Women's, girls' or infants' singlets and other vests (excl. t-shirts), of textile materials ...	2,024	1.37%	A
18	6109100028	Men's or boys' singlets and other vests (excl. t-shirts), of cotton, knitted or crocheted	1,982	1.34%	A
19	6104620011	Women's or girls' trousers (excl. jeans), of cotton, knitted or crocheted	1,725	1.17%	A
20	6108210041	Women's or girls' briefs and panties, of cotton, knitted or crocheted	1,577	1.07%	SL
			Total of top 20 products	68,427	46.24%
			Rest of the products	79,541	53.76%
			Total	147,968	100.00%

* Staging Category: 'A' means 0% at the entry into force, 'SL' means Sensitive List.

Source: Extracted from Trade Map (2015–2019); Australia as the reporter; HS 10-digit level.

**Table A-12: RCA of Cambodia's Top 20 Exporting Products to Australia, 2015–2019
(US\$ thousand)**

No.	Product Code	Product Label	Revealed Comparative Advantage					
			2015	2016	2017	2018	2019	Average
1	640411	Sports footwear; tennis, basketball, gym and training shoes and the like, with outer soles ...	2.87	2.68	2.46	2.09	4.24	2.86
2	611120	Babies' ensembles, playsuits, romper suits, suits and track suits, of cotton, knitted or crocheted	10.94	20.81	36.83	29.93	56.40	35.99
3	100630	Semi-milled or wholly milled rice, whether or not polished or glazed	32.27	33.55	30.85	31.88	27.65	30.98
4	610463	Women's or girls' trousers (excl. padded skiwear or jeans) of synthetic fibres, knitted or ...	10.17	10.64	9.87	13.64	40.92	18.76
5	710813	Non-monetary gold (incl. gold plated with platinum), semi-manufactured	0.26	1.38	1.42	0.20	2.11	1.27
6	610910	Women's, girls' or infants' singlets and other vests (excl. t-shirts), of cotton, knitted or ...	75.34	63.43	59.23	54.46	28.34	51.36
7	610711	Men's or boys' underpants and briefs, of cotton, knitted or crocheted	9.35	14.99	23.39	18.77	23.85	20.25
8	620343	Men's or boys' shorts of synthetic fibres (excl. padded skiwear and of knitted or crocheted ...	1.60	2.96	4.34	7.26	20.51	8.77
9	611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	4.12	3.96	6.26	11.55	28.01	12.44
10	610910	Women's, girls' or babies' t-shirts, of cotton, knitted or crocheted	75.34	63.43	59.23	54.46	28.34	51.36
11	610342	Men's or boys' trousers (excl. jeans), of cotton, knitted or crocheted	28.88	23.99	27.45	40.54	49.88	35.46
12	620342	Men's or boys' shorts and breeches (excl. trousers and swimwear), of cotton	2.92	2.50	2.96	3.97	10.59	5.00
13	610910	Men's or boys' t-shirts, of cotton, knitted or crocheted	75.34	63.43	59.23	54.46	28.34	51.36
14	621010	Garments, made up of fabrics of felt or of nonwovens, or being fabric not impregnated or coated	0.41	0.55	6.30	16.83	43.72	16.85
15	611030	Jerseys, pullovers, cardigans, waistcoats and	0.52	1.97	3.20	6.34	21.46	8.24

		similar articles, of man-made fibres, knitted ...							
16	640391	Male footwear exceeding size 1, 2nd series, with outer soles of rubber, plastics or composition ...	0.00	0.02	0.67	1.24	5.30	1.80	
17	610990	Women's, girls' or infants' singlets and other vests (excl. t-shirts), of textile materials ...	44.66	39.54	41.89	45.00	34.54	40.24	
18	610910	Men's or boys' singlets and other vests (excl. t-shirts), of cotton, knitted or crocheted	75.34	63.43	59.23	54.46	28.34	51.36	
19	610462	Women's or girls' trousers (excl. jeans), of cotton, knitted or crocheted	15.65	21.47	18.34	22.69	43.51	26.50	
20	610821	Women's or girls' briefs and panties, of cotton, knitted or crocheted	19.39	32.40	32.96	35.05	22.48	30.72	

Source: Extracted from Trade Map (2015–2019); Cambodia as the reporter; HS 6-digit level.

Table A-13: Cambodia's Top 20 Import Products from Australia, 2015–2019 (US\$ thousand)

No.	Product Code	Product Label	Average 2015–2019		Staging Category *
			Value	Share	
1	11071000	Malt (excl. roasted)	10,603	27.79%	EL
2	27011900	Coal, whether or not pulverised, non-agglomerated (excl. anthracite and bituminous coal)	9,349	24.51%	EIF
3	10011900	Durum wheat (excl. seed for sowing)	3,095	8.11%	EIF
4	10011100	Durum wheat seed for sowing	1,779	4.66%	EIF
5	11072000	Roasted malt	893	2.34%	EIF
6	04011010	Milk and cream of a fat content by weight of <= 1%, not concentrated nor containing added sugar ...	892	2.34%	EL
7	30049099	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	801	2.10%	EIF
8	95030099	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	506	1.33%	EL
9	48052590	Other uncoated paper and paperboard, in rolls or sheets, not further worked or processed than ...	456	1.20%	B15
10	02013000	Fresh or chilled bovine meat, boneless	454	1.19%	B15

11	48041900	Kraft liner, uncoated, in rolls of a width > 36 cm (excl. unbleached and goods of heading 4802 ...	353	0.93%	B15
12	01022100	Pure-bred cattle for breeding	326	0.85%	EIF
13	02021000	Frozen bovine carcasses and half-carcasses	323	0.85%	B15
14	48026190	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, ...	308	0.81%	B15
15	90089090	Parts and accessories for image projectors, photographic enlargers and reducers, n.e.s. : Other	269	0.70%	B13
16	02023000	Frozen, boneless meat of bovine animals	243	0.64%	HSL
17	85287292	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	232	0.61%	EL
18	25081000	Bentonite	186	0.49%	B15
19	22042111	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	181	0.47%	HSL
20	90189090	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.: Other	167	0.44%	EIF
Total of top 20 products			31,416	82.35%	
Rest of the products			6,732	17.65%	
Total			38,148	100.00%	

* Staging Category: 'EIF' means 0% at the entry into force; 'B15' means 15-year elimination; 'EL' means exclusion.

Source: Extracted from Trade Map (2015–2019); Cambodia as the reporter; HS 8-digit level.

Export RCA between Cambodia and New Zealand

**Table A-14: Cambodia's Top 20 Export Products to New Zealand, 2015–2019
(US\$ thousand)**

No.	Product Code	Product Label	Average 2015–2019		Staging Category*
			Value	Share	
1	1006300000	Semi-milled or wholly milled rice, whether or not polished or glazed	1,216	6.49%	EIF
2	6104630211	Trousers and breeches; women's or girls', of synthetic fibres, knitted or crocheted	778	4.15%	EIF
3	6109901200	T-shirts; of textile materials (other than cotton), knitted or crocheted, of sizes exceeding ...	671	3.58%	EIF
4	6110200209	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	607	3.24%	Y10
5	6403911933	Footwear; covering the ankle, outer soles of rubber, plastics or composition leather, uppers ...	605	3.23%	HSL
6	6109101200	T-shirts; of cotton, knitted or crocheted, of sizes exceeding 81cm chest measurement	604	3.22%	Y15
7	6210100200	Garments; of felt or non-wovens (not knitted or crocheted)	563	3.01%	Y15
8	8712000109	Bicycles; other than racing type with wheel diameter not less than 658mm, not motorised	525	2.80%	EIF
9	6109102200	Singlets and other vests; of cotton, knitted or crocheted	489	2.61%	SL
10	6110200201	Sweatshirts; of cotton, knitted or crocheted	465	2.48%	Y10
11	6402991929	Footwear; not covering the ankle, n.e.c. in heading no. 6402, with outer soles and uppers of ...	441	2.35%	EIF
12	6403991949	Footwear; not covering the ankle, outer soles of rubber, plastics or composition leather, uppers ...	425	2.27%	Y15
13	6203430205	Shorts; men's or boys', of synthetic fibres (not knitted or crocheted)	377	2.01%	EIF
14	6110300209	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	362	1.93%	EIF
15	6107110200	Underpants and briefs; men's or boys', of cotton, knitted or crocheted	354	1.89%	Y10
16	6103420201	Trousers and breeches; men's or boys', of cotton, knitted or crocheted	343	1.83%	HSL

17	6404112911	Sports footwear; tennis, basketball, gym, training shoes and the like, outer soles of rubber ...	305	1.63%	Y15
18	4015900000	Rubber; vulcanised (other than hard rubber), articles of apparel and clothing accessories (other ...	291	1.55%	EIF
19	6402191901	Sports footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear ...	270	1.44%	Y10
20	6107120200	Underpants and briefs; men's or boys', of man-made fibres, knitted or crocheted	242	1.29%	Y10
Total of top 20 products			9,932	53.04%	
Rest of the products			8,793	46.96%	
Total			18,725	100.00%	

* Staging Category: 'EIF' means 0% at the entry into force, 'Y10' means 10-year elimination, 'Y15' means 15-year elimination, 'HSL' means Highly Sensitive List, 'SL' means Sensitive List.

Source: Extracted from Trade Map (2015–2019); New Zealand as the reporter; HS 10-digit level.

Table A-15: RCA of Cambodia's Top 20 Export Products to New Zealand, 2015–2019

No	Product Code	Product Label	Revealed Comparative Advantage					
			2015	2016	2017	2018	2019	Average
1	100630	Semi-milled or wholly milled rice, whether or not polished or glazed	32.27	33.55	30.85	31.88	27.65	30.98
2	610463	Trousers and breeches; women's or girls', of synthetic fibres, knitted or crocheted	10.17	10.64	9.87	13.64	40.92	18.76
3	610990	T-shirts; of textile materials (other than cotton), knitted or crocheted, of sizes exceeding ...	44.66	39.54	41.89	45.00	34.54	40.24
4	611020	Jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted ...	4.12	3.96	6.26	11.55	28.01	12.44
5	640391	Footwear; covering the ankle, outer soles of rubber, plastics or composition leather, uppers ...	0.00	0.02	0.67	1.24	5.30	1.80
6	610910	T-shirts; of cotton, knitted or crocheted, of sizes exceeding 81cm chest measurement	75.34	63.43	59.23	54.46	28.34	51.36
7	621010	Garments; of felt or non-wovens (not knitted or crocheted)	0.41	0.55	6.30	16.83	43.72	16.85
8	871200	Bicycles; other than racing type with wheel diameter not less than 658mm, not motorised	45.85	70.33	71.23	67.39	63.82	68.19

9	610910	Singlets and other vests; of cotton, knitted or crocheted	75.34	63.43	59.23	54.46	28.34	51.36
10	611020	Sweatshirts; of cotton, knitted or crocheted	4.12	3.96	6.26	11.55	28.01	12.44
11	640299	Footwear; not covering the ankle, n.e.c. in heading no. 6402, with outer soles and uppers of ...	0.89	1.09	3.10	4.21	6.02	3.60
12	640399	Footwear; not covering the ankle, outer soles of rubber, plastics or composition leather, uppers ...	1.80	1.86	0.88	1.59	6.02	2.59
13	620343	Shorts; men's or boys', of synthetic fibres (not knitted or crocheted)	1.60	2.96	4.34	7.26	20.51	8.77
14	611030	Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted ...	0.52	1.97	3.20	6.34	21.46	8.24
15	610711	Underpants and briefs; men's or boys', of cotton, knitted or crocheted	9.35	14.99	23.39	18.77	23.85	20.25
16	610342	Trousers and breeches; men's or boys', of cotton, knitted or crocheted	28.88	23.99	27.45	40.54	49.88	35.46
17	640411	Sports footwear; tennis, basketball, gym, training shoes and the like, outer soles of rubber ...	2.87	2.68	2.46	2.09	4.24	2.86
18	401590	Rubber; vulcanised (other than hard rubber), articles of apparel and clothing accessories (other ...	6.65	12.92	13.53	18.64	7.76	13.26
19	640219	Sports footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear ...	0.90	4.00	6.41	20.12	49.99	20.13
20	610712	Underpants and briefs; men's or boys', of man-made fibres, knitted or crocheted	0.58	2.32	3.06	15.15	24.51	11.26

Source: Extracted from Trade Map (2015–2019); Cambodia as the reporter; HS 6-digit level.

**Table A-16: Cambodia's Top 20 Import Products from New Zealand,
2015–2019**

No.	Product Code	Product Label	Average 2015–2019		Staging Category*
			Value	Share	
1	27101944	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	850	13.59%	HSL
2	04059010	Fats and oils derived from milk, and dehydrated butter and ghee (excl. natural butter, recombined ...	747	11.94%	B13
3	27011900	Coal, whether or not pulverised, non-agglomerated (excl. anthracite and bituminous coal)	742	11.86%	EIF
4	08081000	Fresh apples	613	9.80%	B15
5	04022190	Milk and cream in solid forms, of a fat content by weight of > 1,5%, unsweetened: Not containing ...	476	7.61%	SL
6	04051000	Butter (excl. dehydrated butter and ghee)	371	5.93%	EL
7	48041100	Unbleached kraft liner, uncoated, in rolls of a width > 36 cm	352	5.62%	EIF
8	04069000	Cheese (excl. fresh cheese, incl. whey cheese, curd, processed cheese, blue-veined cheese and ...	198	3.17%	EL
9	04011010	Milk and cream of a fat content by weight of <= 1%, not concentrated nor containing added sugar ...	185	2.95%	EL
10	02021000	Frozen bovine carcasses and half-carcasses	121	1.93%	B15
11	04011090	Milk and cream of a fat content by weight of <= 1%, not concentrated nor containing added sugar ...	115	1.84%	HSL
12	04012090	Milk and cream of a fat content by weight of > 1% but <= 6%, not concentrated nor containing ...	106	1.70%	B20
13	15021090	Tallow of bovine animals, sheep or goats (excl. oil and oleostearin) Fats of bovine animals, ...	90	1.44%	EIF
14	90318090	Instruments, appliances and machines for measuring or checking, not elsewhere specified in ...	80	1.28%	HSL
15	02042100	Fresh or chilled sheep carcasses and half-carcasses (excl. lambs)	78	1.25%	EIF
16	44071100	Pine 'pinus spp.' sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded ...	70	1.12%	EIF
17	20097900	Apple juice, unfermented, Brix value > 20 at 20 °C, whether or not containing added sugar or ...	53	0.84%	B15

18	02023000	Frozen, boneless meat of bovine animals	50	0.79%	HSL
19	04014010	Milk and cream of a fat content by weight of > 6% but <= 10%, not concentrated nor containing ...	43	0.69%	B20
20	84729030	Office machines, n.e.s.: Other, electrically operated	39	0.62%	SL
			Total of top 20 products	5,376	85.97%
			Rest of the products	877	14.03%
			Total	6,254	100.00%

* Staging Category: 'EIF' means 0% at the entry into force, 'B13' means 13-year elimination, 'B15' means 15-year elimination, 'B20' means 20-year elimination, 'HSL' means Highly Sensitive List, 'SL' means Sensitive List, 'EL' means exclusion.

Source: Extracted from Trade Map (2015–2019); Cambodia as the reporter; HS 8-digit level.

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