

# EU triggers procedure to temporarily suspend trade preferences for Cambodia

## **What is the Everything But Arms trade arrangement?**

The Everything But Arms (EBA) arrangement is part of EU's Generalised Scheme of Preferences (GSP) for developing countries. Under EBA, the EU grants unilaterally duty free and quota free access to its single market for all products – except arms and ammunition – to all the States classified by the United Nations as Least Developed Countries (LDCs).

The EBA arrangement, as the GSP scheme as a whole, aims to assist developing countries in their efforts to reduce poverty, promote good governance, and support sustainable development by helping them to generate additional revenue through international trade.

The access to this arrangement is conditional upon the beneficiary country respecting the principles of 15 core United Nations (UN) and International Labour Organisation (ILO) Conventions on human rights and labour rights (laid down in Annex VIII Part A of the GSP Regulation).

## **What is the basis for the EU to launch a withdrawal procedure?**

The conditions and the procedure of the temporary withdrawal of tariff preferences are described in Article 19 of the GSP Regulation. The possibility of temporary, full, or partial withdrawal is foreseen in the event of serious and systematic violations of the core 15 UN and ILO Conventions. The Commission can initiate an investigation if it considers that there are sufficient grounds justifying temporary withdrawal. This is based on a case-by-case analysis and is specific to the context of each country. In its assessment, the Commission uses as key sources the reports and recommendations of the relevant UN and ILO bodies, as well as additional information from EU Delegations, EU Member States, the European Parliament, civil society, other authoritative international human rights bodies, academia or information transmitted directly by beneficiary countries to the Commission. UN and ILO documents and findings take into account the nature and impact, as well as the scale and prevalence of the violations. The EU can also organise missions for its own assessment of the situation on the ground.

## **Does the launching of the withdrawal procedure mean that Cambodia's tariff preferences will immediately cease to apply?**

No. It is important to emphasise that no decision has been taken on whether or not to withdraw trade preferences. The launching of the withdrawal process does not lead automatically to the withdrawal of preferences. It simply marks the start of a new phase in the enhanced engagement process with Cambodia, which began in February 2018 following the [EU Foreign Affairs Council Conclusions](#). This phase will begin with a period of monitoring and evaluation

and of close engagement between Cambodia and the Commission. Throughout this period, Cambodia will be provided with every opportunity to cooperate. The EU's goal remains to support Cambodia to take the necessary measures to address concerns and to maintain EBA status. Withdrawal of preferences remains a measure of last resort should this new phase of the engagement fail to produce the desired results.

### **What are the next steps in the withdrawal procedure?**

The temporary withdrawal procedure is officially launched with the publication of the Commission's decision in the Official Journal of the European Union on 12 February 2019. This will be followed by a 6-month official monitoring and evaluation period. During this period, the Commission will provide Cambodia with every opportunity to cooperate, and will gather all necessary information.

This is followed by another 6-month period to produce a report on the findings and to formally conclude the procedure through a legal act. Cambodia will be invited to formally react to a preliminary report on the findings.

In case the Commission decides not to withdraw preferences, the final decision takes the form of a Commission Decision, on which the Member States will also be consulted.

In case the Commission decides for a temporary withdrawal, the final decision will be reflected in a Commission Regulation adopted after seeking the opinion of the European Parliament and the Council. Any withdrawal would come into effect after a further 6-month grace period.

### **If at the end of the withdrawal procedure the decision is taken to remove preferences, will you withdraw some or all preferences?**

According to the EU GSP Regulation, both options are possible: a full or a partial removal of preferences.

### **What are the EU's main concerns which have led to this withdrawal procedure?**

The EU has outlined its concerns on a number of occasions, including in [EU Foreign Affairs Council Conclusions in February 2018](#), , and by the European Commission services and EEAS throughout the period of enhanced engagement with Cambodia. These concerns focus on three main areas: political rights and the shrinking of the space for democratic opposition and civil society; labour issues and curtailment of freedom of association and collective bargaining rights; and concerns over Economic Land Concessions, particularly in the sugar sector.

### **What actions should Cambodia take to avoid withdrawal of EBA preferences?**

The EU Foreign Affairs [Council Conclusions of 26 February 2018](#) and the EU direct communication to Cambodia are very clear about the issues that need to be addressed. The key issues that have led to the decision to launch the withdrawal process focus on the denial of political rights, restrictive actions towards civil society and trade unions, and Economic Land

Concessions, particularly in the sugar sector. , The EU has communicated a number of steps which are expected from Cambodia to ensure a political environment in which opposition parties, civil society, trade unions and media can operate freely, and to address other issues including though an inclusive and transparent compensation related to Economic Land Concessions, particularly in the sugar sector.

**Has Cambodia taken any positive action since the announcement of a possible temporary withdrawal of the trade preferences?**

The Cambodian authorities have in recent months taken a number of positive steps. These include the release in August and September 2018 of a number of detained political figures, civil society activists and journalists; the passage of an amendment to the Law on Political Parties that allow for individuals banned from political activity to have their rights reinstated; and a number of steps to address restrictions on civil society and trade union activities. Nevertheless, they do not sufficiently address the EU's concerns over the serious shortcomings observed in these areas.

**How important is the EBA to Cambodia's economy?**

The EU is Cambodia's largest trading partner, accounting for 45% of Cambodian exports in 2018. Exports to the EU single market reached €4.9 billion in 2018 – almost double the €2.5 billion recorded in 2013. 95.7% of these exports entered the EU market under EBA tariff preferences (i.e. €4.7 billion out of the €4.9 billion in total) – one of the highest ratios of any EBA beneficiary country. Overall, Cambodia is the second largest user of EBA preferences, behind only Bangladesh.

**Why is the EU targeting Cambodia and not other GSP beneficiaries with poor human rights records?**

The Foreign Affairs Council in its Conclusions from February 2018 identified Cambodia and Myanmar for enhanced engagement under the EBA on the basis of the seriousness of their alleged violations (as testified by the most recent UN and ILO reports), as well as on the basis of their substantial trade with the EU. Bangladesh was identified in the Commission's 2016-2017 Biennial GSP Report for the same reasons.

The EU constantly monitors the human rights and labour rights situations of all GSP beneficiary countries. However, it must be emphasised that trade-related tools are only one way to address these issues. The EU makes use of several different avenues to engage with its partners, including human rights dialogues, diplomatic consultations, the Sustainability Compact (in the case of Bangladesh), Partnership and Cooperation Agreements (PCAs), amongst other tools. The choice of which tool to use is also informed by the level of bilateral trade between the EU and the partner country.