

'Everything but Arms': The case of Cambodia

Cambodia is one of nearly 50 developing countries that enjoy duty-free access to EU markets under the Everything but Arms scheme. In response to the country's deteriorating human rights situation, the EU is now considering whether to withdraw trade preferences.

Everything but Arms and the Generalised Scheme of Preferences

Established in 2001, Everything but Arms (EBA) gives 49 of the world's poorest countries duty-free access to EU markets. As the name suggests, it applies to all of their exports except for arms and ammunition. EBA is part of the EU's wider Generalised Scheme of Preferences ([GSP](#)), which includes three sub-schemes for developing countries.

Preferential trade schemes under GSP

Scheme	Benefits	Eligible countries	Country examples	Conditions
Standard GSP	Reduced or zero tariffs on 66 % of EU tariff lines	All developing countries	Vietnam, India	Compliance with the principles of 15 UN/ILO conventions on core human and labour rights
GSP+	Zero tariffs on 66 % of EU tariff lines	Vulnerable developing countries	Philippines, Pakistan	Ratification and implementation of the above + 12 conventions on the environment/good governance
EBA	Zero tariffs on all exports except arms and ammunition	Least Developed Countries	Cambodia, Myanmar, Bangladesh	Compliance with the principles of 15 UN/ILO conventions on core human and labour rights

The human rights situation in Cambodia

EBA is conditional on compliance with the principles of 15 UN/International Labour Organization conventions on core human and labour rights, and can be withdrawn if there is 'serious and systematic violation' of those principles. The human rights situation in Cambodia is [very poor](#). In February 2019, the European Commission identified three main problem areas in this country. The first of these is labour rights, with systematic harassment of independent trade unions and employees who exercise their right to strike. According to the International Trade Union Confederation, Cambodia is one of the world's [10 worst countries](#) for workers. Land-grabbing is the second main concern; due to an EBA-driven surge in sugar exports, as many as [10 000 farmers](#) have lost land to expanding plantations, leading to accusations that the scheme is exacerbating human rights abuses rather than helping to address them. The third main problem – political repression – has maintained Prime Minister Hun Sen and his CPP party in power since 1985.

All these are long-standing problems, but in 2017 the political situation took a sharp turn for the worse. Despite systematic harassment, opposition party CNRP had been on track to perform well and possibly even to win the July 2018 election, but in late 2017 the party was disbanded and its leader Kem Sokha charged with treason. The CPP went on to win every single seat in parliament for the first time ever. At the same time, the government closed down several critical media outlets.

Human rights are also a serious concern in Myanmar and Bangladesh

Myanmar and Bangladesh are the two other EBA beneficiaries singled out by the Commission's 2018 [GSP report](#). In Myanmar, the over-riding concern is the desperate situation of the [Rohingya minority](#) due to years of persecution and, in 2017, a brutal crackdown described by the US House of Representatives as [genocide](#). Over the years, more than one million have fled the country and now live in squalid refugee camps in neighbouring Bangladesh, with no immediate prospect of safely returning to their homes.

In Bangladesh, the Commission points to poor working conditions in the country's garment industry. Thanks in part to the 2013 [Sustainability Compact](#), these have improved since the [Rana Plaza fire](#) killed over 1 000, but [safety problems continue](#). [Textile workers](#) are underpaid and overworked, and statutory rights (for example, to join trade unions or take maternity leave) are often not respected.

Procedure for withdrawing EBA eligibility

In an effort to address the problems in Cambodia, Myanmar and Bangladesh, the Commission launched a period of 'enhanced engagement' with the three countries, involving intensified dialogue and monitoring, which for Cambodia included a fact-finding mission in July 2018. For Myanmar and Bangladesh, this process is still ongoing, whereas for Cambodia, it has moved on to the next stage: on 11 February 2019, the EU [launched](#) the procedure to suspend the country's EBA trade privileges. A six-month monitoring and evaluation period will end in August 2019; the Commission then has until November 2019 to issue a report on the situation. Depending on developments in the country, the Commission has to decide by February 2020 whether or not to suspend Cambodia's EBA privileges fully or in part. Suspension would finally come into effect six months later, by August 2020.

The Cambodian authorities have made some concessions. In 2018, several political prisoners were [released](#), including opposition leader Kem Sokha. Over 100 remaining senior members of his CNRP party were [offered](#) a chance to apply for authorisation to resume their political activities. A ban was also lifted on US-based Radio Free Europe and Voice of America. Prime Minister, Hun Sen, has [downplayed](#) the impact of possible EBA suspension, but such developments suggest that he is keen to avoid it.

However, concessions do not go far enough to bring sustainable improvements or enable the opposition to function in any meaningful way. Kem Sokha is still under house arrest and faces treason charges, the CNRP remains banned as a party, and Hun Sen's defiant January 2019 [warning](#) that the opposition will be 'dead' if the EBA ends is a clear sign that he has no intention of tolerating political pluralism.

Economic impact of EBA suspension for Cambodia

Duty-free Cambodian textile and footwear exports to the EU are up to 11 % and 17 %, respectively, cheaper than they would be under standard tariffs. This competitive advantage has fuelled an export boom: Cambodia's [exports](#) to the EU (mostly shoes and clothing), have grown by 630 % since 2008, and now make up [39 %](#) of the country's total exports. This in turn has helped to keep the economy growing at a steady 7 % a year, and to [lift](#) one-third of the country's population out of poverty between 2007 and 2014. Suspending the EBA could put some of these achievements at risk by making the country's exports less competitive. Around [2 million](#) Cambodians depend on the textile industry, including 750 000 employees.

The most relevant precedent is Sri Lanka, which is also highly dependent on textile exports to the EU. During the seven years in which the country was suspended from GSP+ (2010-2017), around 10 000 workers ([4 %](#) of the sector's workforce) lost their jobs; at the same time, Sri Lankan textile exports continued growing (by [18 %](#)), but much more slowly than competitors with EBA or GSP+ trade preferences (such as Pakistan, [+67 %](#)). In GDP terms, the loss has been estimated at round 1 % per year. Judging by this precedent, [forecasts](#) of over half of Cambodian textile workers losing their jobs are probably over-pessimistic, but on the other hand, the country is almost certain to miss out on growth potential.

For and against EBA suspension: development, human rights and EU-Cambodia relations

As the GSP [Regulation](#) points out, eradicating poverty and promoting human rights are priorities for the EU. At the same time, the EU's capacity to support positive developments in both areas depends on good bilateral relations. The EU's decision needs to strike the right balance between these priorities. Some Cambodian civil society organisations [point out](#) that, while the EU's human rights concerns are valid, suspending EBA would directly affect people's livelihoods by putting textile workers (most of them women) out of work. It would also hurt the EU's bilateral relations with Cambodia, pushing the country further into China's sphere of influence. On the other hand, not responding to the recent political clampdown could undermine the credibility of human rights conditions in the GSP scheme.

Role and position of the European Parliament: the European Commission takes decisions to withdraw or reinstate EBA trade preferences in the form of [delegated acts](#). The European Parliament and Council are not involved in adopting delegated acts, but they can object to them within a deadline of two months.

So far, the Parliament is supportive of the Commission's position: referring to the Kem Sokha case, the European Parliament's [resolution](#) of September 2018 calls on the European Commission to consider launching the procedure to suspend EBA.

