

The Honourable Ursula von der Leyen
President of the European Commission
European Commission
Rue de la Loi / Wetstraat 200
1049 Bruxelles

The Honourable Josep Borrell Fontelles
High Representative for Foreign Affairs and Security Policy
Rue de la Loi / Wetstraat 200
1049 Bruxelles

The Honourable David Maria Sassoli
President of the European Parliament
Rue Wiertz / Wiertzstraat 60
1047 Bruxelles

Re : Request for Postponement of EBA Withdrawal Due to COVID-19 Crisis

Phnom Penh, June 2, 2020

Dear President von der Leyen, Dear High Representative Borrell, Dear President Sassoli:

The COVID-19 pandemic has had a devastating impact on Cambodian apparel, footwear and travel goods manufacturers and workers. Some 250 Cambodian factories making such items have had to totally suspend operations, with most others operating at reduced capacity. More than 130,000 workers in the sectors, most of whom are women, have lost their jobs and this number is likely to rise sharply in the next weeks and months.

Significant attention has been given to the fact that in the first quarter of 2020, a number of buyers cancelled orders after they were completed or while they were in process. This has had a very negative impact, of course. What has received less attention are the orders that have now not been given for the second and third quarters of 2020. We estimate that Cambodian apparel, footwear, and travel goods sales in the second quarter of 2020 will likely fall by 50 to 60 percent compared to 2019. Hundreds of thousands of Cambodian families are at risk of job losses and millions of Cambodian citizens could fall back into poverty.

Of course, this drop in demand reflects the difficulty faced by global buyers, especially in the European Union, Cambodia's largest market, and in North America. There are a number of brands and retailers that have been forced into bankruptcy by the impact of the pandemic, and the economic distress in Europe and North America is likely to remain, and also continue to impact our sector in Cambodia, well into the fourth quarter of 2020, and indeed in 2021.

In this context, the European Commission's scheduled August 12 implementation of the decision to withdraw Everything But Arms tariff preferences for 20 percent of apparel imports, 30 percent of footwear imports, and all travel goods imports from Cambodia would be a massive blow to the Cambodian apparel and footwear industry over and above the devastation wrought by COVID-19.

If the Commission allows the EBA withdrawal to take effect in August, this could in fact result in a near collapse of the already pandemic devastated apparel, footwear, and travel goods industries in Cambodia. More orders will be lost or will never come back, as weak demand in 2020 will be encouraged to go to other countries in the region that maintain their full EBA benefits.

In addition, if international companies are encouraged by the Commission's action on EBA to stop sourcing apparel, footwear, and travel goods from Cambodia, it will undermine the significant improvements in labor rights and working conditions in Cambodia achieved through the partnership of Cambodian stakeholders with the International Labour Organization. In fact, this program has been copied and applied in many other countries because the Cambodian apparel sector proved it could be successful and today our sector has a unionization rate of 80 percent. We take pride in this legacy. We are concerned that EBA withdrawal coming on top of the impact of the pandemic could also unintentionally erase the progress made on labor rights in Cambodia, as it erases orders for our industries.

We recognize that the Commission decision on EBA withdrawal was made early this year in a different context, with no understanding or expectation of what damage would be done to our sectors, Cambodia, and the world by the pandemic. But we find ourselves at a moment when we must point out to the Commission the perhaps unintended consequences of proceeding with the EBA withdrawal in August 2020 at a time when our sectors are reeling from the impact of COVID-19. We are concerned that if the withdrawal proceeds it could have consequences not considered and not intended when the decision was made early in the year.

Consequently, the undersigned associations request the European Commission to postpone the withdrawal of EBA benefits for at least twelve months (until August 2021) to allow the sector time to recover from the devastation of the COVID-19 pandemic. As the Commission had itself stated in its February 12 decision, it *"recognized the need to continue to support Cambodia's economic development and diversification of its exports."* We fear that failing to recognize the gravity of the situation and the devastating impact of removing EBA benefits in August, as the full impact of an unprecedented pandemic is still being felt by our sectors, will lead to a fatal one-two blow to our sector, risking the employment of hundreds of thousands of vulnerable workers and cracking the foundation of Cambodia's recent progress in economic and social development.

Thank you very much for your consideration of our request, and we remain available to meet with you or your representatives as you further consider this matter.

Most sincerely,



Garment Manufacturers Association in Cambodia (GMAC)



Cambodia Footwear Association (CFA)



European Chamber of Commerce in Cambodia (EUROCHAM)

Statement to the Press

Phnom Penh, June 2, 2020

Impact of Covid-19 Pandemic on Cambodian Garment and Footwear Sectors: Associations Call on the EU to Postpone the Scheduled Withdrawal of EBA Trade Preferences

"The COVID-19 pandemic has had a devastating impact on the economy globally and the situation is no different in Cambodia where the development of the country relies heavily on its trade with Europe," according to Arnaud Darc, Chairman of the European Chamber of Commerce in Cambodia.

Since the beginning of the pandemic, some 250 factories in the Cambodian apparel, footwear and travel goods sectors have had to totally suspend operations, with most others operating at reduced capacity. More than 130,000 workers in the sector, most of whom are women, have already lost their jobs and this number is likely to rise sharply.

The near-term future remains challenging, as numerous brands and retailers in Europe and North America have been forced to cancel orders or into bankruptcy by the impact of the pandemic. We estimate that Cambodian apparel, footwear, and travel goods sales in the second quarter of 2020 will fall by 50 to 60 percent compared to 2019, with little prospect of recovery before 2021. "Hundreds of thousands of Cambodian families are at risk of job losses and millions of Cambodian citizens could fall back into poverty if nothing is done," states Ben Kao, Secretary General of Cambodia Footwear Association.

In this context, the European Commission's scheduled August 12 implementation of the decision to withdraw Everything But Arms tariff preferences for 20 percent of apparel imports, 30 percent of footwear imports, and all travel goods imports from Cambodia would be a massive blow to Cambodian industry over and above the enormous negative impact from COVID-19. "If the withdrawal goes forward, more orders and jobs will be lost or will never come back. The EU must not ignore the gravity of the situation and the devastating impact of removing EBA benefits in August, as the damage of an unprecedented pandemic is still being felt by our sectors" warns Sou Ieng Van, Chairman of the Garment Manufacturers Association in Cambodia.

Consequently, the undersigned associations have sent a letter to the President of the European Commission, the EEAS High Representative and the President of the European Parliament asking the European Union to re-evaluate the impact of its decision in light of the current crisis and for a postponement of the withdrawal of any of Cambodia's EBA benefits for at least twelve months (until August 2021).



Garment Manufacturers Association in Cambodia (GMAC)



Cambodia Footwear Association (CFA)



European Chamber of Commerce in Cambodia (EUROCHAM)

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