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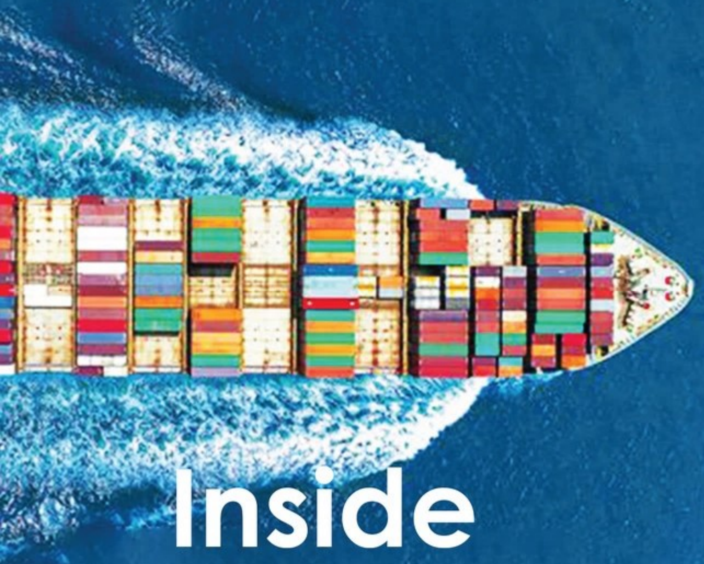

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EXPORTING UNDER CAMBODIA-KOREA FTA
Information Exporters Need to Know

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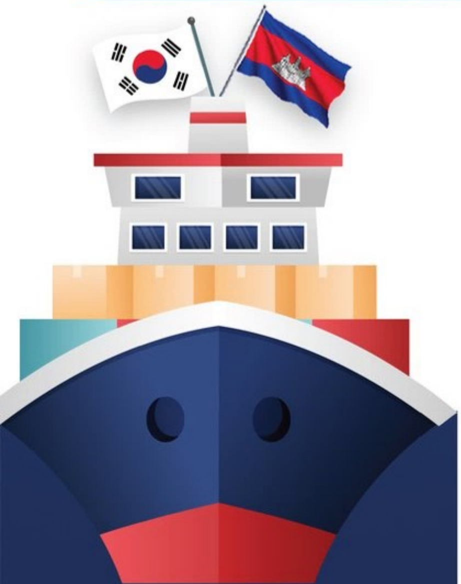

How to Determine ROO of CKFTA?

Exporter may follow these steps to determine ROO of CKFTA.

- Determine destination countries
- Identify Products Harmonized System Codes (HS Code)
- Comply with Requirements under Annex 3-A of CKFTA

Registration for CO

Exporter is required to register for user account in the system (https://co.moc.gov.kh) by uploading:

- Register the company name and address
- Certificate of business registration (Original copy scan)
- Certificate of GSP/MFN registration (Original copy scan)
- List of exported goods
- Authorization letter from exporter (Original copy scan)
- ID/passport of authorization person and authorized person and photo
- Other documents, if required by law/regulation (Original copy scan)

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1 Cumulation of Raw Materials & Direct Consignments

CKFTA

- Allows cumulation of raw materials from Cambodia and South Korea to count as originating content.
- No geographical reason condition, mention required evidenced with customs documents in separated articles. *(See detail in Chapter 3 Article 3.9)*

RCEP

- Allows cumulation of raw materials from all 15 countries to count as originating content.
- Requires evidenced with customs documents, provide clarity in terms of appropriate documents. *(See detail in Chapter 3 Article 3.15)*

AKFTA

- Allows cumulation of raw materials from ASEAN and South Korea to count as originating content.
- Requires justification for geographical reason, not mentioned under the control of the customs administration *(See detail in Annex3 Rule9)*

** CKFTA = Cambodia-Korea Free Trade Agreement*

** RCEP = Regional Comprehensive Economic Partnership*

** AKFTA = ASEAN-Korea Free Trade Agreement*

2 Qualification to Acquire Certificate of Origin of CKFTA

To acquire certificate of origin of CKFTA, exporter has to consider the ROO as follows:

- Wholly Obtained or Produced Goods (WO)
- Produced Exclusively from Originating Materials (PE)
- Satisfied Substantial Transformation Criterion
  - Product Specific Rules (PSR)
    - Change in Tariff Classification Criterion
      - CC, CTH, CTSH
    - Value-added Criterion
      - Regional Value Content
        - Direct/Build-Up Method
        - Indirect/Build-down Method
    - Specific Manufacturing or Processing Operation Criterion
  - Exception to the Substantial Transformation Criterion
    - Accumulation
    - De Minimis
    - Non-qualifying Operations
    - Direct Consignment

3 Export Procedures - CO Application & Process

After registration, exporter has to submit online application for CO by uploading:

- Invoice
- Packing List
- Cost Breakdown or reference document *(if required by ROO)*
- Inspection report on camouflage garment, transit goods or first shipment goods
- Other documents required by importing country to comply with ROO

CO Automation Process

Exporter | Ministry of Commerce

- Submit CO (Exporter) → Review CO (Export/Import Technical Officer) → Verify CO (Trade Support Services) → Pay manually (Exporter) → Verify payment (MoC Finance) → Approve CO (MoC Management)
- Verify CO (Trade Support Services) → Pay online (Exporter) → Approve CO (MoC Management)
- Return/Reject CO
- Print Preview CO w/ watermark
- Print Approved CO w/o watermark

Cambodian PM Returns Home from Maldives with Fruitful Outcome

The high-level Cambodian delegation led by Prime Minister Hun Sen just concluded the three-day official visit in Maldives with fruitful outcome. During the visit, Cambodia and Maldives signed six important documents on visa exemption, economic, tourism and health cooperation, bilateral consultations between the Ministries of Foreign Affairs of both nations, and MoU between the Maldives National Chamber of Commerce and Industry (MNCCI) and the Cambodia Chamber of Commerce (CCC). The Royal Government of Cambodia also announced to appoint the Cambodian Ambassador to India as the Non-Resident Ambassador to Maldives, and to name a street in a Cambodian coastal city as Cambodia-Maldives Friendship Street to highlight the opening of a new page which will bring closer the bonds of friendship between the two countries. *Source: Khmer Times*

Cambodia's Trade with RCEP Countries Hit $31 bln in 2022

Cambodia's trade with the Regional Comprehensive Economic Partnership (RCEP) member countries reached USD 31 billion in 2022, up 4 percent from a year earlier, according to a Ministry of Commerce report. The report said the kingdom's export to the RCEP countries amounted to USD 6.34 billion last year, up 7 percent, while its import from the RCEP countries totaled USD 24.68 billion, increasing 3 percent. Cambodia's top five trading partners under RCEP are China, Vietnam, Thailand, Singapore, and Japan, the report added. Cambodian Ministry of Commerce's Secretary of State and Spokesman PENN Sovicheat said Cambodia's trade growth with other RCEP countries was moderate because the kingdom and other countries alike have just recovered from the COVID-19 pandemic. "We believe that the growth will be higher this year and beyond," he told Xinhua. "RCEP is a catalyst for our long-term and sustainable trade growth and it is a magnet to attract more foreign direct investments to our country." *Source: Khmer Times*

Average Annual FDI Inflow Growth of 8.1% in Cambodia from 2017 to 2021

Cambodia recorded an average annual FDI inflow growth of 8.1% from 2017 to 2021, according to the Asia-Pacific Trade and Investment Trends 2022-2023 Country Report for Cambodia by the UN Economic and Social Commission for Asia and the Pacific (ESCAP). The FDI inflows growth was higher than the Asia-Pacific's 3.8% average annual FDI inflows growth during the period. However, in 2021, the country experienced a decline in FDI inflows by 3.9%, it said. It also mentioned that Cambodia's trade costs were lowest with the East Asia-3 economies of China, Japan and South Korea. "In 2020, trade costs with the East Asia-3 economies, on average, amounted to 96.4% of the value of goods, as compared to when the countries traded these goods within their borders. Trade costs were higher with the Europe-3 economies (Germany, France and the UK) and large Asia-Pacific Developing-4 economies (China, India, Indonesia and Russia), amounting to 104.2% and 145.4%, respectively," it said. *Source: Khmer Times*

Cambodia's Rubber Goods Exports up 28% in 2022

Cambodia earned USD 541.66 million from the export of rubber and rubber articles in 2022, recording a growth of 28.3% compared to the previous year, despite adverse conditions including a fall in the prices of natural rubber. According to the trade data released by the General Department of Customs and Excise (GDCE) recently, the exports of rubber articles constituted 2.4% of the total exports in 2022, slightly better than the 2.2% share in 2021. The Cambodian rubber market consists of China, Vietnam, Malaysia, Singapore, India, and the EU. *Source: Khmer Times*

Asia's Productivity Needs a Boost That Digitalization Can Provide

Amid slowing global growth, promoting technological adoption and closing digital divides can help the region boost aggregate productivity and economic output. There is a promising path for boosting Asia's productivity: digitalization. Asia's digital landscape has swelled in recent years. The region accounted for 60% of patents in digital and computer technologies right before the pandemic, up from 40% two decades earlier. *Source: International Monetary Fund*

Sharp, Long-lasting Slowdown to Hit Developing Countries Hard

Global growth is slowing sharply in the face of elevated inflation, higher interest rates, reduced investment, and disruptions caused by Russia's invasion of Ukraine, according to the World Bank's latest Global Economic Prospects report. The global economy is projected to grow by 1.7% in 2023 and 2.7% in 2024. The sharp downturn in growth is expected to be widespread, with forecasts in 2023 revised down for 95% of advanced economies and nearly 70% of emerging market and developing economies. Over the next two years, per-capita income growth in emerging market and developing economies is projected to average 2.8%—a full percentage point lower than the 2010-2019 average. By the end of 2024, GDP levels in emerging and developing economies will be roughly 6% below levels expected before the pandemic. *Source: World Bank*

Removing Trade Barriers in the Developing World

The Alliance has developed a unique methodology aimed at being more effective in delivering aid for trade based on three principles: leveraging the expertise and insight of the private sector in actively contributing to overcoming trade barriers; building an operational structure which is agile and responsive; and quantitatively measuring the impact of work carried out on the ground. Additionally, the Alliance has focused on pushing innovation through a number of initiatives including the hosting of the inaugural Trade Facilitation Innovation Days in partnership with UNCTAD aimed at reinvigorating and reimagining ways of streamlining cross-border trade. The online initiative attracted almost 700 participants in over 100 countries, including trade facilitation experts, government officials, border agents, logisticians, academics, and other specialists. *Source: World Economic Forum*

Confronting Fragmentation Where It Matters Most: Trade, Debt, and Climate Action

As policymakers and business leaders gather at the World Economic Forum in Davos, they are facing a Gordian knot of challenges. From the global economic slowdown and climate change to the cost-of-living crisis and high debt levels: there is no easy way to cut through it. Added to this are geopolitical tensions that have made it even more difficult to address vital global issues. Indeed, even as we need more international cooperation on multiple fronts, we are facing the specter of a new Cold War that could see the world fragment into rival economic blocs. This would be a collective policy mistake that would leave everyone poorer and less secure. *Source: International Monetary Fund*

US and Chinese Officials Discussed Climate, Economy, and Relationship

U.S. Treasury Secretary Janet Yellen met on January 18, 2023 with Vice Premier Liu He in Zurich and pledged an effort to manage differences and "prevent competition from becoming anything ever near conflict" as the two nations try to thaw relations. A U.S. Treasury readout of the 2 1/2-hour meeting says the two agreed that the U.S. and China would cooperate more on issues around financing for battling climate change and work to support "developing countries in their clean energy transitions." The readout also indicates Yellen plans to travel to China and welcomes her counterparts to the U.S. in the near future. *Source: AP News*

US—China Trade is Close to a Record, Defying Talk of Decoupling

Amid harsh national security rhetoric in the US and concerns about decoupling, trade between the U.S. and China is on track to set records, a sign of durable linkages between the world's major economies. According to US official data up to November 2022, when the final report is released on February 7, 2023, imports and exports year 2022 will add up to an all-time high, or at least extremely close to it. China just released full-year statistics showing record trade of over $760 billion. Positive developments recently include plans for a face-to-face meeting between US President Joe Biden and Chinese leader Xi Jinping in November 2022 and further high-level linkages, such as US Secretary of State Antony Blinken's visit to China this year. But it's unlikely that China's position on Taiwan and the South China Sea, as well as the US's vigorous measure to restrict China access to key semiconductor technology, will be quickly resolved. This demonstrates how deeply entwined the two economies remain — even as the US wants to slow China's rise and China seeks to challenge the US's global influence. *Source: Bloomberg*

Research Article

GLOBAL VALUE CHAIN, CITIES AND URBAN AMENITIES: NEXT STAGE OF GROWTH FOR ASEAN AND EAST ASIA

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Abstract

In this paper, we explore the impact of urban amenities on the development and transformation of GVC in ASEAN and East Asia in terms of skills development and the unbundling of manufacturing and services activities due to telecommunication and information technologies. The chapter highlights the importance of urban amenities to retain and maintain skill labour in the key cities to drive economic growth. We used the city level data for Asia and ASEAN from UN, Department of Economic and Social Affairs, Population Division, to understand the relationship among cities, GVC and urban amenities. The paper highlights that the next stage of growth in ASEAN will be driven by the competitiveness of the cities in terms of attracting and retaining skilled labour, developing the telecommunication infrastructure, developing quality urban amenities and creating the connectedness to regional and global cities.

Key words: GVC, Structural Transformation and Urban Amenities

Introduction

Regional and Global production value chain and network are important features as well as the key driver of economic growth and integration in East Asia and ASEAN. The impact of GVC on the East Asian manufacturing and services activities and hence on its economic development is quite significant (Kimura, 2018; Baldwin, 2011, ASEAN Integration Report, ASEAN Secretariat, 2019). Recent evidence shows that DVA (domestic value-added) in the exports of ASEAN Member States have been relatively high and stable since 2010 (ASEAN Integration Report, ASEAN Secretariat, 2019). The DVA of exports ranges around 47% for Singapore to 90.3% for Brunei. The FVA (foreign value-added) in exports is at 39% for Singapore and at a lower range of 6.7% for Brunei.

East Asia and ASEAN are undergoing significant structural transformation due to the dynamism of regional and global value chain. It is driving deeper economic and regional integration. In fact, the global value chain network is driving the economic transformation of East Asia from both the demand in terms of forward-looking and dynamic consumerism, and supply-side effects of fragmentation and agglomeration integrating deeper regional and global production networks in both manufacturing and services. The transformation of GVC from digital and telecommunication technologies are creating new economic opportunities and also are inducing greater creative-destructions in the respective East Asian and ASEAN economies.

The effects of GVC is not a new phenomenon in Asia. Since 1970s, US retailers and big brand-name companies started offshoring their labour-intensive activities overseas (Gereffi 2013) in search of cheap labour advantages. However, in recent GVC transformation, the pace of GVC has accelerated in terms of the speed, scale, depth and breadth of global interaction (Elms and Low 2013). The fragmentation process has intensified since 2000s beyond manufacturing sector to services such as accounting, medical procedure and call centres (Gereffi and Sturgeon 2013). GVCs have also proliferated geographically involving broader countries from various regions and organizationally manifest in more complex and multi-layer inter-firm networks across the globe. This production configuration, which has become the most important feature of global economy today (De Backer, De Lombaerde, and Iapadre 2018; OECD 2013), is driven by technological progress, advance in transport and logistic sector that lead to significant decline in trade costs, a more liberal regional and national policies toward freer trade and investment flows, and the opening up of emerging economies, especially in China and India (Baldwin 2013; Humphrey and Schmitz 2002; De Backer, De Lombaerde, and Iapadre 2018; Amador and Cabral 2016; Baldwin 2012; Athukorala 2011).

The key transformation of the GVC is the depth and degree of integration and inter-dependency of the regional economies to global activities. There is a significant shift in the trade patterns in regional and global economy from exchange of final goods to trade in parts and components. Geographic dispersion of production has substantially increased economic interdependency among economies around the world especially in terms of investment flow and intensification of flow in intermediate goods. WTO and IDP-JETRO (2011) estimated that trade in intermediate goods in 2009 represents more than 50% of non-fuel merchandise trade. The share of intermediate input trade is found even higher (over 50% of goods trade and almost 70% of services trade) in Gurría (2015) and roughly two-third in Johnson and Noguera (2012). In his latest book on the new globalization, Baldwin (2016) describes the '21st century trade' as growing exchange of parts and components along with international movement of production facilities, personnel and know-how.

The other aspect of the GVC transformation is the level of growth of service activities and linkages in the production process. The fragmentation of production process within and across countries due to technological advancement from telecommunication and information technologies have intensified the growth and inter-dependency of production processes between manufacturing and service activities. Services serve as inputs and linkages across value chains process, making it the 'glue of supply chains' (Low 2013) or sometimes refer to 'servicification' of production (Hoekman and Shepherd 2017). In the seminar work on the role of services in production and international trade, Jones and Kierzkowski (1990) firmly argues that the speed and efficiency with which service links operate clearly have a bearing on the optimal degree of fragmentation and that the gains from service liberalization may exist in form of greater participation in production process. Baldwin (2016) regards services such as telecommunication, transport and logistics, trade-related finances and custom clearance necessary to coordinate fragmented production. The importance of services in GVC is manifest in large and increasingly share of service in value -added trade, accounting for more than 40% in 2009 rising from 30% in 1985 (Heuser and Mattoo 2017). The impact of servicification of the Asia is also reflected by the recent study by Thangavelu et. al (2018) indicating that the degree of servicification of manufacturing activities in ASEAN has increased over the years.

The recent transformation of the GVC also highlights the importance of unbalance growth within and between countries due to the unbalance industrial and competitive responses of the specific regions within countries and also between countries. The key dimension of regional disparity within the economy is based on how responsive key cities are in the domestic economy to absorb, diffuse and disseminate key technologies and specific tasks to firms and workers in response to the dynamic shifts in the GVC. The key competitive responses are driven by the flexibility of skilled workers to 'unbundle' the technologies and activities; technology-intensive infrastructure such as science parks, universities, research centres; and the social infrastructure such as urban amenities in hotels, restaurants, libraries, internet café, and soft and hard connectivity.

Recent study by Glaeser et. al (2015) highlights the importance of cities to create urban networks that creates innovation and entrepreneurship to spur the economic growth of the domestic economy and region. The urban networks through urban amenities increase global economies of scale through innovation in services and global linkages, although the return on local returns could decline due to the trade-off of urban congestion and living. In turn, the returns of urban networks to attract skilled workers to move and live in large and mega cities due to the higher returns from global urban networks.

The impact of urban network and agglomeration is not only on the innovation of services, but also on the manufacturing activities as urban amenities also create the economies of scale and knowledge spillovers for firms to innovate and increase their entrepreneurial activities (Chen et. al, 2020). Recent study of Asia by Chen at. al (2020) highlights the agglomeration effects through presence of top-tier universities at the Asian cities in raising the effectiveness of firm level R&D activities.

In this chapter, we explore the development and transformation of GVC in Asia and East Asia in terms of skills development, unbundling of manufacturing and services activities due to telecommunication and information technologies, and the importance of urban amenities to retain and maintain skill labour in the key cities to drive economic growth. We used the city level data for Asia and ASEAN from UN, Department of Economic and Social Affairs, Population Division, to understand the relationship between cities, GVC and urban amenities. The results of our study indicate the importance of cities and urban amenities as important leverages for pandemic and post-pandemic recovery. Cities and urban centres will be the key to develop, attract, and sustain digital technologies and maintain the degree of openness necessary for the pandemic recovery.

The next section will discuss the GVC transformation in Asia and ASEAN. Section 3 will provide the population agglomeration and trends of cities in Asia. In section 4, we will provide the topology of GVC transformation and 'unbundling' effects of GVC. We will provide discussions on skill and unbundling of skills to tasks in Section 4. Section 5 will provide the policy discussion in terms of the pandemic recovery.

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iTrade Bulletin is an e-publication by the Trade Training and Research Institute of the Ministry of Commerce. This monthly bulletin provides brief updates on specific issues in Cambodia, the regions and the world. This knowledge-sharing through scientific researches in the multifaceted areas aims to highlight current trade news & statistics relevant to all social stakeholders.

ANNOUNCEMENT

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