



The 49% Wake-Up Call: Why Cambodia Must Reform Now

Khmer Movement for Democracy (KMD) expresses its deep concern regarding the recent 49% tariff hike imposed by the Trump administration and its potential implications for Cambodia's economy, trade relations, and human rights. While this policy aims to address trade imbalances and promote domestic industries in the United States, its unintended consequences on developing economies such as Cambodia could be severe.

Economic Implications for Cambodia

Cambodia relies heavily on exports to the U.S., particularly in the garment, footwear, and agricultural sectors. The 49% tariff hike threatens to disrupt these industries by significantly increasing the cost of Cambodian goods in the U.S. market. As a result, demand for Cambodian exports may decline, leading to factory closures, mass layoffs, and economic instability for thousands of workers. Small and medium-sized enterprises (SMEs) that depend on global trade could also suffer losses, further widening economic disparities.

Moreover, the Cambodian economy, already vulnerable due to its reliance on foreign investments and preferential trade agreements, may experience long-term setbacks. The garment industry, which employs approximately 900,000 workers—predominantly women—could face unprecedented challenges, exacerbating unemployment and poverty rates. The economic strain caused by reduced exports would also hinder Cambodia's post-pandemic recovery efforts.

Cambodia's 750,000 SMEs contribute 63% of GDP and employ 70% of the workforce—yet many remain unregistered and lack access to skilled labor. Over 80% of Cambodia's exports rely on low-wage garment sectors.

Impact on Labor Rights and Human Rights

The tariff hike in Cambodia not only carries significant economic repercussions but also deepens labor rights and human rights concerns. Factory workers, particularly women, are at risk of losing their jobs, with fewer employment opportunities and weakened labor protections. As a result, many workers could be pushed into exploitative, informal sectors with unsafe working conditions, lower wages, and precarious labor. These challenges disproportionately affect women, who already face barriers in accessing skilled roles and leadership positions, as less than 1% of working women hold managerial positions despite making up 48.4% of the workforce.

Moreover, Cambodia's ongoing human rights challenges, including restricted freedoms, judicial interference, and land rights abuses, may intensify as the economic downturn from the tariff hike places additional pressure on the government. In times of crisis, authoritarian tendencies often worsen, leading to a further consolidation of power and increased repression of unions, human rights defenders, and independent media. This environment stifles dissent and impedes efforts to address labor rights abuses and human rights violations.

In this context, the impact of the tariff hike extends far beyond economics, exacerbating gender inequality, labor exploitation, and the suppression of civil liberties. As the country grapples with these compounded challenges, it risks hindering its long-term development and failing to unlock the full potential of its workforce, especially its women.

China's Influence and Comparative Advantage in Agriculture

The tariff hike could inadvertently deepen Cambodia's economic dependence on China, which has been expanding its influence in the region through infrastructure investments, trade agreements, and economic aid. With reduced access to the U.S. market, Cambodia may look to strengthen its economic ties with China, increasing its reliance on Chinese financing and trade partnerships. However, this shift could come at the expense of Cambodia's democratic governance and human rights, as China tends to prioritize economic cooperation over political freedoms.

Additionally, Cambodia's competitive edge in agriculture, particularly in rice and other staple crops, could be undermined by the U.S. tariffs, making its exports less competitive. China, a dominant force in agricultural trade, may seize this opportunity to increase its own exports and investments in Cambodia. While this might offer short-term economic relief, it could also lead to an overreliance on Chinese markets, limiting Cambodia's ability to diversify its trade relationships and secure favorable terms. Should China gain greater control over agricultural supply chains, Cambodian farmers may face intensified land evictions and grabbing, price manipulation, and weakened bargaining power. This concern is underscored by the 2.1 million hectares of land already granted through Economic Land Concessions (source: LICADHO). Such developments threaten Cambodia's economic independence and risk fueling further social unrest.

Public Administration Strain and Institutional Inefficiencies

Cambodia's public administration continues to face challenges of inefficiency, fragmentation, and overlapping mandates, which have become more pressing in the context of external economic shocks like the U.S. tariff hike. The country's complex bureaucratic structure—characterized by multiple ministries with overlapping responsibilities—undermines the government's ability to respond swiftly and cohesively to economic disruptions. Ministries responsible for trade, labor, and economic development often operate in silos, leading to policy inconsistencies and delayed responses. Likewise, agencies overseeing agriculture, natural resources, and environmental protection frequently lack coordination, diminishing the effectiveness of efforts to safeguard rural livelihoods and leverage the country's agricultural potential.

As fiscal pressures mount due to reduced export revenues and global economic uncertainty, maintaining a sprawling administrative apparatus may further strain public resources. Inefficient government structures not only hinder responsive policymaking but also contribute to public mistrust and weaken the state's ability to mitigate the effects of global economic volatility, including tariff-induced trade shocks.

Trade Dependency and Vulnerability to External Shocks

Cambodia's heavy reliance on a narrow set of export markets—particularly the United States—has created a structural vulnerability that the 49% tariff hike has starkly exposed. The concentration of exports in a few sectors such as garments, footwear, and agricultural products, coupled with limited diversification of trade partners, makes the economy highly susceptible to external policy changes. This dependency constrains Cambodia's ability to absorb economic shocks, reducing its resilience and limiting alternatives when market access is restricted.

Furthermore, despite existing trade relations with ASEAN and China, the country's overdependence on a few major partners leaves it exposed to shifting geopolitical dynamics and market fluctuations. Emerging sectors such as green energy, technology, and sustainable tourism remain underdeveloped, narrowing the country's economic options in the face of trade disruptions. Without a more balanced and diversified trade portfolio, Cambodia risks long-term stagnation, weakened bargaining power, and increased dependency on powerful trade partners with differing political and human rights priorities.

Policy Recommendations

To mitigate the negative effects of the 49% tariff hike on Cambodia, KMD urges the Cambodian government can take several strategic steps to respond to the 49% tariff hike imposed by the U.S. administration:

1. **Engage in Diplomatic Negotiations** – Cambodia should actively engage with U.S. officials and trade representatives to seek tariff exemptions or reductions for critical industries such as garments and agriculture. Diplomatic dialogue should emphasize Cambodia's role in global supply chains and the impact of the tariff on ordinary workers.
2. **Strengthen Trade Diversification Efforts** – To reduce dependence on the U.S. market, Cambodia should accelerate trade agreements and partnerships with ASEAN countries, the EU, Japan, South Korea, and emerging markets in Africa and Latin America. Strengthening ties through Regional Comprehensive Economic Partnership (RCEP) and other regional trade frameworks can provide alternative export destinations.
3. **Seek the Reinstatement of the EU's 'Everything But Arms' (EBA) Program** – Cambodia should prioritize policy reforms, particularly in labor rights and democratic governance, to restore preferential access to the EU market. Reinstating the EBA program would help mitigate the economic impact of losing U.S. market access.
4. **Enhance Public Administration Reform** – To improve efficiency and resilience, Cambodia should streamline government ministries, reducing bureaucratic redundancies in trade, labor, and economic policy. Merging related agencies would enhance policy coordination and economic responsiveness.
5. **Boost Domestic Industrialization and Value-Added Production** – Instead of relying solely on low-cost manufacturing, Cambodia should invest in value-added industries such as processed agricultural products, technology, and sustainable manufacturing. Incentives for local businesses and foreign investors in these sectors could reduce vulnerability to external trade policies.

6. Restore civil liberties, allow NGO and union participation in policy design– Protecting civil liberties, including freedom of speech, assembly, and association, is essential for independent advocacy. NGOs, labor unions, and civil society must be involved in policymaking, especially on labor rights, human rights, and gender equality. Ensuring transparency and accountability in policy implementation allows for public oversight and alignment with international human rights standards, fostering a more democratic and inclusive governance system that protects all citizens, particularly workers and women.

7. Expand Women’s Access to TVET and STEM– This can be achieved by increasing opportunities for women in high-demand sectors like engineering and technology, offering gender-specific initiatives such as scholarships, mentorship, and career development, and encouraging industry partnerships to provide practical training and employment pathways. These efforts will help diversify the workforce, empower women, and contribute to a more innovative and skilled economy.

8. Expand Workforce and SME Support Programs – The government should introduce relief programs, including vocational training to develop new skills, microfinance initiatives to help start small businesses, and social protections to prevent economic displacement. These measures would offer critical support, helping workers transition to new employment opportunities, maintain financial stability, and reduce the impact of economic displacement.

Conclusion

Cambodia’s future depends on the choices it makes today. This moment of economic and political challenge is also a window of opportunity. By investing in its people, empowering women, and embracing openness and accountability, Cambodia can build a sustainable and dignified future.



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