
A New Chapter in EU–Cambodia Relations

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In the shifting currents of global geopolitics and trade, the European Union and Cambodia are working together to reinforce free trade, deepen cooperation and development assistance, and sharing a vision of a sustainable and green future.

Cambodia is on the threshold of a historic transformation. Its graduation from Least Developed Country (LDC) status in 2029 will be more than a bureaucratic milestone- it will be an economic coming of age. This evolution signals a maturing economy with rising ambitions, but also some potential new challenges.

At present, Cambodia enjoys near-universal duty-free access to the EU under the Everything But Arms (EBA) trade scheme, with 88% of exports entering the European market tariff-free. But the post-LDC horizon shifts the landscape. The EBA will give way to the Generalised Scheme of Preferences (GSP), under which some sectors such as garments may face average tariffs of 8%.

There is an alternative path under the GSP+ regime, which offers reduced or zero tariffs for those who meet stringent commitments on human rights, labour standards, and environmental protections. For Cambodia, this will not be a simple policy decision, but a serious test of values and political will.

Adapting to the new reality will demand more than policy shifts; it will also require some levels of industrial reinvention. For example, in the garment industry, to qualify as “Made in Cambodia,” exports will need to meet tougher Rules of Origin, requiring “double transformation” processes like fabric weaving and dyeing. What once was an assembly line must now evolve into a value chain. This is a steep challenge, but one which could ultimately lead to higher-value investments for Cambodia.

Fortunately, new products are rising in Cambodia’s export statistics - rice, electrical machinery, rubber, furniture, and toys- each adding new opportunities in a modernized economy. Agro-processing, in particular, holds promise.

Today, raw cashew nuts and organic pepper are shipped abroad to be processed and re-exported by neighbouring countries. By adding value locally, the country could create better jobs and climb the value-adder.

The EU’s Partnership Offer

Trade and development are the key pillars of the EU’s relationship with Cambodia. With EUR 220 million committed under the Multi-Annual Cooperation Programme (2021–2027), the EU is helping Cambodia to build a future that is not just wealthier, but greener.

Three pillars anchor this vision:

1. **Green Growth and Decent Jobs:** The EU is supporting climate-resilient agriculture and sustainable agribusiness, planting the seeds of an economy that can thrive in harmony with nature.
2. **Education and Skills Development:** The EU is helping Cambodia’s youth to shape their future through access to quality vocational and tertiary education, climate-focused curricula, and programs that empower women and close equity gaps.
3. **Good Governance:** By strengthening public finance systems, upholding the rule of law, and improving the investment climate, the EU is supporting long-term economic integrity.

Through initiatives in sustainable agriculture and value chain development- especially in crops like cashew and pepper- the EU is supporting Cambodia’s transition from raw exporter to high-value producer. These efforts are not short-term fixes; they are long-term investments, expected to bear fruit for generations.

EU-funded programs in trade facilitation and policy capacity are ensuring that Cambodia’s private sector, especially SMEs, can rise to meet the challenges and opportunities of the ASEAN and global markets. With better infrastructure, clearer trade standards, and stronger institutions, Cambodia’s economic possibilities will grow.

The EU and ASEAN's Shared Ambitions

Across the broader ASEAN landscape, the EU is a trusted friend and partner. For more than 45 years, the EU and ASEAN have jointly pursued stability, integration, and prosperity. In 2020, the EU was formally designated as an ASEAN Strategic Partner - a reflection of the strength of collaboration across trade and development.

The 2023–2027 EU-ASEAN Plan of Action sets out avenues for cooperation in green energy, digital transformation, and sustainable infrastructure - fields that will shape the region's destiny. On trade, the EU-Singapore and EU-Vietnam Free Trade Agreements have set powerful precedents, which EU and negotiators from Indonesia, Thailand, and the Philippines are seeking to replicate to increase inter-regional economic connectivity.

The EU is ASEAN's third-largest foreign investor and trading partner. The 2022 ASEAN-EU Comprehensive Air Transport Agreement, a landmark deal, helps airlines to connect people, goods, and ideas across our two regions.

Beyond trade pacts and policy frameworks, the EU has pledged EUR 180 million to ASEAN regional cooperation and EUR 10 billion for connectivity projects through the EU Global Gateway initiative.

A Partnership Forged in Purpose

With LDC graduation approaching, and as Cambodia diversifies its economic base, the EU-Cambodia partnership is entering a new phase. The right investments in education, sustainability, and local value chains could be transformative for Cambodia's economy and people.

Together, the EU and Cambodia are working towards shared prosperity and green resilience, standing as a model of cooperation and development for the region and beyond.