

# The European Union's Withdrawal of Trade Preferences for Cambodia<sup>†</sup>

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## Abstract

Following Cambodia's violation of human and labor rights, the European Union (EU) concluded in February 2020 to withdraw trade preferences for the country temporarily from August 2020. This paper estimates the short-run impact of preference withdrawal on EU's imports from Cambodia. Since the EU withdrew preferential tariffs only for certain products and maintained duty-free quota-free access for others, I adopt a difference-in-differences (DID) regression framework. I show evidence for the parallel-trend assumption in that imports trends would move in tandem for preference-withdrawn and duty-free products even in the absence of the EU's withdrawal. The results show that EU's imports of affected goods increased significantly in July 2020, consistent with an announcement effect of the EU's withdrawal to induce last-minute imports. Subsequently, tariff increases led to a significant decline in EU's imports from Cambodia. However, these effects are heterogeneous across knitted garment, woven garment, and footwear products.

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