Are Free Trade Agreements Pro-poor or Pro-rich?
Evidence from Cambodia[†]

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Abstract
This paper examines the distributional effects of FTA-induced tariff reductions in a low-income country. We quantify first-order welfare impacts through income and cost-of-living channels and apply this framework to Cambodian household data in 2004, isolating FTA-driven tariff cuts between 2004 and 2019. Under complete tariff pass-through and wage responses, the results show heterogeneous negative income effects and positive cost-of-living effects across income levels. High-income households experience net gains through lower expenditure on imported goods; middle-income households face losses due to larger income declines in primary production and wages; and low-income households are largely unaffected for their reliance on subsistence production and consumption. To address pass-through uncertainty, we conduct a global sensitivity analysis using Monte Carlo simulations. Across broad parameter values, the welfare effects tend to favor richer households, with expenditure on imported goods making the largest contribution to the pro-rich outcome.

Keywords: free trade agreement, welfare, inequality, household, Cambodia
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