

BLOCK A – Cambodia’s textile exports to the UK and transports

1. Clarification about the HS code nomenclature in trade statistics reporting

Products traded by the vast majority of world’s countries are classified under Harmonized System codes (HS codes), a nomenclature developed by the World Customs Organization (WCO).¹ HS codes provide information about products details with the purpose, among others, to specify applicable custom tariffs and to collect trade statistics.²

The HS nomenclature comprises over 5,000 commodity groups identified by 6-digit codes. Digits describe products following a hierarchical order of headings and sub-headings, organized in 21 sections and 99 chapters, which can be broken down into three main parts. The first two digits identify “chapters” in which goods are classified, the next two identify grouping within that chapter whereas the final two digits provide even more specific product information.³ The WCO classifies HS codes for “textiles and textiles articles” in section XI of the complete nomenclature, in which relevant chapters are the numbers 50 to 63.⁴

According to the European Commission,⁵ categories of textiles can be classified following the first **four digits of HS codes**.⁶ However, it is important to notice that “often a small feature or point of difference will mean classifying your garments in a different classification code”.⁷ As a result, *the same types of product can be classified with different codes*.

¹ World Custom Organization website, *List of 212 countries, territories or customs or economic unions applying the Harmonized System*, 21 February 2020, accessed 25 June 2020, <http://www.wcoomd.org/en/topics/nomenclature/~media/WCO/Public/Global/PDF/Topics/Nomenclature/Overview/HS%20Contracting%20Parties/List%20of%20Countries/Countries_applying_HS.ashx>

² European Commission Trade Helpdesk website, *EU product classification system*, accessed 25 June 2020, <[³ UN Trade Statistics website, *Harmonized Commodity Description and Coding System \(HS\)*, accessed 25 June 2020, <<https://unstats.un.org/unsd/tradekb/Knowledgebase/50018/Harmonized-Commodity-Description-and-Coding-Systems-HS>>](https://trade.ec.europa.eu/tradehelp/eu-product-classification-system#:~:text=The%20Combined%20Nomenclature%20(CN)%20is, codes%20with%20further%20EU%20subdivisions.&text=It%20comprises%20the%20eight%2Ddigit,additional%20digits%20(TARIC%20subheadings).>></p></div><div data-bbox=)

⁴ A complete classification of the latest HS codes nomenclature updated by the WCO in 2017 is available at: World Customs Organization, *HS Nomenclature 2017 Edition*, accessed 25 June 2020, <<http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs-nomenclature-2017-edition/hs-nomenclature-2017-edition.aspx>>

⁵ The research focuses the analysis of trade statistics in the period 2015-2019, therefore, before the United Kingdom (UK) officially withdrew from the EU on February 2020. As a result and in addition to other databases used to track UK-related trade information, the analysis makes uses of the Eurostat database, the database developed by the Statistical office of the EU within the European Commission.

⁶ European Commission Trade Helpdesk website, *Classifying textiles*, accessed 25 June 2020, <<https://trade.ec.europa.eu/tradehelp/classifying-textiles>>

⁷ European Commission Trade Helpdesk website, *Classifying textiles*, accessed 25 June 2020, <<https://trade.ec.europa.eu/tradehelp/classifying-textiles>>

2. UK imports of textile products from Cambodia in the period 2015-2019

This section presents data about UK imports of textile products from Cambodia in the last 5 years. Data are retrieved from the Eurostat.com database, and specifically from the Easy Comext datasets.⁸ Among the International Trade datasets, the selected one is <EU Trade Since 1988 By HS2-HS4 (DS-016894)> as it provides consistent data in comparison with information on “Modes of Transportations” analyzed in section 3 of this paper.

2.1 Overall importation of UK textiles from Cambodia in 2015-2019

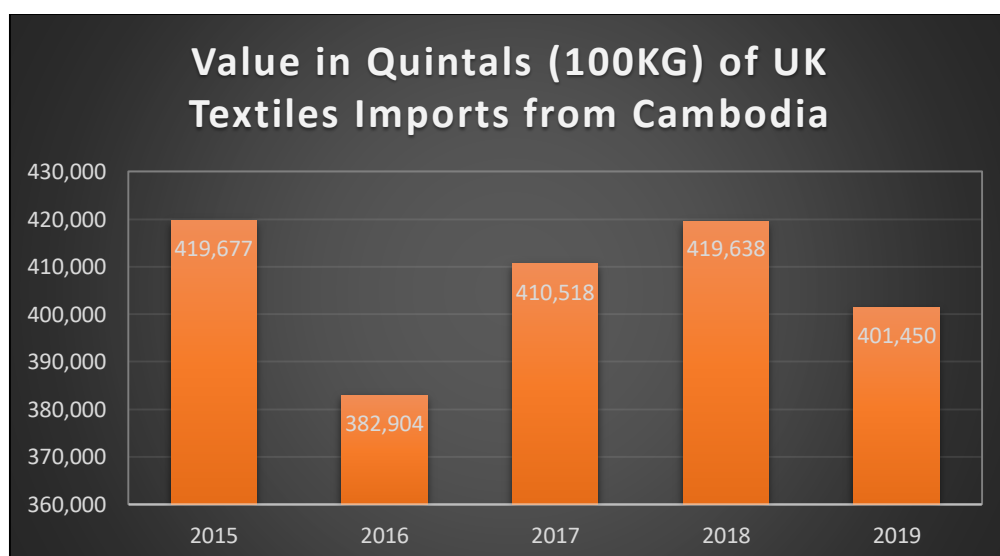
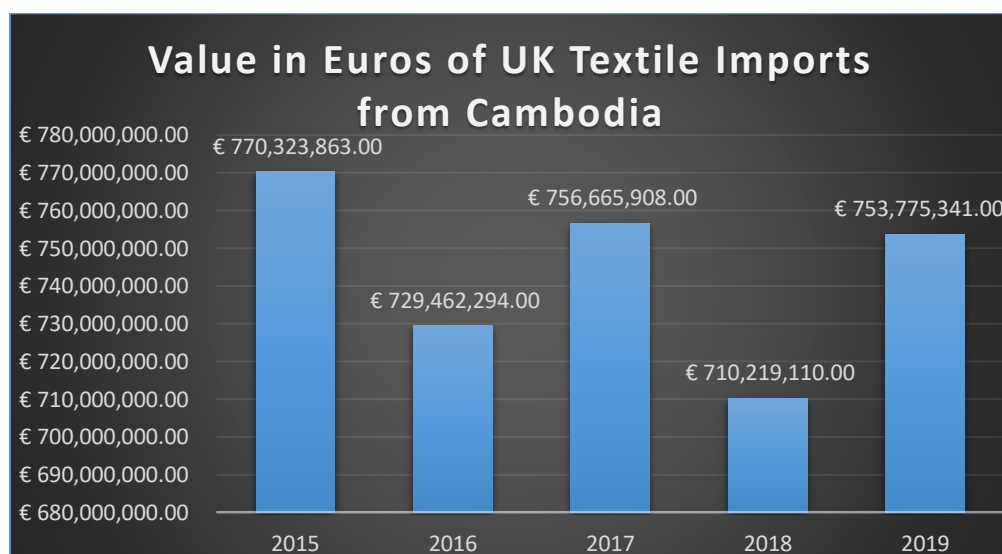
- According to the Eurostat database, the UK imported a total of over 203 thousand tons (2,034,187 quintals)⁹ of textile products from Cambodia, for a total value of over €3.72 billion of in the period 2015-2019.

Year	Euros	Quantity in Quintals (100kg)
2015	€ 770,323,863.00	419,677
2016	€ 729,462,294.00	382,904
2017	€ 756,665,908.00	410,518
2018	€ 710,219,110.00	419,638
2019	€ 753,775,341.00	401,450
TOTAL	€ 3,720,446,516.00	2,034,187

- Data shows that 2015 was the year when the UK imported the largest amount of textile products from Cambodia (about 42 thousand tons) which accounted also for the highest value of over €770 million recorded in the five-year period
- In 2016, the overall weight of traded garments dropped to the lowest level of approximately 38.3 thousand tons. However, this lowest weight-related record does not correspond with the lowest monetary turnover (about €730 million in 2016), as the bottom cash-valued exchange was recorded two years later
- In 2017, the volume of UK imports of textile goods was 41 thousand tons, worth nearly €757 million
- In 2018 the monetary exchange of textiles was the lowest (€710 million), however, the UK imported the second-highest load of textiles (nearly 42 thousand tons), a figure that is very close to the level of 2015. The disproportion between weight and cash value recorded in 2018 might be related to a high importations of cheaper textiles products
- Finally, 2019 was the second-lowest year in terms of importation per weight (more than 40 thousand tons) and the third-largest considering the monetary turnover (nearly €754 million)

⁸ European Commission website, *Eurostat database: Easy Comext*, accessed 26 June 2020
<<http://epp.eurostat.ec.europa.eu/newxtweb/>>

⁹ Although *Easy Comext* <EU Trade Since 1988 By HS2-HS4 (DS-016894)> provides weight-related data in 100_Kilograms, figures reported in this section are adjusted into tons. Such adjustment facilitates a comparison with the other dataset used for retrieving information about “Modes of transportation” in section 3 of this paper.



2.2 UK imports of Cambodian textiles compared to the rest of the world, the EU and the USA

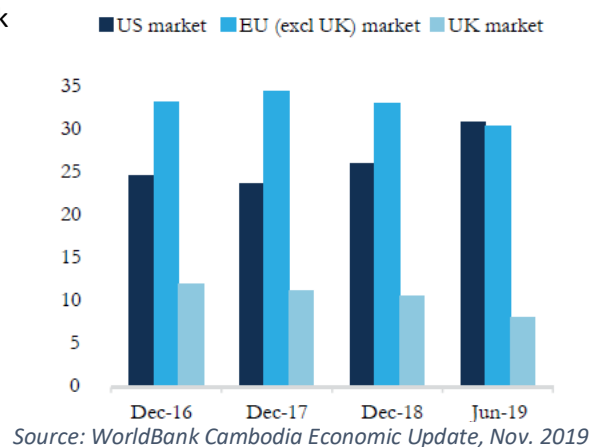
One of the latest Cambodia Economic Updates from the World Bank Group shows that the UK represented one of the top three destinations of Cambodian garment (and footwear) exports, after the US and the EU27 (i.e. excluding the UK) between 2016 and mid-2019.¹⁰ Although throughout the three

¹⁰ WorldBank, *Cambodia Economic Update: Updating Cambodia in Global Value Chains*, p. 12, November 2019, accessed 3 July 2020, available for download at: <<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/707971575947227090/cambodia-economic-update-upgrading-cambodia-in-global-value-chains>>

and half year period exports to the UK decreased slightly, UK's importation of these products represented, in average, around 10% of the total share of Cambodian exports (See figure 4 from the WorldBank report).

Considering Cambodian garment exports to individual countries, the UK was the second destination (after the USA) with a total share of 10.4% in 2015.¹¹ In 2016 and 2017, the UK became the third main destination of clothing manufactured in Cambodia (after the USA and Germany) with a total share of nearly 9.8% and 9.3% respectively,¹² whereas it was the fourth main destination of Cambodian clothing goods in 2018 (after USA, Germany, and Japan).¹³

Figure 4: Garment and footwear exports by main destination
(YTD, percent of total)



A document by the European Commission dated July 2020 suggests further comparisons between the 27 member states of the European Union (EU) and the UK as significant destinations for the Cambodian export-oriented textile industry.¹⁴ This might be relevant taking in consideration the rumored continued support provided by the UK to Cambodian economy following Brexit,¹⁵ whereas the EU decided to suspend Cambodia's tariff preferences for the importation of certain products due to the country deteriorating democratic system.

Between 2015 and 2019, the EU27 imported a total of nearly €14.5 billion worth of textiles from Cambodia.¹⁶ Considering that the UK acquired a total of €3.72 billion worth of clothing during the same period, it can be concluded that the UK alone represented a 25.6% of additional turnover for the Cambodian export-oriented garment industry compared to the 27 European member states altogether.

¹¹ Observatory of Economic Complexity (OEC) website, Where does Cambodia Export Textiles to? (2015), accessed 3 July 2020, <https://oec.world/en/visualize/tree_map/hs92/export/khm/show/11/2015/>

¹² OEC website, Where does Cambodia Export Textiles to? (2016 & 2017), accessed 3 July 2020,

<https://oec.world/en/visualize/tree_map/hs92/export/khm/show/11/2016/>

<https://oec.world/en/visualize/tree_map/hs92/export/khm/show/11/2017/>

¹³ OEC website, Where does Cambodia Export Textiles to? (2018), accessed 3 July 2020,

<https://oec.world/en/visualize/tree_map/hs92/export/khm/show/11/2018/>

¹⁴ Directorate-General for Trade (European Commission), *European Union: Trade in goods with Cambodia*, accessed 3 July 2020, <https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_cambodia_en.pdf>

¹⁵ See, for example, Chea Vannak (Khmer Times), *UK back Kingdom over trade*, 18 September 2019, <<https://www.khmertimeskh.com/688294/cambodia-uk-trade-still-alive-after-brexit-ministry-of-commerce/>> and Chea Vannak (Khmer Times), *Cambodia-UK trade still alive after Brexit: Ministry of Commerce*, 7 February 2020, <<https://www.khmertimeskh.com/50644446/cambodia-to-retain-trade-benefits-after-brexit-uk-minister-says/>>, accessed 3 July 2020

¹⁶ The aggregate figure is calculated summing data provided in the table *Trade flows by HS section 2016 – 2019* p.7 of the document above plus data for 2015 retrieved directly from Eurostat Comext database.

2.3 Cambodia's export of specific textile products to the UK (HS2 and HS4)¹⁷

Considering the types of garments that the UK imported from Cambodia in the 5 year period, the following observations can be made:

- By far, the largest clothing items that reached the UK market were those classified within the WCO's HS chapter 61, "Articles of apparel and clothing accessories, knitted or crocheted", and products within the HS chapter 62, "Articles of apparel and clothing accessories, not knitted or crocheted". Combined, the trade value of garments within these classifications amounted to €3.68 billion, meaning a total of nearly 197 thousand tons of textiles
- In terms of individual types of clothing items, knitted jerseys and pullovers (HS 6110)¹⁸ represented the main Cambodian export to the UK, with a value of between €136 and €177 million each year (total of about €736 million). This equals to a total of approximately 42 thousand tons of Cambodian-manufactured jerseys and pullovers that entered the UK market in between 2015 and 2019
- Other top Cambodian-made textile products destined to the UK were:
 - products with HS codes 6104 (i.e. for knitted) and 6204 (i.e. for non-knitted) that include a wide range of women's garments, such as ensembles, blazers, dresses, skirts, trousers, etc. with a combined trade value of €777 million (total of 44 thousand tons);
 - products with HS codes 6203 (i.e. non-knitted) and 6103 (non-knitted) indicating men's ensembles, blazers, dresses, skirts, trousers, etc. with a combined value of €408 million (over 23 thousand tons in total)
 - knitted or crocheted T-shirts, singlets and vests (HS 6109), with a total value of nearly €380 million (about 21.5 thousand tons)
 - women's knitted nightwear (HS 6108) which recorded a total exchange value of €333 million (nearly 17.7 thousand tons)
 - knitted (HS 6105) and non-knitted (HS 6205) men's shirts, with a combined value of €200 million (9.4 thousand tons)
 - Finally, knitted swimwear (HS 6112) recorded a trading value of about €154 million (5.2 thousand tons); brasseries, corsets, garters and similar articles (HS 6212) of €126 million (2.8 thousand tons); whereas babies' garments and clothing accessories (HS 6111) were sold to the UK for more than €103 million (nearly 5.8 thousand tons)

¹⁷ This section provides information about the types of Cambodian-manufactured textiles drawing from the WCO's nomenclature down to the 4-digit level of HS classification. The specific groups of textiles herein analyzed were selected because the trade value of each group was over €100 million throughout the 2015-2019 period.

¹⁸ For an overall explanation of textile products classified with 4-digit HS codes, see European Commission Trade Helpdesk website, *Classifying textiles*, accessed 25 June 2020, <<https://trade.ec.europa.eu/tradehelp/classifying-textiles>>

3. Modes of transport of textile products from Cambodia to the UK in 2015-2019

Section 2.1 found that UK's imports of textiles from Cambodia amounted to over 203 thousand tons of materials in 2015-2019. This section looks at the mode of transports of bilateral trade and makes use of data retrieved from Easy Comext dataset <Extra EU trade Since 2000 By Mode of Transport (HS2-HS4) (DS-043327)>.¹⁹ This dataset for modes of transportation provides data that very closely matches with results provided by the dataset used for section 2.²⁰

- According to the Eurostat database, sea shipments were, by far, the most used type of transportation to deliver Cambodian manufactured textiles to the UK market. Shipments by sea accounted for over three quarters of the total trade, as almost 161 thousand tons of textiles were transported via cargo ships in 2015-2019. The average of garment goods reaching the UK by sea was more than 32 thousand tons per year
- The monetary turnover of garment products arriving to the UK via sea each year was between €534 million (in 2018) and almost €595 million (in 2019). The overall trade value of sea freights was over €2.8 billion during the 5-year period
- In comparison, flight transportation of textiles represented only a small portion of the bilateral exchange. 10.7 thousand tons of Cambodian-made products were loaded on flight freights that reached the UK. The total value of garments transported via flight cargo was around €50 million each year for a total of nearly €255 million in the five-year period
- Data regarding the transport of about 32 thousand tons of Cambodian textile materials, worth €652.5 million, are not present in the database of the European Commission and are recorded as <unknown modes of transportation>
- Interestingly, data shows that a total of 17 tons of textiles arrived in UK via road transportations, most part of which were recorded in 2015.

Data shows that **of the known modes of transportation**, the 93.74% of the total Cambodian-manufactured textiles imported by the UK arrived by sea, whereas air freight represented 6.24% of the total transports.²¹ These share percentages are slightly different from those reported in a World Bank Group study published in 2014, where a group of garment firms reported that about 5% of garment

¹⁹ European Commission website, *Eurostat database: Easy Comext*, accessed 8 July 2020

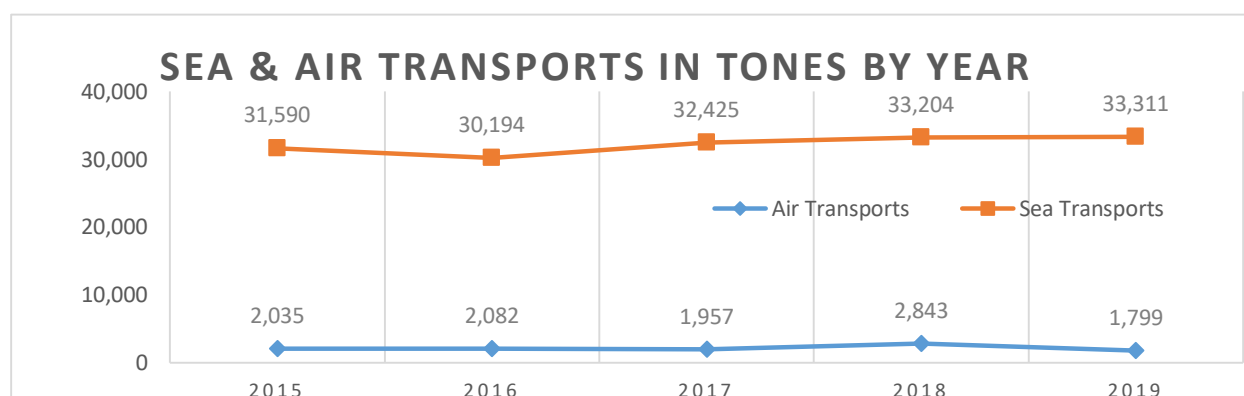
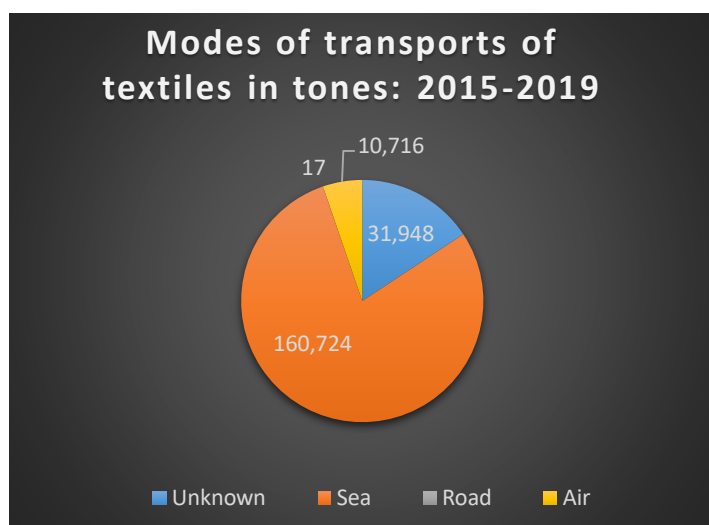
<<http://epp.eurostat.ec.europa.eu/newxtweb/>>.

²⁰ The dataset <EU Trade Since 1988 By HS2-HS4 (DS-016894)> used for section 2.1. showed a total of 203,418 tons of Cambodian textiles exported to the UK, however, the dataset <Extra EU trade Since 2000 By Mode of Transport (HS2-HS4) (DS-043327)> resulted in a total of 203,405 being accounted for in bilateral trade of textile goods during the 5 year period. The reason for this relatively small difference of 13 tons not being reported in the second dataset remain unclear.

²¹ These percentages are obtained summing sea, air and road tons amounts resulting in 171,457 tons certain mode of transports. From this figure relative percentages for sea and air freight transports have been calculated.

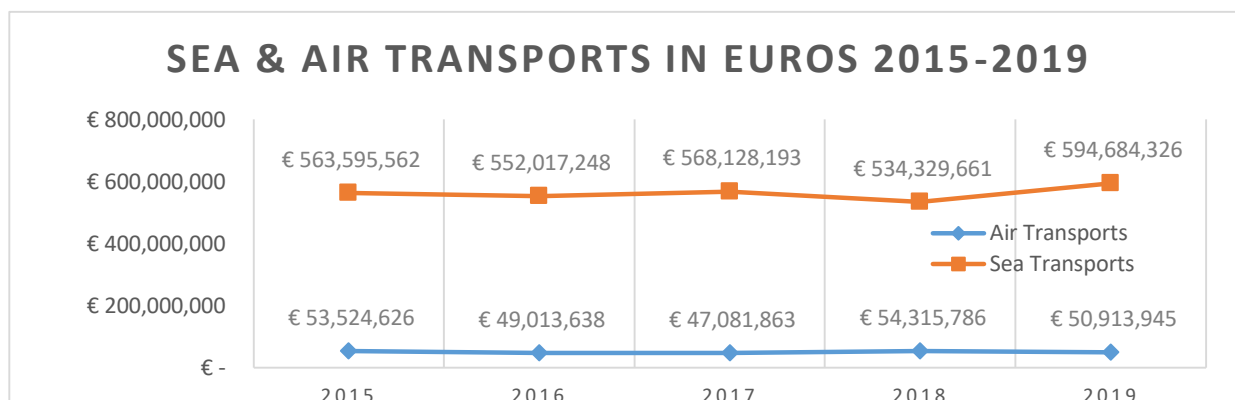
goods were transported by air and the rest by ocean.²² It might be that the difference reflects the increased number of air freight companies that entered the Cambodian market in recent years.²³

The Eurostat database reports that the 15.7% of the total UK imports of textiles in 2015-2019 arrived through unknown mode of transportation. It might be possible that these nearly 32 thousand tons of unaccounted garments were transported to the UK according to same share proportions of known sea and air shipments. This would imply that sea transports accounted for approximately 190 thousand tons, whereas air transports would amount to nearly 13 thousand tons.



²² World Bank Group et al, *Improving Trade Competitiveness in Cambodia: An Analysis Using a Trade and Transport Facilitation Assessment (TTFA)*, Phnom Penh, August 2014, p. 86, accessed 15 July 2020
<<http://documents1.worldbank.org/curated/en/915181468222889947/pdf/912410WP0P12570ilitation0Assessme nt.pdf>>

²³ See, for example, The Load Star, New cargo airline eyes booming Cambodian air freight volumes, 5 January 2017, accessed 16 July 2020, <<https://theloadstar.com/new-cargo-airline-eyes-booming-cambodian-air-freight-volumes/>>



4. Potential scenario of transportation of textiles (destined to the UK) from Cambodian factories to international ports

Literature about logistics of the Cambodian export-oriented economy are mostly focused on improving costs and timing,²⁴ however, updated statistics about routes taken by textiles travelling from factories to locations for international shipping are not available.

The geographical distribution of garment factories is mostly concentrated in proximity of the capital city of Phnom Penh, where about 60% of the manufacturing facilities are located. Garment factories are also located in the boarding provinces of Kompong Speu, Kompong Cham, Kompong Chhnang, Takeav, and Kandal, along with the southern Kompong Som and south-eastern Svay Rieng provinces.²⁵

According to the World Bank studies of 2014 and 2018, road transport of containers remains the dominant mode of freight transport in Cambodia.²⁶ The 2014 World Bank provides a flowchart of a garment factory supply chain showing that, after the factory vendors have received inputs for production and manufactured the textiles, they have to schedule containers for exports from the factory.²⁷ This implies that textiles produced for exportation are directly loaded on containers at the factory. The 2014 World Bank also indicates that Cambodian trucks can carry over 20 tons of loads,²⁸ a

²⁴ See for example, World Bank Group, *Investing in Logistics for Sustainable Economic Growth: Background Studies for the Preparation of Cambodia Logistics Master Plan*, October 2018, accessed on 15 July 2020 <<http://documents1.worldbank.org/curated/en/111131540928774422/pdf/131518-v2-PUBLIC-Cambodia-Logistic-Master-Plan.pdf>>

²⁵ Aseanbriefing website, *Cambodia's Garment Manufacturing Industry*, 1 November 2018, accessed on 15 July 2020 <[²⁶ World Bank Group et Al, *Improving Trade Competitiveness in Cambodia*, Phnom Penh, August 2014, p. 49, accessed on 15 July 2020](https://www.aseanbriefing.com/news/cambodias-garment-manufacturing-industry/#:~:text=Further%2C%20the%20garment%20industry%20accounts,country%20stood%20at%20589%20factories.&text=Cambodia's%20garment%20factories%20are%20generally,%2Dtrim%20(CMT)%20model.>></p>
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²⁷ World Bank Group et Al, *Improving Trade Competitiveness in Cambodia*, Phnom Penh, August 2014, p. 89, accessed on 16 July 2020

²⁸ World Bank Group et Al, *Improving Trade Competitiveness in Cambodia*, Phnom Penh, August 2014, p. 50, accessed on 16 July 2020

figure that is consistent with information provided also by containers company websites, estimating net loads at a maximum of 22 tons.²⁹

Other internal ways of transport include the railway connecting Phnom Penh to Sihanoukville's international port, although railway share in the freight market remains quite low.³⁰ In addition, river transports reportedly plays a role in moving containers from areas around Phnom Penh to the border with Vietnam, and then down to the terminal of the Ho Chi Minh's international port.³¹ However, traffic at the loading stations and draught issues result in a limited use of inland waterways for freight transports, so road transports between Phnom Penh and Vietnam remains dominant.³²

The World Bank's studies, along with information provided by freight companies and other sources,³³ indicate that the Sihanoukville port and the Cai Mep port near Ho Chi Minh city are the main destinations of truck pulling containers in order to export Cambodian products by sea.

Following the World Bank's analysis about logistics in Cambodia, some calculations might be made about potential transportation of garments destined to the UK from Cambodian factories to temporary staging area for shipments to other countries.

Considering that over 203,400 tons of textile were exported to the UK in 2015-2019, the number of trucks needed to pull fully loaded containers from Cambodian clothing factories to either by air or sea transportation to the UK can be estimated at 9,686.³⁴ Given that in the five year period, the 93.74% of garments exported to the UK arrived by sea, it could be estimated that between 9,050 and 9,100 trucks pulling fully loaded containers were necessary to move clothing from Cambodian factories to nearby international ports.³⁵

In the hypothetical scenario that all these trucks departed from Phnom Penh, the length of road transport within Cambodia and/or the nearby Ho Chi Minh port might be calculated. Google maps shows that the distance between Phnom Penh and the Sihanoukville port is about 200 km whereas about 300 km separate the Cambodian capital from Cai Mep international port. This said, it might be estimated that trucks pulling containers loaded with textiles destined to the UK had travelled by road a

²⁹ See, for example, Vinalog Container Transportation, accessed 15 July 2020 <<https://www.container-transportation.com/20-foot-shipping-container.html>>

³⁰ World Bank Group, *Investing in Logistics for Sustainable Economic Growth*, October 2018, p. 58, accessed on 16 July 2020

³¹ World Bank Group et Al, *Improving Trade Competitiveness in Cambodia*, Phnom Penh, August 2014, p. 49, accessed on 15 July 2020

³² World Bank Group, *Investing in Logistics for Sustainable Economic Growth*, October 2018, p. 61, accessed on 16 July 2020

³³ See, for example, Aseanbriefing website, *Cambodia's Garment Manufacturing Industry*, 1 November 2018; OOCL website, *About OOCL in Cambodia*, accessed 15 July 2020 <<https://www.oocl.com/cambodia/eng/localinformation/aboutooclincambodia/Pages/default.aspx?site=cambodia&lang=eng>>

³⁴ This number is obtained dividing 203,400 by 21 tons, the average net weight of a 20 feet container pulled by a truck.

³⁵ This estimation between 9,050 and 9,100 trucks/containers is obtained including also the proportional share of unknown modes of transport into sea transportation (nearly 190,000 tons). Considering only the certain 160,724 tons of textiles reaching the UK by sea, it could be estimated that 7,653 containers weighting each 21 tons were transported by trucks to reach either the Sihanoukville cargo port or the Ho Chi Minh international port.

total of 2.268.750 km between (the hypothetical factories located in) Phnom Penh surrounding area and international ports during the 5-year period.³⁶ To put this distance in proportion, this would mean that Cambodian trucks had travelled the earth circumference over 56 times before unloading containers containing textile products destined to the UK at international ports between 2015 and 2019.

To this hypothetical distance should be added the kilometers travelled by trucks pulling full containers to airports, which in the analyzed period represented the 6.24% of the modes of transports of UK's over 203,400 tons of textile imports from Cambodia. This would imply that additional 604 trucks were needed to transport containers fully loaded with clothing materials from Cambodian factories to nearby international airports offering air freight services.³⁷ Airports offering freight transport in the country include the Phnom Penh airport and the Sihanoukville airport. It might be assumed that, depending on their location and own supply chain system, factories shipping textiles by air freight might choose the relatively closest airport.

³⁶ The 2.268.750 km are obtained multiplying 250 km average distance between Phnom Penh and international ports time the estimate number of 9,075 containers needed to move 93.74% of the total UK's garment imports by sea.

³⁷ This number is obtained including also the proportional share of unknown modes of transport into air transportation (nearly 12,700 tons). Considering only the certain 10,716 tons of textiles reaching the UK by air, it could be estimated that 510 containers weighting each 21 tons were transported by trucks to international freight airports