New US-Cambodia Tariff Deal Sets 19% Rate – A Strategic Win for Cambodia's Export Economy

In a significant development for regional trade and economic cooperation, the United States and Cambodia have concluded a new tariff agreement that sets a unified tariff rate of 19% on a range of Cambodian exports to the US effective 1 August 2025. This follows months of negotiations aimed at stabilizing bilateral trade relations and ensuring predictability for exporters and investors alike.

While any increase in tariffs may at first glance raise concerns, this agreement reflects a strategic middle ground—one that offers notable advantages for Cambodia's economic positioning, particularly amid rising trade protectionism globally.

Key Benefits of the 19% Tariff Rate for Cambodia

1. Certainty for Exporters and Manufacturers

It seemed like ages since Cambodia was first faced with a 49% tariff hike on imported goods to the United States earlier this year. Even the interim reduction in tariffs from 49% to 36% sounded the alarm for Cambodia’s primary export products to the United States, particularly garments and apparel, prompting manufacturers to potentially consider shifting operations to more competitive markets.

The new 19% flat rate introduces clarity and consistency, enabling better planning for manufacturing cycles, pricing strategies, and supply chain logistics.

2. Strengthened Bilateral Trade Framework

The agreement is seen as a vote of confidence in Cambodia's industrial standards, labor reforms, and compliance capacity. It places Cambodia on stronger footing as a reliable trade partner, potentially attracting greater US-based investment in light manufacturing and export processing zones.

The United States made it clear through-out the negotiation process that the issue was not just about reciprocity with respect to tariff rates between the two countries. The so-called non-tariff barriers or inhibitors on market access of United

States goods to the Cambodian market were also on the table.

The Royal Government of Cambodia answered this call and made the necessary reforms and changes to allow the tariff reductions to occur.

3. Competitive Advantage Within ASEAN

Compared to some neighboring countries facing higher US tariff bands due to trade disputes or compliance issues, Cambodia's fixed rate at 19% provides a predictable and relatively competitive margin. With its alignment to regional peers like Indonesia, Malaysia, the Philippines, and Thailand under the same tariff rate, Cambodia emerges as a highly attractive and dependable sourcing destination for global brands seeking to diversify and safeguard their supply chains across Asia.

4. Incentivizes Domestic Value-Addition

With the 19% tariff benchmarked to semi-finished and finished goods, there is an increased incentive for Cambodian firms to upgrade their value chains, moving from basic assembly to value-added manufacturing. This can drive skill development, technology transfer, and local job creation.

5. Buffer Against Future Trade Volatility

As global trade conditions remain uncertain — particularly with rising geopolitical tension and tariff escalations elsewhere—this deal offers Cambodia a stable export channel to a major global market. It effectively locks in a tariff ceiling, shielding Cambodian firms from sudden hikes or unilateral penalties.

6. Risks Associated with Transshipment Enforcement

Alongside the 19% rate, the US has also confirmed a 40% penalty tariff for any Cambodian exports found to involve illegal transshipment practices: namely, routing third-country goods through Cambodia to circumvent higher tariffs. This measure is particularly relevant to the textile and apparel sector, where supply chain traceability remains complex. The penalty poses a significant risk to exporters relying on fabric inputs from non-Cambodian sources that are not sufficiently processed domestically. Firms must now invest in robust compliance, origin verification systems, and local value-adding processes to avoid steep penalties that could jeopardize contracts and erode competitiveness.

The implementation phase will be key. Exporters, customs agents, and legal teams will need to align with the new tariff structures, documentation requirements, and compliance protocols expected to accompany this bilateral framework.

We are monitoring related developments closely, including any industry-specific clarifications or rules of origin changes that may affect tariff treatment. Businesses should assess their exposure to the new rate and consider restructuring supply chains or exploring eligibility for exemptions or special regimes under the new trade architecture.

ASEAN – US Tariff Rates Effective From 1 August 2025 at a glance:

Country	Tariff Rate on US Exports
Cambodia	19%
Vietnam	20%
Bangladesh	20%
Thailand	19%
Malaysia	19%
Philippines	19%
Laos	40%
Indonesia	19%
South Korea	15%
Japan	15%
Myanmar	40%

Cambodia will apply a 0% import duty to most imported US goods to Cambodia from 1 August 2025.

Need Advice?

Our trade and regulatory team are available to provide tailored guidance on how this tariff shift may impact your business, and how best to leverage it for resilience and growth.

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