

Final Draft

Deglobalization and deinstitutionalization are posing unprecedented threats to the current international trading system since the 1990s. On one hand, the rise of protectionism, weaponization of interdependence and securitization of trade significantly impede the global open economy. Meanwhile, international institutions that monitor and mediate global trade are being undermined by the decline in norm compliance. The world's turn towards unilateralism is extremely harmful to small economies that rely on exports, like Cambodia, as it raises costs and imposes unpredictability. Cambodia's heavy reliance on exportation, imbalanced economic structure, and insufficient bargaining power vis-à-vis larger economies make it highly vulnerable to these volatile shifts in global trade. Considering that Cambodia's export-oriented dependence on external market, like the U.S., cannot be altered in the short term, I propose the policy to strengthen ASEAN economic integration through collective bargaining and deeper intra-ASEAN economic connections to counter these challenges. The policy would grant Cambodia stronger bargaining power and more trade opportunities, protecting its vulnerable economy from unilateral trade wars to create a stabilized environment for Cambodia's long-term economic transformation.

Trump's second term marks radical tariff policies and the rise of world-wide protectionism. In fact, more and more countries are restricting their international trade, driven by the rise of populism in domestic politics which pressures governments to shield domestic industries from global competitions (World Trade Organization). Trades are now confined and scrutinized through the lens of national security instead of pure economic terms, especially in the realms of natural resources or technological commodities. Moreover, trade is weaponized as tool for geopolitical coercion, and economic networks like supply chains are being exploited to gain political leverage over other states; for instance, Russia reduced natural gas supplies to several European countries after the invasion of Ukraine, using energy dependence to achieve geopolitical agendas (Bousso).

Simultaneously, rule-based order and international institutions that safe-guard global free trade also face existential challenges since the foundation of WTO in 1995. WTO's authority in the governance of global trade is gradually eroding; for instance, the dispute settlement mechanism is losing its relevance, as more countries like the U.S. seek to negotiate unilaterally with tariffs or strategic resources without following the trade rules set by the

WTO (Hopewell). Additionally, anti-globalist sentiments continuously cast doubt on the efficacy of the trading system, questioning that WTO “no long reflect[s] today’s global economy” but instead “enables free riding” (Maroš Šefčovič). Combining all these, there seems to be an inevitable wave turning towards unilateralism and against the rule-based global trade order, which is critical for smaller economies like Cambodia to safeguard their interests vis-à-vis economic superpowers and any unilateral trade shocks.

Global free trade is necessary for Cambodian economy. Cambodia is a small and export-oriented economy that majorly produces labor-intensive goods (International Trade Administration). Exports account for about 71% of its GDP, compared to the world’s average of roughly 30% (World Bank). What’s even worse is that Cambodia’s largest export sectors are labor-intensive manufacturing goods like garments, footwear, and agricultural products, which are low value-added and hence especially reliant on low prices seeking for thin profit margins (International Trade Administration). Price fluctuations caused by volatile tariffs or increased transportation cost are hence fatal to Cambodian export performance and consecutively the whole society. Such an export-oriented economy, with 38% of its export destined for the U.S. market, was severely threatened by recent US trade unilateralism, especially the imposition of global tariffs (Reuters Staff). But these vulnerabilities, caused by deep economic reliance on a single external market and labor-intensive export economic structure, are hard to transform structurally overnight.

In fact, many ASEAN economies, like Cambodia, share similar structural characteristics of heavy reliance on manufacturing exports and deep integration into global supply chain. For instance, exports account for about 86% of GDP in Vietnam, nearly 69% in Malaysia, and over 65% in Thailand (World Bank). Therefore, ASEAN members have the motivation to align with Cambodia’s call to strengthen ASEAN economic integration to counter these erosions of open global trade.

Given the relatively small economic volume of each ASEAN state, none of them has enough bargaining leverage vis-à-vis larger economies alone to counter trade unilateralism. For Cambodia and its ASEAN neighbors, it is necessary to gain more bargaining power via a unified ASEAN position in external trade negotiations. Collectively, ASEAN represents a much larger market of 680 million people and \$4 trillion GDP, becoming roughly the world’s 4th–5th largest economy, and hence making it a nonnegligible subject to any state (Lu). For

Cambodia, acting within ASEAN would shield itself from potential asymmetric trade decisions, like the 49% tariff by Washington in 2025 (Reuters).

ASEAN should also further remove internal trade barriers and build deeper intra-ASEAN economic connections. It would help ASEAN grow collectively as a freer market, while contributing to the development of each member state. The installation of more intra-ASEAN free-trade treaties, alignments and institutionalized mechanisms would reduce transaction and information cost compared to separate, bilateral negotiations, further fostering economic vitality. Additionally, internal freedom in ASEAN market also facilitates technological exchange and production upgrades within ASEAN, enhancing economic complementarity and shared competitiveness.

When confronted with these global uncertainties, Cambodia and ASEAN are not the only economies seeking stronger regional bloc-based trade. For instance, the European Union and the South American bloc Mercosur recently reached a landmark free-trade agreement that will eliminate tariffs on more than 90% of traded goods, creating one of the world's largest free-trade zones (Nayara Batschke). In the face of unilateralism threats, it seems that safeguarding free trade via regional blocs' cooperation can become a new global norm bringing regional blocs together to strengthen a freer global market.

If Cambodia's policy to strengthen ASEAN economic integration is to be implemented, Cambodia would trade in a more open, secured, and profitable market, which is indispensable in the larger environment of deglobalization and deinstitutionalization. Cambodia would become more resilient towards volatility and unilateralism in a shifting global trade order.

But for Cambodia, it should seek not only external economic alliances, but also long-term domestic transformation to establish a more balanced and resilient economic structure. The stabilized trading environment and influx of technological advancement would be crucial for its output diversification and industrial upgrades. Cambodia should aim to transform its domestic industries from labor-intensive goods to higher-value, technologically intensive goods, capitalizing on its low labor costs while also broaden its export structures (International Trade Administration), such as automotive manufacturing, thereby strengthening Cambodia's position in global trade with a more robust economy. Even if the regional bloc-based trading system meets its challenge one day, Cambodia would be more

resilient because of its more balanced economic structure and more diversified export markets, and that, is the ultimate goal.

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