



**Agency for International Trade  
Information and Cooperation**

August 2007

## **Report on National Workshop**

### **Trade Policy Opportunities and Development Challenges for Cambodia**

**10-11 July 2007**

**Hotel Cambodiana, Phnom Penh, Cambodia**

#### **I. Objectives**

1. Participants from government ministries and agencies, parliament, the private sector, intergovernmental (IGOs) and non-governmental organisations (NGOs), donor countries and agencies, universities and the media attended the two-day workshop. The objective was to inform on Cambodia's opportunities and challenges in the multilateral trading system. In particular it aimed to explore ways forward for customs and trade facilitation reforms and in the preparations for the launching of the Enhanced Integrated Framework (EIF).

#### **II. Issues Discussed**

3. Presentations and discussions on the first day were dedicated to Cambodia's position in the multilateral trading system and ongoing work on trade facilitation and customs reform.

- The Doha Work Programme (DWP) negotiations at the WTO and implications for Cambodia, particularly in agriculture
- Improving the Cambodian garment industry's competitiveness
- Customs and trade facilitation reforms

4. On the second day, focus was on the trade and development interface and its gender aspects as well as on preparations for launching the EIF in Cambodia.

- The Aid for Trade (AFT) initiative
- Gender aspects in trade and development policy
- Lessons learned from the Cambodian experience with the IF
- Cambodia's Revised Diagnostic Trade Integration Study (DTIS)
- Assistance needs for rice, fruit and vegetables, cashews and the tourism sector
- Recommendations and priorities for assistance under the EIF

## **A. The Doha Work Programme: State of Play and Options for Cambodia**

5. The Chairs of the negotiating bodies are attempting to forge consensus by outlining possible areas of convergence in the different areas under negotiation. Agricultural domestic support and tariff cuts remain heavily contested between the G-4 (Brazil, EC, US, India). On non-agricultural market access (NAMA), members might agree on a formula reduction coefficient of 10 for developed and 19-20 for developing countries<sup>1</sup>. Flexibilities for small and vulnerable economies, least-developed countries (LDCs) and recently-acceded members (RAMs) have yet to be agreed on. On services, a draft text is under consideration in the Working Party on Domestic Regulation. Proposals tabled by developed and developing countries in the Negotiating Group on Trade Facilitation are of interest to Cambodia<sup>2</sup>.

## **B. The DWP Agriculture Negotiations: Issues for Cambodia**

4. Cambodia advocates steep domestic support cuts. Substantial tariff reductions could erode eventual benefits when the duty-free and quota-free (DFQF) market access initiative for LDCs materialises. Japan has already made more than 98 per cent of its tariff lines duty-and quota free for LDCs since 1 April 2007, while Switzerland declared that it would eliminate all duties and quotas for LDCs by 2009. The Chairman of the Agriculture Committee has proposed cutting 50 per cent of export subsidies (to be eliminated by 2013) until 2010 and the remaining 50 per cent thereafter. The way forward for agriculture in Cambodia is to strengthen processing and packaging capacities to add value to exports. Associations and fora for exchange and cooperation between producers need to be established and supported in promoting export diversification. Cambodia could seek assistance from WTO members in complying with their sanitary and phytosanitary (SPS) requirements.

## **C. Garments: Post ATC Issues and Preference Erosion**

8. Cambodia's garment industry needs support in building vertical supply chains that include distribution and sales activities. Information technologies can build productive as well as export capacity, i.e. by facilitating exchange of sales data, information flows on standards for product labelling and methods for goods handling. Most garment producing countries are now looking to the markets in their vicinity, since clothing needs to reach markets as fast as possible. In particular up-market brands are now almost considered "perishable". Building textiles, spinning and yarn industries would require a better electricity and water infrastructure as well as a more investment-friendly environment. Cambodia's advantage in garments is a cheap and abundant labour supply along with high health and security standards as certified by the International Labour Organization (ILO).

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<sup>1</sup> Members agreed on using a Swiss Formula for NAMA reductions. The lower the formula coefficient, the steeper the reduction.

<sup>2</sup> See *Implementation Mechanism of Trade Facilitation Commitments Including Key Elements for Technical Assistance*, WTO, TN/TF/W/137, 21 July 2006, and *Core Group of Developing Countries – Proposal on Implementation Mechanism for S&D and TACB Support*, WTO, TN/TF/W/142, 31 July 2006.

#### **D. Special and Differential Treatment for LDCs in Annex F of the Hong Kong Declaration: Prospects for Implementation**

10. The five decisions on special and differential treatment (S&D) for LDCs annexed to the Hong Kong Ministerial Declaration of December 2005 cover the following issues: i) requests for waivers from WTO obligations in favour of LDCs; ii) duty- and quota-free (DFQF) market access for products from LDCs; iii) ensuring that aid conditionalities do not conflict with WTO obligations; iv) exemptions from the requirements of the Agreement on Trade-Related Investment Measures (TRIMS); and v) LDCs facing difficulties in complying with certain WTO rules can bring the matter to the General Council for consideration. Members are allowed to exclude up to three per cent of tariff lines from the DFQF requirement. Rules of origin might prevent LDCs from benefiting. Most importantly however, the decision depends on a successful conclusion of the Doha negotiations overall, as it is to be implemented “no later than the start of the implementation period”.

#### **E. Roundtable on Improving Cambodian Customs Administration**

12. Cambodia’s 12 Point Action Plan for Improving Trade Facilitation and Investment Climate envisages, *inter alia*, the introduction of a single administrative document for customs procedures and a single window for customs procedures. A pilot project for the operationalisation of the Automated System for Customs Data (ASYCUDA) will be launched in December 2007. A new law on customs has been drafted with the assistance of development partners taking into account private sector demands. Various activities are underway to simplify and harmonise customs procedures, including a review of clearance processes. The Government-Private Sector Forum (G-PSF) has a working group on public-private sector exchanges on trade facilitation matters. The business community has high expectations towards reforms, particularly with regard to customs clearance procedures.

#### **F. Aid for Trade: State of Play**

19. It is unclear how much of AFT will be provided in grant form, how much through loans and credits and what kind of conditionalities would be attached to them. Most AFT resources will be disbursed bilaterally, which raises concerns with ensuring donor coherence and alignment with recipient needs, i.e. how to avoid a donor “beauty contest”. The WTO is conducting global periodic reviews in its Committee on Trade and Development and analysis of AFT flows will be included in members’ Trade Policy Reviews. An annual AFT session will take place in the General Council. The OECD’s Creditor Reporting System will record annual global AFT commitments and disbursements.

#### **G. The Structure of the Enhanced Integrated Framework**

20. Tier 1 of the EIF will finance human resources, training and equipment as well as preparation or updating of DTIS. Tier 2 projects will jump-start priority projects contained in the Action Matrix, such as capacity-building for trade institutions and enterprises and formulation of export strategies. Projects are screened by the IF Board and subsequently authorised for funding by the IF Executive Director. Recipient governments can decide whether to execute Tier 2

projects themselves or to mandate an IF agency or another entity with the task. A multi-donor trust fund was established for trade-related assistance in Cambodia. The EIF is expected to be formally launched towards the end of 2007.

## H. Cambodia's Experience with the IF

22. Cambodia's IF pilot scheme succeeded in completing important trade policy reforms, including WTO accession. The process also raised awareness of and readiness to cooperate on trade-related matters in the business and NGO communities, academia and other ministries. Government's ownership and leadership at the ministerial level as well as effective stakeholder consultation mechanisms were crucial. But the IF has also exposed significant gaps, such as lack of institutional tools for identifying priorities, resource mobilisation and monitoring and evaluation.

## I. Cambodia's Revised DTIS and Action Matrix: Steps Forward

24. The revised DTIS envisages activities under four main themes i) aiming to **diversify Cambodia's trade**; ii) promoting **sustainable human development** by tapping into the poverty reduction potential of certain sectors; iii) **enhancing Cambodia's investment and business environment** through reform on trade facilitation, technical barriers to trade (TBT), SPS, intellectual property rights matters and investment promotion; iv) following a **roadmap**, which suggests time frames and allocates resources and responsibilities for cross-cutting (e.g. SPS) and sectoral (e.g. silk) activities. A sector-wide approach and the multi-donor trust fund are expected to achieve good donor coordination and coherence of assistance programmes in line with the Paris Declaration on Aid Effectiveness.

## J. Gender, Trade and Development: Overview and Outlook on Cambodia

27. Economic development benefits, measured in growth of material output and income, can be distributed unevenly along gender or age group lines. In devising gender-responsive policies, four components essential to human development need to be taken into account: i) empowerment, that is enabling people to engage in processes of improving their incomes and political participation; ii) labour force, health and nutritional status improvements; iii) equitable distribution of land and credit and social welfare programmes; and iv) sustainable use of human, financial, cultural and environmental resources.

## K. Empowering Cambodian Women

28. The overwhelming majority (80 per cent) of women in the active labour force is self-employed or unpaid. In the garment industry, women constitute 85 per cent of workers, while most management positions are occupied by men. Key gender-responsive policy strategies include awareness raising; increasing women's access to microfinance, business ownership and relevant information, such as trade and productivity statistics. Economic growth is not sufficient to overcome male-female health, education and income gaps.

## L. Priority Sectors for EIF Assistance: Rice, Fruits and Cashews

30. Rice farmers' productivity is low due to the limited number of irrigation systems and lack of training on farming methods. Furthermore, weak milling capacities, transport infrastructure and expensive port handling drive up costs. A large potential could be tapped into, if a cashew processing industry were to be set up in Cambodia. Farmers could maximise their profits by introducing high-yielding varieties as well as soil fertility, pest management and organic cultivation methods. Cambodia needs to develop its own fruit and vegetable market infrastructure, notably packaging, transport and cooling facilities. Agro-based research institutions need to be allocated funding appropriately. Private seed breeders should be encouraged to invest into improved seedlings. Regulation and administration of economic land concessions need to be reformed. Agro-ecosystem analyses and commune development plans could be used to allocate land to producers in a sustainable way. Commercial banks should be assisted in setting up commodity-based collateral lending systems for farmers. Schemes similar to export processing zones could promote agro-based foreign direct investment. Organic, SPS or other certification facilities need to be set up in Cambodia.

#### **M. Priority Sectors for EIF Assistance: Tourism**

32. Foreign exchange revenues from tourism have increased almost five-fold since 2000 and the industry employs more than 275,000 people. Several infrastructure development projects are expected to attract more tourists, such as upgrading of airports, roads and water transportation systems. Tourism strategies that need support include promoting sustainable "cultural and natural tourism", diversifying its tourist attractions and facilitating travel to Cambodia.

#### **N. Roundtable on the EIF in Cambodia**

33. The Action Matrix spells out how to approach the problems evoked by participants and speakers of the workshop, for example how to overcome SPS barriers for rice exports and create employment opportunities in the tourism industry. Activities would best focus on a limited number of products or services in the initial phase of the EIF so as to deduct best practices and lessons learnt. Each sector should be under the responsibility of one donor only. 10 per cent of funds should be made available to respond flexibly to demand for certain expertise or consultants emerging in the implementation process. More systematic and institutionalised channels should be established for coordination between the Geneva mission and capital officials.

#### **List of Acronyms**

AFT	Aid for Trade
ASYCUDA	Automated System for Customs Data
EC	European Community
DFQF	duty- and quota-free
DTIS	Diagnostic Trade Integration Study
IF	Enhanced Integrated Framework
ILO	International Labour Organization

ITC	International Trade Centre
GNP	gross national product
G-PSF	Government-Private Sector Forum
NAMA	non-agricultural market access
LDCs	Least-Developed Country
RAM	recently-acceded member
S&D	special and differential treatment
SPS	sanitary and phytosanitary measures
TBT	technical barriers to trade
TRIMS	Trade-Related Investment Measures

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**AITIC-ITC National Workshop  
Trade Policy Opportunities and Development  
Challenges for Cambodia**

**10-11 July 2007  
Hotel Cambodiana  
Phnom Penh, Cambodia**

**Programme**

**Tuesday, 10 July 2007**

- 09.00 – 09.30 Registration of Participants
- 09.30 – 10.00 **Welcome Speech and Opening Remarks**  
Speakers: HE Mr Pan Sorasak, Secretary of State, Ministry of  
Commerce  
Dr Esperanza Durán, Executive Director, AITIC  
Mr Sok Siphana, Director DTCC, ITC
- Session I**                      **Cambodia in the Multilateral Trading System**
- 10.00 – 10.30 **Doha Work Programme: State of Play and Options for  
Cambodia**  
Speaker: Dr Esperanza Durán, Executive Director, AITIC
- 10.30 – 11.00 **The DWP Agriculture Negotiations: Issues for Cambodia**  
Speakers: Mr Tuot Saravuth, Deputy Director, Ministry of  
Agriculture, Forestry and Fisheries  
Mr Thay Bunthon, First Secretary, Permanent Mission of  
Cambodia to the WTO  
Dr Esperanza Durán, Executive Director, AITIC
- 11.00 – 11.30 **Discussion**
- 11.30 – 11.45 Coffee Break
- 11.45 – 12.15 **Garments: Post-ATC Issues and Preference Erosion**  
Speaker: Dr Esperanza Durán, Executive Director, AITIC
- 12.15 – 12.45 **Discussion**

12.45 – 14.00	Lunch
14.00 – 14.30	<b>Special and Differential Treatment for LDCs in Annex F of the Hong Kong Declaration: Prospects for Implementation</b> Speaker: Dr Esperanza Durán, Executive Director, AITIC
14.30 – 15.00	<b>Discussion</b>
15.00 – 15.15	Coffee Break
<b>Session II</b>	<b>Trade Facilitation in Cambodia</b>
15.15 – 16.45	<b>Roundtable on Improving Cambodian Customs Administration</b> Participants: Mr James Brew, Programme Manager, IFC Mr Huot Chea, Economist, World Bank Mr Ly Phanna, Deputy Director General, Ministry of Commerce Mr Chanrith Nuon, Chief, Technical Customs Office, Customs and Excise Department, Ministry of Economy and Finance HE Mr Nguon Meng Teck, Director General, Phnom Penh Chamber of Commerce Mr Sok Chheang, Executive Director, Cambodia Trucking Association HE Mr Ros Vanna, President, Cambodia Freight Forwarders Association
16.45 – 17.30	<b>Discussion</b>
17.30 – 17.45	<b>Summary Remarks</b>

**Wednesday 11 July 2007**

<b>Session III</b>	<b>Aid for Trade, the Enhanced IF and Development Issues in Cambodia</b>
09.00 – 09.30	<b>Aid for Trade: State of Play</b> Speakers: Dr Esperanza Durán, Executive Director, AITIC
09.30 – 10.00	<b>The New Structure of the Enhanced Integrated Framework</b> Speakers: Mr Sok Siphana, Director DTCC, ITC Mr Hin Wisal, Trade and Private Sector Analyst, UNDP Mr Huot Chea, Economist, World Bank
10.00 – 10.30	<b>Discussion</b>
10.30 – 10.45	Coffee Break
10.45 – 11.15	<b>Cambodia's Experience with the IF</b> Speaker: HE Mr Pan Sorasak, Secretary of State, Ministry of Commerce
11.15 – 11.45	<b>Cambodia's Revised DTIS and Action Matrix: Steps Forward</b>

	Speaker: HE Mr Pan Sorasak, Secretary of State, Ministry of Commerce
11.45 – 12.15	<b>Discussion</b>
12.15 – 13.45	Lunch
13.45 – 14.15	<b>Gender, Trade and Development: Overview and Outlook on Cambodia</b> Speaker: Ms Yumiko Yamamoto, Gender and Trade Advisor, UNDP Regional Center, Sri Lanka
14.15 – 14.45	<b>Empowerment of Cambodian Women</b> Speaker: HE Ms Im Sithe, Secretary of State, Ministry of Women's Affairs
14.30 – 15.00	<b>Discussion</b>
15.00 – 15.15	Coffee Break
<b>Session IV</b>	<b>The EIF in Cambodia</b>
15.15 – 15.45	<b>Priority Sectors for EIF Assistance: Rice, Fruits and Cashews</b> Speaker: Mr Jörn Rieken, Team Leader – Trade Promotion, Ministry of Commerce/GTZ
15.45 – 16.15	<b>Priority Sectors for EIF Assistance: Tourism</b> Speakers: Mr Chhaloeng Somethea, Ministry of Tourism
16.15 – 16.30	<b>Discussion</b>
16.30 – 17.15	<b>Roundtable Brainstorming on the EIF in Cambodia</b> Participants: HE Mr Pan Sorasak, National Focal Point Dr Esperanza Durán, Executive Director, AITIC Mr Sok Siphana, Director DTCC, ITC HE Mr Nguon Meng Teck, Director General, Phnom Penh Chamber of Commerce Mr Wisal Hin, Trade and Private Sector Analyst, UNDP Mr Dao Cambodochine, Economic and Trade Development Strategist Mr Jörn Rieken, Team Leader – Trade Promotion Ministry of Commerce/GTZ Mr Huot Chea, Economist, World Bank
17.15 – 18.00	<b>Discussion</b>
18.00 – 18.15	<b>Programme Evaluation</b>
18.15 – 18.30	<b>Concluding Remarks</b>