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Trade and Industrial Policy Environment in Cambodia:

Policies to Promote Exports in Potential Sectors

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Objective

Policies at domestic level (supply-side) to help promote exports of potential sectors

1. Organic rice
2. Cashew nuts
3. Rubber
4. Silk
5. Tourism

Research questions

1. Why does Cambodia export raw products and re-import final processed products?

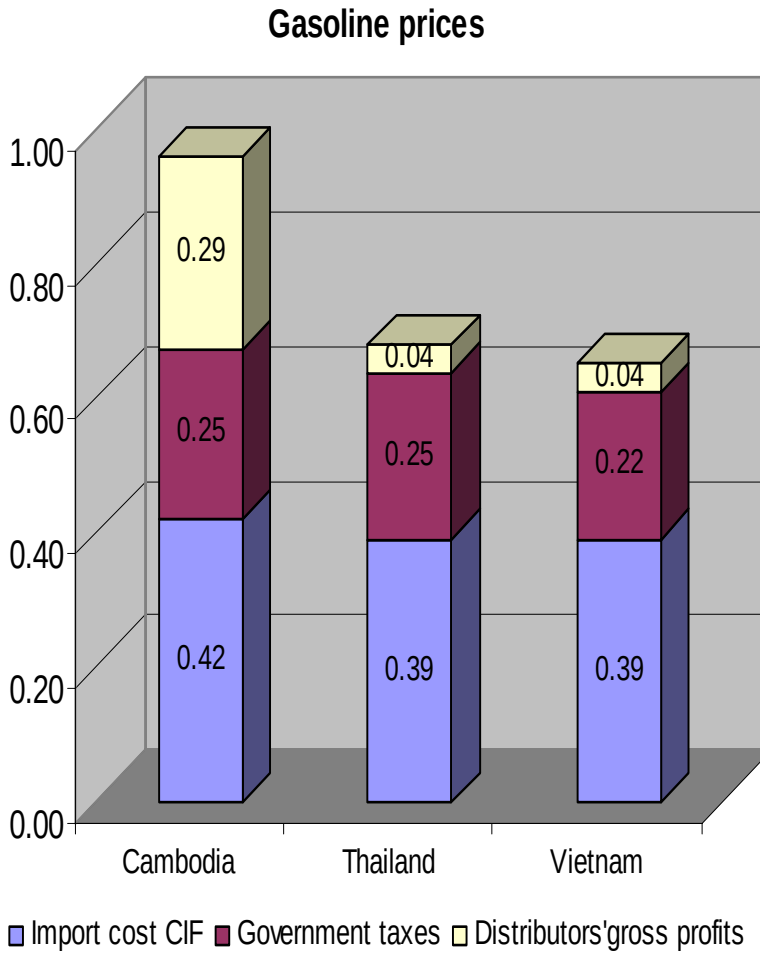
2. Why do potential sectors continue loosing their value addition?

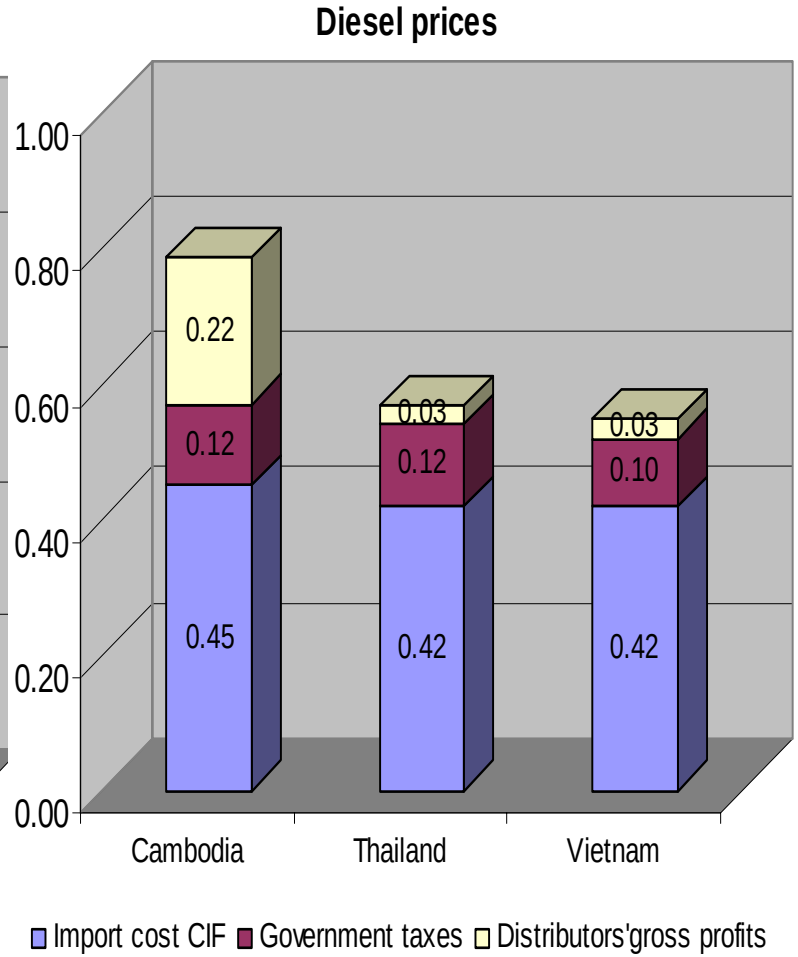
3. What are critical issues hindering export competitiveness ?

4. How can trade and industrial policies to enhance export competitiveness ?

Cross-Sector Approach:
Policy Recommendations across Sectors

i. Fuel prices (US$/Liter)





i. Fuel prices

Policy recommendations

- Competition policies/law
- Reduce government tax
- Create Energy Policy and Planning Office (EPPO)
- Establish policy program with effective implementation on bio-fuel and hydropower

ii. Access to credit

Issues

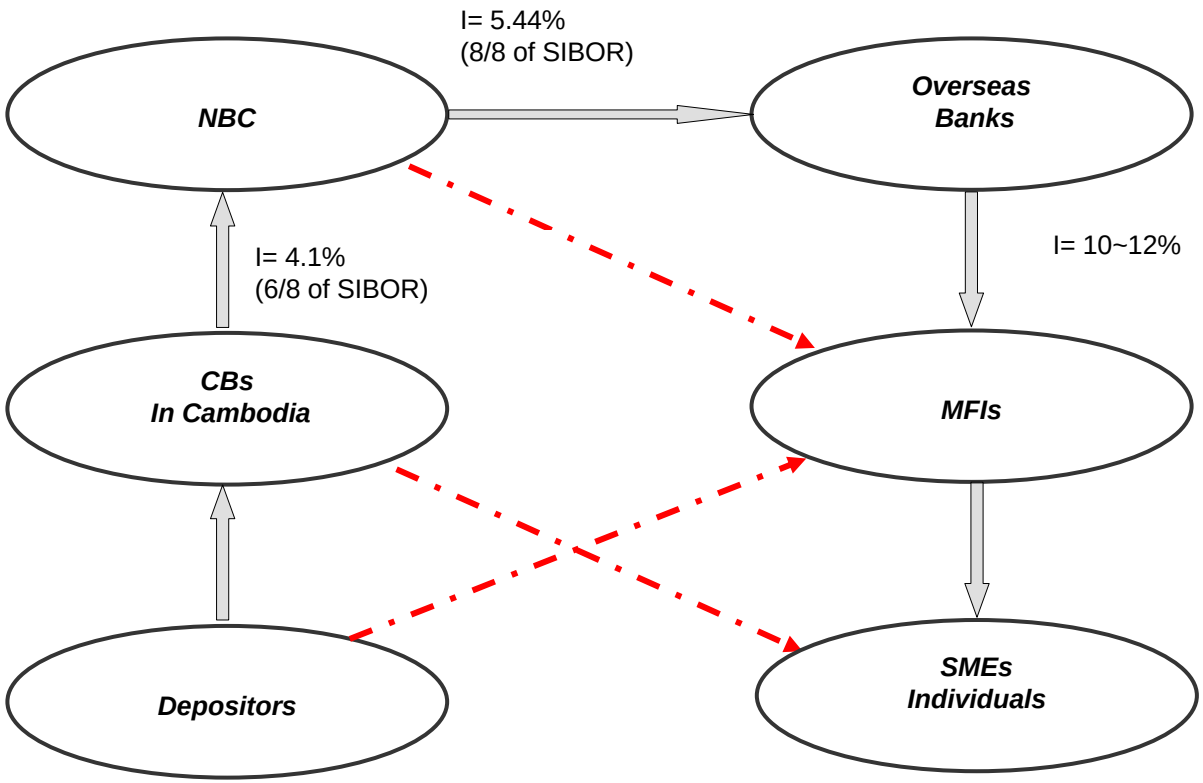
- Lack of collateral: Only real estate can be used as collateral
- MFIs lack local savings and depend on external funding

Policy Recommendation

- Commodity based collateral: Arrangement among banks, warehouses and processors
- Reduce dependency on external funding

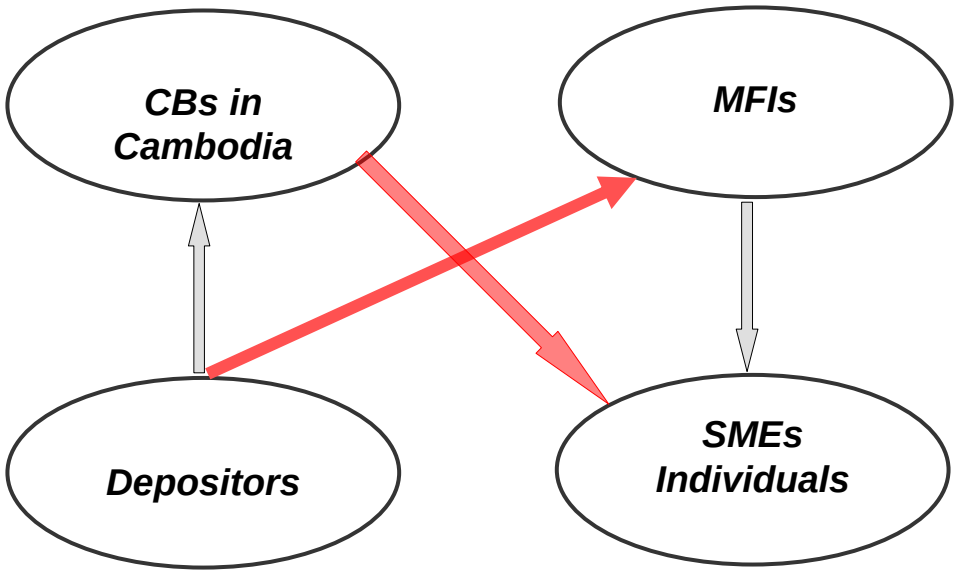
ii. Access to credit

Current Model



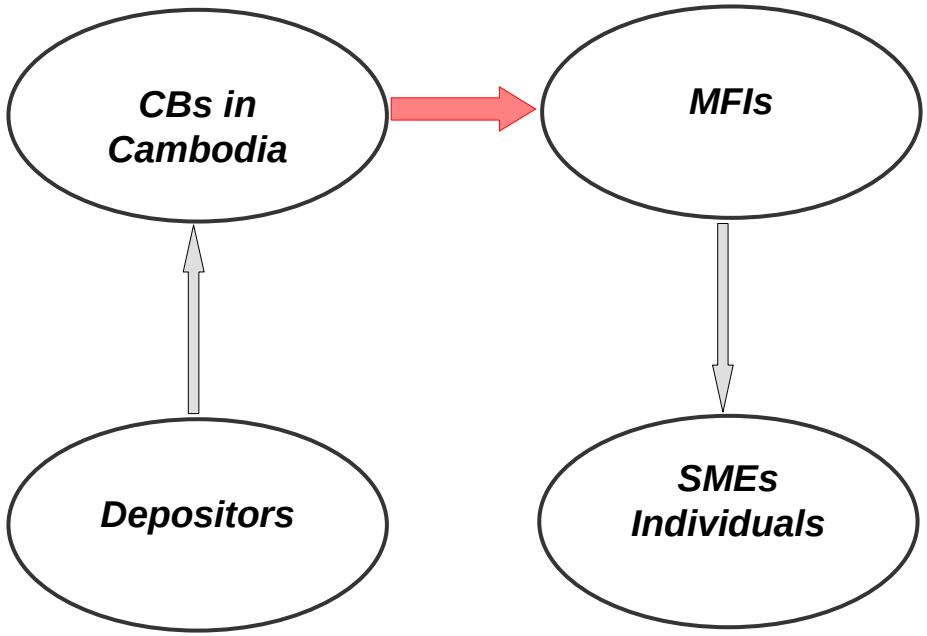
ii. Access to credit

Alternative 1

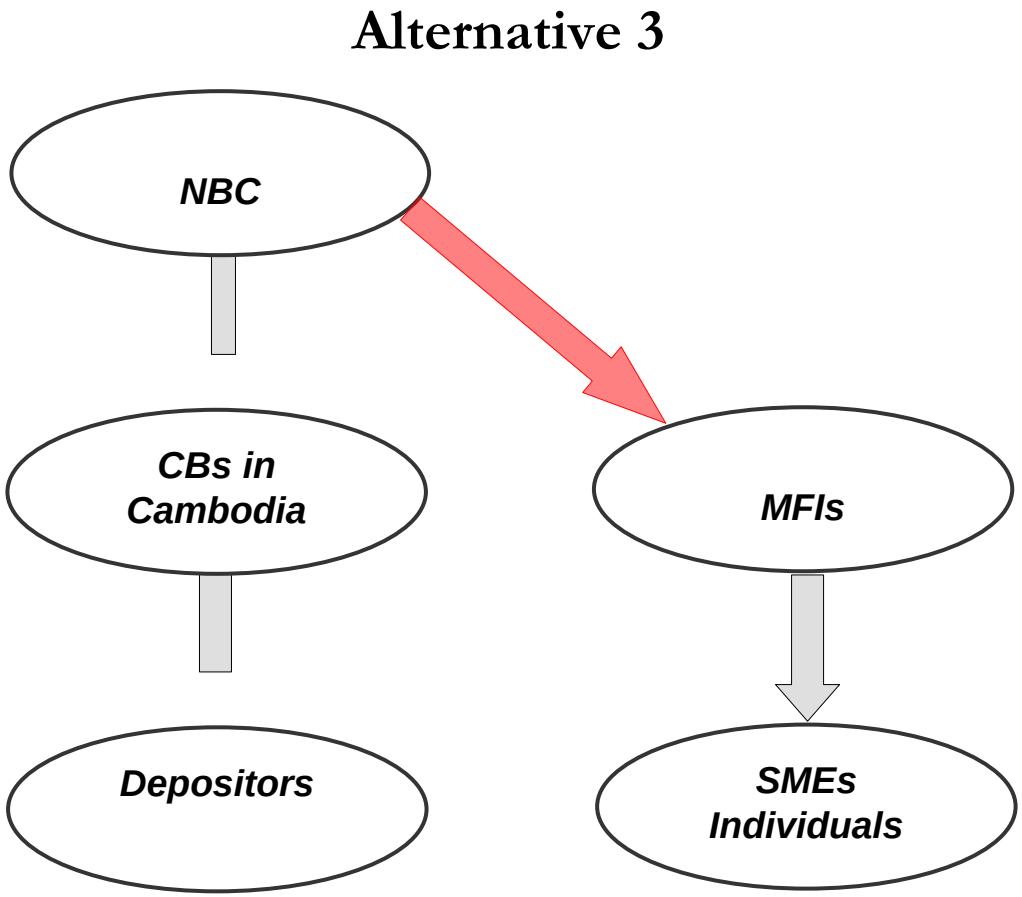


ii. Access to credit

Alternative 2



ii. Access to credit



iii. Infrastructure

Issues

Infrastructure quality is still unfavorable

Policy recommendations

- Infrastructure rehabilitation in areas of potential sector
- Priority roads connecting to GMS and ASEAN regions
- Participation from local government (CC and Villagers)
- Investment tax allowance for private firms which build infrastructures

iv. Investment incentives

Issues

- Identical incentive package applies for all sectors
- Tax holiday and cooperate income tax
  - Attract investments in sectors with quick and high returns
  - Attract more short-term projects
  - Not attractive for long –live investments

Policy Recommendations

- Provide specific-sector incentives
- Enrich variety of incentives

v. Anti-competition practices

Issues

Anti-competitive practices were identified by

- World Bank report (2004)
- EIC's perception survey on "Competition Scenario in Cambodia"

Policy recommendations

- Competition policy/law with effective implementation

vi. Governance and trade facilitation

Issues

- Burdensome in administrative procedures and trade document requirements

Policy recommendations

- Speed up the implementation of trade facilitation initiatives
- Publish process guidelines for obtaining export permits and fees associated with each process
- Establish law on SEZ
- Implement Risk Management Policies

vii. Standard and certification

Issues

- Limited standard laws
- Laboratory lacks international accreditation
- Lack of private investment in standards and certification due to under-sized business

Policy recommendations

- Upgrade standard infrastructure to international norms (Expensive)
- MRA within ASEAN and main trading partners
- Business services in standard and certifications

Specific-sector approach: Policy Recommendations by Sector

i. Organic rice

Policy recommendations

- Awareness campaign for consumers and farmers
- Assistance during conversion period
- National certifications to build trust for consumers
- Subsidize certifications for exports
  - inclusion in donor programs

ii. Cashew nuts

Policy Recommendations

- Promote organic cashew nuts
  - Small quantity of supply
  - Investors show their interest in organic
- Farmer cooperatives or associations
  - Compliance for organic standards
  - Diversify markets for RCN

iii. Rubber

Policy recommendations

- Land titling
  - Long time crop investments
- Pre-processing cooperatives
- Promote local processing of rubber trees
- Certifications for exports

iv. Silk

Policy recommendations

- Promote "Pure Khmer Silk Product" brand
- Consider investing in geographical indication
- Combined improve design techniques with arts and traditions
- Promote Khmer raw silk production

v. Tourism

Policy Recommendations

- Linkage
  - Capacity building of local business
  - Network among hotels, restaurants and suppliers to understand requirements
- Increase skilled workers
  - Course curriculum in vocational training and universities
  - Forum between private sector and education institutions to understand needed skills
- Tourism diversification
- Implement tourism legislation

Conclusion

- Lack of investments in processing
  - High cost of processing
  - Inadequate supporting policy and effective implementation
- Constraints along value chains which hinder competitiveness
  - Constraints across sectors
  - Constraints by each sectors

Conclusion

- Addressing constraints:
  - Commitments of high level decision makers
  - Coordination among various government agencies
  - Support from local government
  - Assistance from various donors

Thank you for your attention!