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Trade and Industrial Policy Environment in Cambodia:

Policies to Promote Exports in Potential Sectors

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Content

1. Objective & Research Questions
2. Cross-Sector Approach: Policy Recommendations across Sectors
3. Specific-Sector Approach: Policy Recommendations by Each Sector
4. Conclusion

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

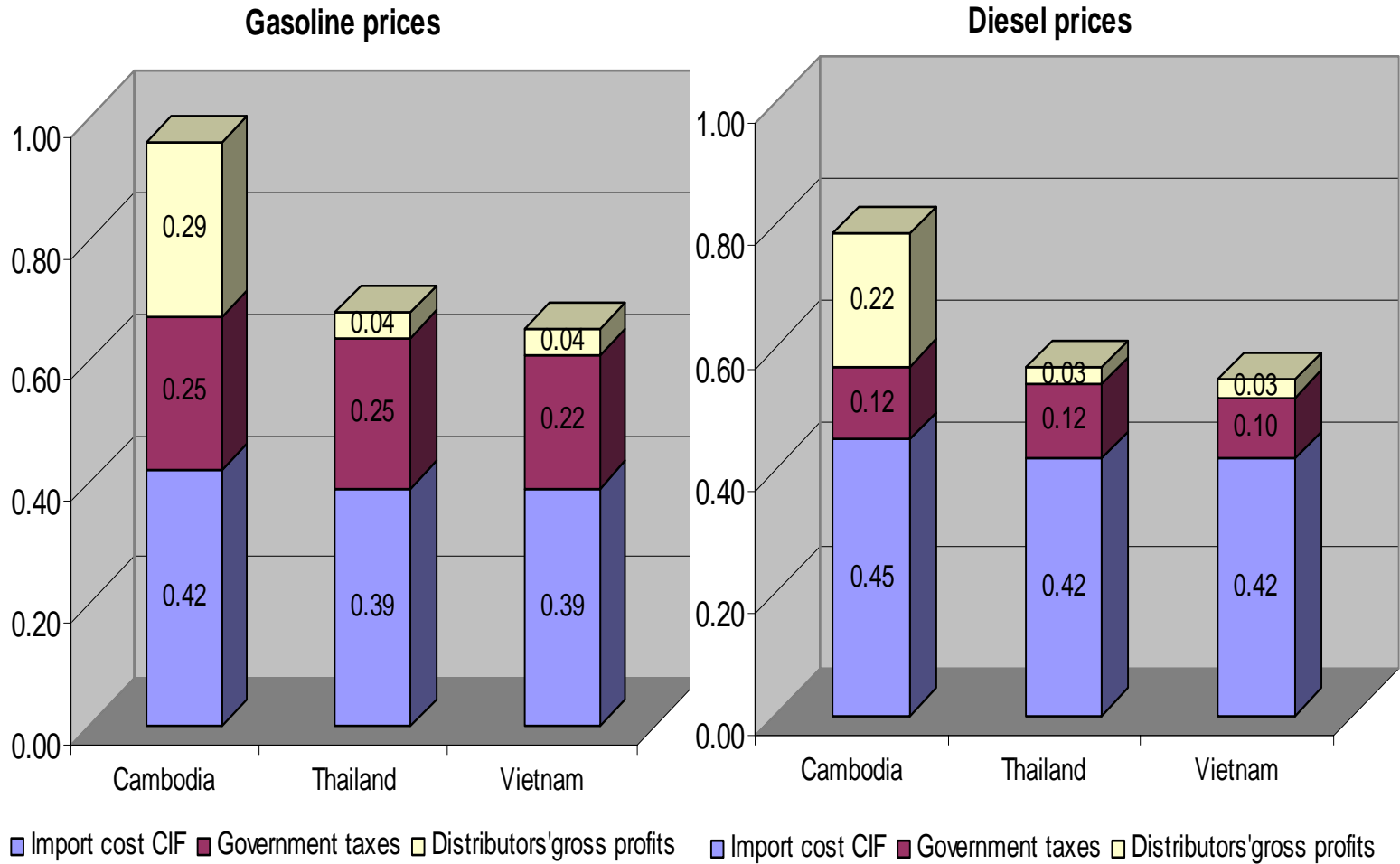
Research questions

1. Why does Cambodia export raw products and re-import final processed products?
2. Why do potential sectors continue losing 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)

May, 22nd 2007



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

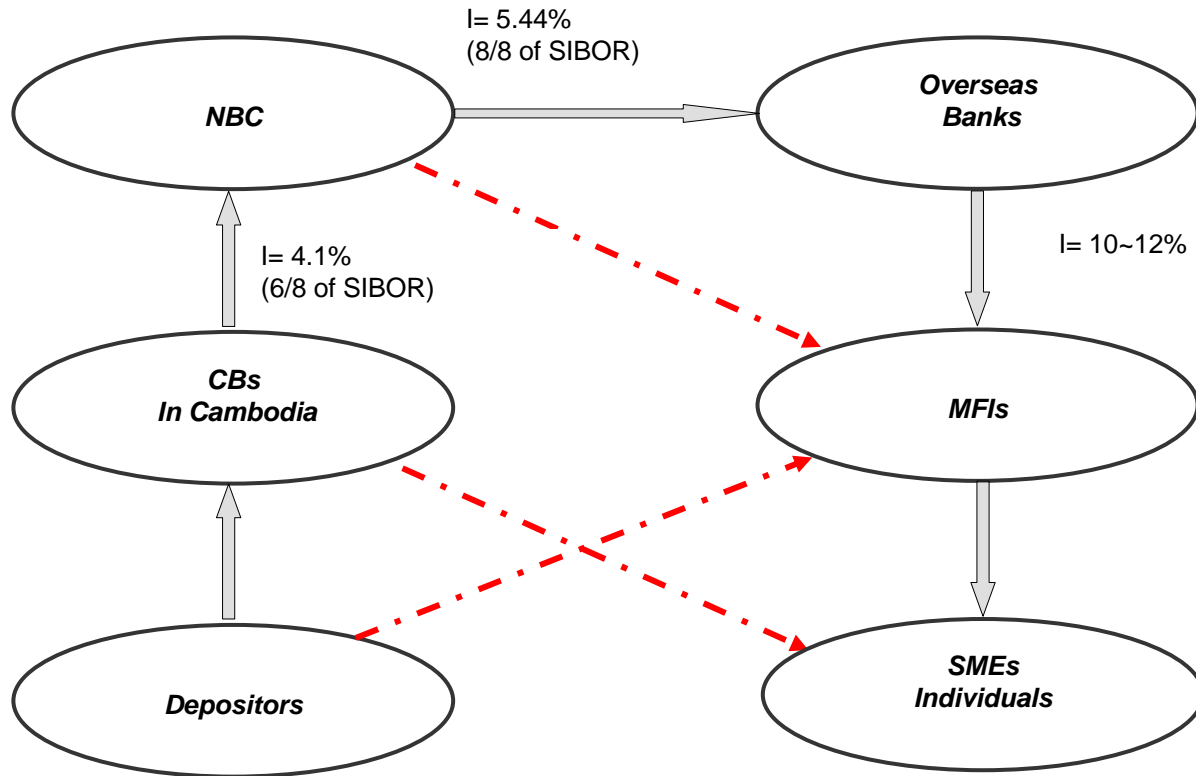
- Lack of collateral: Only real estate can be used as collateral
- MFIs lack local savings and depend on external funding

Policy Recommendation

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

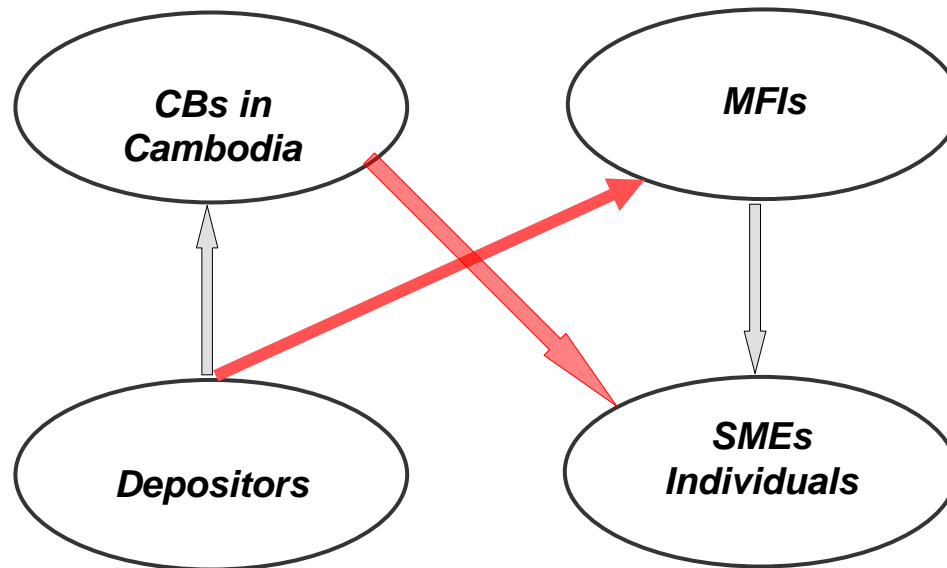
ii. Access to credit

Current Model



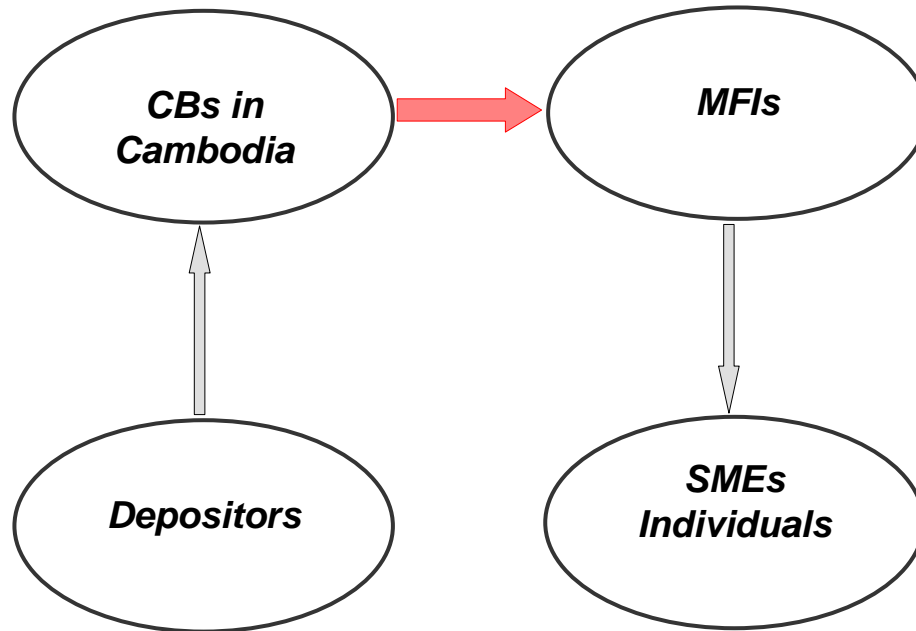
ii. Access to credit

Alternative 1



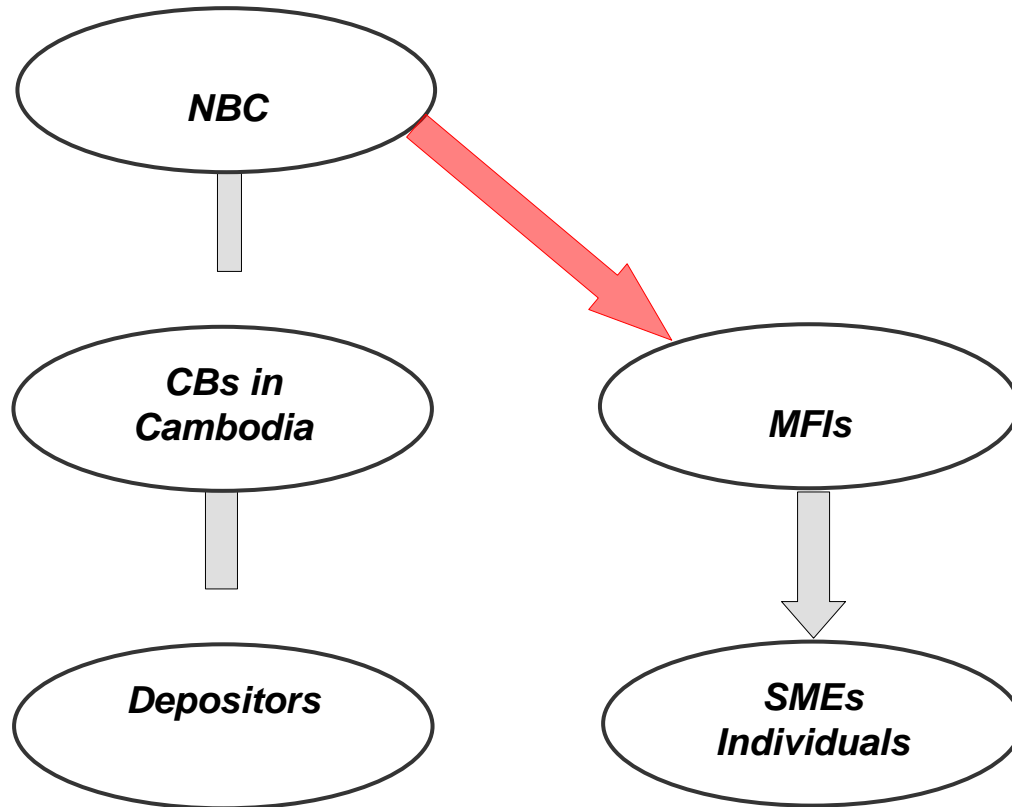
ii. Access to credit

Alternative 2



ii. Access to credit

Alternative 3



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

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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

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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



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Thank you for your attention!