

Trade Issues

Introduction

Trade liberalization has become one of the most influential engines of socioeconomic change. There is a large body of evidence regarding the negative impacts of trade liberalization on the poor and vulnerable. The current global system of free trade is frequently unfair to developing countries, and essentially biased towards the interests of developed and increasingly wealthy developing countries. The Royal Government of Cambodia (RGC) has progressively – and, perhaps, too hastily – liberalized Cambodia's trade regime by entering bilateral, regional and international agreements, such as the ASEAN (Association of Southeast Asian Nations) Free Trade Agreement (FTA), the World Trade Organization (WTO) and the ASEAN China FTA. The RGC argues that by liberalizing trade Cambodia's trade opportunities will be improved, its economic growth boosted, and new and higher incomes generated. Nevertheless, the RGC – not to mention the Cambodian public – still seems to know very little about the impacts of trade liberalization on the poor and vulnerable. There is a tendency to accept it too easily as a requirement for Cambodia's sustainable development.

The Trade and Economic Development Project (TEDP) is a project of the Development Issues Program (DIP) of the NGO Forum on Cambodia. The TEDP formed the Trade and Economic Development Network (TEDN) in May 2006 to analyze and monitor the effects of current trade and economic policies on the poor and vulnerable, and to discuss the appropriateness of these policies for Cambodia's sustainable development, including providing alternatives where available and necessary. The TEDN is made up of 13 NGO members and five NGO observers. The network meets on a monthly basis. In 2006, the TEDN readily accepted the invitation of H.E. Minister of Commerce Cham Prasidh to become a member of three trade-related sub-steering committees set up by the RGC: the WTO Think Tank; the Sub-steering Committee on Trade Facilitation; and the Sub-steering Committee on Export Promotion. The TEDN looks forward to receiving timely notice of any future meetings of these sub-committees.

For the first time, therefore, the TEDN will comment on the following trade-related elements of the RGC's joint monitoring indicators (JMIs) and the RGC's National Strategic Development Plan (NSDP) 2006-2010: trade liberalization (implementation and evaluation); trade facilitation; and trade promotion. In addition, the TEDN will raise one issue of specific concern for members and observers regarding trade liberalization that is not specifically dealt with by the JMIs or NSDP, namely, trade in agriculture. The TEDN aims to follow up on these issues in terms of impacts in 2006-2007.

Joint Monitoring Indicators

The relevant JMIs for this sector are as follows:

Target	Actions Needed	Responsible Government Institution	Time Frame
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4. Establish a well functioning, transparent and accountable legal and judicial system	4.3 Establish timeframes to complete the remaining laws and regulations needed to meet WTO requirements and carry out the tasks within the established timeframes	MoC leads	End April '06
12. Create an enabling environment for the development of private sector	12.2 To strengthen trade facilitation:	MEF/CED	March '06
	a. adopt and use a single administrative document (SAD) under the ASYCUDA system	MoC	March '06
	b. adopt and publish interagency administrative agreements on procedures/guidelines for inspection and clearance of imported and exported goods	MEF	2007
	c. introduce a pilot single window (SW) for trade facilitation at Port Authority of Sihanoukville (PAS)	MoC	March '06
	d. draft and adopt a sub-decree on trade facilitation through a risk management approach to inspections and clearance of imports and exports of goods		
	12.5 Establish and make fully operational the "one-stop service" (OSS) in all special economic zones (SEZs) consistent with trade facilitation reforms	CDC	'06

NGOs have the following comments to make on the above **JMIs**:

4.3: Trade liberalization: implementation

In terms of the timetable for the RGC to implement Cambodia's WTO obligations and commitments, Cambodia committed to passing 47 laws for implementation by 2006.¹ 23 laws have been passed since accession. Five laws were passed in 2006. 24 laws remain to be passed.

Civil society can make an important contribution to the development of the remaining laws by considering and discussing their possible impacts on the poor and vulnerable. The WTO can offer flexibilities for least developed countries such as Cambodia in implementation and practice. The TEDN requests that the RGC provide it with the remaining draft laws and their legislative timeframe.

12.2: Trade facilitation

According to preliminary investigations, the RGC's performance in the past year has been mixed. On the one hand, the single administration document (SAD) was completed in February 2006, and the implementation of ASYCUDA (the automated system for customs data) in Sihanoukville has reportedly been progressing well since late 2006. On the other hand, the single window (SW) has stalled. Although the RGC adopted Sub-Decree No. 21 on Risk Management in March 2006 to streamline responsibilities and avoid duplication of trade agencies, implementation has been uncertain.

The TEDN acknowledges the importance of trade facilitation improvements to make Cambodia's import/export institutions and procedures efficient, transparent and

¹ See pp54-7 of the Report of the Working Party on the Accession of Cambodia for the original timeframe.

predictable. However, the TEDN is conscious of the lack of analysis on, and explanation of, the benefit of these improvements for the poor and vulnerable. The TEDN requests that the RGC increase and widen discussion and education on trade facilitation. The TEDN is willing to assist the RGC in this regard. The TEDN calls on the RGC to review trade facilitation in the light of the specific issues faced by the poor and vulnerable in seeking to tap into the trading opportunities that liberalization might open up.

Key Actions/Strategies from the NSDP

The relevant sections of the NSDP for this sector are as follows:²

Section	Message
4.23	Assess the impact of WTO accession on poverty reduction targeting especially the agriculture sector, including impact on vulnerable groups, particularly women
4.76	The RGC will: <ul style="list-style-type: none"> ▪ Promote market access for unique/quality Cambodian products, including agriculture products (particularly processed), fisheries products, labor services ▪ Promote Cambodian products in overseas markets

4.23: Trade liberalization: evaluation

The TEDN welcomes the Ministry of Commerce (MoC) research being conducted with the support of UNDP on the human development impact of Cambodia's WTO commitments, and congratulates UNDP for consulting regularly with civil society during the initial phases of the research.

However, the TEDN believes that the RGC should research the impacts of Cambodia's trade liberalization, not just the WTO, on the poor and vulnerable in Cambodia. The RGC's findings should be published openly and discussed widely. The TEDN argues that this process will strengthen the RGC's future negotiating and policy capacity and decisions in the interests of the poor and vulnerable. Further, the TEDN looks forward to ongoing regular consultation on the MoC/UNDP research. Finally, the TEDN would welcome the opportunity to discuss future research with the MoC.

4.76: Trade promotion

Initial examination of the MoC's efforts in trade promotion revealed close and fruitful collaboration with GTZ in promoting organic rice, cashews and silk on international markets. GTZ provided training to 1,300 Cambodian farmers on organic rice in Battambang, Kampot, Kampong Thom and Pursat provinces, providing assistance in international certification of organic rice. As a result, internationally certified Cambodian organic rice was exported to Europe in April 2007.³

The TEDN highlights the importance of trade promotion targeted at the poor and vulnerable to improve their capacity to produce goods for export and to increase their linkages to export markets. This could be a very important tool for poverty

² Sections 4.71, 4.72 and 4.76 address trade facilitation; Sections 4.74 and 4.75 address trade promotion.

³ Lodish, E. (2007) "Organic Rice May Open Up Export Opportunities", The Cambodia Daily, 3 April.

reduction. The TEDN calls on the RGC to focus trade promotion activities on the poor and vulnerable in collaboration with these groups and with NGO support.

Important Issues Not Covered by JMIs or NSDP

More than 80% of Cambodians depend on agricultural production for food and income security. However, Cambodia's agriculture sector is largely undeveloped and uncompetitive in global terms. The TEDN wishes to express particular concern about the need for monitoring and evaluating of current trade liberalization on Cambodia's agriculture in terms of future agriculture trade policies and negotiations, as well as the potential impacts of changes in the pattern of agriculture on sustainability.

While the RGC has made significant commitments to liberalize trade in agriculture, it has sometimes recognized and protected Cambodia's defensive interests in trade in sensitive agriculture products. The Early Harvest Program of the ASEAN China FTA is an excellent example: the RGC excluded 30 agriculture products from preferential tariff reduction and elimination with ASEAN and China. Further, under WTO commitments, Cambodia set the bound tariff rate on rice imports at 40%. Rice is the fundamental agricultural product grown by Cambodian farmers. While the applied tariff rate is currently 7%, the RGC has effectively reserved the right to increase the tariff within the bound rate to protect poor and vulnerable rice producers in Cambodia.

The TEDN congratulates the RGC for these examples of cautious and responsible trade liberalization, but recalls that, in the case of rice, some members of civil society were critical of the RGC for agreeing to such a low bound rate for a least developed country. The TEDN requests that the RGC consult with it – and other interested civil society members – in negotiating future agriculture trade liberalization or developing agriculture trade policy to ensure that their voices are heard and their concerns are taken into account. The need for research on impacts will underlie the effectiveness of the RGC in negotiating and policymaking in the interests of the poor and vulnerable.

Recommendations

In addition to the recommendations and requests above, and to ensure that trade liberalization benefits the poor and vulnerable in Cambodia, the TEDN wishes to make a further general calls to the RGC.

- Develop trade policy that is expressly and justifiably supportive of poverty reduction.
- Engage with civil society in the development and implementation of trade policy.
- Evaluate the impact of trade agreements on poverty reduction, especially in agriculture.

Contact information

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