Country Paper – Cambodia
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for
The Regional Policy Forum on Trade Facilitation and SMEs in Times of Crisis, 20-22 May 2009, Beijing, China

1. Title: Key Mechanisms for Stakeholder Consultation in Trade Facilitation in Cambodia

2. Introduction:

Given Cambodia’s rapid economy growth and the increasing competitiveness of free market economy, trade and transport facilitation (TTF) is imperative if Cambodia’s emerging economy is to be sustained. Strong expectation is attached to the benefits that increased regional trade, trade facilitation and transport and essential infrastructure both ‘hard’ and ‘soft’, can bring to economic and social development, poverty reduction in the country and to reducing the development gap in the region.

This country paper introduces the major trade facilitation programmes being implemented in the country and their implementation status but focuses mainly on the consultation mechanisms for stakeholder involvement in trade facilitation in the country.

3. Major Trade Facilitation Initiatives and Projects, and Implementation Status:

3.1. Background to Trade Facilitation in Cambodia:

Entering the new millennium in 2000 marks new era of trade facilitation (TF) in Cambodia. Taking advantage of the abundant natural resources and youthful human resources and the large and increasing flow of foreign direct investment in the country’s young economy, Cambodia has widely opened up its economy to foreign investors while taking major steps toward improving business climate and improving trade facilitation as well as other regional integration initiatives. For instance, Cambodia became a member of ASEAN in 1999 and a member of the World Trade Organization in 2003, and has made significant achievements in TF such in making new related laws and regulations, improving government services and efficiency in TF, large investment in transport infrastructure programmes and promoting reforms by creating some important mechanisms for consultation forum for related stakeholders involved in TF. Cambodia has also involved in various regional initiatives both in the region (ASEAN) and the subregion (Greater Mekong Subregion) on trade and transport facilitation. The next subsection provides more details of these initiatives and their implementation status.

3.2. Regional Trade Facilitation Initiatives:

3.2.1. ASEAN and East Asia:

Cambodia became a member of the Association of Southeast Asian Nations (ASEAN) in 1999. Since then, Cambodia has made remarkable but uneven progress in socio-economic development, and in both regional integration and effective participation in the international community. Over the decade from 1998 to 2007, Cambodia has been one of the fastest growing economies in Asia, with strong and effective macro-economic management and average annual economic growth of about 8 percent, with a peak of growth of 13.4 percent in 2005. The decade has also seen a steady achievement in poverty reduction with a nation-wide...
decline from 47% in 1994 to 30.1 percent in 2007, as reported in the World Bank’s Cambodia Country Economic Memorandum 2009. In recent times ASEAN has seen various trade and trade facilitation initiatives of which Cambodia has been an active member, with the confidence that these regional integration efforts help Cambodia to be better integrated into the region with associated benefits from diversification of trading partners and markets. These initiatives include the ASEAN Free Trade Area, ASEAN-China FTA-Services and The Economic and Industrial Cooperation Committee of the ASEAN Economic Ministers and the Minister of Economy, Trade and Industry of Japan or AMEICC.

3.2.2. Greater Mekong Subregion

Cambodia has been an active member of the ADB funded-programme known as the GMS Economic Cooperation Programme since its establishment in 1992, this initiative coming at a critical time for Cambodia’s reconstruction and rehabilitation after decades of conflict. This ADB programme aims “to facilitate sustainable economic growth and reduce poverty in the subregion by strengthening economic linkages among the member countries.” Cambodia has maintained a National Secretariat in order to coordinate GMS project activity. In addition, Cambodia has been involved with seven ADB loan projects totalling USD216 million and a further 105 regional technical assistance projects at a cost of USD56 million in total.

3.2.2.1. CBTA

One of the main features of the GMS Programme is the Cross Border Transport Agreement (CBTA), which is an initiative among five nations, Cambodia, China, Lao PDR, Thailand and Vietnam. Otherwise called the “Framework Agreement on Facilitating Cross-Border Transport of Goods and People”, CBTA is the one of the first and foremost multilateral trade facilitation instruments which cover comprehensively all the relevant aspects of cross-border transport facilitation. Its objectives are: 1- to facilitate the cross-border transport of goods and people between and among the Contracting Parties; 2- to simplify and harmonize legislations, regulations, procedures and requirements relating to the cross-border transport of goods and people; and 3- to promote multimodal transport.

Since coming into force in December 2003, the Initial Implementation of CBTA (or IICBTA), which was designed to accelerate the implementation of CBTA by allowing early identification of the main issues and the early realization of benefits from improved transport facilitation, has been in progress since 2004 with pilot projects at key border crossing points (ADB, 2008). Overall, the implementation status of CBTA in Cambodia has been in progress despite being very slow and facing many obstacles and challenges including but not limited to the lack of awareness of the initiative, vested interests among stakeholders, missing representation from key private sector, the lack of capacity of responsible government agencies and the roles of ADB and more resource mobilization.

3.2.2.2. GMS Economic Corridors

Central to the GMS development and integration strategies is the Economic Corridors, which consist of both ‘hard’ and ‘soft’ infrastructure and supported by GMS member governments, ADB and other international development partners. Of the nine Economic Corridors in the GMS, the Southern Economic Corridor (SEC) is the most important programme to improve linkage between Cambodia and neighbouring countries. The SEC is also expected to contribute to facilitation of cross-border trade and promote tourism and agricultural development. The Southern Economic Corridor has three main subcorridors linking different parts of the four countries - Cambodia, Lao PDR, Thailand and Vietnam.
4. Inter-Agency Coordination and Government-Private Sector Cooperation for Trade Facilitation:

4.1. Stakeholders Consultation Processes in Cambodia’s Regional and Subregional Integration

Considering the variety of stakeholders and government agencies involved and their different interests, background, ways of operating, scale of their business and involvement, effective mechanisms for stakeholder consultation and participation are critical. In Cambodia, two specific mechanisms have been identified for stakeholder consultation and coordination. These are the Government Private Sector Forum (G-PSF) and the Steering Committee on Private Sector Development.

Figure 1 below lays out a structure for how both mechanisms (G-PSF and SCPSD) work together in inter-agency coordination and government-private sector consultations. Below, each of the two institutional arrangements for stakeholder consultation is discussed in detail on how they work and their effectiveness.

Figure 1: RGC’s mechanisms for private sector development consultation. (Source: Adapted from Cham, 2008)

4.1.1. Government Private Sector Forum (G-PSF):
The Government Private Sector Forum is a structured consultation forum between the Royal Government of Cambodia and private sector, where both can address challenges and find
solutions to issues faced by the business community. Since the establishment of G-SPF, it has played a very important and active role as a mechanism for dialogue on various subjects, supported by Private Sector Working Groups (WG) on different sectors such as agriculture and agro-industry, tourism, manufacturing and Small and Medium Enterprises (SMEs), services, energy, infrastructure and transport, export processing and trade facilitation.

Through inputs from the private sector, the government has been able to make some specific achievements including: minimizing informal payment, amendment of the Law on Investment, the Law on Taxation and the Law of Concession which has created more opportunity for the private sector to participate in development of infrastructure; Law on Accounting, Auditing and Accounting Profession; Law on Government Bond; the sub decree establishing the Special Economic Zones (SEZs), sub-decree 21 on Trade Facilitation through Risk Management and Single Window document; policy on small and medium enterprises and delegation of decision-making power to provincial authorities with regards investment, all of which have contributed significantly towards improving investment climate and business efficiency as well as speeding up TTF progress for the business community in Cambodia (Keat, 2007).

4.1.2. The Steering Committee for Private Sector Development
The Steering Committee for Private Sector Development (SCPSD), composed of seven ministers and chaired by the Minister of Economy and Finance, was established in 2004 with three Sub-Steering Committees (SSC): SSC on Investment Climate and Private Participation in Infrastructure, SSC on Trade Development and Trade Related Investment and SSC on SMEs. The SSC on Trade Development and Trade Related Investment is equipped with clear objectives and roles of improving all complex and lengthy processes related to import, export; eliminating duplicated tasks by conducting join inspection, and re-enforcing the implementation of the Single Window Mechanism at border gates etc. The SSC has also created a Working Group on Trade Facilitation and Processing for Exports and a Reform Team for Trade Facilitation and Investment Climate (Chea, 2008). While the G-PSF reports to the Prime Minister, the SCPSD reports to the Minister of Commerce.

These mechanisms reflect the government’s commitment to application of the principles of the Charter of Good Practice in using Public Private Dialogue for Private Sector Development, recommended by the International Workshop for public-private dialogue in Paris in 2006.

5. Conclusion:

Trade Facilitation is a vital tool for the Royal Government of Cambodia to increase more foreign direct investment and to improve domestic public services for trade and toward cheaper and more efficient trade flow within the country and in the region. Despite bold accomplishments achieved recently to facilitation domestic, regional and international trade, Cambodia still faces many challenges and there are some important tasks ahead to fulfil in order that its economy and export sector in particular to grow strong and be sustained. For that to happen, there is a need for better coordination, consultation and involvement of key stakeholders, increased mobilization of resources and investment in local capacity building programmes, promotion of public awareness, improved roles of related development partners and donor agencies in the management and implementation of TTF initiatives.
6. References:


Chea et al. (2008), “Cambodia Trade Facilitation Policy Analysis in the Greater Mekong Subregion”


Davul, Yann (2008), Economic Cooperation and Regional Integration in the GMS.