

CAMBODIA

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Integration of Cambodia into the region and the world

The Royal Government is committed to push for the integration of Cambodia into the region and the world, specifically focusing on bridging the development gaps among ASEAN member-countries.

Cambodia must strengthen its institutional capacity to implement cooperative strategies with neighboring countries such as the concept of “Four Countries-One Economy”, the creation of the triangles for economic growth, and the establishment of cross-border Special Economic Zones.

Increasing the unfettered access of Cambodian products to the regional and world markets will provide Cambodia with the economy of scales and opportunities that attract investment, create employment, generate increased incomes and accelerated economic growth, all resulting in poverty reduction. Indeed, Cambodia’s participation in the ASEAN Free Trade Area and accession to the WTO constitute strategic and historical steps in the rehabilitation and development of the nation.

Issues to be challenged

Cambodia’s economy is based on agriculture as about 85 percent of the population is living in rural areas. However, agricultural products are in small-sized and family based, which are inappropriate for export because some importers require big volume of products. Cambodia has limited production bases, especially in the processing industry.

Although the decline in poverty has been significant and widespread because average per-capita consumption has risen, Cambodia is still beset with high poverty rate and inequality. The lack of social safety nets and protection, inadequate infrastructure and public utilities, and concentration in urban areas all increase this inequality between Cambodia’s rich and poor as well as disparity between urban and rural areas.

Cambodia’s domestic problems on complicated trading procedures and corruption in the export sector persist. Fisheries, rice, and other agro-products still require

various permits such as transportation permits and exporting permits. Firms frequently encounter delays in clearing imported inputs through customs, thereby jeopardizing their production schedules and ability to meet the delivery dates required by their clients abroad.

Policy recommendations

1) Infrastructure development

The transport infrastructure will continue to focus on the rehabilitation of high-priority trunk and feeder roads and bridges, so as to realize the potential of agriculture, tourism, and trade in the rural areas. There is also the need to develop a comprehensive transport policy framework, addressing issues such as the development of a balanced construction and maintenance program; to increase involvement of the private sector; and to finance road maintenance and cost recovery mechanisms.

Energy, port, and airport should be promoted to meet the increasing demand of production and trade. These developments could greatly reduce transport costs and increase the competitiveness of Cambodian products in export markets. However, the full benefits of such developments will only be realized if people and goods can move across border at minimal cost.

2) Trade and investment promotion and facilitation

The government should play a role in promoting and facilitating trade and investment, especially of local SMEs. Farmers and other local producers should be supplied with quality standard certificates, credit access, and market information. Developing effective mechanisms and training officials for trade promotion and trade support services are clearly warranted. The roles of the Cambodian Chamber of Commerce and other municipal and provincial chambers of commerce in the promotion of private sector participation in economic development should be strengthened.

Assistance is needed in all aspects of an export promotion mechanism, including in detailing the export promotion strategy, developing and managing the necessary national and international databases, and training on how to organize trade fairs and other trade promotion activities. Once again, particular attention needs to be given to promoting the exports of SMEs.

Assistance is also required in putting in place an appropriate legal and regulatory framework for the financial sector. Training on trade finance and trade insurance is required for both the private sector and government officials (in particular, those dealing with export promotion).

3) Urbanization and zoning

There is a huge regional disparity in Cambodia. The most crowded areas are the plain plateaus and along the Mekong River, where soil condition is favorable for agriculture whereas the coastal area is scarcely populated. Most economic activities concentrate only in Phnom Penh and a few other urban areas such as Siem Reap and Sihanoukille. The government should develop an appropriate urbanization plan when assigning growth corridors so as to spread the development benefits to other regions and down to the provinces and districts.

Roles of ERIA

The ERIA's nature as a legal body as well as its research agenda were agreed in a series of expert group meetings and approved by the Asian leaders during the East Asian Summit in 2007. The output of ERIA's research is to be brought to policymakers in regional policy forums; namely, the ASEAN Economic Ministers' Meeting (AEM), AEM + 3, and East Asian Summit (EAS). This institution will be vital since it will have close links to the policymaking process.

In this regard, ERIA will also fulfill a crucial mission in improving policy research capabilities in the less developed countries of ASEAN and CLMV so as to narrow the development gaps and capacity disparities. To enable ERIA to become truly active and to conduct sustainable, fruitful work, it will need the collaboration and support of a wide range of related parties around the region.