

Chapter **1**

Macroeconomic Trend of Cambodia and EAEU Members

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Chapter 1

Macroeconomic Trend of Cambodia and EAEU Members

Cambodia and the Eurasian Economic Union (EAEU) are seeking a free trade agreement (FTA) between them to increase trade, investment, and economic collaboration. The proposal to undertake a feasibility and impact study of this FTA on Cambodia based on the request from the Ministry of Commerce and the Ministry of Economic and Finance of the Royal Government of Cambodia.

To expand its market access to Eastern Europe, Cambodia is exploring an FTA with the EAEU, a common market comprising five nations (Armenia, Belarus, Kazakhstan, Kyrgyzstan, and the Russian Federation [henceforth, Russia]), 180 million people, and a gross domestic product (GDP) of US\$1.9 trillion in 2016 (Eurasian Economic Community website)¹. The study examines the key impacts of the Cambodia–EAEU FTA (CEFTA) on the country’s economy and the ASEAN region in terms of trade, investment, welfare, and growth.

Figure 1. Cambodia Trade with the EAEU (million US\$)



Source: UNCTAD (2016).

Although the total trade between Cambodia and the EAEU was insignificant after the 1997 Asian financial crisis, it gradually increased from US\$9 million in 2005 to US\$123 million in 2014 before slowing down to US\$102 million in 2015 (Figure 1). This trade surplus is mainly due to the textile and garment exports from Cambodia to Russia. It is important to note that the trade between ASEAN and the EAEU is US\$16 billion in 2015.

The FTA between Cambodia and the EAEU is widely expected to create significant opportunities for trade and investment. While Cambodia could further boost the export of textiles and garment and agricultural products, the European exporters too could benefit from greater access to growing markets, especially in energy.

¹ <http://www.eurasiancommission.org>

1. Key Economic Indicators of Cambodia and EAEU Countries

The EAEU is a common market comprising five nations – Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia with 180 million people and real GDP of US\$1.9 trillion in 2016 which ranked 11th in the world. In comparison, ASEAN has 638 million people and a GDP of US\$2.6 trillion and ranked 7th in the world. The average GDP per capita of the EAEU and ASEAN are US\$5,186 and US\$10,891 respectively (Table 1).

In terms of trade, ASEAN is an open market with its share of trade in goods accounting for 117% of GDP in 2016, with Singapore, Viet Nam, Malaysia, and Cambodia leading the group. Trade in services is also important, accounting for more than 26% of GDP. ASEAN also attracts significant inflows of foreign direct investment (FDI), with the average share accounting for 6% of the region's GDP.

Table 1. Key Economic Indicators, ASEAN and EAEU

Country	2016				
	GDP	GDP per Capita	Trade (% of)	Trade	FDI
Brunei Darussalam	13,301.5	26,938.50	76.4	17.7	-1.3
Cambodia	16,998.2	1,269.90	127	33.9	11.4
Indonesia	1,037,688.1	3570.3	37.4	6.2	0.4
Lao PDR	11,102.3	2353.2	68.4	9.6	6.3
Malaysia	343,939.0	9502.6	128.1	25.2	4.6
Myanmar	75,122.7	1,275.00	42.8	10	4.9
Philippines	284,476.7	2951.1	64.9	18.2	2.6
Singapore	294,946.7	52,960.70	318.4	102.8	20.7
Thailand	406,392.9	5,907.90	123.1	26.1	0.4
Viet Nam	164,104.9	2,185.70	184.7	13.8	6.2
ASEAN	2,648,072.9	10,891.50	117.1	26.4	5.6
Armenia	11,479.7	3,606.20	76.4	31.7	3.2
Belarus	59,122.3	4,989.30	125.4	23.3	2.6
Kazakhstan	188,122.9	7,510.10	61.8	9.7	13.2
Kyrgyzstan	6,315.7	1,077.00	110.8	28.6	7.1
Russia	1,627,966.1	8,748.40	46.3	10.3	2.6
EAEU	1,893,006.7	5,186.20	84.1	20.7	5.7
Average Growth 2010–2016					
Country	GDP	GDP per Capita	Trade (% of)	Trade	FDI
Brunei Darussalam	0.0	-1.4	-0.2	-12.1	-25.5
Cambodia	7.0	5.3	13.1	26.8	26.9
Indonesia	5.5	4.3	5.5	7.1	23.8
Lao PDR	7.8	6.4	18.6	18.7	23.3
Malaysia	5.4	3.6	4.3	5.6	7.5
Myanmar	7.5	6.6	14.9	39.0	35.7
Philippines	6.3	4.6	8.2	13.5	29.8
Singapore	5.4	3.7	3.4	9.4	21.0
Thailand	3.6	3.2	6.1	8.6	60.4
Viet Nam	6.0	4.9	15.9	11.7	7.9
ASEAN	5.5	4.1	9.0	11.8	21.1
Armenia	3.5	3.3	4.0	9.6	-1.6
Belarus	1.6	1.6	2.5	12.2	14.1
Kazakhstan	4.6	3.1	0.7	4.3	20.6
Kyrgyzstan	4.0	2.2	3.5	6.6	60.2
Russia	1.6	1.2	1.7	3.3	45.5
EAEU	3.0	2.3	2.5	7.2	27.8

ASEAN = Association of Southeast Asian Nations, EAEU = Eurasian Economic Union, FDI = foreign direct investment, GDP = gross domestic product.

Note: Real GDP is in US\$ billion, GDP per capita is in US\$, the rest are in % of GDP.

Source: World Bank (2017).

The share of trade in goods to GDP in the EAEU is 84%, while Belarus and Kyrgyzstan, which are the most open, have shares at 125% and 110%, respectively. The shares of trade in services and FDI to GDP in the EAEU are about 21% and 6%, respectively.

The average annual GDP and per capita income growth of ASEAN in 2010–2016 was 5.5% and 4.1% compared to 3% and 2.3% that of EAEU, respectively. The Lao PDR, Myanmar, Cambodia, the Philippines, and Viet Nam are the high-growing economies in ASEAN, whereas the growth of Armenia and Kazakhstan was higher than the EAEU’s average. Both ASEAN and the EAEU recorded significant growth in trade in goods and services, as well as FDI inflows.

In terms of economic structure, ASEAN had geared towards more services-based growth in 2010–2016, with the average share of services to GDP increasing from 45% in 2010 to 50% in 2016, while the share of agriculture decreased from 17% to 13% (Table 2). The average growth rate was around 6% for services, 6.5% for industry, and 2% for agriculture, with Cambodia, the Lao PDR, and Myanmar enjoying more than 10% growth in the industry during the same period.

Table 2. Economic Structure, ASEAN and EAEU

Country	2010 (% of GDP)			2016 (% of GDP)			Average Growth 2010–		
	Agriculture	Industry	Services	Agriculture	Industry	Services	Agriculture	Industry	Services
Brunei	0.7	68.7	30.6	1.2	57.3	41.5	0.9	-1.3	1.7
Cambodia	36.5	23.5	40.0	26.7	31.7	41.6	2.1	11.5	6.7
Indonesia	13.9	42.8	40.7	13.5	39.3	43.7	3.9	4.6	6.7
Lao PDR	31.5	32.3	36.3	19.5	32.5	48.0	2.8	11.9	7.3
Malaysia	10.1	37.8	52.1	8.7	35.7	55.7	3.2	4.5	6.4
Myanmar	36.9	26.5	36.7	28.2	29.5	42.3	1.7	13.1	9.6
Philippines	12.3	32.6	55.1	9.7	30.8	59.5	1.0	7.5	6.7
Singapore	0.0	27.7	72.3	0.0	26.2	73.8	3.0	5.7	5.6
Thailand	10.5	40.0	49.5	8.3	35.8	55.8	0.5	2.9	4.6
Viet Nam	21.0	36.7	42.2	18.1	36.4	45.5	2.5	4.8	4.7
ASEAN	17.3	36.9	45.5	13.4	35.5	50.7	2.2	6.5	6.0
Armenia	19.2	37.0	43.8	17.8	27.5	54.7	4.1	2.2	4.3
Belarus	10.1	40.3	49.5	7.9	36.1	56.0	2.2	1.4	2.9
Kazakhstan	4.8	42.9	52.3	4.8	33.5	61.7	2.7	2.6	6.5
Kyrgyzstan	19.4	29.3	51.3	14.9	29.2	55.9	1.7	6.1	5.4
Russia	3.9	34.7	61.4	4.7	32.4	62.8	1.9	2.0	1.4
EAEU	11.5	36.8	51.7	10.0	31.8	58.2	2.5	2.8	4.1

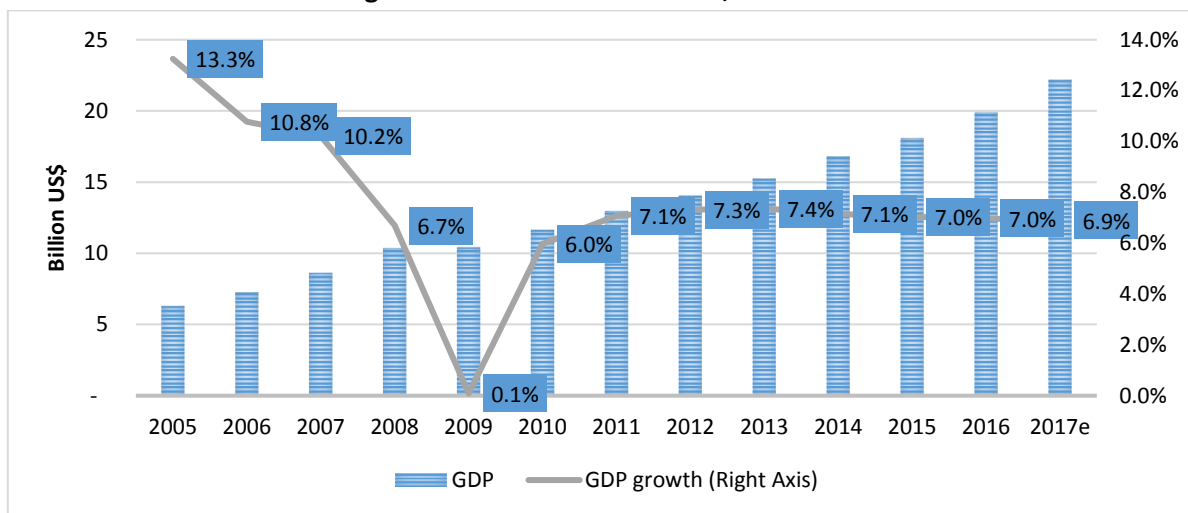
ASEAN = Association of Southeast Asian Nations, EAEU = Eurasia Economic Union, GDP = gross domestic product. Source: World Bank (2017).

The EAEU followed similar patterns with the average share of services to GDP increasing from 51% in 2010 to 58% in 2016, and the share of agriculture decreasing from 11% to 10%. However, the share of industry significantly dropped from about 37% to 32% during the same period. The EAEU’s average growth rate for services was 4%, while the industry and agriculture accounted for 3% and 2%, respectively. Kazakhstan and Kyrgyzstan registered higher growth in services and industry than the EAEU’s average.

2. Cambodia's Economy

In 2015, Cambodia had transformed from a low-income country to a lower middle-income one. It had been performing very well in the past 2 decades with an average growth of 7%, which was mainly contributed by the industry and services sectors. The per capita income is expected to reach about \$1,435 based on the early year projection in 2017. The World Development Indicators 2017 (World Bank, 2017) reported that the labour force participation rate was more than 80%, of which about 70% are young workers aged 15–24 years, although most of them are unskilled and low skilled.

Figure 2. GDP and Growth Rate, Cambodia

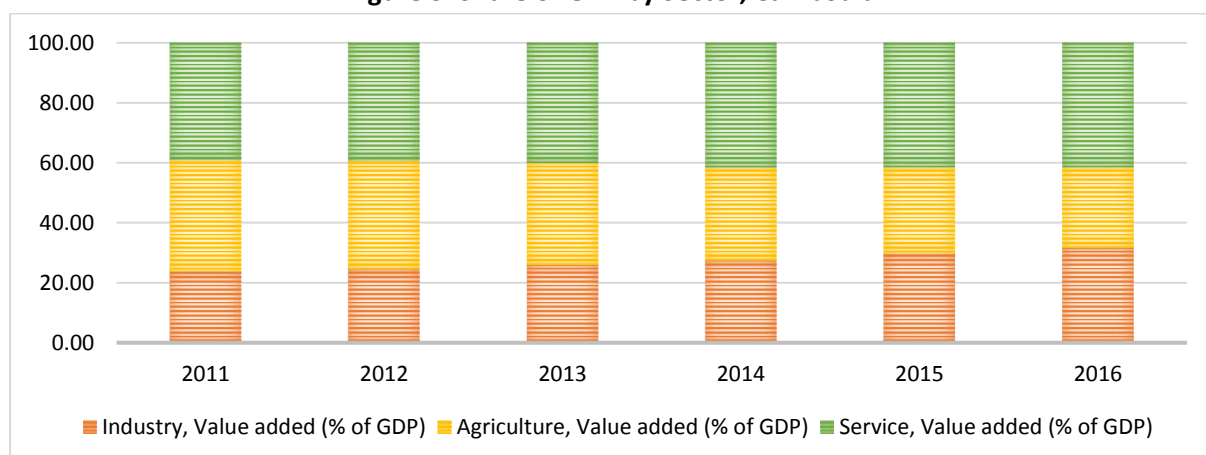


GDP = gross domestic product.

Source: Ministry of Economy and Finance (2017).

The economy has been shifting from agrarian to labour-intensive (light) manufacturing due to the shrinking agriculture sector that was being replaced by the industry sector. In 2016, the growth rates in agriculture, industry, and services sectors were 1.8%, 10.5%, and 6.7%, respectively, while the shares of agriculture, industry, and services were 26.7%, 31.7%, and 41.6% in the same period (Figure 3) (MEF, 2017).

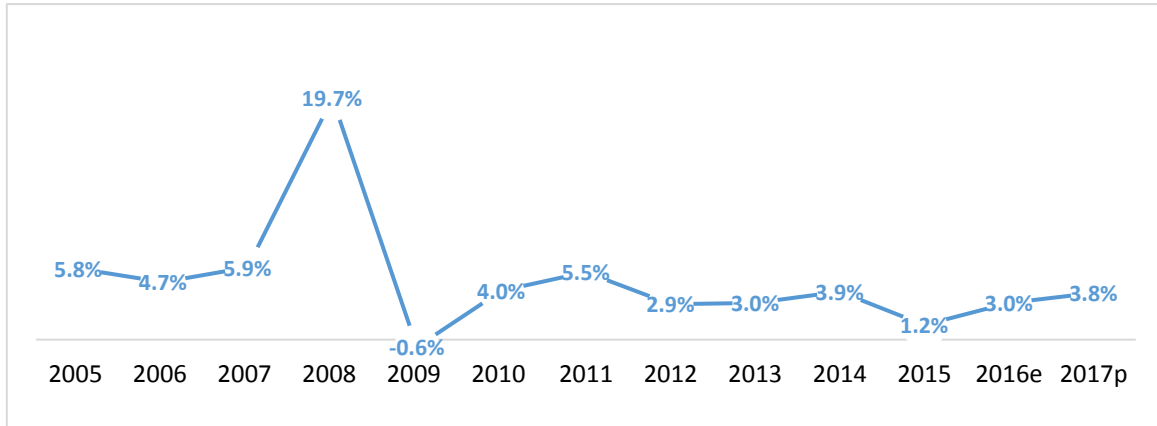
Figure 3. Share of GDP by Sector, Cambodia



Source: Ministry of Economy and Finance (2018).

After the 2008 global financial crisis, inflation has been kept under control averaging at around 4% (Figure 4). But inflation slightly increased in 2017, mainly due to the rising food prices in Cambodia. However, the government is committed to driving down the inflation rate by reducing the costs in the value chain of food production.

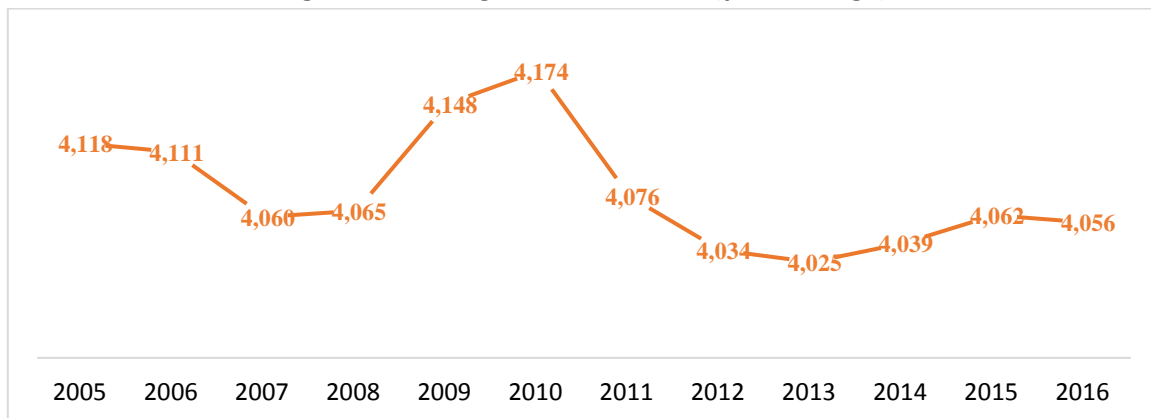
Figure 4. Inflation Rate, Cambodia



Source: Ministry of Economy and Finance (2018).

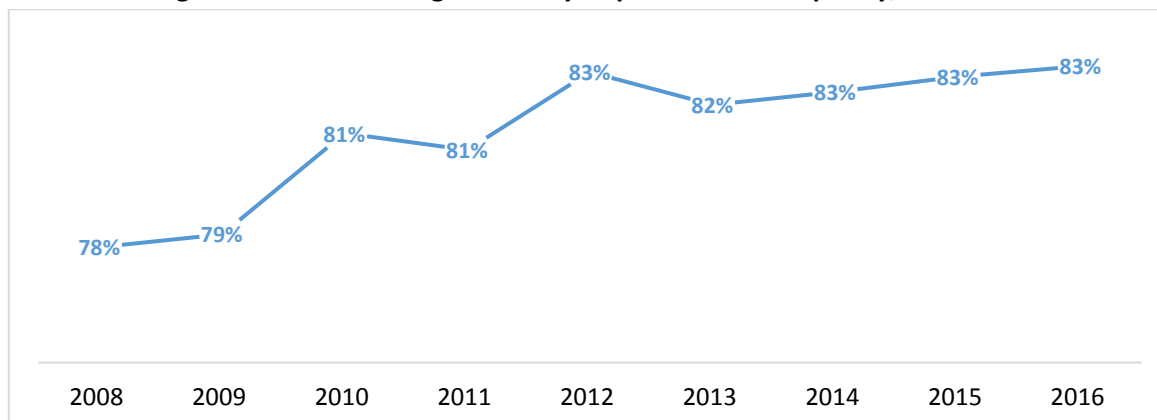
Cambodia is a highly dollarised economy with more than 80% of foreign currency deposit to total liquidity. The government has managed the exchange rate, which fluctuates between 4,000 to 4,100 riels per US dollar over the year. The stable exchange rate makes the economy an attractive destination for foreign investments, although the high level of dollarisation constrains the implementation of monetary policy.

Figure 5. Exchange Rate, Cambodia (year average)



Source: National Bank of Cambodia website.
https://www.nbc.org.kh/english/economic_research/exchange_rate.php .

Figure 6. Ratio of Foreign Currency Deposit to Total Liquidity, Cambodia



Source: National Bank of Cambodia website.
 (https://www.nbc.org.kh/english/economic_research/exchange_rate.php)

In terms of trade, Cambodia has been facing a trade deficit, accounting for -17% to GDP in 2016 (MEF, 2017). The growth of exports remained robust at around 10% in 2016 (Figure 7). Cambodia's export is still largely dependent on garment, which accounted for about 73% of total export in 2016, mainly to the United States (US) and the European Union (EU). This was followed by some commodities such as rice and rubber. Conversely, the growth rate of imports was about 5.1% in the same period. The main imported goods were garment materials, petroleum, and vehicle products.

Figure 7. Trade Balance, Cambodia (billion US\$)

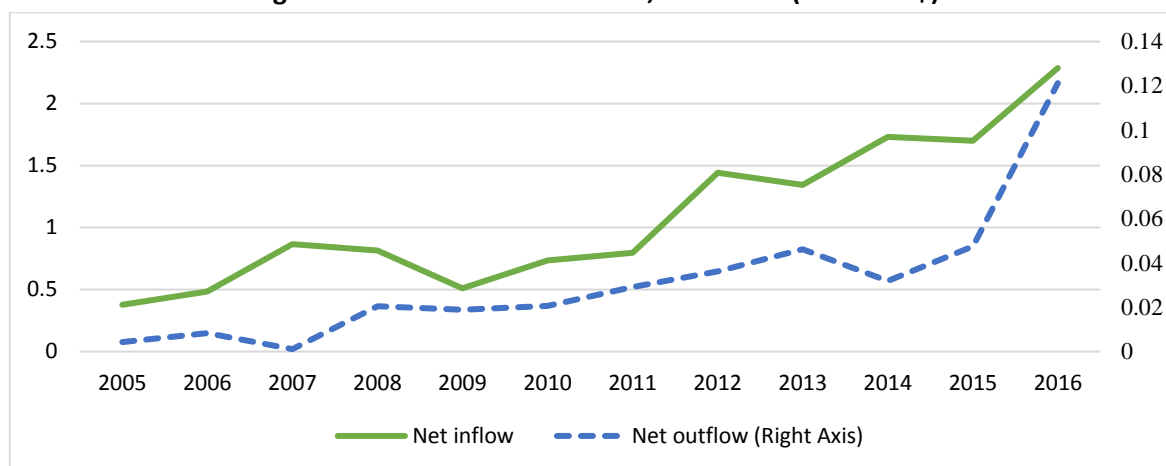


Source: Ministry of Economy and Finance (2018).

The investment-to-GDP ratio that includes both public and private accounts was almost 30% in 2016. FDI inflow in 2016 accounted for US\$2.3 billion (CDC, 2017a)² and FDI outflow accounted for about US\$1.2 billion in the same period (World Bank, 2017).

² Data was estimated based on equity provided by the Council for the Development of Cambodia with project approval.

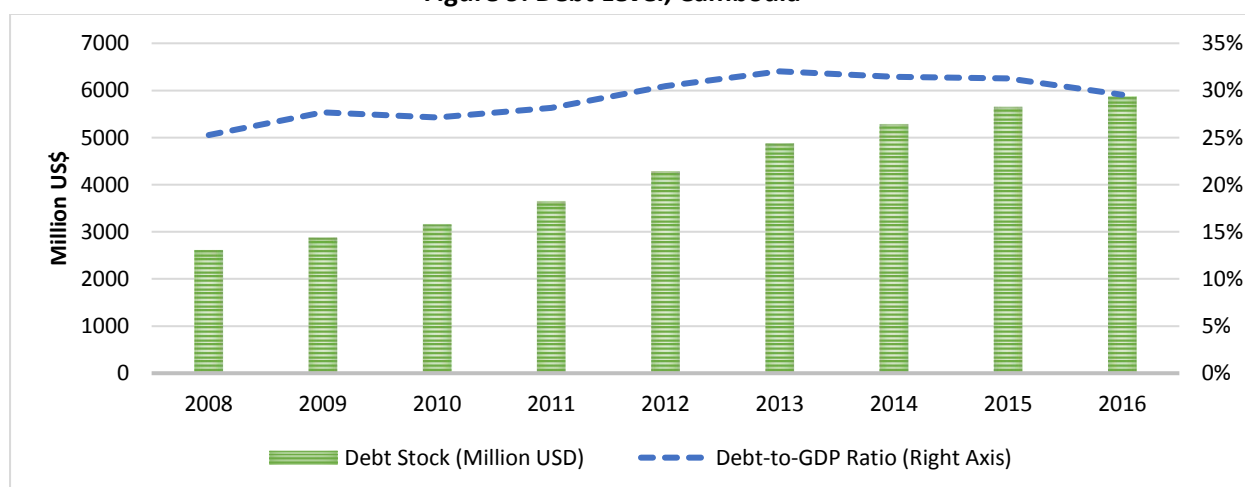
Figure 8. FDI Inflow and Outflow, Cambodia (billion US\$)



Source: World Bank (2018).

As an emerging least-developed country, Cambodia’s financial market is still at the early stage of development. Since Cambodia is a dollarised economy, monetary policy has a limited role in the economy. Thus, Cambodia relies heavily on fiscal policy to manage its economy. On its budget, the government has improved the implementation of the tax system. Although the government expenditure has increased in recent years, as a medium-term strategy, the government aims to balance the revenue and expenditure to tighten the budget deficit.

Figure 9. Debt Level, Cambodia



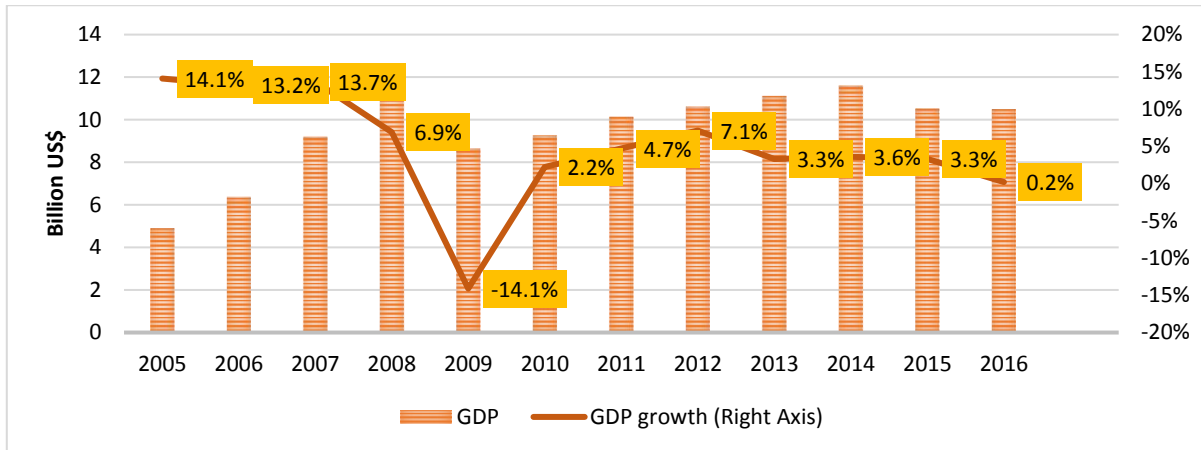
Source: Ministry of Economy and Finance (2018).

3. EAEU Member Countries

3.1. Overview of Armenia’s economy

After a decade of double-digit growth, the Armenian economy is now experiencing slower growth. The economy is more diversified in terms of services, resources, and agriculture. However, it strongly depends on mineral resources and agriculture for sustained growth. In 2016, the economy grew slightly about 0.2% mainly due to a weaker external environment. The structure of the economy remains highly dependent on Russia for continual growth.

Figure 10. GDP and Growth Rate, Armenia

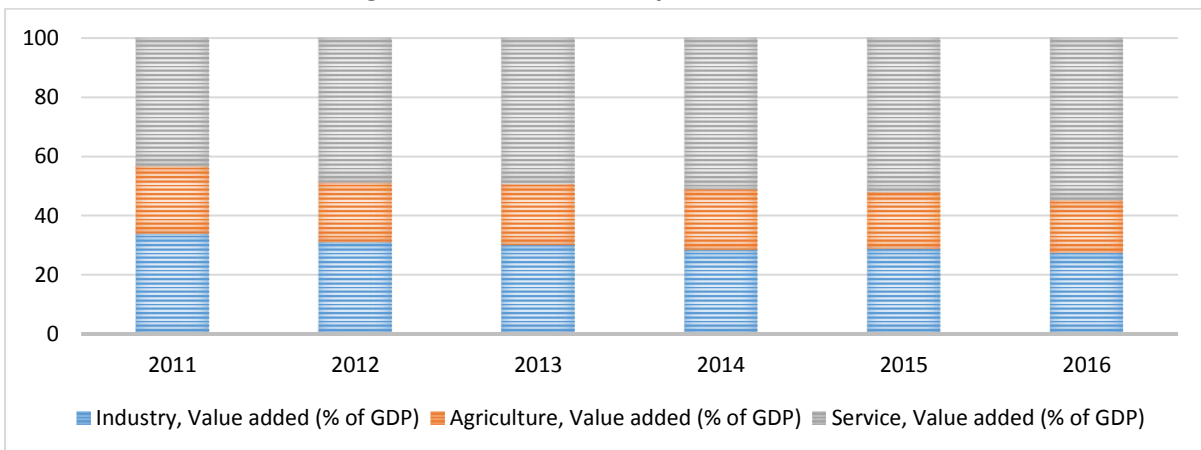


GDP = gross domestic product.

Source: International Monetary Fund (2018).

The share of the services sector accounted for more than 50% of GDP, while that of agriculture remained at almost 18% of GDP in 2016. Industry share also weakened in 2016 (Figure 11).

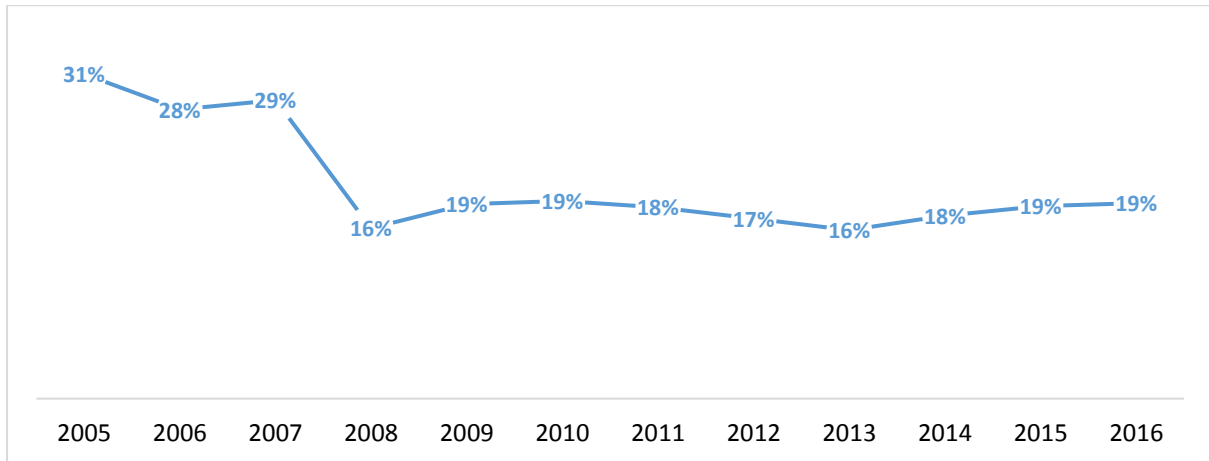
Figure 11. Share of GDP by Sector, Armenia



Source: World Bank (2018).

Unemployment has remained stable at a high rate of almost 20% (Figure 12). From 2010, the employment rate has not changed much due to a huge emigration to Russia. As a result, remittance has contributed significantly to the economic growth, thus making the economy vulnerable to external shocks.

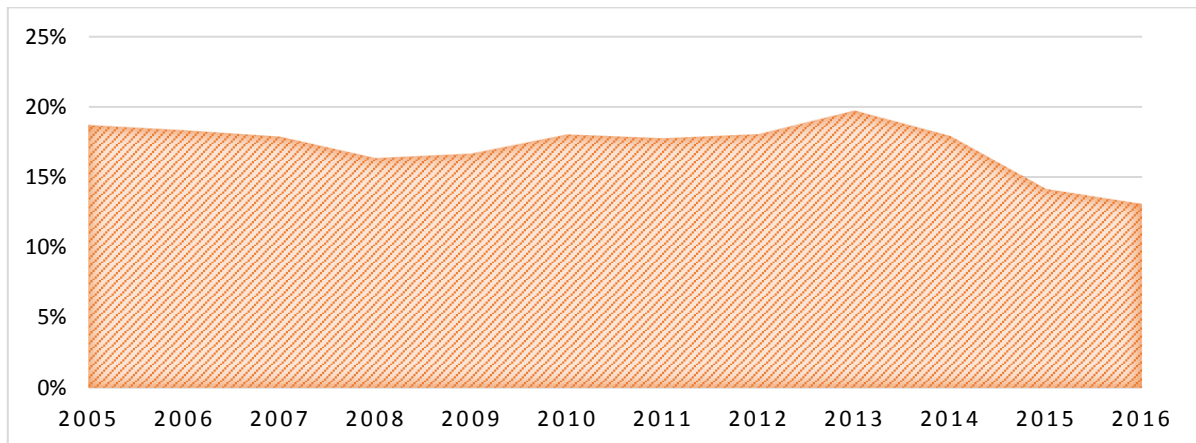
Figure 12. Unemployment Rate, Armenia



Source: International Monetary Fund (2018).

Hence, remittance plays an important role in Armenia, with the share of remittance to GDP averaging at 19% in 2005 and later declining to 13% in 2016 (Figure 13). The main source of remittance was from Russia, accounting for 89%, with migrant workers contributing to more than 80% (IMF, 2012).

Figure 13. Share of Remittance to GDP, Armenia

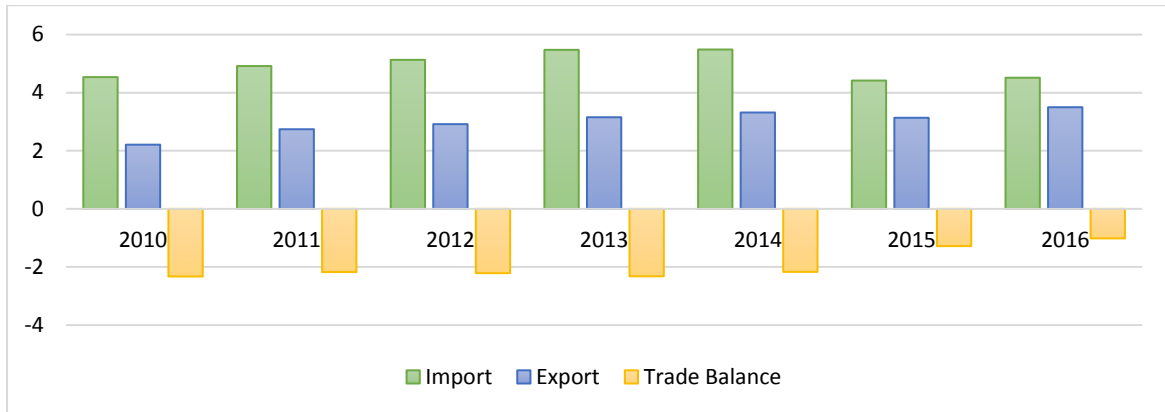


GDP = gross domestic product.
Source: World Bank (2018).

Although Armenia has a negative trade balance, the gap has been shrinking in the past few years (Figure 14). As indicated in the product complexity index³, the main export products are copper ore, rolled tobacco, hard liquor, gold, and diamonds, while the main imports include petroleum and gas, unspecified, diamonds, and packaged medicaments. Similarly, its top export partners include Russia, Bulgaria, Georgia, Iraq, and Germany, while its main import partners are Russia, Germany, Georgia, China, and Italy.

³ See <https://atlas.media.mit.edu/en/profile/country/arm/>

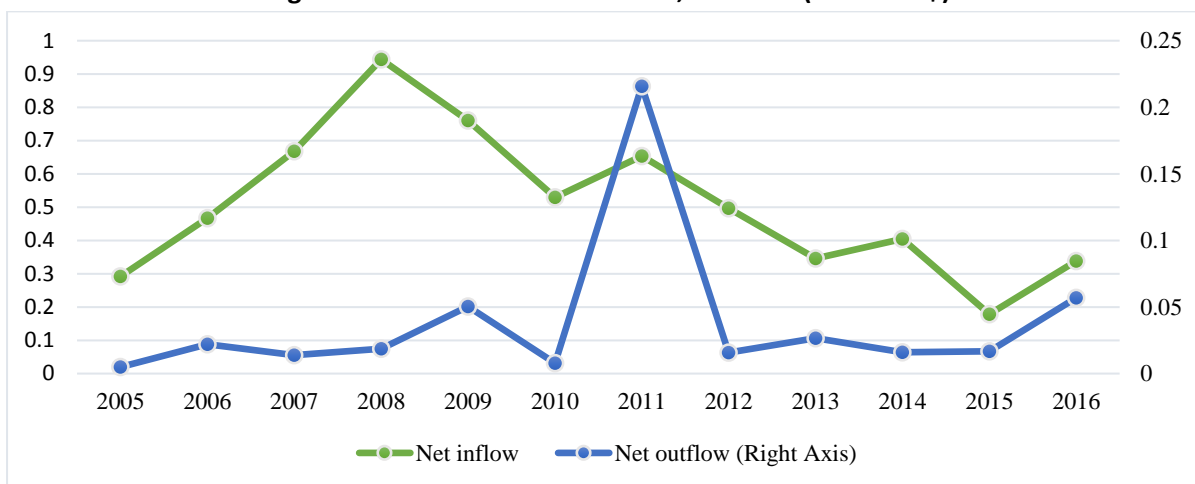
Figure 14. Trade Balance, Armenia (billion US\$)



Source: International Monetary Fund (2018).

FDI plays a critical role in the Armenian economy, with the main source of FDI coming from Russia, the EU (France, Argentina, Germany), and the US. The key sectors for FDI activities in the past decade were electricity, gas, mining, telecommunications, real estate, and beverage.

Figure 15. FDI Inflow and Outflow, Armenia (billion US\$)

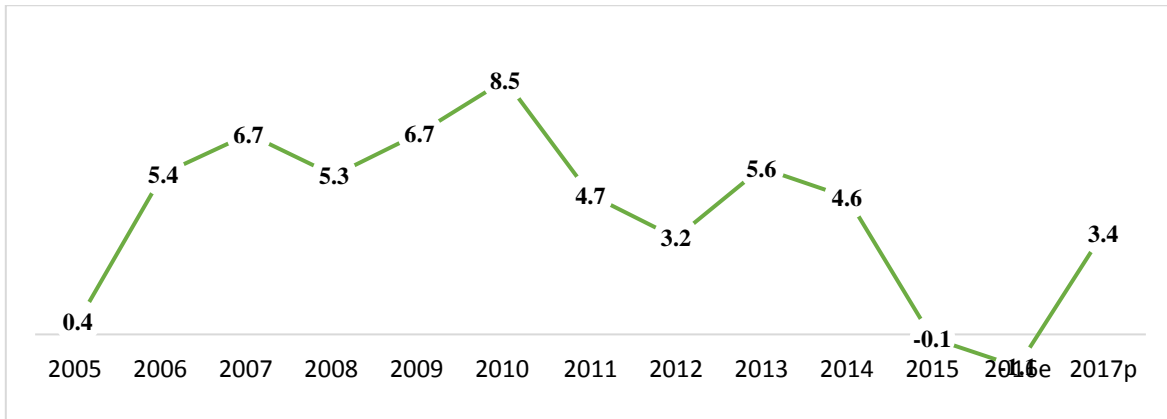


FDI = foreign direct investment.

Source: World Bank (2018).

Inflation remained at a low rate despite the fluctuation (Figure 16). Armenia had pursued a sound macroeconomic policy to avoid the exposure to the global financial crisis in 2008.

Figure 16. Inflation Rate, Armenia (%)



Source: International Monetary Fund (2018).

In the past, Armenia used concessional financing to achieve growth. During the slow consumption in 2015, the government was said to have engaged in countercyclical expansionary fiscal policy to boost consumption. Hence, economic growth was negative and the budget deficit highly increased in 2015 and 2016.

Figure 17. Debt Level, Armenia

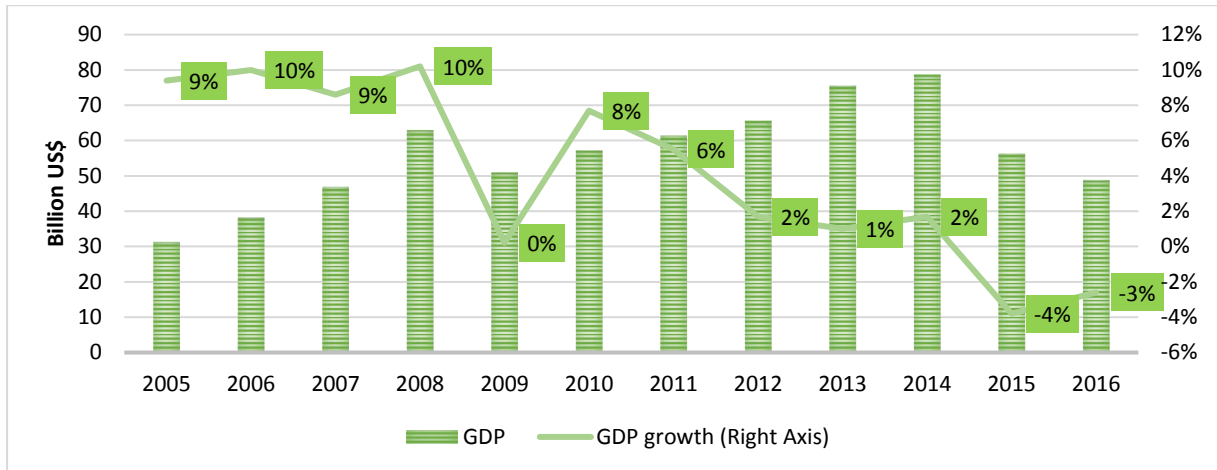


Source: International Monetary Fund (2018).

3.2. Overview of the Belarus economy

Belarus is an upper middle-income country in the EAEU with a per capita income of about US\$5,000 in 2016. The growth rate had been slowing down since 2010 until it reached negative growth in 2015–2016 (Figure 18). Imports and exports were also negative from 2016 to 2017. Government debt was about 48% to GDP in 2016, and was forecasted to increase in following years.

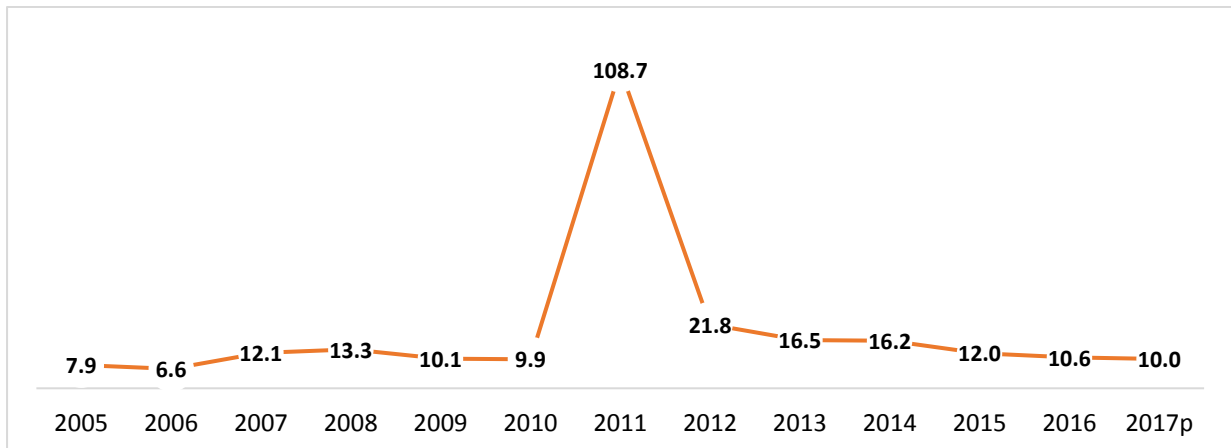
Figure 18. GDP and Growth Rate, Belarus



GDP = gross domestic product.
 Source: International Monetary Fund (2018).

The economy devalued its currency in 2010, thus putting strong pressure on growth and prices. Inflation peaked to more than 100% in 2011, declining to around 11% in 2016 and then to 10% in 2017 (Figure 19).

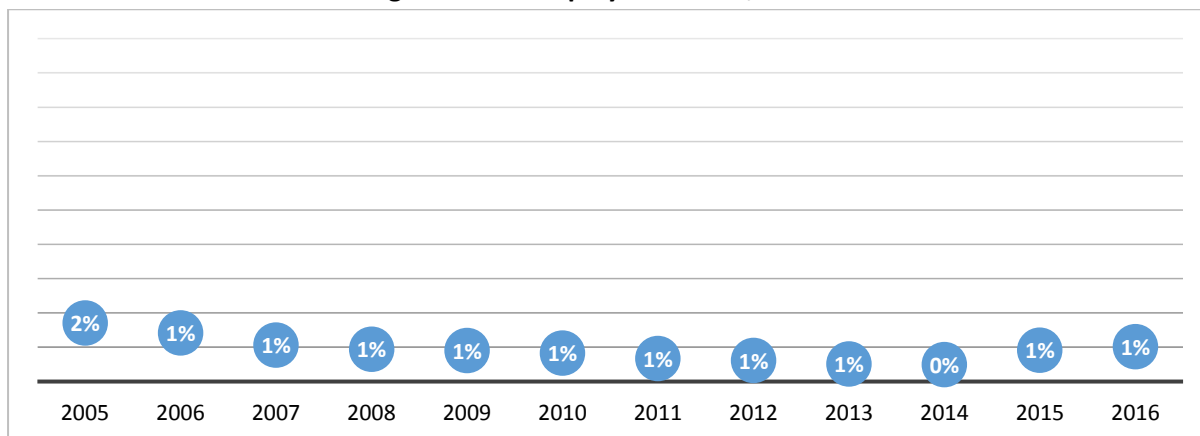
Figure 19. Inflation Rate, Belarus



Source: International Monetary Fund (2018).

Belarus has a relatively high human capital as reflected in the human development index. Also, unemployment remains at a low rate of around 1% despite the slow economic growth (Figure 20).

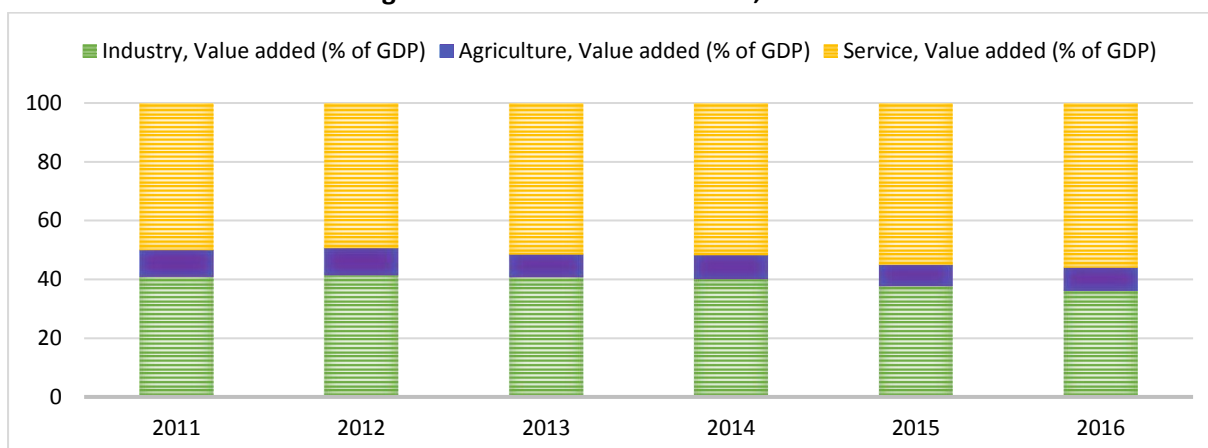
Figure 20. Unemployment Rate, Belarus



Source: International Monetary Fund (2018).

Belarus is a more diversified economy with a well-developed industry. The economy is driven by both the services and industry sectors, accounting for 56% and 36%, respectively, in 2016 (Figure 21). After the breakup from the former Soviet Union, Belarus built the strongest industrial base, thus making the country less reliant on agriculture. However, its economy is still closely tied to the external environment, especially to the Russian economy.

Figure 21. Sectoral Share of GDP, Belarus



GDP = gross domestic product.

Source: World Bank (2018).

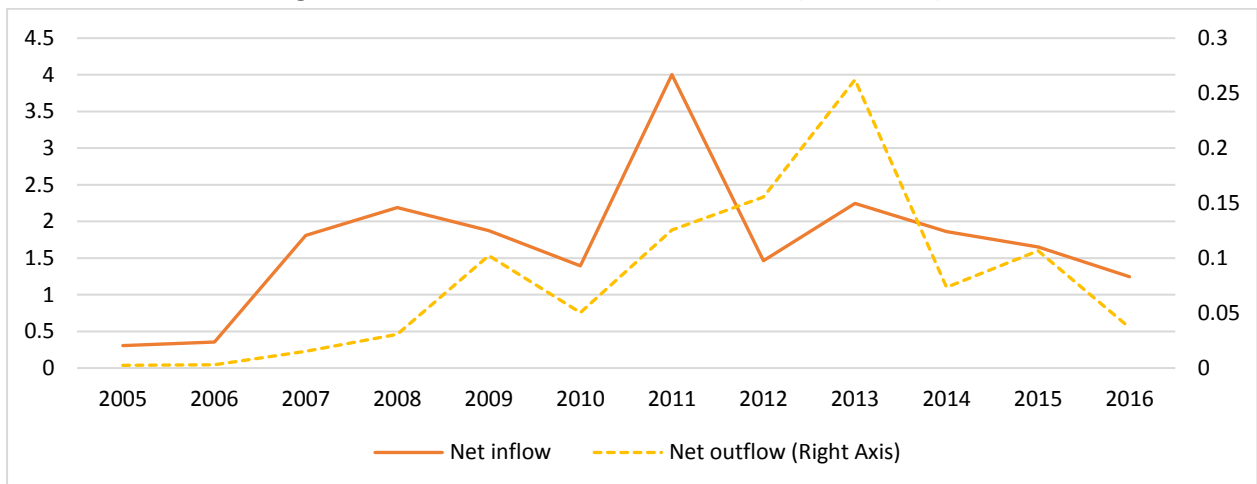
As the industry sector is well developed, it is the main driver for growth, with trade as the key driver of the economy. The industrial structure is diversified in machine and instrument building, electronics, and agricultural production. The country's main trading partners are Russia, Ukraine, Poland, and Germany. The top exports are refined petroleum, delivery trucks, tractors, and fertilisers, while imports include petroleum, gas, and packaged medicament as shown in the product complexity index. In the past few years, FDI inflow had moved downwards (Figure 23). However, it remained stable compared to the GDP.

Figure 22. Trade Balance, Belarus (billion US\$)



Source: International Monetary Fund (2018).

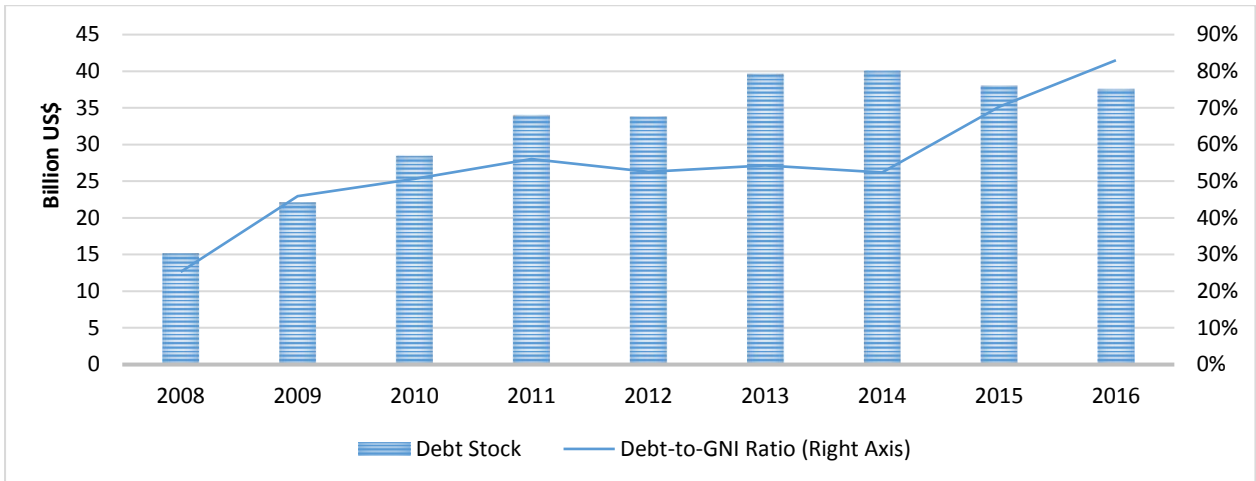
Figure 23. FDI Inflow and Outflow, Belarus (billion US\$)



Source: World Bank (2018).

Debt has been declining for the past few years due to fiscal austerity and tightening of the government budget. The tightening of monetary policy has successfully curbed inflation; however, the tightening in fiscal policy and the slowdown of the Russian economy have contracted Belarus's economy. Private consumption in 2016 faced a negative growth given the decline in real wage amidst a weak labour market.

Figure 24. Debt Level, Belarus

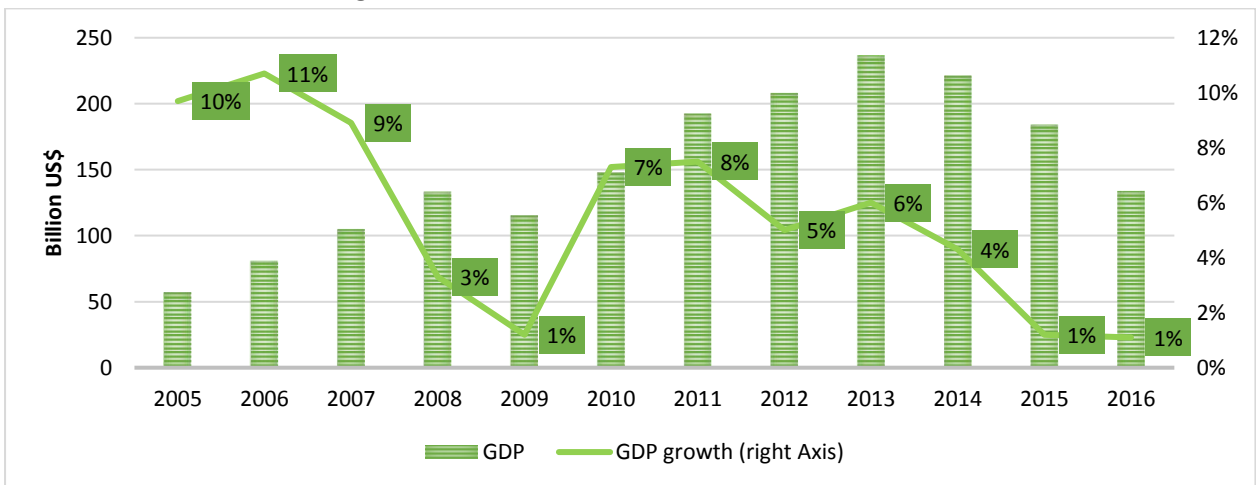


Source: International Monetary Fund (2018).

3.3 Overview of the Kazakhstan economy

Kazakhstan was classified as an upper middle-income country in 2015 with a GDP per capita of about \$7,700 in 2016. The economy grew around 1.1% in 2016 and relied on natural resource extraction as a key sector for growth that made the economy vulnerable to external shocks and global demand and price of oil. The decline in global oil price since 2014 strongly contracted the economy.

Figure 25. GDP and Growth Rate, Kazakhstan

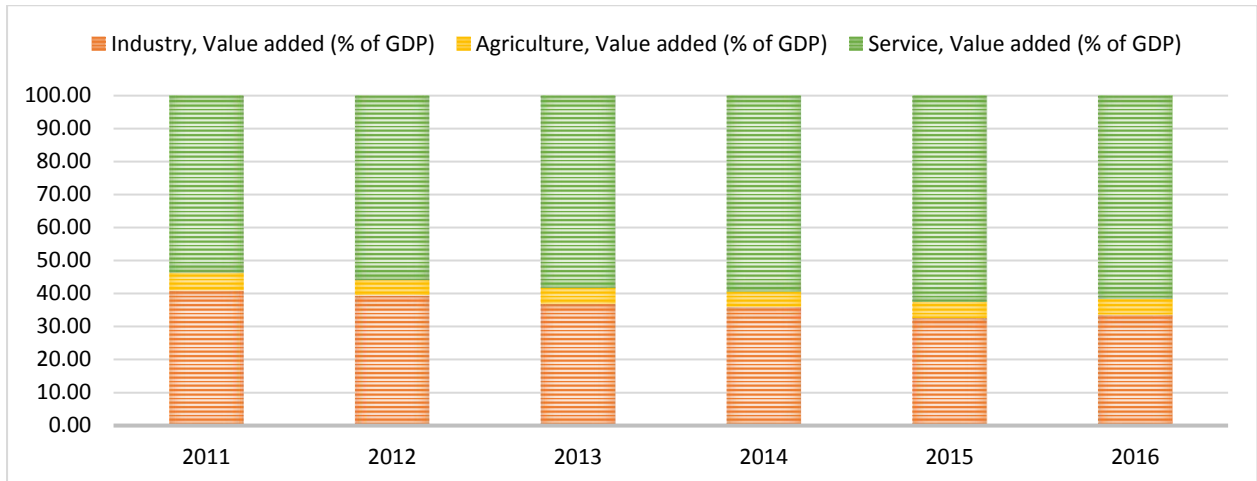


GDP = gross domestic product.

Source: International Monetary Fund (2018).

The industry and services sectors are the key contributors to the economy, accounting for almost 95% of GDP in 2016 (Figure 26). Key industries include refining and metallurgy, chemical, light manufacturing, food processing, and oil and gas. The share of agriculture has been low since 2005 mainly due to low investment in this sector.

Figure 26. Share of GDP by Sector, Kazakhstan

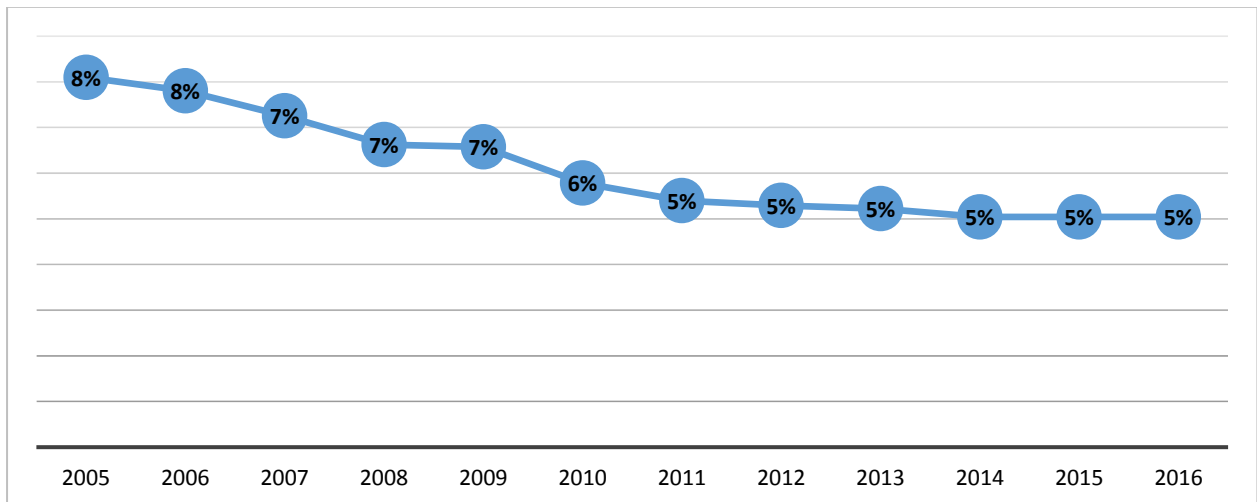


GDP = gross domestic product.

Source: World Bank (2018).

The labour force consists of young workers, about 40% of whom are 15–24 years old. The unemployment rate has been moving on a downward trend and reached around 5% in 2016 (Figure 27). Although the workforce comprises young and educated labour force, many large industries still rely on the technical skills of foreign workers and engineers.

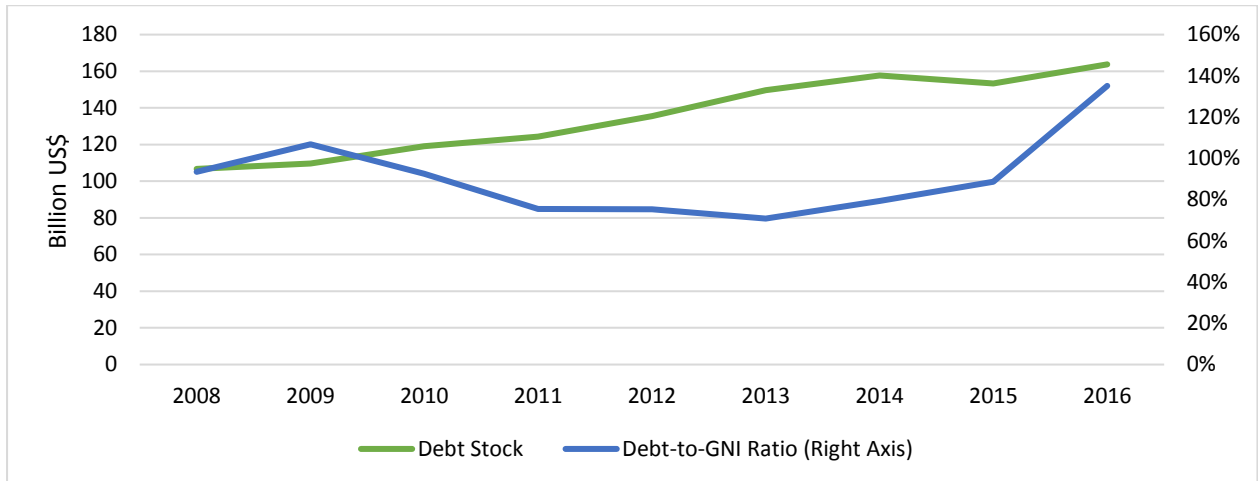
Figure 27. Unemployment Rate, Kazakhstan



Source: International Monetary Fund (2018).

The high level of debt in the country, most of which is private debt, is not a main economic issue for Kazakhstan. Public debt to GDP accounted for only about 21% in 2016, which was slightly lower compared to that of 2015.

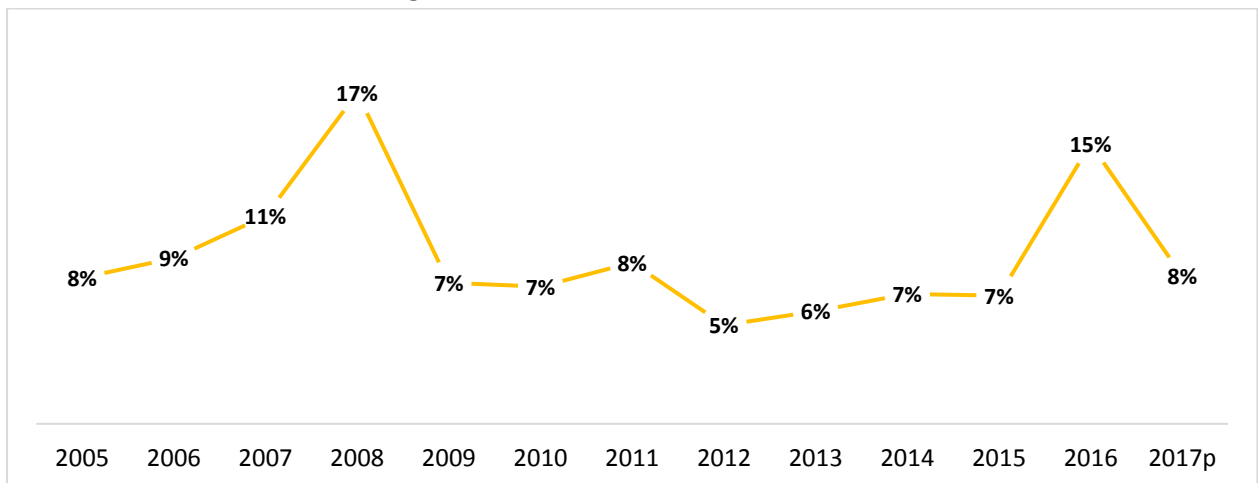
Figure 28. Debt Level, Kazakhstan



Source: World Bank (2018).

Since Kazakhstan is a key oil exporting country in the EAEU, ensuring price stability is important for the economy, so the central bank announced the adoption of inflation in 2015. Inflation had remained under control over the past decade despite a big jump in 2016.⁴ However, it dropped back to around 7% in 2017 (Figure 29).

Figure 29. Inflation Rate, Kazakhstan



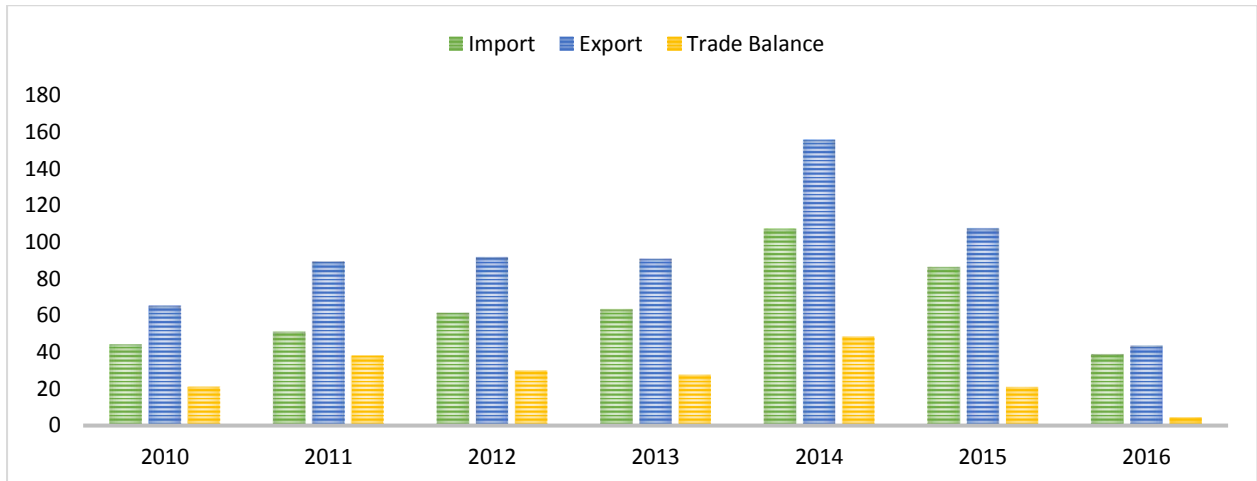
Source: International Monetary Fund (2018).

Kazakhstan has been maintaining a trade surplus. In 2016, it exported US\$36.8 billion and imported US\$25.1 billion, resulting in a positive trade balance (Figure 30). Its main trading partners are Russia, China, and Italy. Key exports include crude petroleum, refined copper, radioactive chemicals, gas, and ferroalloys, while main imports are refined petroleum, packaged medical equipment, large iron pipes, valves, and petroleum gas.⁵ The period 2005–2008 was characterised by a sharp rise of FDI inflow, which boosted oil and gas production to \$17.6 billion in 2016 (Figure 30).

⁴ The core inflation was roughly similar within this period.

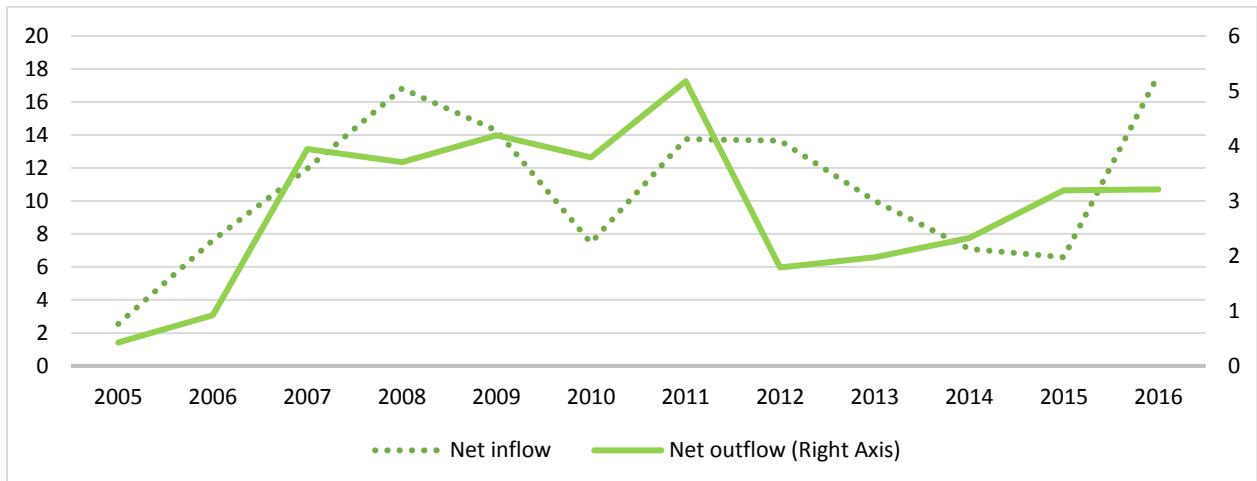
⁵ See <https://atlas.media.mit.edu/en/profile/country/kaz/>

Figure 30. Trade Balance, Kazakhstan (billion US\$)



Source: International Monetary Fund (2018).

Figure 31. FDI Inflow and Outflow, Kazakhstan (billion US\$)



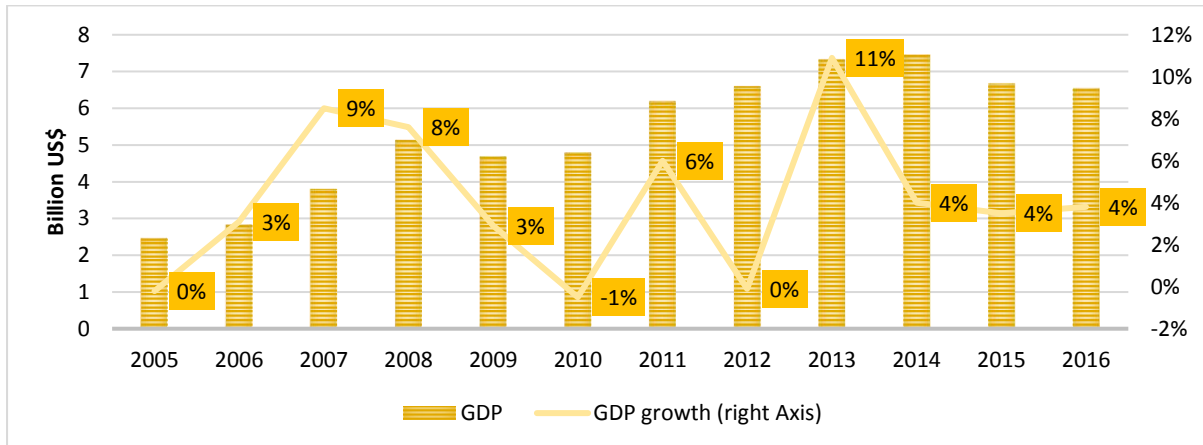
Source: World Bank (2018).

In terms of monetary policy, the national bank had introduced deposit insurance in the banking sector. It adopted inflation targeting between 6%–8% in the medium term and introduced measures to keep the national reserves intact. With more flexibility in the foreign exchange market, the managed float exchange rate has caused the tenge, Kazakhstan’s currency, to appreciate sharply against the US dollar since 2014 that made the government intervene in the foreign exchange market.

3.4 Overview of Kyrgyzstan's economy

Kyrgyzstan is a small landlocked country populated by about 6.2 million in 2016. The economy grew around 3.8% with GDP per capita of about \$1,081 in 2016 (Figure 32). It is vulnerable to external shocks since it largely depends on remittances, which comprise about 30% of GDP. It possesses a gold mine, Kumtor, that contributes to about 10% to GDP. To achieve growth, the economy should be diversified from the gold sector. The government should also boost export and investment.

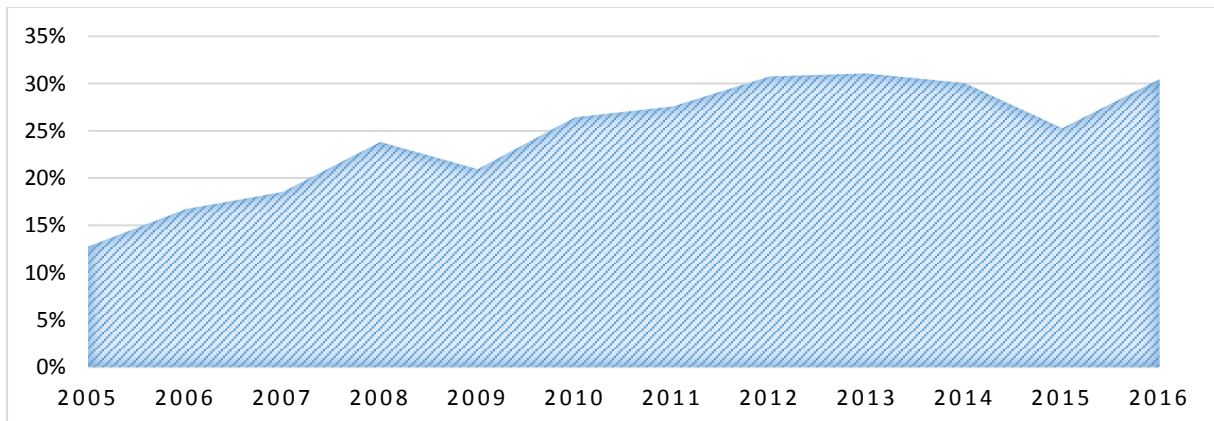
Figure 32. GDP and Growth Rate, Kyrgyzstan



GDP = gross domestic product.
Source: International Monetary Fund (2018).

The size of remittances increased substantially in the last decade, reaching 30% of GDP in 2016 (Figure 33). Their main sources are Russia, Ukraine, and Germany.

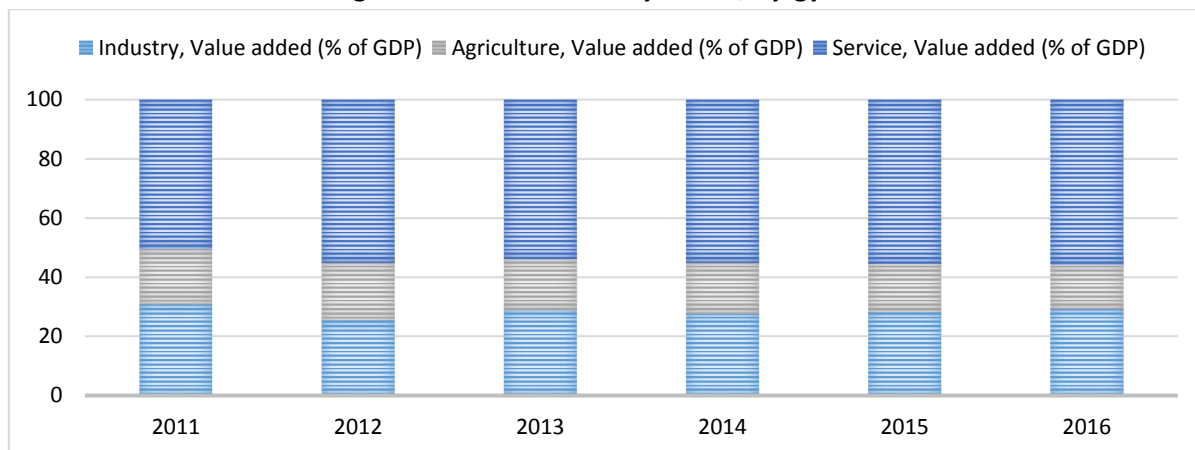
Figure 33. Share of Personal Remittances to GDP, Kyrgyzstan



GDP = gross domestic product.
Source: World Bank (2018).

The services and industry sectors are the main contributors to GDP, accounting for 56% and 29%, respectively, in 2016 (Figure 34). The share of agriculture dropped sharply in the past decades, mostly from 2005 to 2010.

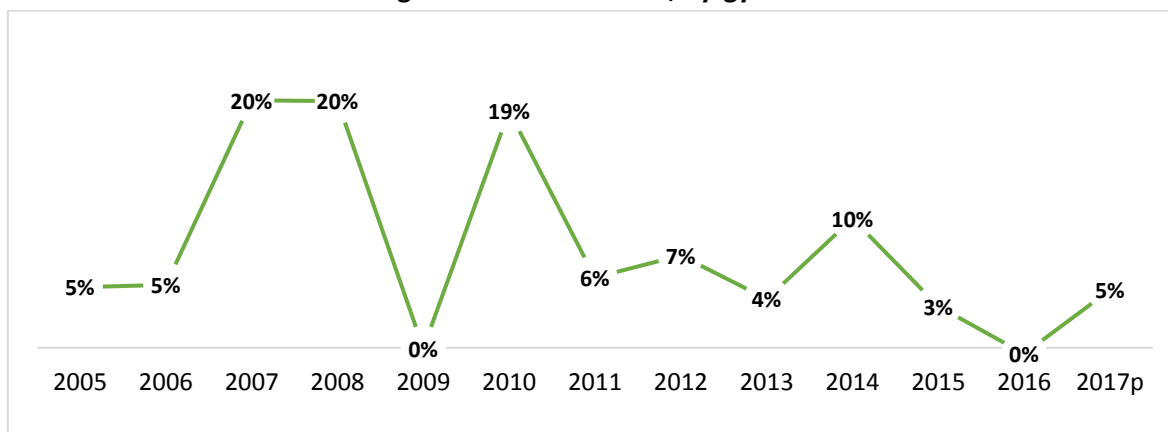
Figure 34. Share of GDP by Sector, Kyrgyzstan



GDP = gross domestic product.
Source: World Bank (2018).

In the last decade, inflation fluctuated substantially but stabilised after 2011 (Figure 35).

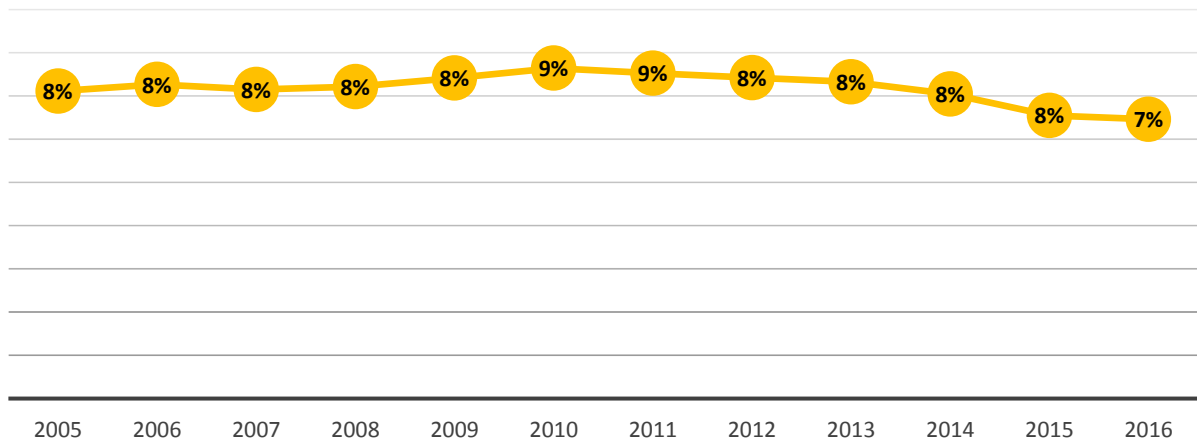
Figure 35. Inflation Rate, Kyrgyzstan



Source: International Monetary Fund (2017).

According to the World Economic Outlook, 63% of the population is in the labour force, of which 50% are young workers (IMF, 2018). Although unemployment remained stable at an average of 8% over the past decade, it has been declining since 2010 (Figure 36).

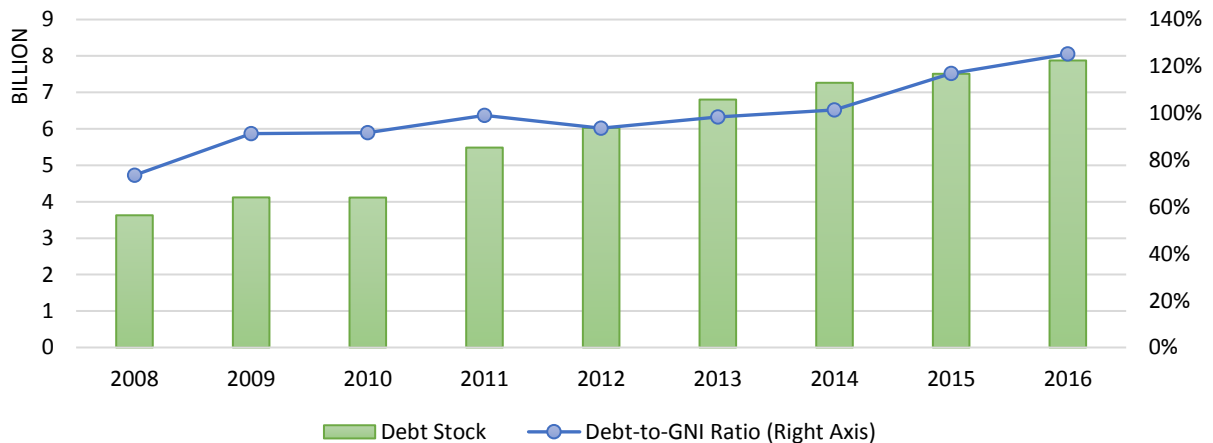
Figure 36. Unemployment Rate, Kyrgyzstan



Source: International Monetary Fund (2018).

The amount of debt has been increasing significantly since 2008 (Figure 37). On the other hand, government debt to GDP accounted for about 60% in 2016 (World Bank, 2017).

Figure 37. Debt Level, Kyrgyzstan (billion US\$)

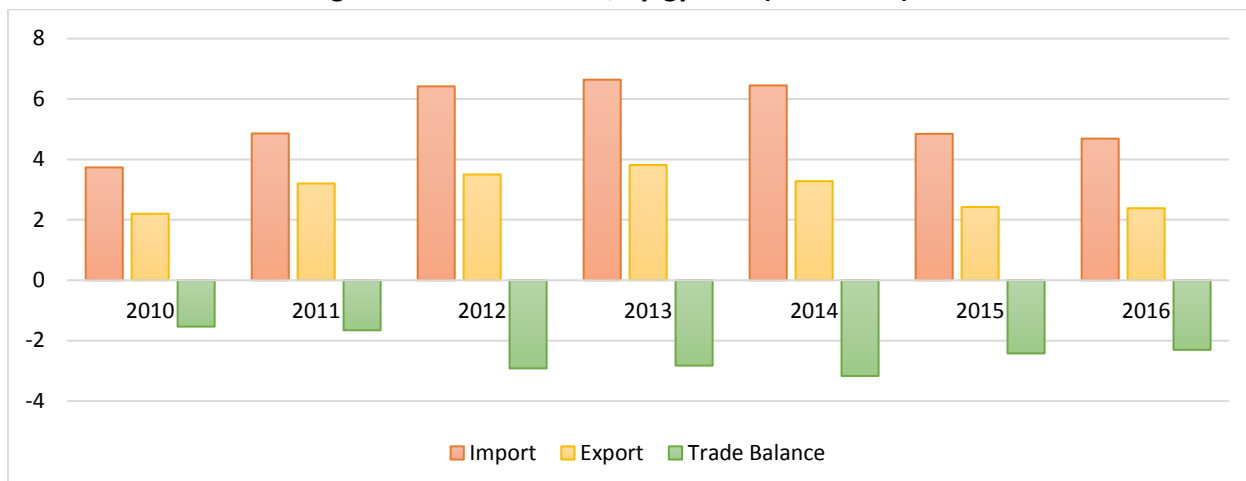


GNI = gross national income.

Source: World Bank (2018).

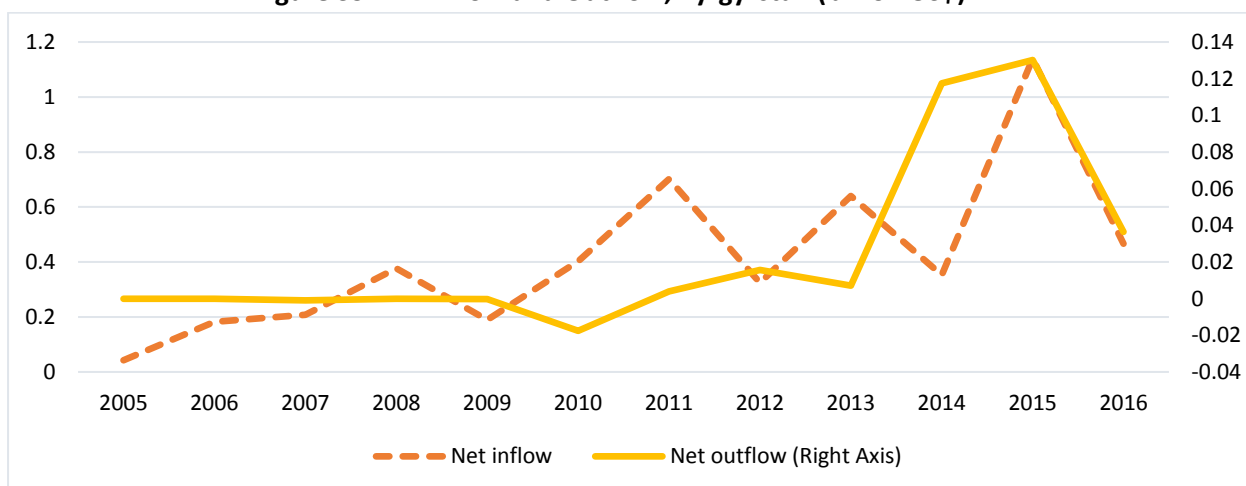
Kyrgyzstan has been facing a trade deficit for over a decade. In 2016, total export accounted for US\$1.4 billion, while total import was \$3.8 billion. The top exports are gold; precious metal ore; dried legumes; and planes, helicopters, and spacecraft. Its imports mainly consist of refined petroleum, rubber footwear, and package medicament. Its main trading partners include Kazakhstan, Russia, China, Turkey, and Switzerland.

Figure 38. Trade Balance, Kyrgyzstan (billion US\$)



Source: International Monetary Fund (2018).

Figure 39. FDI Inflow and Outflow, Kyrgyzstan (billion US\$)



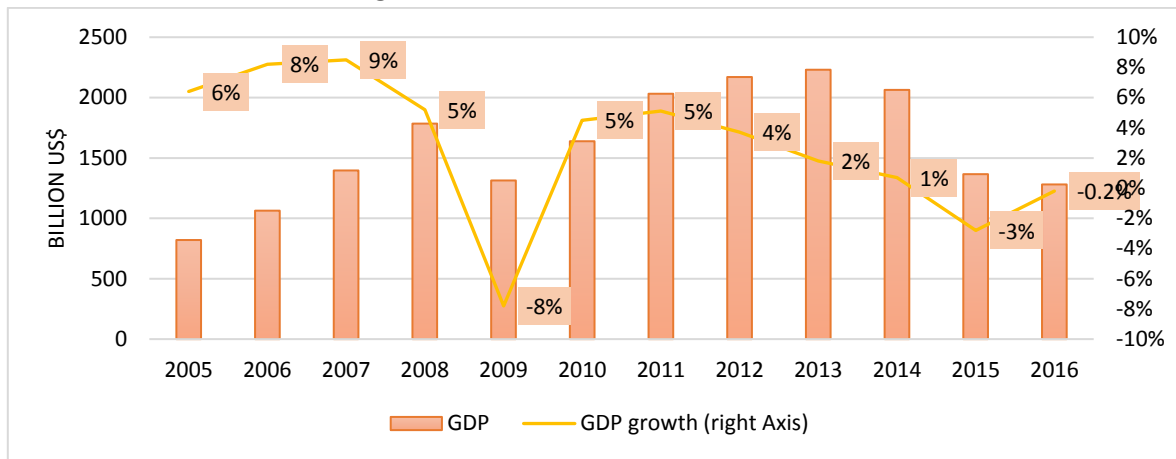
Source: World Bank (2018).

With declining productivity growth, the government has implemented an expansionary fiscal policy to boost consumption demand in the short run to overcome the fiscal deficit. The finance sector is still underdeveloped, and a weak transmission mechanism has resulted in an excessive liquidity in the banking sector. Dealing with the rapid credit expansion in 2014, the government has tightened monetary policy, including the foreign exchange market, to reduce money supply that shrunk the economy.

3.5 Overview of the Russian economy

In 2015 and 2016, Russia experienced growth rates of -2.8% and -0.2%, respectively (Figure 40). Since 2017, the economy has recovered gradually showing a positive trend.

Figure 40. GDP and Growth Rate, Russia

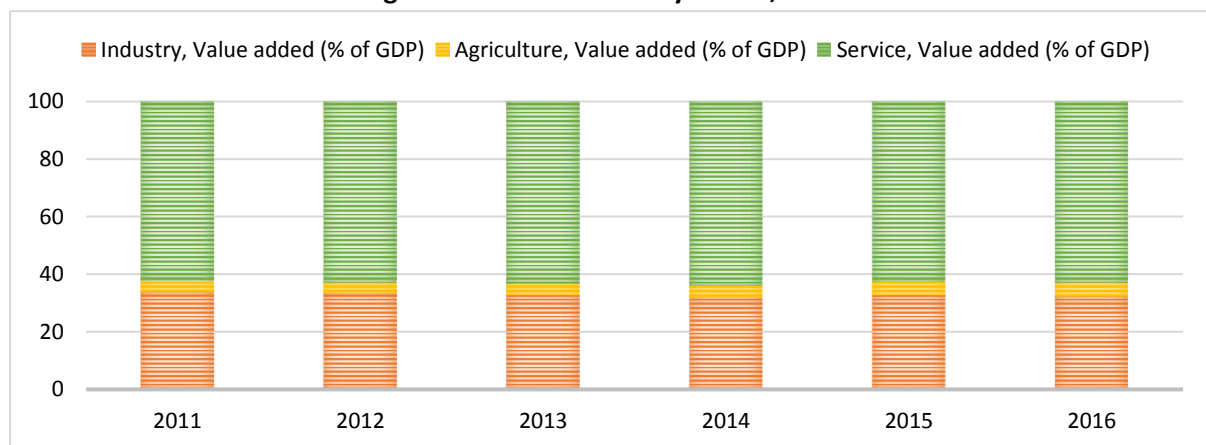


GDP = gross domestic product.

Source: International Monetary Fund (2018).

The services sector is the dominant sector in the economy (Figure 41). Inflation was over 5% in 2016, while the unemployment rate was around 6% for the past 5 years (Figures 41 and 42). The public debt-to-GDP ratio was about 13% in 2016. Household consumption remained strong, given the rise in real wage in 2017. With more than 70% of Russia’s labour force possessing advanced education, the industry relies on high-tech manufacturing. As the economy is tied to the external environment, global demand is expected to boost exports.

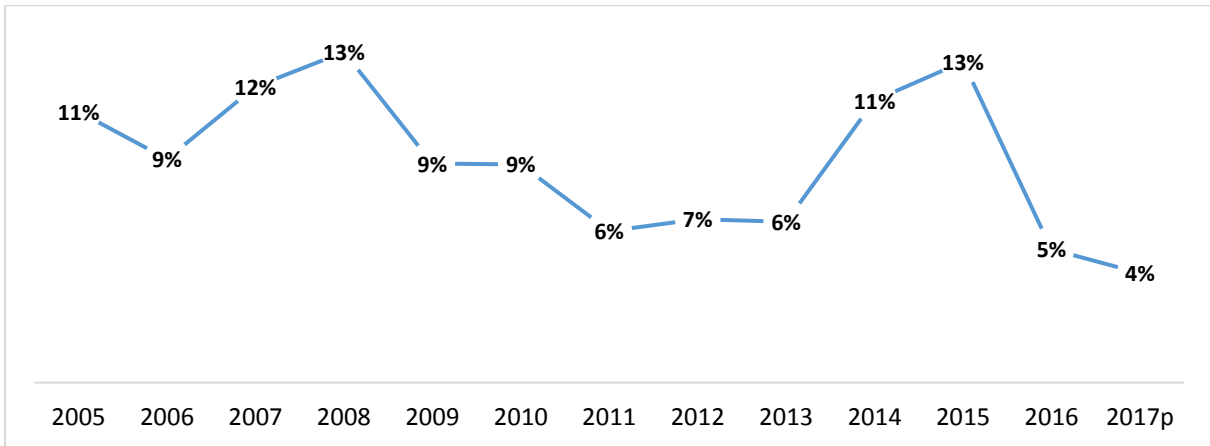
Figure 41. Share of GDP by Sector, Russia



GDP = gross domestic product.

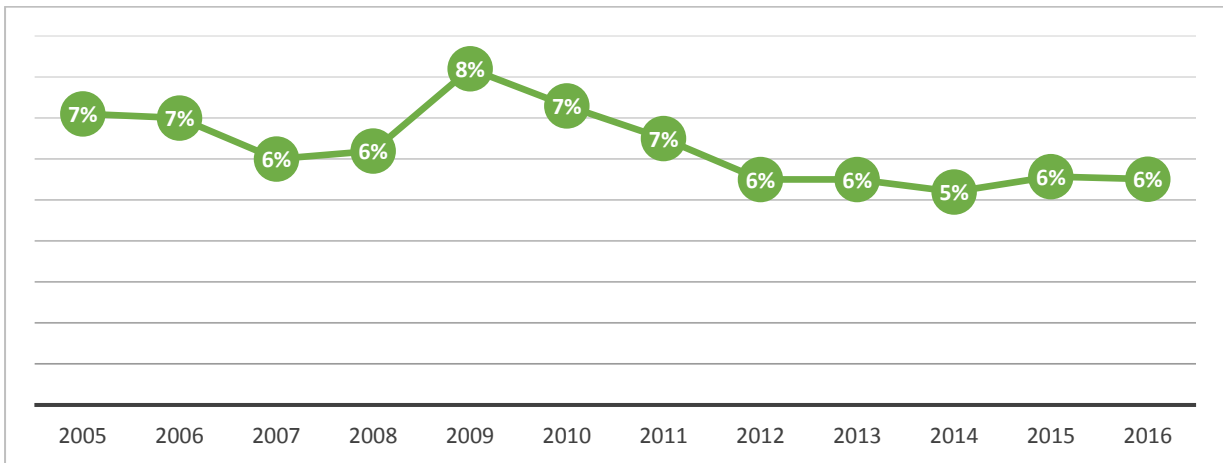
Source: (International Monetary Fund (2018)).

Figure 42. Inflation Rate, Russia



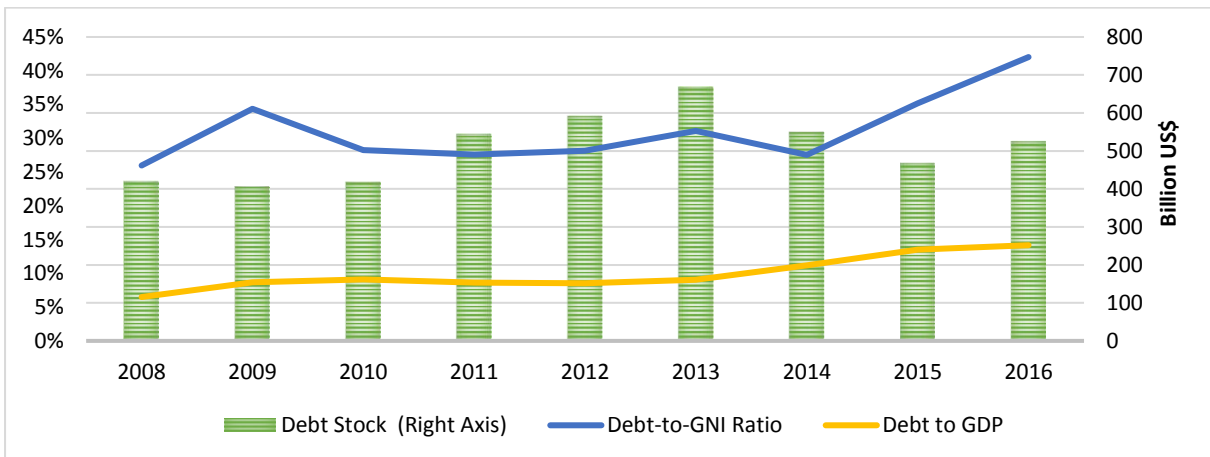
Source: International Monetary Fund (2018).

Figure 43. Unemployment Rate, Russia



Source: International Monetary Fund (2018).

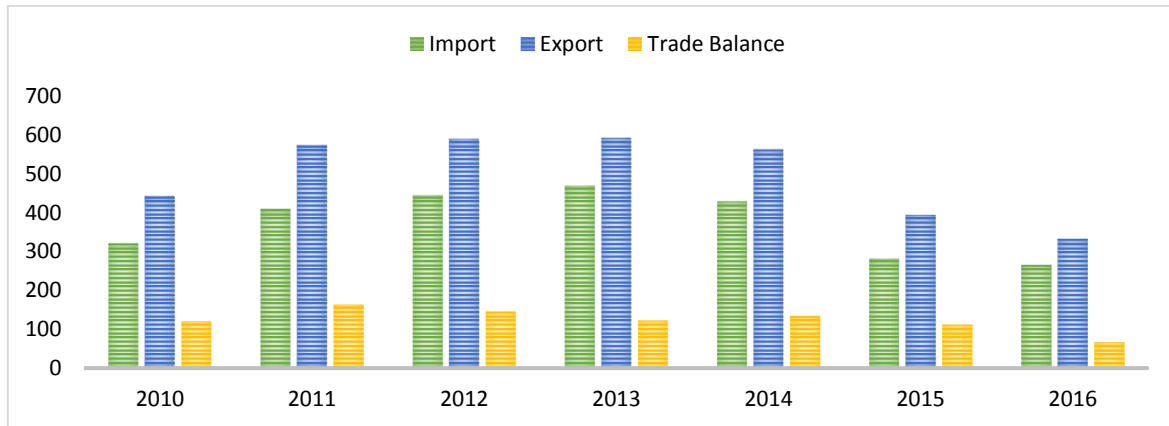
Figure 44. Debt Level, Russia



GDP = gross domestic product, GNI = gross national income.
 Source: World Bank (2018).

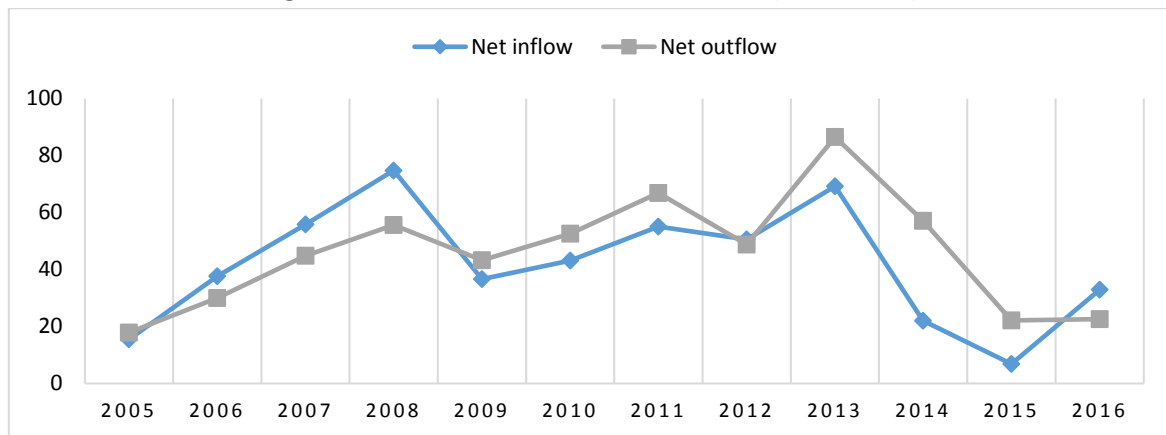
Russia has accumulated a trade surplus with export and import amounting to \$282 billion and \$192 billion, respectively. Its main export is led by crude petroleum, followed by unspecified and coal briquettes. Its main imports include package medication, car, heating machinery, and vehicle parts.

Figure 45. Trade Balance, Russia (billion US\$)



Source: International Monetary Fund (2018).

Figure 46. FDI Inflow and Outflow, Russia (billion US\$)



FDI = foreign direct investment.

Source: World Bank (2018).

On the fiscal side, the recent decline of oil prices impacted on government expenditure as the central bank had to lower the interest rates from 17% in 2014 to 10% in September 2016, to reduce the inflation rate and boost spending. The country has allowed a floating exchange rate after 2 decades of fixed exchange rate system.

4. Trade between Cambodia and the EAEU

4.1 Bilateral trade between Cambodia and EAEU members

Cambodia, as an open economy, is very active in international trade. The country's total exports globally grew on average by 14% annually, increasing from US\$4.2 billion in 2009 to more than US\$10 billion in 2016 (Table 3). Imports increased from US\$6 billion to more than US\$12 billion, with an average growth rate of 12% between 2010 and 2016. Exports to ASEAN and the EAEU increased on average by 20% and 25%, respectively. Imports from ASEAN and the EAEU increased by 11% and 3%, respectively, during the same period.

Table 3. Trade and Shares by Destination, Cambodia ('000 US\$)

Year	Exports					Imports				
	World	ASEAN		EAEU		World	ASEAN		EAEU	
2005	3,018,613	232,241.2	7.7%	4,600	0.15%	3,927,000	1,771,883.4	45.1%	4,590	0.12%
2006	3,566,413	281,375.3	7.9%	6,643	0.19%	4,771,240	2,301,114.2	48.2%	4,789	0.10%
2007	4,088,480	310,077.3	7.6%	12,742	0.31%	5,438,870	2,589,330.7	47.6%	11,373	0.21%
2008	4,358,188	365,367.5	8.4%	18,524	0.43%	6,508,420	3,458,324.3	53.1%	9,105	0.14%
2009	4,196,210	599,079.6	14.3%	18,220	0.43%	5,830,456	3,129,585.7	53.7%	17,530	0.30%
2010	5,590,104	684,622.4	12.2%	27,479	0.49%	6,790,731	3,970,892.4	58.5%	6,698	0.10%
2011	6,704,137	785,620.9	11.7%	53,449	0.80%	9,300,000	4,873,117.9	52.4%	8,472	0.09%
2012	7,838,101	1,151,193.4	14.7%	62,130	0.79%	11,350,000	6,045,793.5	53.3%	11,967	0.11%
2013	6,665,903	826,312.4	12.4%	63,549	0.95%	9,555,193	4,814,834.3	50.4%	7,659	0.08%
2014	6,846,019	769,488.2	11.2%	62,445	0.91%	9,702,422	4,841,724.5	49.9%	5,472	0.06%
2015	8,542,434	1,062,504.2	12.4%	53,564	0.63%	10,668,923	5,190,003.3	48.6%	3,401	0.03%
2016	10,069,332	1,709,537.3	17.0%	69,034	0.69%	12,371,008	5,926,855.0	47.9%	7,328	0.06%
Average Growth from 2010-2016	14.4%	19.9%		25.3%		12.4%	10.8%		2.7%	

ASEAN = Association of Southeast Asian Nations, EAEU = Eurasia Economic Union.

Source: Computed from UNCTAD Statistics (2017).

In 2016, ASEAN accounted for 17% of Cambodia's total exports, an increase of about 12% in 2010 and 48% of total imports, which was a decrease from 58% in 2010 (Table 3). The current trade volume between Cambodia and the EAEU is small and the shares of both Cambodia's exports and imports are less than 1%.

After the rebound from the global financial crisis in 2009, both EAEU's exports and imports moderately increased to the year 2012, before declining significantly in 2013–2016, and thus lowering the average growth rate to about 2% from 2010 to 2016 (Table 3). The intra-EAEU trade followed the same trends, with an average growth rate of about 3% during the same period.

EAEU's exports and imports with ASEAN increased significantly after 2009, with exports peaking in 2014 before undergoing a sharp decline in 2015. The average growth rate of EAEU's exports in 2010–2016 was 14% and that of imports was 12%.

Table 4. EAEU's Trade and Shares by Destination ('000 US\$)

Year	Exports							Imports						
	World	Intra-EAEU		ASEAN		Cambodia		World	Intra-EAEU		ASEAN		Cambodia	
2005	286,884.0	26,775.4	9.3%	2,371.2	0.83%	2.4	0.001%	162,265.3	26,907.0	16.6%	2,194.0	1.35%	5.0	0.003%
2006	361,331.7	34,755.8	9.6%	2,156.5	0.60%	3.0	0.001%	214,390.7	33,782.9	15.8%	2,817.5	1.31%	7.4	0.003%
2007	426,731.9	45,296.2	10.6%	2,790.3	0.65%	11.2	0.003%	266,946.8	44,120.1	16.5%	3,345.8	1.25%	12.2	0.005%
2008	574,647.3	57,805.0	10.1%	4,804.5	0.84%	8.6	0.002%	352,421.4	56,912.3	16.1%	4,624.2	1.31%	19.0	0.005%
2009	368,653.0	39,276.0	10.7%	3,884.5	1.05%	9.3	0.003%	233,952.8	39,379.6	16.8%	3,475.5	1.49%	20.8	0.009%
2010	482,362.4	45,028.5	9.3%	6,898.9	1.43%	5.8	0.001%	301,907.2	42,649.4	14.1%	4,909.3	1.63%	28.4	0.009%
2011	649,818.6	65,139.0	10.0%	8,391.9	1.29%	3.9	0.001%	398,230.8	62,270.8	15.6%	6,722.9	1.69%	60.5	0.015%
2012	666,429.8	64,095.2	9.6%	7,838.9	1.18%	7.7	0.001%	416,775.4	71,557.0	17.2%	6,957.6	1.67%	68.1	0.016%
2013	652,693.5	61,886.0	9.5%	9,048.7	1.39%	10.4	0.002%	417,011.6	66,593.1	16.0%	7,620.3	1.83%	88.1	0.021%
2014	616,759.5	56,821.7	9.2%	12,451.4	2.02%	10.7	0.002%	378,296.6	60,828.7	16.1%	7,280.4	1.92%	87.4	0.023%
2015	419,446.6	41,146.8	9.8%	5,998.8	1.43%	5.3	0.001%	250,965.7	45,678.5	18.2%	6,047.8	2.41%	72.1	0.029%
2016	349,034.5	41,538.4	11.9%	6,239.0	1.79%	8.2	0.002%	242,104.8	41,440.2	17.1%	6,867.6	2.84%	94.7	0.039%
Average Growth from 2010-2016	1.7%	2.8%		14.0%		10.2%		2.7%	2.8%		11.9%		29.2%	

ASEAN = Association of Southeast Asian Nations, EAEU = Eurasia Economic Union.

Source: Computed from UNCTAD Statistics (2017).

4.2 Top trading products of Cambodia and the EAEU

Cambodia's top exports are garments; footwear; gold (re-export); motorcycles and cycles; agriculture products such as rice, vegetables, rubber, wood, and fruits; telecommunications and electronics equipment; and optical instruments. Plastics are also in the top-20 exports (Table 5). The top exports to the EAEU include garments and textiles, footwear, rice, telecommunications and electronics equipment, plastics, and paper.

Table 5. Cambodia's Top-20 Exports, 2016 ('000 US\$)

World		EAEU	
Product	Value	Product	Value
1	Articles of apparel, of textile fabrics, n.e.s.	Articles of apparel, of textile fabrics, n.e.s.	21,256.2
2	Women's clothing, of textile, knitted or crocheted	Men's or boy's clothing, of textile, knitted, croche.	11,208.7
3	Footwear	Women's clothing, of textile, knitted or crocheted	11,009.8
4	Gold, non-monetary (excluding gold ores and concentrates)	Footwear	8,203.2
5	Women's clothing, of textile fabrics	Women's clothing, of textile fabrics	6,799.7
6	Men's or boy's clothing, of textile, knitted, croche.	Men's clothing of textile fabrics, not knitted	5,929.9
7	Men's clothing of textile fabrics, not knitted	Telecommunication equipment, n.e.s.; & parts, n.e.s.	1,112.7
8	Motorcycles & cycles	Rice	932.2
9	Rice	Clothing accessories, of textile fabrics	723.0
10	Telecommunication equipment, n.e.s.; & parts, n.e.s.	Motorcycles & cycles	674.5
11	Travel goods, handbags & similar containers	Travel goods, handbags & similar containers	422.7
12	Vegetables	Articles of apparel, clothing access., excluding textile	270.2
13	Natural rubber & similar gums, in primary forms	Other plastics, in primary forms	161.2
14	Wood simply worked, and railway sleepers of wood	Miscellaneous manufactured articles, n.e.s.	120.3
15	Equipment for distributing electricity, n.e.s.	Baby carriages, toys, games & sporting goods	93.3
16	Furskins, tanned or dressed, excluding those of 8483	Equipment for distributing electricity, n.e.s.	37.5
17	Optical instruments & apparatus, n.e.s.	Tractors (excluding those of 71414 & 74415)	25.1
18	Made-up articles, of textile materials, n.e.s.	Furniture & parts	12.5
19	Articles, n.e.s., of plastics	Articles, n.e.s., of plastics	11.6
20	Fruits and nuts (excluding oil nuts), fresh or dried	Paper & paperboard, cut to shape or size, articles	7.6

EAEU = Eurasia Economic Union, n.e.s. = not elsewhere specified.

Source: Computed from UNCTAD Statistics (2017).

Cambodia imports most intermediate materials for garment and textile production such as fabrics and cotton. Other top imports include petroleum oils, motorcycles and cycles, telecommunications and electronics equipment, food and beverage products, and construction materials (Table 6).

Key imports from the EAEU are motor vehicles, tractors and parts, pearls and precious stones, tobacco, fertiliser, paper, petroleum oils, and other mineral products.

Table 6. Cambodia's Top-20 Imports, 2016 ('000 US\$)

	World		EAEU	
	Product	Value	Product	Value
1	Knitted or crocheted fabrics, n.e.s.	1,736,786.93	Motor vehicles for the transport of persons	3,592.7
2	Petroleum oils or bituminous minerals > 70 % oil	846,657.59	Pearls, precious & semi-precious stones	1,176.0
3	Cotton fabrics, woven	422,242.18	Tobacco, manufactured	704.0
4	Fabrics, woven, of man-made fabrics	420,573.36	Fertilizers (other than those of group 272)	354.5
5	Motorcycles & cycles	386,861.42	Veneers, plywood, and other wood, worked, n.e.s.	311.6
6	Gold, non-monetary (excluding gold ores and concentrates)	380,029.15	Road motor vehicles, n.e.s.	281.1
7	Motor vehicles for the transport of persons	292,791.84	Paper and paperboard	180.3
8	Tobacco, manufactured	279,654.07	Motor vehic. for transport of goods, special purpo.	98.4
9	Telecommunication equipment, n.e.s.; & parts, n.e.s.	262,895.62	Parts & accessories of vehicles of 722, 781, 782, 783	87.7
10	Textile yarn	223,564.76	Internal combustion piston engines, parts, n.e.s.	69.8
11	Articles, n.e.s., of plastics	190,812.19	Tractors (excluding those of 71414 & 74415)	63.4
12	Non-alcoholic beverages, n.e.s.	184,906.54	Rubber tyres, tyre treads or flaps & inner tubes	63.0
13	Iron & steel bars, rods, angles, shapes & sections	176,920.59	Medicaments (incl. veterinary medicaments)	53.4
14	Special yarn, special textile fabrics & related	159,336.64	Petroleum oils or bituminous minerals > 70 % oil	50.2
15	Feeding stuff for animals (no unmilled cereals)	157,670.05	Perfumery, cosmetics or toilet prepar. (excluding soaps)	45.5
16	Edible products and preparations, n.e.s.	151,557.75	Edible products and preparations, n.e.s.	33.2
17	Lime, cement, fabrica. constr. mat. (excluding glass, clay)	150,642.08	Lime, cement, fabrica. constr. mat. (excluding glass, clay)	26.7
18	Equipment for distributing electricity, n.e.s.	147,948.94	Other machinery for particular industries, n.e.s.	20.3
19	Sugar, molasses and honey	144,048.66	Pig iron & spiegeleisen, sponge iron, powder & granu	20.1
20	Tulles, trimmings, lace, ribbons & other small wares	142,345.53	Appliances for pipes, boiler shells, tanks, vats, etc.	20.0

EAEU = Eurasia Economic Union, n.e.s. = not elsewhere specified.

Source: Computed from UNCTAD Statistics (2017).

The EAEU mainly exports energy products such as petroleum oils and natural gas; fertilisers; mineral products (aluminium, copper); pearls and precious stones; iron and steel; and some agricultural products such as wheat, fisheries, and wood products (Table 7).

According to reports, EAEU's exports to Cambodia include motor vehicles, tractors and parts, tobacco, wood and paper products, petroleum oils, and other mineral and food products.

Table 7. EAEU's Top-20 Exports, 2016 ('000 US\$)

	World		Cambodia	
	Product	Value	Product	Value
1	Petroleum oils, oils from bitumin. materials, crude	93,525,900.9	Motor vehicles for the transport of persons	5,496.9
2	Petroleum oils or bituminous minerals > 70 % oil	50,808,297.4	Tobacco, manufactured	847.5
3	Coal, whether or not pulverized, not agglomerated	9,211,464.6	Veneers, plywood, and other wood, worked, n.e.s.	383.9
4	Fertilizers (other than those of group 272)	9,090,771.9	Road motor vehicles, n.e.s.	306.2
5	Aluminium	6,338,042.4	Paper and paperboard	227.3
6	Copper	5,277,500.4	Parts & accessories of vehicles of 722, 781, 782, 783	196.0
7	Pearls, precious & semi-precious stones	4,927,396.3	Rubber tyres, tyre treads or flaps & inner tubes	123.4
8	Wheat (including spelt) and meslin, unmilled	4,912,957.4	Internal combustion piston engines, parts, n.e.s.	101.0
9	Ingots, primary forms, of iron or steel; semi-finis.	4,895,678.1	Lime, cement, fabrica. constr. mat. (excluding glass, clay)	84.6
10	Pig iron & spiegeleisen, sponge iron, powder & granu	4,256,724.7	Perfumery, cosmetics or toilet prepar. (excluding soaps)	84.2
11	Natural gas, whether or not liquefied	4,187,190.4	Medicaments (incl. veterinary medicaments)	84.0
12	Flat-rolled prod., iron, non-alloy steel, not coated	3,620,404.5	Petroleum oils or bituminous minerals > 70 % oil	63.7
13	Wood simply worked, and railway sleepers of wood	3,453,717.9	Appliances for pipes, boiler shells, tanks, vats, etc.	52.3
14	Silver, platinum, other metals of the platinum group	3,279,332.0	Edible products and preparations, n.e.s.	40.0
15	Fish, fresh (live or dead), chilled or frozen	2,306,857.4	Synthetic rubber	21.4
16	Iron & steel bars, rods, angles, shapes & sections	2,076,000.0	Other power generating machinery & parts, n.e.s.	21.1
17	Fixed vegetable fats & oils, crude, refined, fractio.	2,053,948.0	Motor vehic. for transport of goods, special purpo.	14.0
18	Radio-actives and associated materials	1,905,106.0	Medicinal and pharmaceutical products, excluding 542	10.4
19	Inorganic chemical elements, oxides & halogen salts	1,894,021.3	Furniture & parts	9.3
20	Veneers, plywood, and other wood, worked, n.e.s.	1,852,369.3	Nails, screws, nuts, bolts, rivets & the like, of metal	5.6

n.e.s. = not elsewhere specified.

Source: Computed from UNCTAD Statistics (2017).

The EAEU's top imports are medicaments, motor vehicles and parts, telecommunication equipment, heating and cooling equipment, fruits and nuts, footwear, petroleum, electrical and machineries, household appliances, and garment and textile products (Table 8).

The EAEU imports garments and textiles, footwear products, rice, telecommunications and electronics equipment, motorcycles and cycles, plastics, and paper products.

Table 8. EAEU's Top-20 Imports, 2016 ('000 US\$)

	World		Cambodia	
	Product	Value	Product	Value
1	Medicaments (incl. veterinary medicaments)	8,194,277.5	Articles of apparel, of textile fabrics, n.e.s.	29,128.2
2	Motor vehicles for the transport of persons	7,997,714.3	Men's or boy's clothing, of textile, knitted, croche.	15,295.7
3	Telecommunication equipment, n.e.s.; & parts, n.e.s.	7,951,959.3	Women's clothing, of textile, knitted or crocheted	15,085.8
4	Parts & accessories of vehicles of 722, 781, 782, 783	7,090,773.1	Footwear	11,307.9
5	Heating & cooling equipment & parts thereof, n.e.s.	5,479,688.3	Women's clothing, of textile fabrics	9,389.8
6	Fruits and nuts (excluding oil nuts), fresh or dried	4,886,624.5	Men's clothing of textile fabrics, not knitted	8,153.7
7	Footwear	4,312,901.0	Telecommunication equipment, n.e.s.; & parts, n.e.s.	1,512.6
8	Petroleum oils, oils from bitumin. materials, crude	4,032,929.1	Rice	1,266.8
9	Pumps (excluding liquid), gas compressors & fans; centr.	3,762,699.4	Clothing accessories, of textile fabrics	984.5
10	Other machinery for particular industries, n.e.s.	3,653,211.0	Motorcycles & cycles	961.1
11	Automatic data processing machines, n.e.s.	3,528,197.1	Travel goods, handbags & similar containers	580.4
12	Natural gas, whether or not liquefied	3,328,036.8	Articles of apparel, clothing access., excluding textile	375.3
13	Electrical machinery & apparatus, n.e.s.	3,065,262.3	Other plastics, in primary forms	219.1
14	Manufactures of base metal, n.e.s.	3,017,408.5	Miscellaneous manufactured articles, n.e.s.	163.7
15	Apparatus for electrical circuits; board, panels	2,902,519.9	Baby carriages, toys, games & sporting goods	127.0
16	Petroleum oils or bituminous minerals > 70 % oil	2,874,513.8	Equipment for distributing electricity, n.e.s.	51.0
17	Household type equipment, electrical or not, n.e.s.	2,739,645.8	Furniture & parts	16.9
18	Articles of apparel, clothing access., excluding textile	2,703,177.9	Articles, n.e.s., of plastics	15.8
19	Perfumery, cosmetics or toilet prepar. (excluding soaps)	2,640,310.5	Paper & paperboard, cut to shape or size, articles	10.3
20	Measuring, analysing & controlling apparatus, n.e.s.	2,626,931.0	Coffee and coffee substitutes	6.0

n.e.s. = not elsewhere specified.

Source: Computed from UNCTAD Statistics (2017).

The trade relations between Cambodia and EAEU countries have been trending upwards since 2000, but the EAEU is still not a significant trade region for Cambodia. Amongst the EAEU countries, Cambodia has a strong trade and investment relationship with Russia, specifically high-value imports from Cambodia. However, export still remains low. Cambodia is currently not a big market for the EAEU, but deeper trade relations would likely improve market access of the EAEU into ASEAN.

Table 9. EAEU Trade with Cambodia (million US\$)

Country	2012		2013		2014		2015	
	Import	Export	Import	Export	Import	Export	Import	Export
Armenia	0.627		1.279		1.591		1.958	
Belarus	1.365	1.828	1.020	5.305	1.305	6.934	1.448	0.709
Kazakhstan	3.644	0.004	4.214		5.789		5.037	0.018
Kyrgyzstan	0.077	0.014	0.055				0.169	0.015
Russia	88.846	5.880	128.138	5.096	128.915	3.765	106.331	4.523

EAEU = Eurasia Economic Union.

Source: WITS (2017).

4.3 Foreign direct investment

FDI inflows from the world to the EAEU fluctuated after a rebound from the global financial crisis. The total FDI inflow steadily increased from US\$43 billion in 2009 to around US\$56 billion in 2011 before declining to US\$45 billion in 2012 and peaking to US\$67 billion in 2013 (Table 10). FDI was at its lowest at US\$19 billion in 2015, before settling at US\$49 billion in 2016.

Table 10. FDI Flows in the EAEU, ASEAN, and Cambodia (million US\$)

Year	EAEU		ASEAN		Cambodia	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
2000	4,154.2	3,160.9	22,514.8	9,012.1	148.5	6.6
2001	5,814.0	2,482.8	21,866.7	20,799.0	149.4	7.3
2002	6,377.7	3,704.0	17,007.0	4,998.8	145.1	6.0
2003	10,187.0	9,430.6	31,347.6	6,007.2	84.0	9.7
2004	20,027.4	12,428.7	40,150.9	19,287.3	131.4	10.2
2005	16,987.5	16,606.2	43,083.7	19,274.8	381.2	6.3
2006	44,725.4	29,453.7	63,230.0	29,305.0	483.2	8.4
2007	68,723.8	46,967.9	83,801.3	62,721.9	867.3	1.1
2008	93,686.1	57,991.6	49,867.0	31,193.4	845.3	20.5
2009	43,820.7	37,761.3	46,592.4	48,202.6	928.4	18.9
2010	45,579.0	49,060.5	110,530.9	62,124.8	1,342.5	20.6
2011	56,190.0	54,366.8	94,818.7	61,890.3	1,373.5	29.2
2012	45,743.3	30,040.4	108,056.9	56,502.3	1,835.0	36.2
2013	66,919.9	73,243.7	126,098.2	81,896.9	1,872.4	46.3
2014	40,037.5	68,072.4	130,378.2	88,731.1	1,720.1	43.2
2015	18,857.9	28,116.6	126,595.8	55,676.5	1,701.0	47.4
2016	48,777.1	21,989.4	101,093.4	35,405.1	1,916.1	121.3
Average Growth from 2010-2016	17.23%	7.47%	19.15%	-0.08%	12.28%	37.37%

ASEAN = Association of Southeast Asian Nations, EAEU = Eurasia Economic Union.

Source: Computed from UNCTAD Statistics (2017).

The EAEU also invested heavily overseas. Its FDI outflows exceeded the inflows from 2013 to 2015 with an average growth rate at 7% in 2010–2016. In comparison, FDI inflows to ASEAN increased significantly after the global financial crisis in 2008, but slightly declined in 2011 and bounced back in 2012–2014, before significantly dropping in 2015–2016. ASEAN also has sizeable investment outflows.

Cambodia did not seem to be severely impacted by the crisis with its sustained inflows of FDI before and after the global financial crisis, and with its average growth rate of 12% in 2010–2016. From 2008 onwards, Cambodia began an annual investment overseas of less than US\$50 million. However, the FDI outflow jumped to US\$121 million in 2016.

While doing business, Cambodia was competitive in some aspects while it adopted a less competitive approach in others (Table 11). Compared to other EAEU countries, with the exception of Armenia, Cambodia provides a competitive tax incentive. Armenia has the lowest tax rate amongst the EAEU countries where the total tax rate accounted only about 19% of the profit compared to 21% in Cambodia. Although Cambodia's tax incentive was a bit higher than that of Armenia, it remained lower than that of other EAEU countries such as Russia and Belarus which are Cambodia's potential markets. Cambodia is also less competitive compared to all EAEU countries in terms of operational procedures, such as starting a business, taking time to build warehouses, connecting to electricity, and registering

property. Besides, Cambodia spends more time in documentary compliance of trade, import and export, compared to its peers. In terms of trading cost, Cambodia is better compared to Russia and Kyrgyzstan while the price is higher compared to Belarus, Armenia, and Kazakhstan. On the time required to import and export, Cambodia was quite competitive compared to EAEU countries.

Table 11. Doing Business, Cambodia and the EAEU, 2016

Doing Business Indicators	Armenia	Belarus	Cambodia	Kazakhstan	Kyrgyz Republic	Russia
Labour tax and contributions (%)	0.0	39.0	0.5	11.2	19.5	
Other taxes (%)	0.8	1.1	1.0	1.8	3.1	
Profit tax (%)	18.5	54.8	21.0	29.2	29.0	47.4
Total tax rate (% of profit)	18.5	54.8	21.0	29.2	29.0	47.4
Procedures required to build a warehouse (number)	18.0	16.0	20.0	13.0	11.0	13.7
Procedures required to connect to electricity (number)	4.0	4.0	4.0	7.0	7.0	3.0
Procedures required to register property (number)	3.0	2.0	7.0	3.0	3.0	3.0
Procedures required to start a business (number)	3.0	5.0	9.0	5.0	4.0	3.7
Time required to build a warehouse (days)	84.0	115.0	652.0	68.0	142.0	239.3
Time required to connect to electricity (days)	138.0	105.0	179.0	77.0	125.0	160.5
Time required to enforce a contract (days)	570.0	275.0	483.0	370.0	410.0	337.0
Time required to register property (days)	7.0	3.0	56.0	3.5	3.5	15.0
Time required to start a business (days)	4.0	5.0	99.0	9.0	10.0	9.8
Time to export: documentary compliance (hours)	2.0	4.0	132.0	128.0	21.0	25.0
Time to import documentary compliance (hours)	2.0	4.0	132.0	6.0	36.0	43.0
Time to prepare and pay taxes (hours)	313.0	176.0	173.0	178.0	225.0	168.0
Time to resolve insolvency (years)	1.9	1.5	6.0	1.5	1.5	2.0
Trade: cost to export (US\$ per container)	100.0	108.0	375.0	574.0	445.0	765.0
Trade: cost to import (US\$ per container)	100.0	0.0	240.0	0.0	512.0	1,125.0
Trade: time to export (day)	39.0	5.0	48.0	133.0	20.0	96.0
Trade: time to import (days)	41.0	1.0	8.0	2.0	37.0	96.0
Cost to export: documentary compliance (US\$)	150.0	140.0	100.0	320.0	145.0	92.0
Cost to import: documentary compliance (US\$)	100.0	0.0	120	0	200.0	153.0

Cost to register property (% of property value)	0.2	0.0	4.3	0.1	0.2	0.2
Cost to start a business (% of income per capita)	0.9	0.6	57.2	0.3	2.0	1.0
Cost to get electricity (% of income per capita)	80.3	119.3	2172.3	50.6	858.1	44.1
Resolving insolvency: cost (% of estate)	11.0	20.0	18.0	15.0	15.0	9.0
Strength of investor protection index (0–10)	6.0	6.3	4.8	8.0	6.3	6.0
Extent of conflict of interest regulation index (0–10)	6.3	5.7	6.3	8.0	6.7	5.0
Strength of governance structure index (0–10.5)	5.7	7.0	3.3	8.0	6.0	7.0
Ease of doing business index (1 = easiest to 185 = most difficult)	38.0	37.0	131.0	35.0	75.0	40.0

Source: World Bank (2017).

On logistic performance, although the logistic costs in Cambodia are high, the overall performance is a little bit better compared to EAEU members (Table 12). Amongst EAEU members, only Kazakhstan holds a similar score on logistic performance compared to Cambodia. In terms of logistic quality, Cambodia ranks lower than Belarus and Russia, and in terms of competency, it is lower only to Russia. Its logistic system is better and more effective vis-à-vis the other indicators on logistic performance.

Table 12. Logistic Performance of EAEU Countries

	Armenia	Belarus	Cambodia	Kazakhstan	Kyrgyzstan	Russia
Overall LPI score	2.21	2.40	2.80	2.75	2.16	2.57
Customs	1.95	2.06	2.62	2.52	1.80	2.01
Infrastructure	2.22	2.10	2.36	2.76	1.96	2.43
International shipments	2.22	2.62	3.11	2.75	2.10	2.45
Logistics quality and competence	2.21	2.32	2.60	2.57	1.96	2.76
Tracking and tracing	2.02	2.16	2.70	2.86	2.39	2.62
Timeliness	2.60	3.04	3.30	3.06	2.72	3.15

LPI = Logistic Performance Index.

Source: World Bank (2017).