

Chapter 5

Revealed Comparative Advantage of Cambodia and EAEU Member Countries

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Chapter 5

Revealed Comparative Advantage of Cambodia and EAEU Member Countries

1. Cambodia and the EAEU RCAs at Top-10 Potential Products at Tariff Lines

This section illustrates the top potential commodities exported by Cambodia and each EAEU member. To identify each country's potential commodities at the tariff lines, researchers disaggregated the selected 2-digit commodity codes to 4 and 6 digits, and then to tariff lines. Different countries use different HS commodity classifications at the tariff lines; some use 8-digit codes while others use 10-digit codes. Given different commodity classifications adopted by EAEU member countries (10-digit classification codes) from Cambodia (8-digit classification codes), it is difficult to harmonise the classification codes. In this sense, we were unable to calculate the RCAs at either 8-digit and 10-digit for each country. Thus, the study group adopted the RCAs at 6-digit codes and selected the 8- or 10-digit codes based on the largest export volumes within each selected 6-digit commodity codes. The results of the comparative advantage for the top-25 export products of Cambodia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia were reported in the tables below. The full details of the RCAs are provided in the annex.

1.1. Cambodia

Cambodia has used the 8-digit codes for commodity classification at tariff lines. From the RCA calculation, the top-10 potential export commodities from Cambodia to the world between 2004 to 2015 can be derived (Table 31, columns 1 and 2). These top commodity codes were selected from the HS 6-digit codes which possess the largest RCA value and export volumes. The table demonstrates the export volumes only from 2012 to 2015; the full results for 2004–2015 are available in the Annex.

Table 31 clearly shows that the top-10 selected commodities consist of only a few products: garments, footwear, rice, and natural rubber. These top-10 commodities account for more than 50% of the country's total export in the last 12 years. Within the same period, women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, and trousers alone account for almost 11% of the total export volume, followed by T-shirts, singlets, and other vests of cotton, knitted or crocheted, accounting for more than 8%. Besides garment-related products, 'footwear with outer soles of rubber, plastics, leather or composition leather and uppers of...' makes up 3.57% of the total exports. 'Rice: semi-milled or wholly milled rice, whether or not polished or glazed' ranks sixth in the list, contributing 3.04% to the country's total export, standing above 'natural rubber in primary forms or in plates, sheets, or strip...' which represents 2.13%.

Table 31. Cambodia's Top-10 Potential Products at 8-Digit Codes

Tariff Lines	Commodity Descriptions	Cambodia's Exports to World ('000 US\$)				Average 2004–2015	Shares of Total Export, %
		2012	2013	2014	2015		
'61046900	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, ...	551,096	705,806	819,142	975,912	762,989	10.96
'61091020	T-shirts, singlets and other vests of cotton, knitted or crocheted: Of cotton: For women or ...	226,111	627,300	679,959	697,142	557,628	8.01
'61034900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	379,020	523,557	552,191	652,901	526,917	7.57
'61109000	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted: Of other ...	644,858	470,756	480,372	504,436	525,106	7.54
'64032000	Footwear with outer soles of rubber, plastics, leather or composition leather, and uppers of ...	163,471	172,099	255,659	402,412	248,410	3.57
'10063099	Rice: Semi-milled or wholly milled rice, whether polished or glazed: Other	85,639	249,519	228,169	282,112	211,360	3.04
'61033900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	110,376	170,763	200,039	246,870	182,012	2.61
'61091010	T-shirts, singlets and other vests of cotton, knitted or crocheted: Of cotton: For men or boys	123,547	185,151	213,966	188,328	177,748	2.55
'61083900	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, ...	140,955	173,379	169,882	169,931	163,537	2.35
'40012950	Natural rubber in primary forms or in plates, sheets, or strip (excl. smoked sheets, technically ...	165,826	165,561	126,041	137,181	148,652	2.13

Note: Top-10 products dominate 50.33% of the country's total exports.

Source: Author's calculations.

Table 32. Armenia's Top-10 Potential Traded Products at 10-Digit Codes

Tariff Lines	Commodity Descriptions ^a	Armenia's Exports to World ('000 US\$)				Average 2005– 2016	Shares of Total Export, %
		2013	2014	2015	2016		
'26030000 00	Copper ores and concentrates	279,914	235,872	316,636	356,721	188,809	16.57
'72027000 00	Ferro-molybdenum	102,386	109,708	55,508	60,581	133,174	11.69
'71023900 00	Diamonds non-industrial nes excluding mounted or set diamonds	80,804	107,391	66,514	95,853	116,422	10.22
'22082012 00	Spirits obtained by distilling grape wine or grape marc spirits obtained by distilling grape ...	140,563	119,638	59,430	88,262	96,669	8.49
'74020000 00	Copper unrefined, copper anodes for electrolytic refining	90,239	71,769	65,539	62,623	75,550	6.63
'71081380 00	Gold in other semi-manufactured form non-monetary (including gold plated w platinum) non-monetary: other semi	73,567	81,903	98,071	131,104	57,078	5.01
'24022090 00	Cigarettes containing tobacco cigarettes containing tobacco: other	68,027	115,835	170,498	210,053	54,513	4.79
'76071110 00	Aluminium foil, not backed, rolled but not further worked, of a thickness of <= 0.2 mm (excl. ...	0	0	0	0	24,168	2.12
'71131900 00	Articles of jewelry & parts thereof of/o precious metals w/n plated/clad with precious metal	21,033	21,283	17,906	16,341	20,090	1.76
'22082089 00	Spirits obtained by distilling grape wine or grape marc spirits obtained by distilling grape	35,287	30,457	15,877	43,156	17,648	1.55

Note: Top-10 products dominate **64.17%** of the country's total export.

^a The commodity descriptions were informally translated from Russian to English, given that Russia's commodity description at tariff lines was written in its own language.

Source: Author's calculation.

1.2. Armenia

Like other EAEU member countries, Armenia uses 10-digit codes for the commodity classification at tariff lines. Table 32 lists down the top most-traded commodities at 8-digit codes in 2013–2016, the average export volume in 2005–2016, and the shares of each tariff line to the country's total exports. These top commodity codes were disaggregated from the HS 6-digit codes which possess the largest RCA value and export volumes. Annex 1 displays the full details of the study.

Table 32 shows that Armenia's export drivers are mostly in the agriculture and natural resources sectors. These two sectors contributed to more than 64% of the country's total exports in 2005–2016. Out of the top-10 potential products, the most noticeable commodities are copper ores and concentrates, and ferro-molybdenum, which account for 16.57% and 11.69%, respectively. Of the country's total exports in 2005–2016, 'diamonds non-industrial nes ...', 'gold in other semi-manufactured form ...', and 'articles of jewelry & pt ...' represent 10.22%, 5.01%, and 1.76%, respectively. 'Spirits obtained by distilling grape wine ...' collectively contribute 10.4% to the 12-year total exports. Some data have been reported as 'zero' since 2013.

1.3. Belarus

Table 33 indicates the Belarus's top-10 potential products at 10-digit codes from 2009 to 2013, the average export volume from 2002 to 2013, along with shares of each tariff line to the country's total exports during the period. Reported data for this period was not consistent with those of other countries, yet this is the most updated data available. The top commodity codes listed below were disaggregated from the HS 6-digit codes which earn the largest RCA values and export volumes.

The reported trade data for only the last 5 years results in many zero-trade data in many, and the average trade volume is quite low. However, if we consider all trade data from 2002 to 2013 (the last 12 years), the products listed in the table topped the list.

Articulated in Table 33, the top-10 exported commodities contribute to about 27% of Belarus' total exports during the 12-year period. Export of oils, natural resources, vehicles (tractors and motor vehicles for the transport of goods) made up the top 10. Unlike the other countries in the region, the export volume of each tariff line made up a small percentage of the country's total exports. Relatively speaking, amongst the top 10, 'medium oils and preparations, of petroleum or bituminous minerals, nes.: heavy oils: gas oils' share the highest rate at 7.34%, while 'motor vehicles for the transport of goods, with compression-ignition internal combustion piston' share the lowest rate at roughly 0.7%.

The results indicate that Belarus is horizontally the most diversified country, compared to the other five countries, in terms of export varieties. The research outcome shows that the country has high RCA in various sectors ranging from agriculture, resources, and chemicals, to parts and components.

Table 33. Belarus's Top-10 Potential Products at 10-Digit Codes

Tariff Lines	Commodity Descriptions	Belarus's Exports to World ('000 US\$)					Average 2002—2013	Shares of Total Export, %
		2009	2010	2011	2012	2013		
'2710194 100	Medium oils and preparations, of petroleum or bituminous minerals, nes: heavy oils: gas oils: ...	2,177,132	1,988,606	3,943,780	0	0	1,808,087	7.34
'3104205 000	Potassium chloride for use as fertiliser (excl. that in pellet or similar forms, or in packages ...	1,269,859	2,024,212	3,019,403	2,330,618	1,719,061	1,489,720	6.05
'2710114 100	Light oils and preparations, of petroleum or bituminous minerals which are at least 90% by volume incl. ...	1,003,121	1,287,165	1,639,426	0	0	852,215	3.46
'2710196 500	Medium oils and preparations, of petroleum or bituminous minerals, nes: heavy oils: liquid ...	1,289,928	0	0	0	0	717,770	2.91
'8701903 100	Tractors (excl. those of heading 8709, pedestrian-controlled tractors, road tractors for semi-trailers ...	308,784	387,650	676,691	666,061	611,368	426,912	1.73
'2710196 100	Medium oils and preparations, of petroleum or bituminous minerals, nes: heavy oils: liquid ...	1,451,725	0	0	0	0	419,047	1.70
'7214200 000	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves, or other deformations ...	350,241	367,903	506,466	516,896	433,549	353,008	1.43
'4011940 000	Pneumatic tyres, new, of rubber, of a kind used in construction or industrial handling vehicles ...	133,522	180,382	314,143	378,580	288,842	196,932	0.80
'3104209 000	Potassium chloride for use as fertiliser (excl. that in pellet or similar forms, or in packages ...	86,806	201,099	330,547	331,739	333,255	188,200	0.76
'8704239 109	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	369,762	0	0	0	0	171,681	0.70

Note: Top-10 products dominate only 26,89% of the country's total export.

Source: Author's calculation.

1.4. Kazakhstan

Table 34 shows Kazakhstan's top-10 most exported commodities from 2005 to 2016 yielding the highest RCA values. Unfortunately, only export data for 2012–2016 are illustrated in this section. Within the top-10 outstanding commodities at 10-digit codes, Kazakhstan holds a high RCA in several export commodities with significantly large export volumes throughout the years, yet those are basically energy- and industry-related export commodities. To illustrate, petroleum oils, uranium, gas, ferro-chromium, ores and concentrates iron, and coal stone, ranked among the top-10 export commodities, accounting for 32.83% of the total exports during 2005–2016. Besides, cathode and wheat flour share 3.41% and 0.82%, respectively, of total exports during the same period. Considering all top-10 commodities, the whole landscape of Kazakhstan's exports is 62.39%, dominated by energy- and industry-related commodities, cathode, and wheat flour exports.

1.5. Kyrgyzstan

Table 35 shows the latest 5-year data of the top-10 most exported commodities of Kyrgyzstan to the world market, derived from the 6-digit HS classification with the highest RCA values. The table shows that top-10 export commodities share more than 39% of the country's total export in 2005–2016. Of the top-10 export items, gold export shares the largest percentage, accounting for almost 29%, followed by exports of 'dried, shelled kidney beans' comprising more than 31% of total exports for the same period. Other commodities including 'cotton, precious metal ores and concentrates, glass, Portland cement, garments, and tobacco' are amongst the top-10 yet do not contribute much to the country's total exports during the period (all items account for only 8% of the 12-year total exports).

1.6. Russian Federation

Table 36 reveals the top-10 exports of the Russian Federation (henceforth Russia) centre on energy- and manufacturing-related material, accounting for almost half of the country's exports for 12 years, 2005–2016. Of this large export share, energy-generating raw material, which are 'oil raw and petroleum products, natural gas, fuel liquid, coal bituminous' and 'gases' have driven a large part of Russia's exports, contributing more than 45% to said total export volume. The other 3.85% are manufacturing-related materials, including 'aluminium, nickel, semi-finished from iron rectangular, and light distillates and products for specific processing processes'. Other export commodities comprising the top 10 are available in Annex 2.

Table 34: Kazakhstan's Top-10 Potential Products at 10-Digit Codes

Tariff Lines	Commodity Descriptions	Kazakhstan's Exports to World ('000 US\$)					Average 2005–2016	Shares of Total Export, %
		2012	2013	2014	2015	2016		
'2709009009	Petroleum oils and oils derived from bituminous minerals, crude (detailed label not available)	9,816,682	48,160,313	44,296,787	21,703,167	15,713,486	11,647,279	19.61
'2709009003	Petroleum oils and oils derived from bituminous minerals, crude (detailed label not available)	2,360,812	8,091,084	8,365,239	4,599,075	3,224,054	2,222,313	3.74
'7403110000	Cathodes and sections of cathodes from copper, refined, unprocessed	2,490,902	2,674,172	1,330,871	1,562,310	1,508,841	2,024,394	3.41
'2844103000	Uranium natural, processed	2,615,964	2,235,633	2,006,960	2,247,673	1,738,578	1,614,125	2.72
'2711210000	Gas natural in gaseous state	2,193,000	1,956,818	1,883,915	1,745,529	1,283,687	1,358,513	2.29
'7202419000	Ferro-chromium, containing by weight > 4% of carbon: containing by weight more than 6% of carbon	1,352,205	1,296,821	1,193,591	1,128,691	1,129,570	1,068,007	1.80
'2601120000	Ores and concentrates iron, except for Pyrites agglomerated	880,950	752,745	503,042	134,613	135,786	615,441	1.04
'2601110000	Ore and concentrates iron, except for Fricked Pyrites, unagglomerated	731,154	812,351	604,364	269,494	250,923	495,595	0.83%
'1101001500	Wheat flour wheat from soft wheat and spelts	597,977	576,180	559,503	490,268	499,825	484,568	0.82
'2701190000	Coal stone other, Including dusted or non-microwave, but not unagglomerated	591,425	443,030	375,121	304,340	202,361	474,919	0.80

Note: Top-10 products dominate 62.39% of the country's total export.

Source: Author's calculation.

Table 35. Kyrgyzstan's Top-10 Potential Products at 10-Digit Codes

Tariff Lines	Commodity Descriptions	Kyrgyzstan's Exports to World ('000 US\$)					Average 2005–2016	Shares of Total Export, %
		2012	2013	2014	2015	2016		
'7108120000	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excl. gold).	562,188	736,773	716,857	-	-	435,050	28.65
'0713339000	Dried, shelled kidney beans <i>Phaseolus vulgaris</i> ", whether or not skinned or split": other	48,249	72,964	61,612	43,717	54,482	42,570	2.80
'5201009000	Cotton, neither carded nor combed: other	33,850	19,879	22,391	14,688	19,077	27,331	1.80
'2616900000	Precious-metal ores and concentrates (excl. silver ores and concentrates)	55,549	18,337	40,503	19,098	67,783	22,642	1.49
'7005293500	Float glass and surface ground and polished glass, in sheets, but not otherwise worked	15,763	26,091	16,060	8,143	11,984	15,063	0.99
'2523290000	Portland cement (excl. white, whether artificially coloured)	12,190	17,124	12,862	1,705	3,974	12,991	0.86
'6206400000	Women's or girls' blouses, shirts, and shirt-blouses of man-made fibres (excl. knitted)	22,034	15,384	9,948	2,668	16,659	12,914	0.85
'6204430000	Women's or girls' dresses of synthetic fibres (excl. knitted or crocheted and petticoats)	24,330	18,321	16,625	7,413	152	11,010	0.73
'2401106000	Tobacco, unstemmed or unstripped: other: sun-cured Oriental-type tobacco	11,674	13,918	16,739	11,319	1,401	10,527	0.69
'6204631800	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres	15,594	13,455	11,852	4,617	12	8,909	0.59

Note: Top-10 products dominate 39.45% of the country's total exports.

Source: Author's calculation.

Table 36. Russia's Top-10 Potential Products at 10-Digit Codes

Tariff Lines	Commodity Descriptions	Russia's Exports to World ('000 US\$)					Average 2005–2016	Shares of Total Export, %
		2012	2013	2014	2015	2016		
'2709009000	Oil raw and petroleum products raw made from bituminous rocks, Other	178,153,373	171,350,690	153,531,965	-	-	110,836,213	27.95
'2711210000	Natural gas in gaseous state	62,253,297	67,232,302	55,240,328	41,844,333	-	46,727,251	11.78
'2710195100	Fuel liquid, for specific processes of processing	10,984,633	10,657,307	8,994,323	-	-	6,225,834	1.57
'2701129000	Coal bituminous – Other	9,073,605	8,342,911	8,457,061	6,714,043	6,582,789	6,071,955	1.53
'2710194200	Gasoles for other purposes with sulphur content not more than 0.05 mac.%	18,662,895	25,281,610	28,130,600	11,919	-	6,007,252	1.51
'7601100000	Aluminium unlimited unprocessed	4,372,859	4,032,722	3,139,741	3,762,582	2,941,809	4,163,605	1.05
'7502100000	Nickel unalloyed, unprocessed	3,616,122	3,509,001	3,717,120	2,473,862	1,606,591	4,081,153	1.03
'7207121000	Semi-finished from iron rectangular (except square) cross section, cathedrals ...	5,071,730	4,035,543	4,157,019	2,485,077	2,533,816	3,692,704	0.93
'2710121100	Light distillates and products for specific processing processes	10,353,850	11,105,119	12,226,345	6,401,468	38,750	3,343,794	0.84
'2710194800	Gasoles for other purposes with sulphur content more than 0.2 mac.%	7,972,940	6,652,801	11,293,940	7,186,164	3,882,446	3,082,358	0.78

Note: Top-10 products dominate 48.98% of the country's total exports.

Source: Author's calculation.

2. Policy Discussion

This section discusses the demand side to see the matching between commodities where Cambodia has RCA and those which each EAEU member country imported. This would provide more insights on what both parties imported and exported. In this sense, there are more prospects of exports from Cambodia to the EAEU, if EAEU member countries imported at a large value, the commodities on which Cambodia has RCA.

2.1. Regional perspectives

The EAEU is an alternative export market for Cambodia's foreign market diversification. Study on the demand side of the top-10 export products from Cambodia shows more opportunities for Cambodia's export to the EAEU of such products as footwear, rice, natural rubber, and especially garment and related products. During the past 5 years, the EAEU imported from the world about US\$6.37 billion of commodities within Cambodia's top-10 potential products (ITC's Trade Map Data, 2015). Of this figure, imports of garment products stood the highest at around US\$6.02 billion. This is followed by rice, US\$260.26 million; natural rubber, US\$85.45 million; and footwear, US\$3.29 million. This means that, on average, EAEU countries annually imported US\$1.2 billion of garment products, US\$52.05 million of rice, US\$17.09 million of natural rubber, and insignificantly US\$ 657,200 of footwear (Table 37).

The abovementioned commodities belong to only one line of commodity, so the trade volume is relatively small. If we include the other commodity codes representing similar and related products, the volume will be much larger. Given different production structures, factor endowment, and different RCA profiles in the export sectors, Cambodia could potentially export to EAEU countries its garments products, blankets and travelling rugs, footwear, hats, gloves, travel goods, rice, cassava, sugar, umbrellas, natural rubber, and cigarettes. Annex 2 lists all top-100 potential exports of Cambodia, along with the total and annually average export volumes of each commodity during the last 5 years, to each EAEU member country.

Table 37. EAEU Imports from the World of Cambodia's Top-10 RCA Export Products during 2012–2016 ('000 US\$)

Top	8-Digit Codes	Commodity Description	Armenia 2012–2016		Belarus 2009–2013		Kazakhstan 2012–2016		Kyrgyzstan 2012–2016		Russia 2012–2016		All	Tariff (%)
			Total	Avg.	Total	Avg.	Total	Avg.	Total	Avg.	Total	Avg.		
1	'6104690	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers,	863	172.60	1,269	253.80	5,389	1,077.80	1,047	209.40	68,777	13,755.40	77,345	7-8
2	'6109102	T-shirts, singlets and other vests of cotton, knitted or crocheted: Of cotton: For women	18,666	3,733.20	60,021	12,004.20	182,508	36,501.60	12,507	2,501.40	1,960,103	392,020.60	2,233,805	5-7
3	'6103490	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches	434	86.80	193	38.60	2,572	514.40	2,205	441.00	2,449	489.80	7,853	8-9
4	'6110900	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted .	11,354	2,270.80	20,604	4,120.80	74,498	14,899.60	7,673	1,534.60	1,348,566	269,713.20	1,462,695	2-5
5	'6403200	Footwear with outer soles of rubber, plastics, leather or composition leather .	40	8.00	131	26.20	2,367	473.40	331	66.20	417	83.40	3,286	3-7
6	'1006309	Rice : Semi-milled or wholly milled rice, whether polished or glazed: Other:	9,699	1,939.80	44,854	8,970.80	1,153	230.60	589	117.80	203,969	40,793.80	260,264	0
7	'6103390	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches	160	32.00	43	8.60	674	134.80	340	68.00	1,687	337.40	2,904	10-14
8	'6109101	T-shirts, singlets and other vests of cotton, knitted or crocheted: Of cotton: For men or boys	18,666	3,733.20	60,021	12,004.20	182,508	36,501.60	12,507	2,501.40	1,960,103	392,020.60	2,233,805	5-7
9	'6108390	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes	419	83.80	74	14.80	820	164.00	203	40.60	2,693	538.60	4,209	2-16
10	'4001295	Natural rubber in primary forms or in plates, sheets or strip	207	41.40	400	80.00	821	164.20	34	6.80	83,988	16,797.60	85,450	0

EAEU = Eurasian Economic Union.

Source: Author's calculation.

Further study on the EAEU’s import of Cambodia’s top-100 potential export products indicates that Cambodia has more chances of exporting its top-100 commodities to EAEU countries on products where it has the RCA. Of Cambodia’s 100 potential commodities at the 8-digit level, EAEU countries imported more than US\$23 billion over 2000–2015 (ITC’s Trade Map Data, 2015). This means the region, on average, imported US\$4.06 billion of the 100 products from the world annually (Table 38). In this sense, Cambodia, to some extent, can take a segment from the world’s exports to the EAEU members, at least with respect to the 100 codes of commodities.

Table 38^a. EAEU Imports from the World of Cambodia’s Top-100 Exports with RCA

EAEU Countries	Total, 2000–2015	Average, Annual
Armenia	442,758.00	88,551.60
Belarus	550,636.00	110,127.20
Kazakhstan	2,737,244.00	547,448.80
Kyrgyzstan	751,628.00	150,325.60
Russia	18,521,547.00	3,704,309.40
Total	23,003,813.00	4,600,763.00

EAEU = Eurasian Economic Union, RCA = revealed comparative advantage.

^aThis table is a summary of Appendix A13.

Source: Author’s calculation.

2.2. Country Perspective

Cambodia’s RCA has proved that it is currently exporting very few commodities. Cambodia’s RCA profile at the 2-digit level indicates that exports of rice, rubber, garment products, footwear, umbrellas, and related products to the EAEU are gaining advantage. Notwithstanding, milling products, malt, starches, inulin, wheat gluten, and printed books, newspapers, and pictures are on the downward trend. That means the country depends too much on only a few export industries, and some are losing their export advantage. In this sense, the export industry and market diversification are inevitably the subjects of a policy dimension for future growth.

Studying up to the 8-digit level, we found that the industries in the uptrend are currently vertically diversified with more varieties of export products in such industries. Yet Cambodia is well diversified only in the garment industries. It needs more horizontal diversification; that is, to diversify in other industries.

Foreign market diversification should also be considered as a key policy discussion. Cambodia has different RCA profiles from all EAEU member countries, providing more chances of trade between the two parties if the FTAs are to take place. From Cambodia’s perspective, at the country-specific level, Russia and Belarus are the most potential market amongst the other EAEU member countries for Cambodia’s exports of the top-100 commodities, provided these two countries imported those commodities from the world at largest values (on average US\$2.74 billion per year)¹. Kazakhstan takes

¹ Calculated based on ITC’s Trade Map data (www.trademap.org).

third place as Cambodia's potential trading partner, followed by Belarus, Kyrgyzstan, and Armenia (Table 39).

For the garments industry, Belarus and Russia do not have an RCA in most commodities, and the countries are currently importing a large amount from the world, making them potential markets for Cambodia's garment industries. The tariff rates are still high in these two countries; hence, negotiations with Belarus and Russia should focus on reducing tariff in the garment industry. The other EAEU countries have RCA in garments export; they do not import much of these commodities, making them competitors for Cambodia in the EAEU and world markets, and are unlikely to be trading partners of Cambodia.

Rice export may not be Cambodia's trade trigger in the EAEU countries because domestic consumption in EAEU countries is quite low and some EAEU countries with RCA also export rice. To illustrate, Russia consumes about 1.2 million metric tons (MMT) of rice annually most of which are domestically produced². Kazakhstan has been exporting rice with RCA for 2000–2015 (see Annex 2). Fortunately, based on consumer preferences, Cambodia's rice may take a stand in the EAEU market due to its premium quality and international recognition and certification. In addition, all EAEU members set tariff rates for rice at zero, a preferential setting which Cambodia already gained without negotiating for tariff reduction.

With respect to trade in natural rubber, Cambodia has a high possibility of exporting natural rubber to Russia. The reason is that Russia does not have an RCA in export of these products (see Annex 2) and has the highest rubber imports amongst other EAEU countries, while tariff rates were set to zero.

In the footwear industry, no EAEU country has RCA in footwear products while Cambodia has high RCA in the last few years. This scenario provides floors for Cambodia's exports of such products. Special attention should be paid to the top importers in the region: Russia, Kazakhstan, and Armenia. Negotiators should demand for reduced tariff in the footwear industry as the tariff rates were high. Kyrgyzstan and Belarus do not seem to be a potential market for this industry.

Cambodia's export diversification should be driven towards those industries which are currently exported but with low RCA, including those related to cane, sugar, tobacco, cassava, umbrellas, and travel goods. In fact, not all EAEU countries are potential markets for all products; that is, each country has potential for some specific products.

In the tobacco industry, Cambodia may reassess the possibility of exporting tobacco-related products, among other things, provided that tobacco and cigarettes are currently exported by Cambodia, despite a small volume, and some EAEU members (Russia, Armenia, Belarus, and Kazakhstan) are importing such products as the top 10 products or at large amounts. However, Cambodia should also consider the domestic restrictions in the EAEU countries for these products, especially for alcohol and tobacco in Russia's market. Besides, most EAEU members (Armenia, Belarus, and Kyrgyzstan) are also exporters with RCA of cigarette and tobacco products, just like Cambodia. The countries that simultaneously import and export tobacco products can be Cambodia's trading partners in the sense of regional production and value chains of tobacco-related products.

Regarding the sugar industry, Armenia is the only country amongst EAEU members to import sugar despite imposing a very high tariff rate (23%) on these imported goods. Russia, on the other hand, is the only potential market in the region for Cambodia's cassava industry, as it is the only country to import

² Figure 1 in the annex provides more details on domestic production and trade data of rice.

cassava; the other countries do not import much cassava-related products. Umbrellas are imported into the region the most by two countries, Russia and Belarus, while the other members imported very little to none. Regarding travel goods, the top importers in the region are Belarus, Russia, and Kyrgyzstan, proving themselves to be the highest potential market for Cambodia’s exports of travel goods. Kazakhstan and Armenia are unlikely importers of Cambodia’s travel goods because they do not import much of these products.

To diversify its export industries and productions, Cambodia simultaneously needs to diversify on another key dimension, factors of production, which will support the country in industrialisation. Such diversification would progressively provide more choices to production by Cambodia’s domestic investors, especially in some prospective heavy industries. It will also lead to energy price becoming more affordable and competitive. The factors of production, which are currently imported from a few countries, can be alternatively outsourced from EAEU members.

From the export perspective, at the 8-digit tariff line, Cambodia’s trade negotiations with Russia should take care of such sensitive commodities as listed in Table 39. The reason is that, from the import side, Russia is rich in resources and is the country to provide factors of production to build the foundation and infrastructure for energy industries and able support the other industries as set out in Cambodia’s Industrial Development Plan (IDP). Table 39 shows potential imports from EAEU countries into Cambodia, if the Cambodia-EAEU FTA were to take place.

Table 39. Potential Export Groups – EAEU

EAEU Country	Potential Export Commodity Groups
Armenia	Apparel, agriculture, mineral, and raw materials used in agro-processing and mega-industry development
Belarus	Vegetables, fruits, tobacco, chemical products, lead, railway, and related products
Kazakhstan	Salt, sulphur, earth, stone, plaster, lime, cement; mineral fuels, oils, distillation products; organic chemicals; precious metal compound, isotope; lead; and other base metals
Kyrgyzstan	Vegetables; cereals; ores, slag and ash; and apparel
Russia	Fishery and animal products; cereal exports; salt, sulphur, earth, stone, plaster, lime and cement; mineral fuel and oil, distillation products; organic chemicals, precious metal compound, isotope; fertiliser; explosive pyrotechnics, matches, pyrophoric; copper, arms and ammunition

EAEU = Eurasian Economic Union.

Source: Author’s calculation.

3. Tariff and Non-tariff Barriers

In addition to the tariff barriers are significant domestic barriers to Cambodia’s export in each EAEU market, including domestic regulations, TBT, SPS, logistic costs, etc. Following are some of Russia’s domestic regulations that would affect trade and should be negotiated with relevant countries³:

³ <https://www.export.gov/article?id=Russia-Prohibited-Restricted-Imports>

- Export licence and prohibitions for specific products
- Importers of alcoholic products experienced a long-standing requirement that all customs duties, excise taxes, and value-added taxes on alcohol be paid in advance using a bank guarantee and deposit, whose reimbursement process was very slow.
- Technical regulations and related product testing and certification requirements as major obstacles to exports to Russia. Russian authorities require product testing and certification as key elements of the product approval process for various products, and only an entity registered and residing in Russia can apply for the necessary documentation for those product approvals. Consequently, opportunities for testing and certification performed by competent bodies outside Russia are limited.
- Russia's WTO Accession Protocol establishes tariff rate quotas (TRQs) for agricultural goods, such as beef, pork, poultry, and some whey products. Imports entering the market within the quota would enjoy lower tariffs but higher tariffs would be applied to imports outside of the quota. Some of these TRQs could also be subject to member-specific allocations. The current in-quota and out-of-quota rates are as follows:
 - o Beef: 15% duty in-quota, 55% duty out-of-quota
 - o Pork: 0% duty in-quota, 65% duty out-of-quota (The TRQ for pork will be replaced by a flat top rate of 25% on 1 January 2020.)
 - o Selected poultry products: 25% duty in-quota, 80% duty out-of-quota
 - o Selected whey products: 10% duty in-quota, 15% duty out-of-quota
- Moreover, tobacco consumption decreased by 39% amongst the adult population, (Xinhua, 2017). In 2011, restrictions on selling alcohol were strengthened. The list of places where alcohol sale was prohibited became longer, and a ban was imposed between 10 p.m. and 8 a.m. of the next day.
- Laws in the information technology (IT) industry have made it more difficult for technology companies to provide goods and services in Russia. For example, Russian Government Resolution No. 1236, in effect since the start of 2016, requires Russian government agencies to prioritise Russian software based on a registry published and updated by the Russian Communications Ministry. Under the new law, government agencies may only buy foreign software when a suitable domestic substitute is not available. Moreover, on 21 July 2014, President Putin signed the Personal Data Localization Law 242-FZ that requires companies to store personal data of Russian citizens only on servers physically located in Russia. This law made it more difficult for companies to select cloud-based IT solutions.